



2829 W. Howard Place
 Denver, CO 80204

TO: THE BRIDGE ENTERPRISE BOARD OF DIRECTORS
 FROM: JEFF SUDMEIER, CHIEF FINANCIAL OFFICER
 DATE: JANUARY 16, 2020
 SUBJECT: SIXTH SUPPLEMENT TO THE FISCAL YEAR 2019-20 BRIDGE ENTERPRISE BUDGET

Region 1:

This request is to increase the budget for the design and environmental phases of westbound I-70 over Clear Creek and US 6 (F-15-BL) in Clear Creek County. The structure is the BE eligible portion of the I-70 Floyd Hill to Veterans Memorial Tunnels Improvements project. F-15-BL is currently a second-tier candidate bridge in the July 2019 BE Prioritization Plan and is included on the approved SB267/SB1 project list. A recent bridge deck rehabilitation has temporarily improved the condition of the structure; however, it is anticipated that the structure will continue to deteriorate based on underlying issues with the existing bridge geometry, detailing, and materials. Funding is being requested at this time based on project readiness and availability of funds for programming.

- **\$873,900 FASTER Funds - Design Phase:** Increase the design phase.
- **\$604,500 FASTER Funds - Environmental Phase:** Increase the environmental phase.

I-70 West Bound over Clear Creek in Clear Creek County
 (F-15-BL) (No New structure assigned) (SAP Project # 22716/1000...)
 Budget Components by Phase, Funding Program, Fiscal Year

Phase of Work	Funding Program	Current Budget	BE Supplement Action				Revised Budget	Expended To-Date
			Year of Budget			Total Request		
			FY 2020	FY 2021	FY 2022			
Design	FASTER Bridge Funds	\$ 591,200	\$ 873,900	\$ -	\$ -	\$ 873,900	\$ 1,465,100	\$ 304,122
	Total Design	\$ 591,200	\$ 873,900	\$ -	\$ -	\$ -	\$ 1,465,100	\$ 304,122
Construction	FASTER Bridge Funds	\$ 63,400	\$ 604,500	\$ -	\$ -	\$ -	\$ 63,400	\$ 41,087
	Total Environmental	\$ 63,400	\$ 604,500	\$ -	\$ -	\$ 604,500	\$ 667,900	\$ 41,087
Total Project Budget & Expenditure		\$ 654,600	\$ 1,478,400	\$ -	\$ -	\$ 1,478,400	\$ 2,133,000	\$ 345,209
			Year of Expenditure			Total Request		
			FY 2020	FY 2021	FY 2022			
			\$ 478,400	\$ 500,000	\$ 500,000	\$ 1,478,400		

Region 2:

This request is to establish the construction phase budget for this bridge replacement project. The existing deficient bridge is a top-tier candidate bridge in the July 2019 BE Prioritization Plan.

- **\$2,971,300 FASTER Funds - Construction Phase:** Establish the construction phase.

I-25 South Bound over Draw in Pueblo County
 (K-18-U) (New structure K-18-UA) (SAP Project # 22823/1000...)
 Budget Components by Phase, Funding Program, Fiscal Year

Phase of Work	Funding Program	Current Budget	BE Supplement Action				Revised Budget	Expended To-Date
			Year of Budget			Total Request		
			FY 2020	FY 2021	FY 2022			
Design	FASTER Bridge Funds	\$ 453,600	\$ -	\$ -	\$ -	\$ -	\$ 453,600	\$ 84,382
	Total Design	\$ 453,600	\$ -	\$ -	\$ -	\$ -	\$ 453,600	\$ 84,382
Construction	FASTER Bridge Funds	\$ -	\$ 2,971,300	\$ -	\$ -	\$ 2,971,300	\$ 2,971,300	\$ -
	Total Construction	\$ -	\$ 2,971,300	\$ -	\$ -	\$ 2,971,300	\$ 2,971,300	\$ -
Total Project Budget & Expenditure		\$ 453,600	\$ 2,971,300	\$ -	\$ -	\$ 2,971,300	\$ 3,424,900	\$ 84,382
			Year of Expenditure			Total Request		
			FY 2020	FY 2021	FY 2022			
			\$ 1,150,000	\$ 1,821,300	\$ -	\$ 2,971,300		



COLORADO
Department of Transportation
Division of Accounting and Finance

MEMORANDUM

TO: COLORADO BRIDGE ENTERPRISE BOARD OF DIRECTORS
FROM: KAY HRUSKA, ENTERPRISE CONTROLLER
JEFF SUDMEIER, CHIEF FINANCIAL OFFICER
DATE: JANUARY 16, 2020
SUBJECT: ANNUAL AUDITED FINANCIAL STATEMENTS FOR FISCAL YEARS 2018 AND 2019

Purpose

To present the Colorado Bridge Enterprise's (CBE) annual audited financial statements for Fiscal Years 2018 and 2019.

Action

No formal action is being requested. Informational only.

Background

On an annual basis, the Office of the State Auditor (OSA) engages an outside audit firm to conduct a financial and compliance audit of the CBE. For Fiscal Year 2019, OSA contracted with BKD, LLP to complete the annual audit. The purposes and the scope of the Fiscal Year 2019 audit were to:

- Express an opinion on the financial statements of CBE as of and for the years ended June 30, 2018 and 2019, including consideration of internal control over financial reporting.
- Review CBE's compliance with rules and regulations governing the expenditure of State funds for the year ended June 30, 2019.
- Issue a report on CBE's internal control over financial reporting and on compliance with certain provisions of laws, regulations, contracts, and grant agreements as well as other matters based on OSA's audit of the financial statements performed in accordance with Governmental Auditing Standards for the year ended June 30, 2019.

The Fiscal Year 2018 and 2019 audited financial statements are posted to CBE's website: <https://www.codot.gov/programs/BridgeEnterprise/financial-statements/cbe-fs-063019.pdf/view>.

Details

BKD's report included an unmodified opinion of CBE's financial statements for the year ended June 30, 2019. There was one finding and recommendation, which resulted in a material weakness in internal controls over financial reporting. A material weakness is a deficiency, or a



combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of CBE's financial statements will not be prevented, or detected and corrected, on a timely basis.

The material weakness occurred due to CBE improperly reducing capital asset expenses by approximately \$7.3 million during Fiscal Year 2019 when correcting a prior year error. During Fiscal Year 2017-18, there were seven projects created with a new project profile. The project profile is a distinguishing characteristic between a capital project and a project that is expensed. Consequently, all expenses related to the seven projects were expensed in Fiscal Year 2017-18, due to the new project profiles being excluded from the capital asset settlement process. This error was discovered by the Capital Asset Accountant in Fiscal Year 2018-19 and a correcting entry was made. The correcting entry attempted to move the capital asset expenses to the construction in progress asset account, but the entry did not consider that the original expenses were accumulated in Fiscal Year 2017-18. As a result, CBE's Fiscal Year 2018-19 expenses were understated by \$7.3 million and beginning net position was also understated.

Next Steps

To prevent this error from occurring in the future, BKD identified two recommendations to improve internal controls, which CBE is in the process of implementing:

1. Implement additional levels of review over recorded journal entries and its annual financial statements.
 - CBE is in the process of developing effective policies and procedures that will strengthen controls over the review and approval process for nonroutine journal entries. These new policies and procedures will be implemented by June 2020.
 - CBE is in the process of incorporating an additional level of control over the financial statements, including a structural review by a third-party accounting staff member who is not involved with the daily transactions of CBE.
2. Provide additional training to CBE personnel, including those who work outside of the Accounting and Finance Division, on the importance of maintaining proper codes for projects and the effects of changes in project codes between that of a capital projects and a project that is expensed.
 - Updated direction has been provided to the Business Process Experts responsible for maintaining proper project codes, reiterating the importance of communicating new project profiles for projects. Additionally, a new report has been developed comparing expenditures to capitalized asset expenditures for all projects on an aggregate level. This report has been incorporated into the monthly asset capitalization process to identify any missed expenditures that should have been capitalized prior to the period close. This new report was developed and incorporated into the month-end close process in December 2019. This new process is documented in the CDOT Accounting Asset Capitalization Procedure.

