



**COLORADO**

**Department of Transportation**

Division of Audit

January 2025 Internal Audit Report released by the Audit Review Committee (ARC) at the February 19, 2025 ARC meeting

**Report Number 25-001**

# **Division of Accounting and Finance Year-End Close Processes and Statutory Violations**

**Released Report**



**January 2025**

The Colorado Department of Transportation (CDOT) Audit Division (Audit) is an independent, internal audit function authorized pursuant to Colorado Revised Statutes Section 43-1-106(12) to perform audits and furnish other information or assistance to help ensure the financial integrity, and efficient and effective operations of CDOT. Audit reports directly to an Audit Review Committee (ARC) that provides independent oversight, thereby ensuring the division is free from internal and external influences to provide objective and independent assessments. Audit is responsible for examining and evaluating CDOT's various operations in order to improve efficiency and effectiveness.

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February 19, 2025

The attached report presents the results of the Division of Accounting and Finance (DAF) Year-End Close Processes and Statutory Violations Audit (report number 25-001, dated January 2025). This report was reviewed and released by the CDOT Audit Review Committee (ARC) on February 19, 2025, and adds value by assisting management with improving the effectiveness and efficiency of DAF Operations.

We conducted this review as part of our Fiscal Year 2025 audit plan and performed this work in accordance with generally accepted government auditing standards. This report presents our findings, conclusions, and recommendations, and the responses of CDOT management.

Frank Spinelli, CPA, CIA  
Director, Audit Division

cc: Shoshana Lew, Executive Director  
Herman Stockinger, Deputy Director, and Director of Policy  
Sally Chafee, Chief of Staff  
Keith Stefanik, Chief Engineer  
Kay Kelly, innovative Mobility Chief  
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## Report Highlights

### Background

Year-end close is the process that CDOT undertakes to finalize its financial reports and ensure accurate reporting. CDOT's financial statements are not reported individually but rather are part of the State of Colorado's Annual Comprehensive Financial Report. The financial statements are based on the State's fiscal year (FY), which is from July 1 to June 30. In order for CDOT to prepare its financial statements, it must complete various activities throughout the year as well as at year-end. These year-end activities include but are not limited to making adjusting entries, recording accruals, correcting any errors that occurred in previous periods, requesting rollovers of unused federal funds, conducting inventories, paying invoices, and preparing exhibits.

Statutory violations, as defined by State of Colorado Fiscal Rule 3-1 2.25, are "liabilities incurred or payments made on the State's behalf without prior approval of a Purchase Order, Grant Agreement, Small Dollar Grant Award, or State Contract by the State Controller or a proper delegate, when required under this Fiscal Rule, or without the prior approval of a State Contract by the State's Chief Information Officer or a proper resource constraint."

### Highlights

The Audit Division evaluated Division of Accounting and Finance (DAF) operations with respect to year-end close processes and the process of mitigating the risk of statutory violations. With regard to year-end close processes, Audit focused on five major areas that were performed in FY 2023: 1) the year-end calendar, 2) accruals, 3) check payments, 4) diagnostic reports, and 5) subrecipient reporting.

The audit found that improvement opportunities exist for both process areas. In addition, Audit identified four issues that are not directly related to the audit objective but warrant management's attention. This audit was initiated at the request of the Chief Financial Officer as part of DAF's strategy for continuous improvement.

Management has already begun to make some improvements including developing a team for managing grants, cross-training, improving diagnostic report reviewing procedures, and increasing the threshold for accruals.

Audit made 11 recommendations and 6 suggestions that could assist management with achieving further improvements in its processes.

## Objective

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The Audit Division (Audit) evaluated Division of Accounting and Finance (DAF) operations with respect to year-end close and statutory violation processes.

## Scope and Methodology

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This audit completed a review of two areas of DAF's processes: year-end close and statutory violations.

With regard to the year-end close process, Audit focused on five major areas that were performed in fiscal year (FY) 2023: 1) the year-end calendar, 2) accruals, 3) check payments, 4) diagnostic reports, and 5) subrecipient reporting. In addition, Audit reviewed statutory violations that were ratified from FY 2020 through FY 2024.<sup>1</sup>

In order to achieve our objective, Audit:

- Reviewed CDOT's FY 2023 year-end calendar and compared this calendar to calendars maintained by the Office of State Controller (OSC), Colorado Department of Health Care Policy and Financing, and Colorado Department of Education.
- Sampled 367 (actual was 364, 3 supporting docs were not able to be provided by management) of the 3,532 accruing invoices for FY 2023 that were over \$10 to achieve a 95 percent confidence level. The sample was based on percentage of dollar value to the total amount of accruals.
- Reviewed the subrecipient listing prepared by DAF for the FY 2023 K-1 Exhibit. Audit sampled over 600 subrecipient transactions from a population of about 2,500 to achieve a 95 percent confidence level. These transactions are identified on the ZF07 SAP report.
- Reviewed 171 statutory violations that were disclosed, processed, and ratified by the OSC for the period FY 2020 through FY 2024.
- Reviewed documentation from SAP, OnBase®, and ProjectWise.
- Compared CDOT's statutory violations list with the list maintained by the OSC.
- Performed a trend analysis on various data sets.
- Reviewed calendar year 2023 payment methods.
- Interviewed CDOT staff.
- Reviewed the following guidance:
  - "State of Colorado Fiscal Rules" (Fiscal Rules) (2018, 2022),
  - "State of Colorado Procurement Rules" (Procurement Rules) (2019, 2023),
  - CDOT FY23 "Year-End Close Schedule Tracker,"
  - Office of the State Controller (OSC) *Fiscal Procedures Manual*,
  - *State Controller Policy "Statutory Violations" (9/2021)*,
  - *CDOT Local Agency Manual*,
  - *CDOT Subrecipient Monitoring and Risk Assessment Manual*, and
  - *Code of Federal Regulations (CFR) §200.302*.

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<sup>1</sup> Ratified statutory violations are defined as those violations that have been waived by the Office of the State Controller and the acceptance of the commitment voucher (purchase order or contract) for payment by the state.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. For all tests completed as part of this audit, we did not assess the reliability of data received from SAP, OnBase®, or ProjectWise.

## **Background**

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This audit was initiated at the request of the CFO, as part of DAF's strategy for continuous improvement. The request was to review two specific processes of DAF operations: year-end close and statutory violations.

### **Year-End Close**

Year-end close is the process that CDOT undertakes to finalize its annual financial reporting. CDOT's financial statements are not reported individually but rather are part of the State of Colorado's Annual Comprehensive Financial Report (ACFR). Colorado law (Colorado Revised Code § 24-30-204) requires that each state department, institution, or agency submit their financial statements to the state controller no later than August 25. The state controller, in turn, consolidates these financial statements in accordance with Governmental Accounting Standards and prepares the ACFR. The financial statements are based on the State of Colorado's fiscal year, which is from July 1 to June 30.

In order to prepare its annual financial statements, CDOT must complete various activities throughout the year, as well as at year-end. These year-end activities include but are not limited to making adjusting entries, recording accruals, correcting any errors that occurred in previous periods, requesting rollovers of unused federal funds, conducting inventories, paying invoices, and preparing exhibits. The OSC has developed a calendar of year-end close activities to assist state agencies with finalizing their financial activities.<sup>2</sup>

### **Statutory Violations**

Statutory violations, as defined by State of Colorado Fiscal Rule 3-1 2.25, are "liabilities incurred or payments made on the State's behalf without prior approval of a Purchase Order, Grant Agreement, Small Dollar Grant Award, or State Contract by the State Controller or a proper delegate, when required under this Fiscal Rule, or without the prior approval of a State Contract by the State's Chief Information Officer or a proper resource constraint." An employee responsible for a statutory violation could be liable for the infraction amount if not ratified by the OSC.

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<sup>2</sup> See [OSC Fiscal Rules & Procedures](#) for OSC Open Close Calendar

CDOT has experienced a significant increase in statutory violations, both in terms of quantity and dollar value, resulting in concern by the CFO. For example, by FY 2024, the total amount of statutory violations had increased to \$4.8 million from about \$1.4 million in FY 2020.

## Findings and Conclusions

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The Audit Division evaluated DAF operations with respect to year-end close processes and statutory violations and found that opportunities for improvement exist.

### Year-End Close

Our review examined CDOT's year-end close processes and identified opportunities that could assist the department with completing year-end activities in a timelier fashion. These opportunities include streamlining year-end activities and improving the efficiency of the accrual, payment, diagnostic report, and subrecipient reporting processes.

### Year-End Calendar

The year-end calendar is used to help organize and establish deadlines regarding the completion of various activities. Audit compared CDOT's year-end calendar to the calendars maintained by the OSC, Colorado Department of Health Care Policy and Financing, and Colorado Department of Education. The CDOT calendar consists of about 300 activities, as compared to the OSC calendar that consists of 227 departmental tasks and an average of about 140 activities on the two other state agencies' calendars.<sup>3</sup> These comparisons indicate CDOT's year-end calendar may have too many activities not essential for the year-end close, thereby creating confusion regarding key tasks that must be performed in order to achieve a timely and accurate close. For example, we found 19 calendar tasks that could be deleted because they could be automated, were redundant, or were no longer needed due to process changes.<sup>4</sup> Audit recommends that management streamline the year-end calendar to include only the essential tasks needed to timely complete year-end activities.

Interviews also found that some DAF staff lacked an understanding as to what tasks must be completed to ensure a timely close. In addition, in FY 2023, there was only one DAF employee who was familiar with the entire process. Over reliance on a single employee increases the risk of errors and untimeliness. Although DAF is conducting cross-training of other DAF members and developing desk guides, continued effort is still required to ensure the timely completion of year-end activities and correct over reliance on one CDOT employee.

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<sup>3</sup> Some state agencies rely on the Office of the State Controller calendar in determining their year-end close activities.

<sup>4</sup> Audit informed CDOT management of these 19 calendar tasks.

## Accruals

One of the key activities for year end is making accounting adjustments for accruals, which are for amounts of money that have been earned or spent, but not yet received or paid.<sup>5</sup> For instance, invoices for construction projects are not always received timely; therefore, CDOT makes accrual adjustments for construction projects based on estimates regarding a project's completion at year end. In FY 2023, CDOT made about 3,500 accrual adjustments over \$10. Based on our review of the accrual process, audit identified opportunities to streamline this process, which include:

- Establishing a materiality threshold of \$5,000 for an individual accrual adjustment,<sup>6</sup> and
- Avoiding accruals by requiring vendors and/or subrecipients to submit invoices timely and subsequently paying these invoices prior to the year-end close.

Audit analyzed the approximately 3,500 FY 2023 accrual adjustments and found that nearly 2,200 (62 percent) were for less than \$5k. In addition, the total dollar value of the nearly 2,200 accrual adjustments were about \$1.6 million, representing less than 1 percent of the total dollar amount of accruals made in FY 2023. See Charts 1 and 2. Based on CDOT's FY 2023 financial statements, individual transactions under \$5,000 are considered immaterial and are unnecessary adjustments for reporting purposes. Not having to make accrual adjustments for amounts under \$5,000 would assist CDOT with streamlining the accrual process.

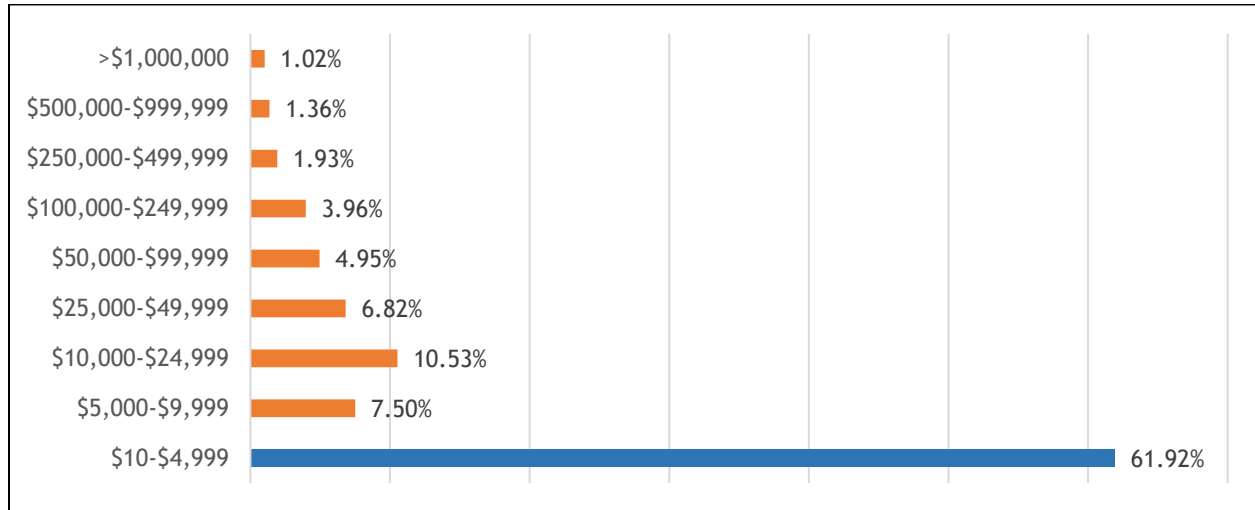
According to CDOT management, OSC has agreed to change its policy for CDOT to reflect that individual accrual adjustments under \$5,000 do not need to be made.

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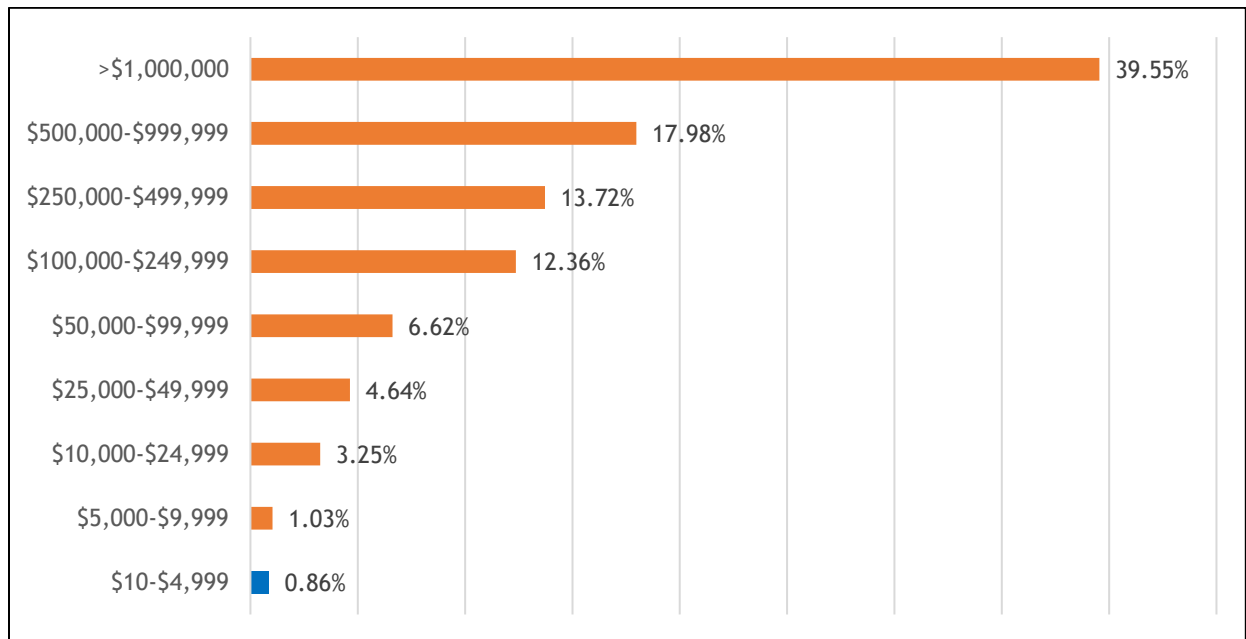
<sup>5</sup> See [What Is Accrual Accounting, and How Does It Work?](#)

<sup>6</sup> Materiality is a concept that determines whether the omission or misstatement of information in a financial report would impact a reasonable user's decision-making.

**Chart 1: Accrual Adjustments as a Percent of Total Number of Adjustments  
FY 2023**



**Chart 2: Accrual Adjustments as a Percent of Total Dollar Value of Adjustments  
FY 2023**



Audit also found further opportunities to reduce the number of accrual adjustments by requiring vendors and subrecipients to submit invoices and, subsequently, CDOT paying these invoices prior to the year-end close. For instance, our analysis of the 3,500 adjustments made in FY 2023, found 717 accruals with an associated dollar value of \$61 million that were made for local agencies, which represented about 20 percent of the total number of accruals made and over 30 percent of the total dollar amount. In our discussions with regional staff, we found that local agencies not submitting invoices

timely was a problem. The Intergovernmental Agreement (IGA), section 7F, paragraph v reads, “The State shall not be liable to reimburse Local Agency for any costs invoiced more than 60 days after the date on which the costs were incurred, including costs included in Local Agency’s final invoice.” This language is similar to that found in both the Agreement and Contract instruments used by CDOT, but the 60-day requirement is not contained in Grant or Subaward agreements.

Through discussions with regional staff, Audit found some staff follow-up with local agencies to ensure invoices are provided timely while others do not. Further, there are no repercussions if a local agency does not comply, even when the contracting instrument states that the State is not liable, because most staff believe the penalty is too harsh. A more practical and less severe consequence would be to avoid awarding any additional contracts until the local agency demonstrates compliance. CDOT should consider whether to modify its contracting instruments to allow for a less severe consequence that it would be willing to enforce. A more consistent follow-up with local agencies to ensure timely invoice submission, as well as enforcement of invoice submission contract provisions, if necessary, would aid in streamlining DAF’s accrual process by reducing the number of accruals.

The analysis of 364 sample accrual adjustments identified 46 adjustments, or about 13 percent, with an invoice date prior to June 1.<sup>7</sup> These invoices could have potentially been paid before year-end, thus avoiding the accrual adjustment process. Audit recommends requiring vendors and/or subrecipients to submit invoices timelier and, subsequently, CDOT to pay these invoices more timely.

Our review also found that internal controls over the accrual process could be improved. For example, our review found 79 of the 364 sampled accrual adjustments (22 percent) lacked sufficient support documentation in SAP, such as the invoice or estimate calculation worksheet. Audit also found the accrual checklist is inconsistently uploaded to SAP.<sup>8</sup> Supporting documentation was available and subsequently provided by accounting staff for all but 3 sample adjustments.

In addition, accruals are determined, either for CDOT and/or the local agencies based upon estimates, which could result in incorrect accruals. There were approximately 48 transactions (13 percent) from our sample of 364 that were made using project estimates.<sup>9</sup> Instead, the percent of completion method should be used in order to

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<sup>7</sup> Please note that Audit could not obtain supporting documentation for 3 sample adjustments. As such our analysis only covers 364 of the 367 sample selections.

<sup>8</sup> Checklist used for accruals is not a formal CDOT policy but an informal internal control. The supporting documentation could not be found in either SAP and OnBase®

<sup>9</sup> Including CDOT and Local Agency project estimates.

comply with Generally Accepted Accounting Principles (GAAP), which are the standards required to be used by the State of Colorado for financial statement preparation.<sup>1011</sup>

## Check Payments

CDOT pays invoices throughout the year, but payment issues that occur, especially at year end, can contribute to delays in the year-end closing process. For example, in calendar year 2023, over 10,000 checks (32 percent of total payments) were issued. Check payments require additional effort since these checks must be placed into envelopes and mailed. In addition, checks are sometimes returned to CDOT because of vendor address errors, requiring CDOT to research/correct the error and then reissue the payment. Also, during calendar year 2023, 98 checks were voided because vendors provided an affidavit that the checks were not received. Therefore, Audit recommends requiring all vendors to be paid by electronic funds transfer (EFT), which would eliminate the issuing and mailing of checks and result in receiving federal reimbursement sooner and a more efficient process, especially during year end.

## Diagnostic Reports

Our review found that CDOT was not always reviewing/responding to the diagnostic reports provided by the OSC each month as required by Colorado statute.<sup>12</sup> Diagnostic reports are to be used as a monitoring tool by various state agencies and departments for the OSC. These reports show potential noncompliance issues, such as abnormal account balances, out of balance conditions, over expenditures, and other abnormalities that need to be corrected and/or responded to. In addition, reviewing and correcting issues identified in monthly diagnostic reports would help in completing the year-end closing process timelier. For example, CDOT was required to make over \$720 million in accounting adjustments in FY 2023 after the Period 13 close that were directly related to unresolved diagnostic report errors.<sup>13</sup> The majority of this amount (\$640 million) related to a single reclassification of Highway User Tax Fund revenue.

Our analysis of the 17 FY 2023 diagnostic reports issued to CDOT shows that there were 7 diagnostic reports with errors that were not corrected timely. The reasons for these errors were: 1) appropriations with a zero balance, 2) abnormal balances, 3) over expenditures, 4) inter-fund transfers out of balance, 5) intra-fund transfers out of balance, 6) unbudgeted expenses, and 7) funds with deficit balances. These issues were identified in FY 2023 Quarter 1, and all remained unresolved in FY 2023 Quarter 4. These errors, with one exception, were resolved by FY 2024, Quarter 4. Based on our interviews with DAF staff, the main reasons these reports were not reviewed timely can

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<sup>10</sup> The percentage of completion method is an accounting method in which the revenues and expenses of long-term construction projects are recognized as a percentage of the work completed during the period.

<sup>11</sup> Rule 1 CCR 101-1-8-1 - Financial Statements are required to comply with GAAP.

<sup>12</sup> Colorado Revised Statute 43-1-113(10) states, "The department shall also submit a monthly report of financial information to the controller no later than fifteen days after the close of each month."

<sup>13</sup> Findings identified in the "Statewide Single Audit Fiscal Year Ended June 30, 2023."

be attributed to a lack of personnel, insufficient training of existing staff, and a lack of written policies and procedures.

In FY 2024, significant improvement was made with reviewing and correcting diagnostic report errors, which helped CDOT reduce the number of required post period adjustments in FY 2024. For example, in FY 2023 post period adjustments, both CDOT and OSC adjustments, were over \$1.4 billion as compared to just \$167 million in FY 2024.<sup>14</sup> Audit recommends management continue efforts with reviewing diagnostic reports timely and correcting errors as needed. Further, CDOT should consider running these reports on a weekly basis throughout the year and on a daily basis during accounting periods that occur at or after year end (Periods 12 and 13).

### Subrecipient Reporting

Federal regulations define a subrecipient as an entity, usually but not limited to non-federal entities, that receives a subaward from a pass-through entity to carry out part of a federal award.<sup>15</sup> CDOT is a pass-through entity that passes federal funds to local governmental and nonprofit entities. DAF's role in the year-end subrecipient reporting process is to produce a listing of all subrecipients that received pass-through dollars each fiscal year. This listing is used to prepare the K-1 Exhibit, which is part of CDOT's financial statements. This listing not only includes the names of the subrecipients but also the funds received and the associated federal programs.

CDOT uses two different processes for preparing the subrecipient listing, one related to federally funded construction projects and the other for federally funded non-construction activities. Federal funds received for construction projects are usually greater than funds received for other activities. For example, in FY 2023, CDOT passed through over \$100 million to subrecipients for construction projects. In comparison, non-construction grants received from the federal government amount to approximately \$45 million, with the majority of these funds being passed through to subrecipients. Audit examined the two processes used by DAF in preparing the K-1 Exhibit subrecipient listing.

### Construction Projects

Our review identified that the process to prepare the subrecipient listing for construction projects is labor intensive. Based on our interviews, a DAF employee prepares this listing twice per year, which takes the employee about 30 days each time (60 total days). The process involves verifying subrecipients that received federal funds, mainly Federal Highway Administration (FHWA) funds, against an SAP custom report to determine whether a subrecipient relationship exists and if the proper federal program

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<sup>14</sup> Data provided by the Office of the State Controller.

<sup>15</sup> 2 CFR §200.1

was identified, as indicated by the Assistance Listing Number.<sup>16</sup> This SAP report lists all entities that have been coded in the system as a governmental or nonprofit entity. Audit identified two additional factors making this task time consuming.

First, the necessary support documentation, such as the subrecipient determination tool, IGA or contract, is not readily available in a centralized location, such as SAP or ProjectWise, resulting in additional effort by DAF staff to determine if a subrecipient relationship exists. For example, of the approximately 600 subrecipient transactions that Audit sampled, 281 were specifically for federally funded construction projects.<sup>17</sup> These 281 subrecipient transactions represented 148 individual projects. We found that 79 projects of these projects, or 53 percent of the sample, were missing the subrecipient determination tool in both SAP and ProjectWise. This tool is an internal control used by CDOT to identify whether a subrecipient relationship exists. The *Subrecipient Monitoring and Risk Assessment Manual* (Sections 1.3.1 and 6), recommends but does not mandate that the subrecipient tool be attached to the SAP Shopping Cart and that the final versions of the risk assessment and determination tools be uploaded to ProjectWise.<sup>18</sup>

Consequently, by not making this a requirement, the determination tool is often not included in SAP as attachment. In addition, SAP currently does not currently have a field showing the subrecipient determination. Thus, having the determination tool attached in SAP via the Shopping Cart along with an SAP field that easily identifies a subrecipient for DAF personnel would help reduce the time needed to prepare the year-end subrecipient listing. One reason the determination tool is not always maintained in ProjectWise is due to CDOT staff and local agencies having difficulty with accessing ProjectWise. According to CDOT personnel, this is sometimes the result of poor internet connectivity in rural areas. As a result, many project documents are located elsewhere, such as Google Drives or other files that are not readily or accessible to DAF staff working in headquarters. Audit recommends CDOT require the subrecipient determination tool to be placed as an attachment in the Shopping Cart for construction projects, as well as develop a field to identify subrecipient status.

The second factor making the subrecipient listing process more time consuming is with regard to Assistance Listing Numbers (ALNs) for federally funded construction projects. Due to a configuration limitation on CDOT's version of SAP, all subrecipient payments default to ALN 20.205 in its Projects Module. Due to substantial increases in federal funding, there are now multiple construction funding sources with different ALNs and a lot more transactions than in the past, most notably related to the American Rescue Plan Act funds. Because the system cannot identify the actual ALN of all subrecipient construction payments, DAF employees are required to review each project to ensure the ALN is correct (see "Other Matters" for Excel concerns). Audit suggests CDOT

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<sup>16</sup> An Assistance Listing Number (ALN) is a five-digit number that identifies a federal program that provides assistance or benefits to the public.

<sup>17</sup> Subrecipient transactions are those listed on the SAP ZF07 report used to prepare the listing used in the Exhibit K; transactions can be for the same construction project.

<sup>18</sup> A shopping cart is used to request the purchase of good and services.

explore the possibility of modifying the current SAP system code or take into consideration for any future ERP system that will allow for different ALNs. This would streamline the K-1 Exhibit subrecipient listing process, thus significantly reducing the time necessary to complete the task and likely improving accuracy.

### **Non-Construction Activities**

The process for preparing the listing of non-construction grants is simpler because SAP is able to identify non-construction ALNs in the Grants Module. This is due to staff manually developing and entering every invoice into the system and using a spreadsheet to determine and track the ALNs. This manual process would be difficult for grants used in construction projects due to the volume. Moreover, there have been many custom builds within the SAP Projects Module, such as a billing system that allows for a more automated billing process. Thus, making a change for the grants used in construction projects would be impossible unless various SAP custom builds change as well. The Colorado Transit and Rail Awards Management System (COTRAMS) also helps manage various grants provided to the Division of Transit and Rail (DTR) from the Federal Transit Administration (FTA). COTRAMS streamlines and automates the CDOT grant management process and allows for multiple ALNs. However, similar to construction projects, support documentation for determining the non-construction subrecipient status was not always available in SAP. For example, based on our sample of 325 transactions (from a total population of 1,459), 67 transactions did not have any documentation readily available to determine if a subrecipient relationship existed, requiring additional effort.

In addition, we found 11 transactions were misidentified as subrecipient transactions indicating opportunities to improve the process. The current process is to prepare the subrecipient listing and send to the affected departments, such as DTR and the Office of Transportation Safety to determine if the listing is correct. This determination should be made based on source documentation, such as a subrecipient determination tool and/or contract created at the beginning of the process. As with the construction project process, having a determination tool attached in SAP via the Shopping Cart along with an SAP field showing the subrecipient status would improve the process by reducing potential errors, as well as the time needed to prepare the K-1 Exhibit subrecipient listing for non-construction grant projects.

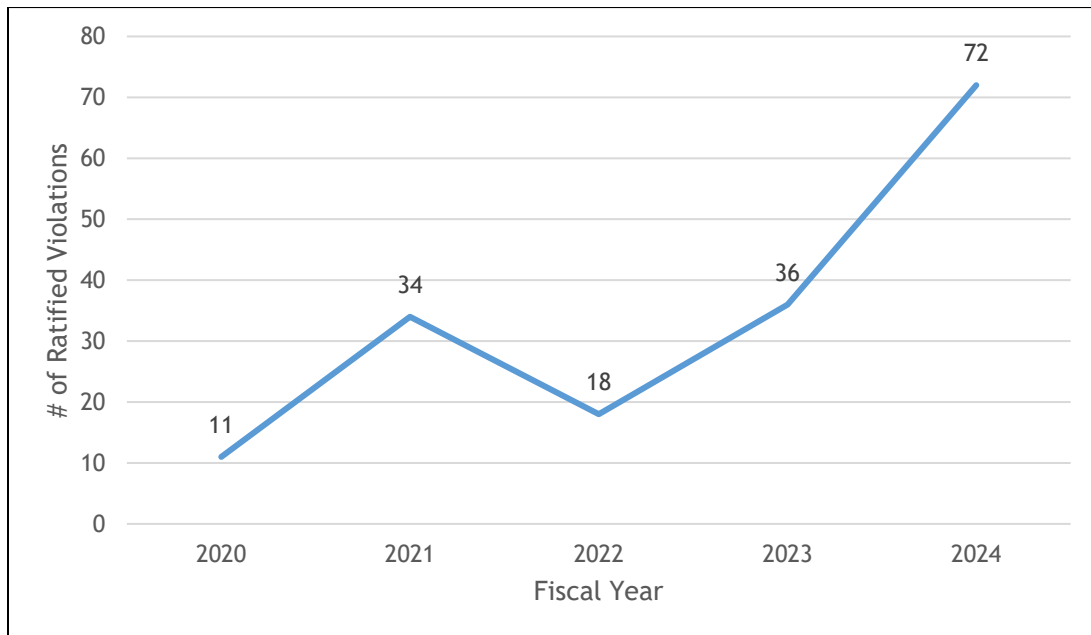
Lastly, although the differences are insignificant, Audit is unable to tie into the K-1 Exhibit by ALN due to CDOT using federal revenues received by ALN rather than expenditures made for each grant to prepare the K-1 Exhibit.

### **Statutory Violations**

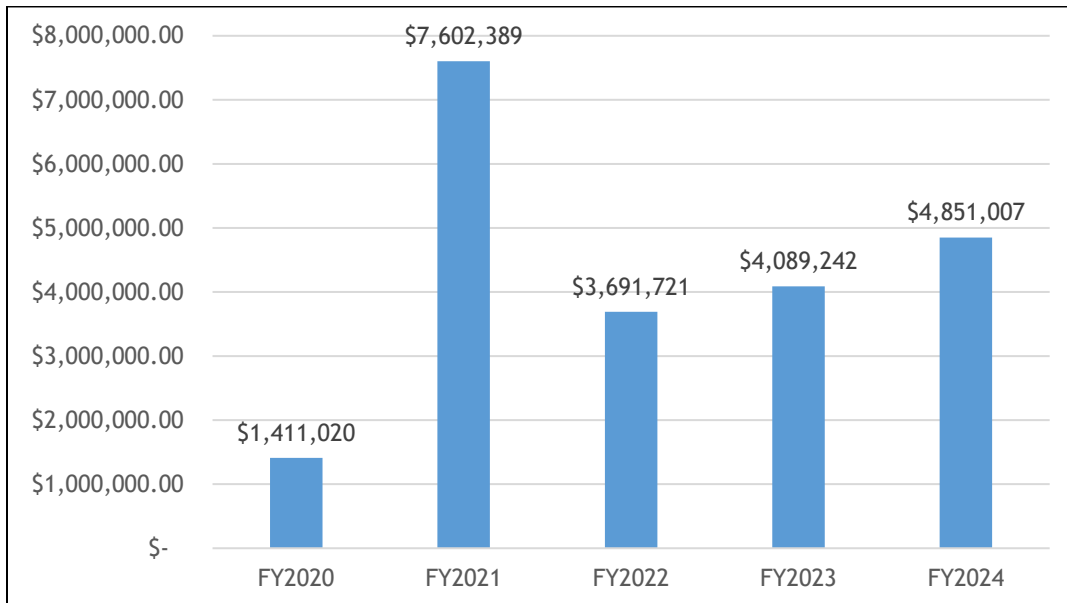
Audit also found that opportunities exist to improve the process associated with mitigating the risk of statutory violations. For example, CDOT's ratified statutory violations increased from 11 in FY 2020 to 72 in FY 2024, an increase of 555 percent, with the largest increase between FY 2023 to FY 2024. Similarly, the dollar value

associated with these violations increased from about \$1.4 million in FY 2020 to about \$4.8 million in FY 2024, an increase of over 200 percent. See Charts 3 and 4. Hence, these trends indicate that CDOT is at a high risk of continuing to incur statutory violations.

**Chart 3: Number of Ratified Statutory Violations**  
**FY 2020-2024**



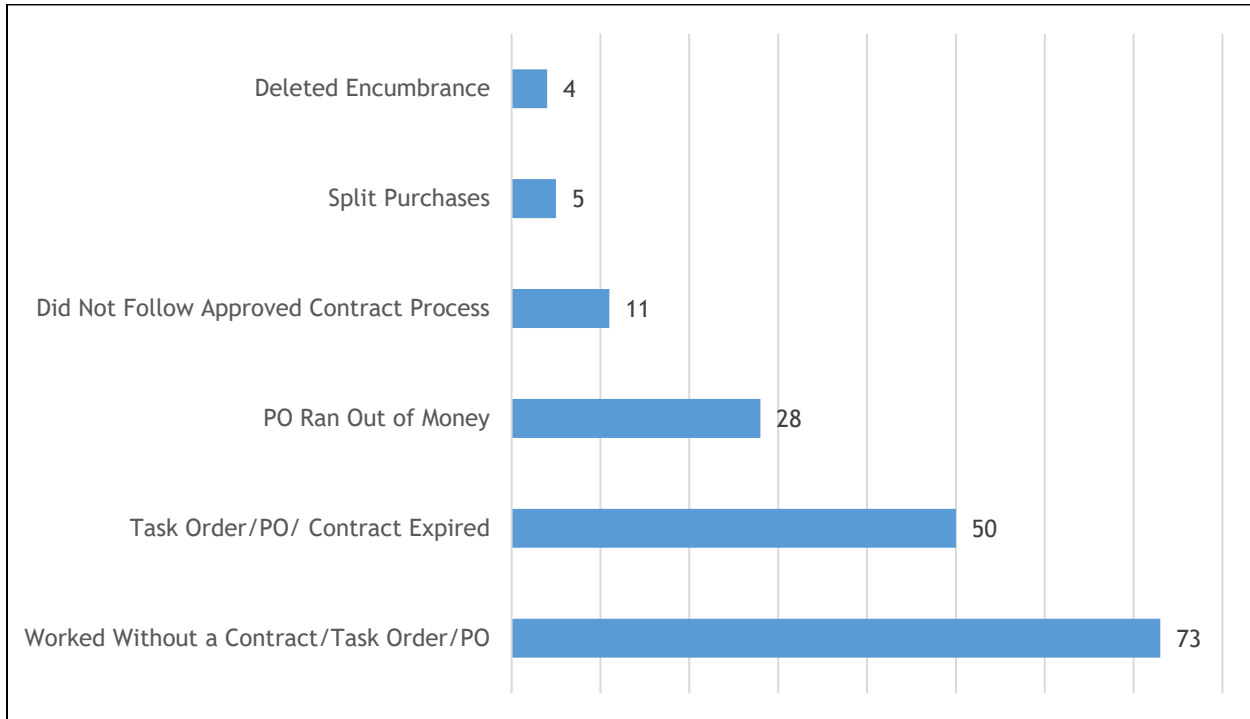
**Chart 4: Dollar Value of Ratified Statutory Violations**  
**FY 2020-2024**



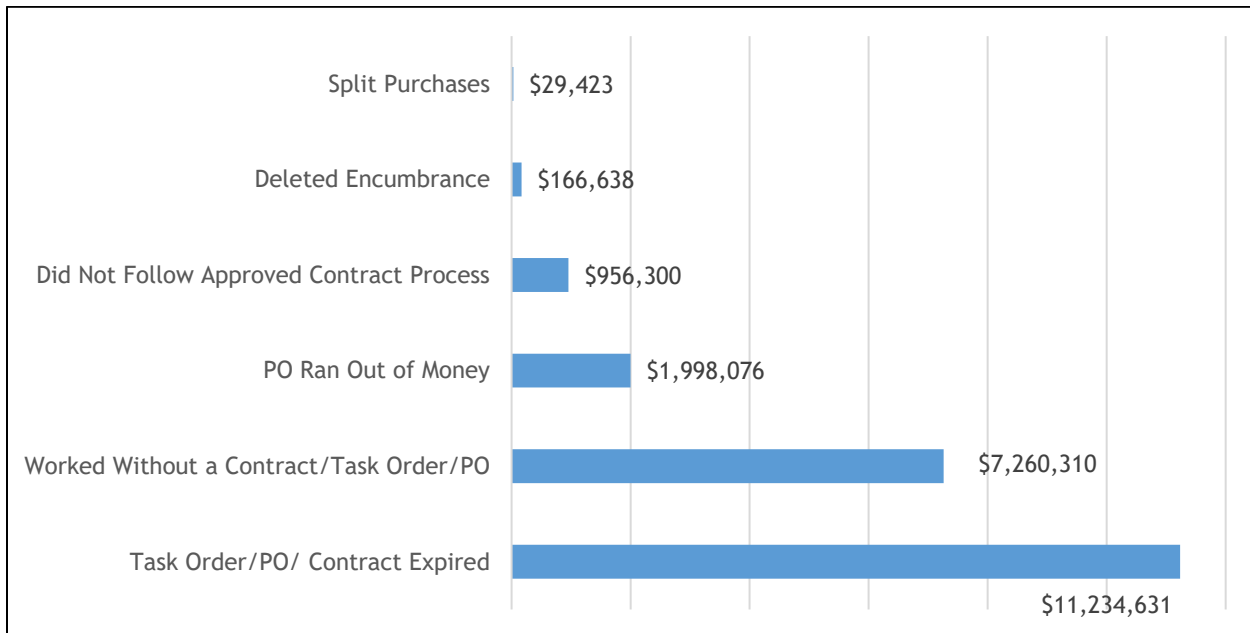
\* The FY 2021 significant increase was attributed to three expired contracts in Region 1 totaling about \$5.5 million.

Audit analyzed the statutory violations over this period and found that the two most common reasons were: 1) the task order, contract, or purchase order (PO) had expired, and 2) work was being performed without a contract, task order, or PO in place. These two violation types accounted for over 70 percent of the 171 total violations that occurred during the period FY 2020 through FY 2024 and 85 percent of the total dollar value of statutory violations. See Chart 5 and Chart 6.

**Chart 5: Statutory Violation Types by Quantity**  
FY 2020-2024



**Chart 6: Dollar Value of Statutory Violation Types**  
FY 2020-2024

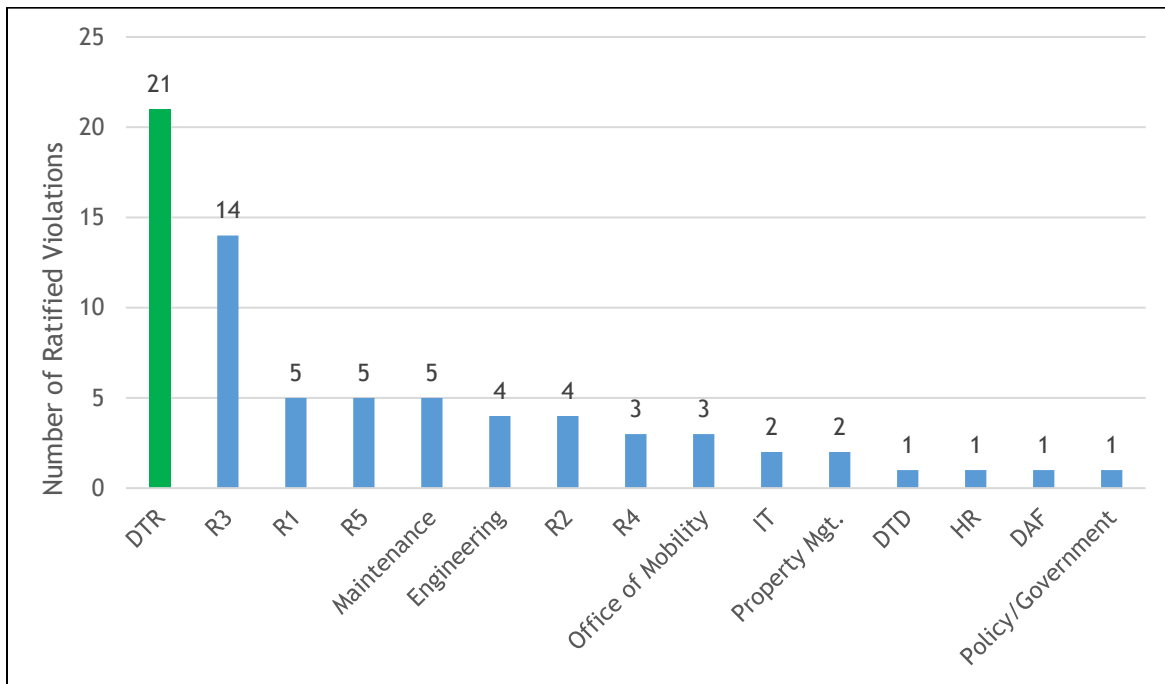


Additionally, Audit performed a risk assessment to identify the unit that had the highest risk with regard to statutory violations. Audit used the following factors to assess this risk:

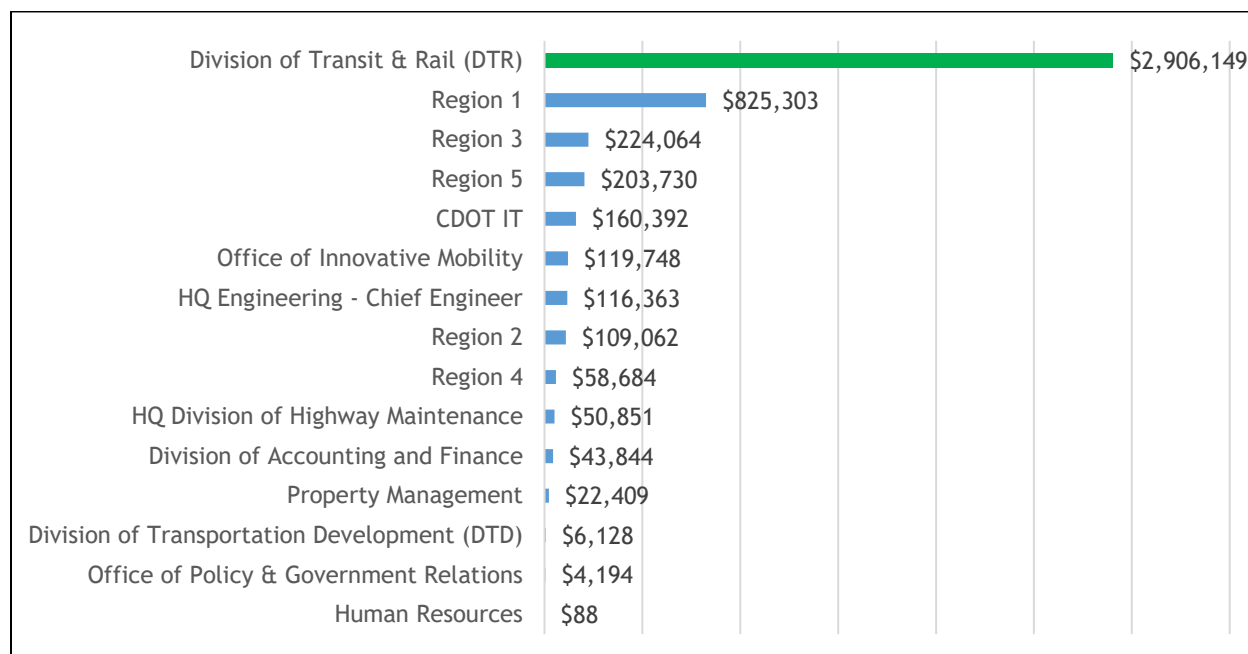
- Unit with the greatest increase in statutory violations from prior years.
- Unit with greatest impact on CDOT’s overall statutory violation statistics in terms of both quantity and monetary impact for FY 2024.
- Unit with the greatest change from FY 2023 to FY 2024.

Based on this risk assessment, DTR was identified as the unit with the greatest risk. For example, in FY 2024, DTR had the highest number of statutory violations, accounting for 29 percent of the total number and 60 percent of the total dollar amount. See Charts 7 and 8.

**Chart 7: Statutory Violation Unit Ranking by Number**  
**FY 2024**



**Chart 8: Statutory Violation Unit Ranking by Dollars  
FY 2024**



Based on the analysis of DTR statutory violations, Audit identified the following causes:

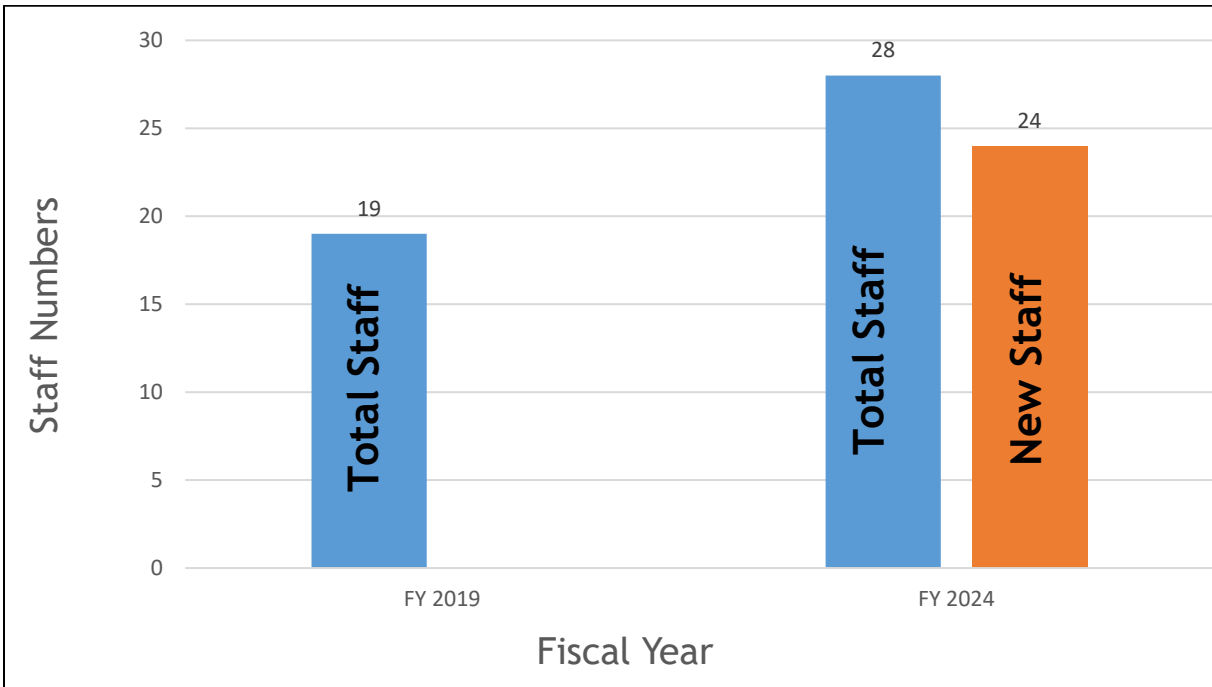
- DTR reconciles grant data between COTRAMS and individual project expenditures; however, there is no reconciliation between DTR's total annual budget for grants to the funds obligated by the FTA in the Transit Award Management System (TrAMS) or the grants recorded by CDOT's Office of Financial Management and Budget (OFMB) for DTR's annual revenue budget.<sup>19</sup> Audit therefore recommends that CDOT performs these necessary reconciliations. Although DTR is not reconciling what has been applied for in TrAMS to the funds obligated and received, OFMB does perform a budget reconciliation to FTA appropriations.
- High staff turnover in DTR between FY 2020 and FY 2023, along with multiple reorganizations that may lead to employee turnover has resulted in a loss of institutional knowledge.<sup>20</sup> Audit analyzed the organizational charts for DTR for years 2019 and 2024 and found that there was about an 86 percent attrition rate amongst staff.
- To keep pace with DTR's rapid budget increases due to additional federal programs and increased funding these past several years, the group also

<sup>19</sup> FTA's web-based grant management tool that allows recipients to apply for federal funds, manage their programs in accordance with federal requirements, and enable FTA to review, approve, control, and oversee how funds are used. Source: [Federal Transit Administration](#).

<sup>20</sup> Reorganizations can result in low morale, lack of motivation, and turnover of seasoned employees and may lead to the loss of institutional knowledge. Sources: [How Reorganizations Can Harm a Workforce](#) and [8 Reasons why Reorgs Destroy Employee Morale](#).

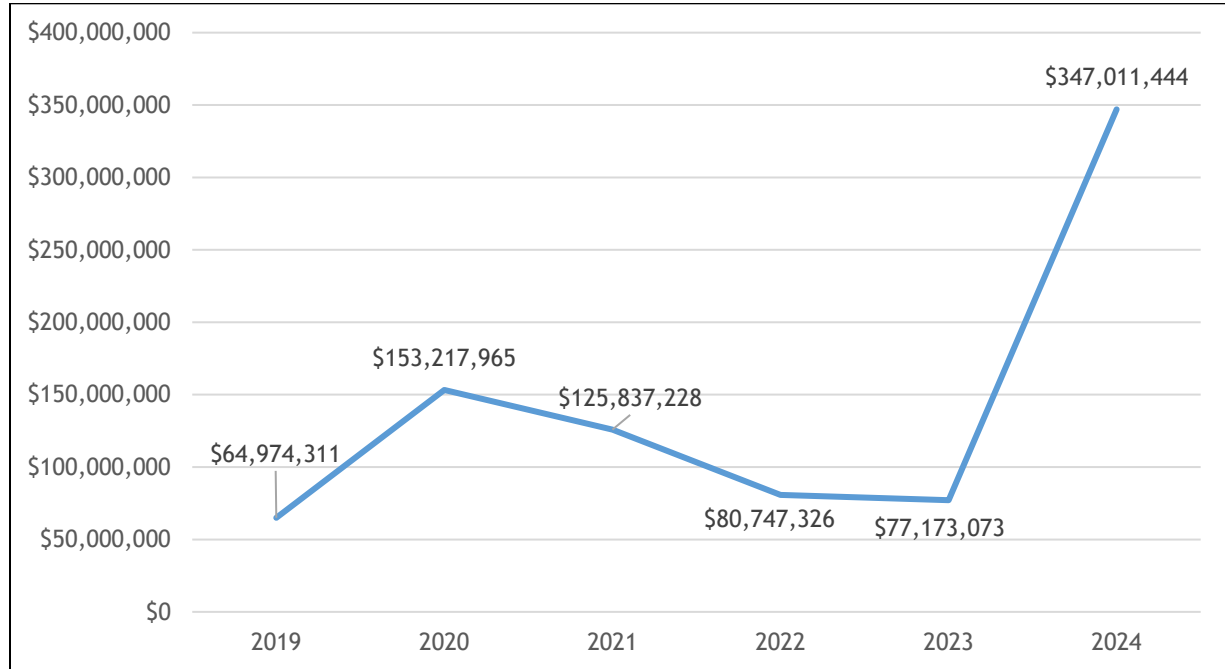
experienced a significant increase in staff, rising from 19 full time equivalents (FTEs) in FY 2019 to 28 FTEs (including 4 vacancies) in FY 2024, an increase of about 47 percent. In FY 2019 the budget for DTR was approximately \$65 million. Revenues increased significantly in FY 2020 and 2021 as a result of one-time legislative and stimulus funding, as well as increased ongoing funding under the Infrastructure Investment and Jobs Act (IIJA), which is part of the rollforward. Much of this one-time funding has rolled-forward, resulting in total budget including roll forward of \$347 million in FY 2024.<sup>21</sup> See charts 9 and 10.

**Chart 9: DTR FTEs FY 2019 Versus FY 2024**



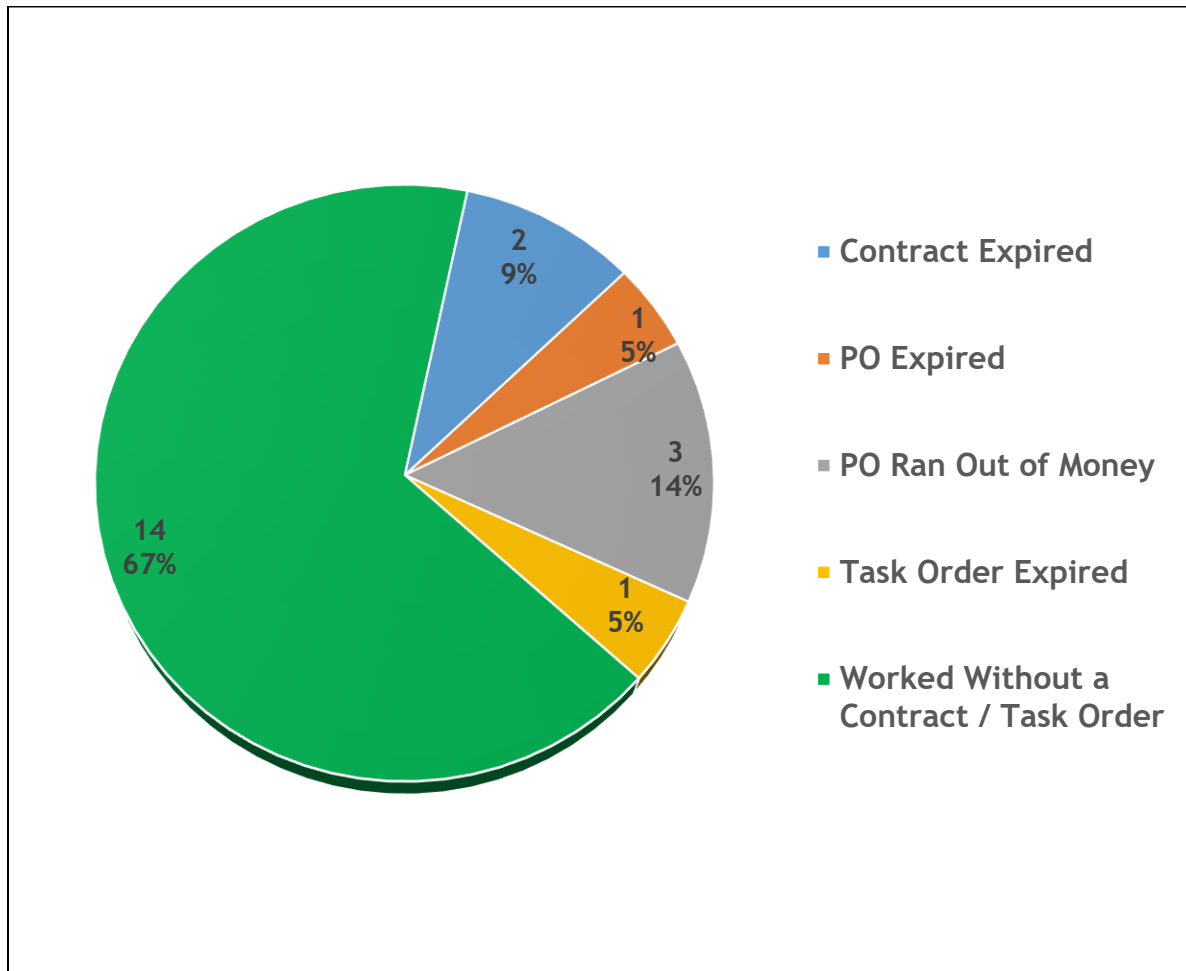
<sup>21</sup> This DTR budget information was provided by the DTR Budget Analyst.

**Chart 10: DTR Annual Budget Amounts**



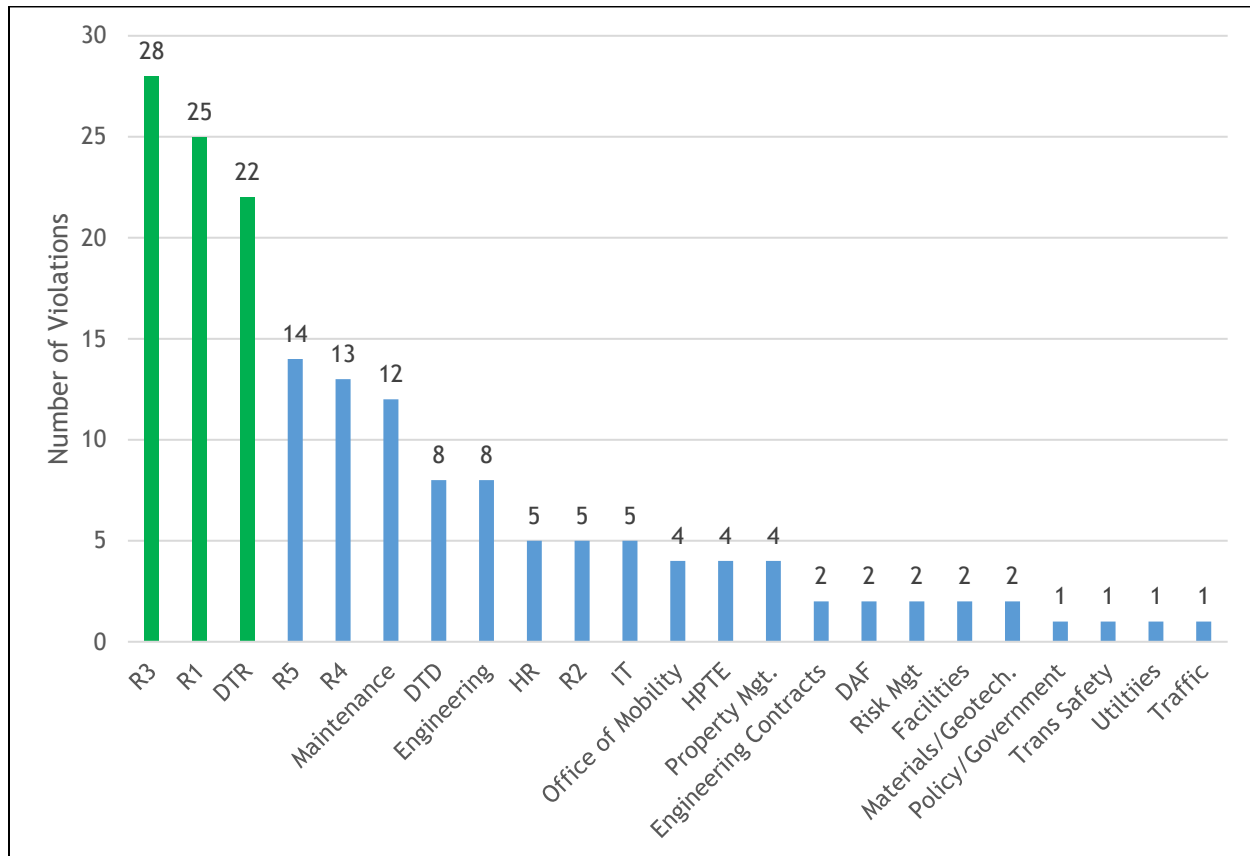
In addition, the main reason for DTR statutory violations in FY 2024 was not having a contract/PO/task order in place when agencies submitted Reimbursement Requests (RRs). This reason accounted for about 67 percent of the statutory violations that occurred. Other reasons for FY 2024 DTR statutory violations included the contract, PO and task order expired or the PO ran out of money. See Chart 11.

**Chart 11: DTR Statutory Violation Types by Quantity**  
**FY 2024**



Finally, Audit also analyzed statutory violations by each region and division for FY 2020 through FY 2024. This analysis found that, in addition to DTR, Region 3 and Region 1 also had a high number of statutory violations. These two regions, along with DTR, accounted for 44 percent of the total violations that occurred during this period. See Chart 12. This analysis indicated that additional training and monitoring are needed for Region 3 and Region 1 as well.

**Chart 12: Statutory Violation Unit Ranking  
FY 2020-FY 2024**



## Other Matters

During the course of our audit, although not directly related to our audit objective, Audit identified four issues that warrant management's attention: 1) Grant Management Process, 2) SAP Transaction Codes, 3) Excel File Workbook Sizes, and 4) SAP Limitations.

### 1. Grant Management Process

Based on audit work performed, we found that the grant administration process could be improved. For example:

- Audit found that some grant administrators within DTR and the Regions may lack the necessary skillset to manage and track grant funds. For example, we found that some staff tasked with grant administration may lack the accounting background and/or experience to successfully manage grant activity.
- Inefficiencies exist in the decentralized process for grant notification and contract compliance. For example, there can be numerous points of contact

within CDOT for representatives of MPOs (Metropolitan Planning Organizations), TPRs (Transportation Planning Regions), Local Agencies, and other CDOT staff concerning grant notifications or inquiries which also may result in confusion.

- Project Managers in the field have too many job responsibilities, as found in our prior audit.<sup>22</sup> Some of the grant administrative tasks performed by Project Managers could be completed and/or reviewed by a more specialized staff with financial and project administration expertise and knowledge of grant administration requirements.
- Local agencies and field personnel are often not aware of the various grant requirements, resulting in an increased risk that funds may not be expended properly.
- Grant funds are not properly reconciled or tracked by DTR, increasing the potential risk of over or under expending the federal funds. For example, a letter dated November 30, 2023, from FTA was sent to the Executive Director advising that funds of about \$23 million had yet to be obligated by DTR and would expire at the end of the federal fiscal year (Sept 30). If DTR did track TrAMS funds obligated, then the funds yet to be obligated and noted within the annual letter from FTA would be known beforehand.

Audit recommends that CDOT centralize certain administrative tasks related to local agency grants and pass-through funds, potentially in the recently formed central Subrecipient Grants Support Unit (SGSU), which can address many of these issues and would improve both the efficiency and effectiveness of the grant administration process working in coordination with Region staff. Centralization could provide a single point of contact for grant notifications and inquiries, as well as reduce the number of CDOT employees involved in grant administration. Audit further recommends that CDOT abstract grant compliance requirements considered vital to the project and summarize such in an appropriate software so that all stakeholders can easily access compliance requirements rather than continue the paper-based process currently in place; this could better ensure local agency compliance and consistency among the various regions and divisions.

In connection with these recommendations, Audit suggests that management review Appendix A (Forms), Appendix B (Miscellaneous), Appendix F (Finals Documentation), and Exhibit E (Local Agency Contract Administration Checklist-Form 1243) of the CDOT *Local Agency Manual* and determine what forms, and miscellaneous and finals documents should be the Project Manager's responsibility or performed by the SGSU or another centralized unit. Management should also review CDOT Form 1243, Local Agency Contract Administration Checklist, of the *Local Agency Manual* and split CDOT responsibilities into additional columns, one to designate the Project Manager (PM), and the other for the SGSU or other central unit as the responsible party. Also consider adding a "not applicable or N/A" column to Forms when relevant.

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<sup>22</sup> Construction Project Oversight, 22-001, released by the Audit Review Committee for public dissemination on June 15, 2022.

In addition, Management can further assign PM and centralized tasks by using the *Subrecipient Monitoring and Risk Assessment Manual (Subrecipient Manual)* Appendices as a guideline, for example:

Some examples of tasks that could potentially be assigned to the SGSU or other central unit:

- Appendix D - Subrecipient Determination Tool - Preparation, sign off on form, forward to PM
- Appendix E - Subrecipient Risk Assessment Form - first preparation (completing most), sign off on form, forward to PM
- Appendix F - Subrecipient Project Update Report - review, sign off on form
- Appendix G - Subrecipient Review Verification Form - review, sign off on form
- Appendix H (Exhibit E)- see above for CDOT Form 1243 suggested changes - first preparation, sign off on form, forward to PMs
- ProjectWise update and ensure completeness after project close

Tasks that can be assigned to PMs (field engineers):

- Appendix A - Subrecipient Risk Assessment Notification Letter
- Appendix B - Subrecipient Monitoring Notification Letter
- Appendix D - Subrecipient Determination Tool - Review, sign off on form.
- Appendix E - Subrecipient Risk Assessment Form - second preparation (completing one or two steps, such as skill set of local agency field/operations staff or 3<sup>rd</sup> party contractor), and then Project Manager sign off on form completion.
- Appendix F - Subrecipient Project Update Report - preparation, sign off on form, forward to centralized department.
- Appendix G - Subrecipient Review Verification Form - preparation, sign off on form, forward to centralized department.
- Appendix H (Exhibit E) - CDOT Form 1243 - review, sign off on form.

Appendix A contains examples of each of these appendices and the exhibit.

## 2. SAP Transaction Codes

In SAP under transactions, CDOT will use Z for any custom development of objects. These Z t-codes (transaction codes) can include the following objects: reports, interfaces, enhancements, forms, and conversions. These are grouped by modules, like F (finance/controllers), M (material management), H (HR/Payroll), P/J (project systems), etc. Currently CDOT has about 614, Z\* transactions in SAP production; ZFs make up 213 of these. CDOT staff rely on these custom reports for Transportation Commission (TC) and its fiscal year-end financial statements.

We further learned that the Z t-codes have been put into service with approval by the respective Business Process Owner, but not necessarily with formal documented senior

approval, and some date back to 2006. CDOT has had many changes to how they use SAP and capture new required information since 2006; therefore, some of the Z t-codes currently in place may not be performing as intended.

If CDOT does not decide to replace its current ERP software or reconfigure SAP from “out of the box,” Audit recommends that CDOT perform the following:

- Review and where necessary revalidate 614, Z\* transactions in SAP production and decommission those that are no longer required.
- Train CDOT staff so that they are aware of the sources of data for the reports they rely upon for Transportation Commission and year-end financial statement reporting.
- When a custom code affects financial statement reporting, require a senior financial executive, such as the Deputy CFO approve any Z t-codes going forward. When relevant, other senior executives such as the Chief Human Resources Officer, Chief Engineer, or Director of Maintenance and Operations or their Deputy to approve any Z t-codes going forward.

### 3. Excel File Workbook Size:

During the course of the audit, we found that analysis and records that use Excel, such as the K-1 spreadsheet (9.72MB), were very large and took a longer time to open, had reduced performance, and at times were unresponsive. Additionally, some of the Excel files contain complex formulas such as “textjoin” that may also contribute toward hampering the responsiveness of the Excel files. Management has stated that this issue is currently occurring in several Excel files they use for year-end reporting. The Excel version that CDOT uses has a 64-bit environment that imposes no hard limits on file size; however, workbook size is limited by available memory and system resources. There is also increased risk of these files becoming corrupted, which can result in the loss of data and analysis. In addition, data contained in these Excel spreadsheets was difficult to trace back to the data source because some of the formulas were missing.

### 4. SAP Limitations:

The software configuration and limitations of SAP are the primary reason that large Excel files with complex formulas are needed and the manual steps that are necessary for financial reporting. It is suggested that CDOT continue its effort to either replace the ERP system or reconfigure its existing one from “out of the box.” Audit believes this should be done prior to making any auxiliary software purchases that would need to extract data from SAP, as well as require a lot of staff time/effort to implement or have a large monetary cost to purchase.

## Management’s Actions

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DAF management began taking corrective actions in FY 2024 that will or have already resulted in process improvements. For example:

- DAF has implemented a new process with regard to diagnostic reports and is reviewing these reports monthly, as well as timely correcting errors identified on these reports. These improvements have been verified with the OSC and have helped CDOT reduce its FY 2024 post period adjustments to \$167 million from FY 2023 post period adjustments of \$1.4 billion.<sup>23</sup>
- DAF has obtained OSC approval to increase the materiality threshold for accruals to \$5,000 and has already implemented this for construction project estimates.
- DAF has invested in additional cross-training of staff on year-end close and diagnostic report reviews.
- CDOT management has mandated contract training and issued a memorandum providing guidance to those with signature authority to review contracts and grants for statutory and CDOT requirements.
- A new central grants unit, the Subrecipient Grants Support Unit, was established in Spring 2024 to improve CDOT grant processes and centralize certain elements of the grant process.
- CDOT is pursuing software that will track grants and requirements for all of CDOT's different grant types, including the replacement of COTRAMS. This new software will allow for better information with regard to subrecipient information and reduce the risk of noncompliance.
- DAF initiated a process improvement evaluation of the statutory violation disclosure and processing function in spring of 2024 and is currently in the final stages of completing a new SOP, Disclosure Report, transparency dashboard, and internal coordination processing improvement steps with staff and OSC.

## Recommendations

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In order to improve the DAF year-end processes and help prevent statutory violations, Audit has made 11 recommendations and 6 suggestions that are listed below. Suggestions do not require a management response and may be implemented at management's discretion.

### Recommendations:

1. Streamline the year-end calendar to include only the essential tasks needed to timely complete year-end activities.
2. Reduce accruals by working with vendors and/or subrecipients to submit invoices more timely in compliance with contract terms and, subsequently, CDOT paying these invoices prior to the year-end close.
3. Require that all vendor invoices be paid electronically.
4. Require the subrecipient determination tool to be placed as an attachment in the Shopping Cart for construction project and non-construction activity grants, as well as develop a field to identify subrecipient status.
5. Continue efforts with reviewing diagnostic reports timely and correcting errors as needed.

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<sup>23</sup> The total of FY 2024 post period adjustments does not include Period 16.

6. Centralize certain administrative tasks so that CDOT can better oversee the entire grant process, including tracking expenditures, ensuring grant requirements are met, and funds are not over-expended.
7. Abstract grant compliance requirements considered vital to the project and summarize such in an appropriate software so that all stakeholders can easily access compliance requirements rather than the paper-based process currently in place to better ensure local agency compliance and consistency among the various regions and divisions.
8. Reconcile grants applied for in TrAMS to funds obligated by the FTA, to OFMB, and then to the DTR budget.
9. Review and, where necessary, revalidate 614 Z\* transactions in SAP production and decommission those that are no longer required.
10. Train CDOT staff so that they are aware of the sources of data for the reports they rely upon for TC and year-end financial statement reporting.
11. Require a senior financial executive such as the Deputy CFO when a custom code affects financial statement reporting and when relevant other senior executives such as the Chief Human Resources Officer, Chief Engineer, or Director of Maintenance and Operations or their Deputy to approve any Z t-codes going forward.

Suggestions:

Management should consider:

1. Modify the IGA, subaward, contract and other agreements with regard to consequences for local agencies that do not submit invoices timely. The nature of these consequences should be ones that CDOT will enforce.
2. Use the percent of completion method for construction accrual estimates.
3. Schedule diagnostic reports with the OSC on a weekly basis throughout the year and on a daily basis during Periods 12 and 13.
4. Modify the current SAP system or ensure any future ERP system to allow for tracking of construction awards by their ALN.
5. Limit the size of Excel files and/or use less complex formulas until a replacement ERP system is in place.
6. CDOT continue its effort to either replace the ERP system or reconfigure its existing one starting from “out of the box.”  
Audit believes this should be done prior to making any additional auxiliary software purchases that would need to extract data from SAP, as well as require a lot of staff time/effort to implement or have a large monetary cost to purchase.

## Management's Comments

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Management agrees with all the findings and recommendations contained in this report. See **Appendix B** for Recommendations and Management's Responses. The Audit Division considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in this report.

## Appendix A: Selected Appendices and Exhibits from the CDOT Local Agency Manual and the CDOT Subrecipient Manual

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This section contains selected appendices and exhibits from the CDOT Local Agency Manual and the CDOT Subrecipient Manual:

Appendix or Exhibit	Page Number(s)
CDOT Local Agency Manual, Appendix A - Forms	28 - 30
CDOT Local Agency Manual, Appendix B - Miscellaneous	31 - 33
CDOT Local Agency Manual, Appendix F - Finals Documentation	34
CDOT Local Agency Manual, Exhibit E - Local Agency contract Administration Checklist (CDOT Form 1243) (Same as Appendix H of the CDOT Subrecipient Manual)	35 - 45
CDOT Subrecipient Manual, Appendix A - Subrecipient Determination Tool	46
CDOT Subrecipient Manual, Appendix B - Subrecipient Determination Tool	47 - 49
CDOT Subrecipient Manual, Appendix D - Subrecipient Determination Tool	49
CDOT Subrecipient Manual Appendix E - Subrecipient Risk Assessment Form	50
CDOT Subrecipient Manual, Appendix F - Subrecipient Project Update Report	51
CDOT Subrecipient Manual, Appendix G - Subrecipient Review Verification Form	52

*Note: Several of the appendices and exhibits are multiple pages and the screenshot images shown are only an excerpt of the first page. Electronic links to the full documents are provided using the “blue” highlighted links.*

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## Appendix A Forms

Appendix A contains copies of the most common letters and forms (i.e., CDOT Forms, FHWA Forms) Local Agency personnel will use in designing, constructing and managing State and Federally funded projects.

The forms contained in this appendix were current at the time this manual was printed. The CDOT forms are maintained on the CDOT website; FHWA forms are on its website. Always use the current version of the CDOT forms. The Local agency should get the current forms from the CDOT project manager or from the CDOT website:

### [CDOT Forms Catalog](#)

The Local Agency may get current FHWA forms from the FHWA website. The link to each FHWA form follows it in the list below.

The Local Agency should contact the CDOT Project Manager for assistance in completing forms. Computer generated forms will be accepted if they contain the exact verbiage and statute references.

The documents in this appendix are as follows:

CDOT Form 90 - Contract Modification Order .....	A-4
CDOT Form 96 - Contractor Acceptance of Final Estimate .....	A-5
CDOT Form 118 Contractor Wage Compliance Statement .....	A-6
CDOT Form 128 - Categorical Exclusion Determination.....	A-7
CDOT Form 200 - OJT Training Questionnaire .....	A-10
CDOT Form 205 - Sublet Permit Application, Construction .....	A-11
CDOT Form 205 Instructions - Sublet Permit Application Instructions, Construction .....	A-11
CDOT Form 262 - Weekly Time Count Report - Work Days.....	A-12
CDOT Form 263 - Weekly Time County Report - Calendar Days.....	A-13

CDOT Local Agency Manual, Appendix A - Forms *(continued from prior page)*

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CDOT Form 280 - Equal Employment Opportunity and Labor Compliance Verification .....	A-14
CDOT Form 280 - Equal Employment Opportunity and Labor Compliance Verification (Spanish) .....	A-15
CDOT Form 313 - Consultant Performance Evaluation .....	A-16
CDOT Form 379 - Project Independent Assurance Sampling Schedule .....	A-19
CDOT Form 462 - Right of Way Plan Approval .....	A-20
CDOT Form 463 - Design Data .....	A-21
CDOT Form 464 - Design Exception Variance Request CDOT .....	A-23
CDOT Form 604 - Statement of Residency for Bid Preference .....	A-25
CDOT Form 605 - Contractors Performance Capability Statement .....	A-26
CDOT Form 606 - Anti-Collusion Affidavit .....	A-27
CDOT Form 621 - Assignment of Antitrust Claims .....	A-28
CDOT Form 838 - OJT Trainee/Apprentice Record .....	A-30
CDOT Form 863 - DBE Contract Goal Recommendation For internal use .....	A-31
CDOT Form 895 - Region Certification - Force Account and Finding in the Public Interest .....	A-32
CDOT Form 950 - Project Closure * (Internal Form - No general access) .....	A-33
CDOT Form 951 - Voucher Request (Projects) .....	A-34
CDOT Form 1048 - Project Scoping/Clearance Record .....	A-35
CDOT Form 1186 - Contract Funding Increase/Decrease and Approval Letter ..	A-42
CDOT Form 1199 - Finals Materials Documentation Review & Audit Checklist ..	A-43
CDOT Form 1212 - Final Acceptance Report for Local Agency Projects .....	A-44
CDOT Form 1215 - Submittal of New Specification or Specification Change ....	A-45
CDOT Form 1313 - Consultant Monthly Invoice Cover Sheet .....	A-46
CDOT Form 1381 - Proprietary Item - Certifications or Finding in the Public Interest .....	A-46
CDOT Form 1414 - Anticipated DBE Participation Plan .....	A-46
CDOT Form 1415 - Commitment Confirmation .....	A-46
CDOT Form 1416 - Good Faith Effort Report .....	A-46
CDOT Form 1418 - Monthly Payment Summary .....	A-46
CDOT Form 1419 - DBE Participation Report .....	A-46
CDOT Form 1420 - DBE Participation Plan Modification .....	A-46
CDOT Form 1425 - Supplier List .....	A-47

CDOT Local Agency Manual, Appendix A - Forms *(continued from prior page)*

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FHWA Form 1273 - Required Contract Provisions, Federal-Aid Construction	
Contracts .....	A-47
FHWA Form 1391 - Annual EEO Report, FHWA .....	A-47

\* = Copy to CDOT's electronic document management system (ProjectWise Explorer)  
per CDOT Procedural Directive 21.1

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## Appendix B Miscellaneous

Appendix B presents documents that a Local Agency may need to reference in the lifetime of a project.

Appendix B also presents an example letter and facsimile transmittal notification for the Preconstruction Conference. It includes an example Preconstruction Conference Agenda to assist in facilitating the meeting. The example presents a minimum set of topics that should be discussed during the conference; however, not all topics will be covered for every project in every Region. Prior to its use, thoroughly read the content of the agenda and consider the special needs of a particular project and specific Region. Contact the CDOT Project Manager or Resident Engineer for additional information. The *CDOT Construction Manual* contains examples of other conference agendas.

The documents in this appendix, listed in the order they are first mentioned in the text, are:

FHWA Letter and Memo titled "State Oversight of Local Federal-Aid.....	B-4
STIP Example .....	B-5
Federal Funding Categories, Project Prefixes and Crosswalk .....	B-6
Federal Funding Categories, Project Prefixes and Crosswalk .....	B-7
State Funds Crosswalk .....	B-9
LA Requirements for Electronic Records & Electronic Signature Requirements .	B-10
LA Professional Services B2GNow Contract Setup Information.....	B-11
LA Professional Services B2GNow Contract Setup Information.....	B-12
Procedural Directive 21.1, Requirements for Capital Engineering Program Records .....	B-13
Procedural Directive 400.1, Obtaining Professional Consultant Services.....	B-19
Right-of-Way Certification Letters.....	B-24
Utility Clearance Certification Letter .....	B-26
Specification Review Checklist .....	B-27

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Procedural Directive 508.1, Requirements for Use of Professional Engineer's Seal B-31

Final Design Submittal Checklist (Bridge)..... B-41

Concurrence (NTP) to Advertise (From CDOT to Local Agency)..... B-42

Concurrence to Award (From CDOT to Local Agency) ..... B-44

Project Financial Statement and Schedule Review ..... B-45

Construction Oversight Checklist..... B-46

Notice of Award (From Local Agency to Contractor) ..... B-47

Preconstruction Conference Notification (Letter and Facsimile)..... B-48

Notice to Proceed (From Local Agency to Contractor)..... B-50

Preconstruction Conference Agenda ..... B-51

Preconstruction Conference Agenda

Transmittal Letter ..... B-74

Letter of Final Billing with Backup..... B-75

Voucher Request (CDOT Form 995) ..... B-79

Example Region Cover Sheet..... B-80

Letter of Materials Certification ..... B-81

EEO Certification Acceptance Letter ..... B-82

Construction Inspection Qualification Program - CDOT Policy Memo 25..... B-83

Construction Inspection Qualification Program - CDOT Policy Memo 25a ..... B-85

Final Project Acceptance Letter ..... B-86

Bulletin Board Required Postings..... B-87

FHWA Job Site Posters

Bulletin Board Requirements ..... B-88

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Traffic Control Review Form .....	B-90
See CDOT Construction Manual Appendix, Page 110)	
<a href="#">2024 CDOT Construction Manual</a>	
End Date Extension Request Policy and Procedure Guide .....	B-92
Professional Services Closeout Report.....	B-92

\* = Copy to CDOT's electronic document management system (ProjectWise Explorer) per  
CDOT Procedural Directive 21.1

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## **Appendix F Finals Documentation**

Appendix F contains copies of the Finals documents associated with Chapter 11 of the Local Agency Manual.

Local Agency Final Construction Acceptance Certification (or Region equivalent)

CDOT Letter of Materials Certification

EEO Certification Acceptance Letter

Guidance for Acceptance, Advertisement and Finalizing of Local Agency Projects

Final Documentation Checklist (or Region equivalent)

Final Materials Documentation Checklist (or Region equivalent)

CDOT Form 90 - Contract Modification Order

CDOT Form 96 - Contractor Acceptance of Final Estimate

CDOT Form 1418 - Monthly Payment Summary \*

CDOT Form 1419 - DBE Participation Report \*

\*Form embedded in B2GNow

**Exhibit E**  
**Colorado Department of Transportation (CDOT)**  
**Local Agency Contract Administration Checklist**

The following checklist (CDOT 1243) has been developed to ensure that all required aspects of a project approved for Federal or State funding have been addressed and a responsible party assigned for each task.

After a project has been approved for Federal or State funding in the Statewide Transportation Improvement Program (STIP), the Colorado Department of Transportation (CDOT) Project Manager, Local Agency (LA) Project Manager, and CDOT Resident Engineer prepare the checklist. It becomes a part of the contractual agreement between the Local Agency and CDOT. The CDOT Agreements Unit will not process a Local Agency Agreement without this completed checklist. It will be reviewed at the Final Office Review (FOR) meeting to ensure that all parties remain in agreement as to who is responsible for performing individual tasks. This cover narrative is not intended to be included in the Intergovernmental Agreement (IGA).

CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
(continued from prior page)

**Exhibit E**  
**Colorado Department of Transportation**  
**Local Agency Contract Administration Checklist**

Project Number	STIP Number	Project Code	Region
<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>	<input style="width: 95%;" type="text"/>
Project Location			Date
<input style="width: 95%;" type="text"/>			<input style="width: 95%;" type="text"/>
Project Description			
<input style="width: 95%;" type="text"/>			
Local Agency		Local Agency Project Manager	
<input style="width: 95%;" type="text"/>		<input style="width: 95%;" type="text"/>	
CDOT Resident Engineer		CDOT Project Manager	
<input style="width: 95%;" type="text"/>		<input style="width: 95%;" type="text"/>	

**Instructions:**

This checklist shall be used to establish the contractual administrative responsibilities of the individual parties to this agreement. The checklist becomes an attachment to the Local Agency Agreement. Section numbers (No.) correspond to the applicable chapters of the CDOT Local Agency Manual (formerly referred to as the Local Agency Desk Reference). Local Agency Web Resource (LAWR) numbers correspond to the applicable flowchart in the Local Agency Web Resource.

The checklist shall be prepared by placing an X under the responsible party, opposite each of the tasks. The X denotes the party responsible for initiating and executing the task. It is preferred that only one responsible party be selected, however a number of items may have both parties selected based on judgement. When neither CDOT nor the Local Agency is responsible for a task, not applicable (N/A) shall be marked. In addition, # will be marked to denote that CDOT must concur or approve.

The Regions, in accordance with established policies and procedures, will determine who will perform tasks that are the responsibility of CDOT.

The checklist shall be prepared by the CDOT Resident Engineer or the CDOT Project Manager, in cooperation with the Local Agency Project Manager, and submitted to the Region Program Engineer. If contract administration responsibilities change, the CDOT Resident Engineer, in cooperation with the Local Agency Project Manager, will prepare and distribute a revised checklist.

**Note:**

Failure to comply with applicable Federal and State requirements may result in the loss of Federal or State participation in funding.

Previous editions are obsolete and may not be used.

CDOT Form 1243 8/24 Page 1 of 10

CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
(continued from prior page)

**Acronyms:**

Colorado Department of Transportation - CDOT  
Disadvantaged Business Enterprise - DBE  
Colorado Department of Transportation - CDOT  
Disadvantaged Business Enterprise - DBE  
Equal Employment Opportunity - EEO  
Federal Highway Administration - FHWA  
Field Inspection Review - FIR  
Final Office Review - FOR  
Hot Mix Asphalt - HMA  
Independent Assurance Testing - IAT  
Intergovernmental Agreement - IGA  
Local Agency - LA  
Local Agency Web Resource - LAWR  
Not Applicable - N/A  
Number - No.  
On-The-Job - OJT  
Plans, Specifications, and Estimate - PS&E  
Professional Engineer - PE  
Right-of-Way - ROW  
Statewide Transportation Improvement Program - STIP  
Transportation Improvement Program - TIP

Previous editions are obsolete and may not be used.

CDOT Form 1243 8/24 Page 2 of 10

CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
(continued from prior page)

**TIP / STIP Long-Range Plans**

LAWR	No.	Description of Task	Responsible Party	
			LA	CDOT
	2.1	Review Project to ensure it is consistent with Statewide Plan and amendments thereto	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Subrecipient Monitoring**

LAWR	No.	Description of Task	Responsible Party	
			LA	CDOT
	3.1	Preparation of Subrecipient Monitoring Compliance Documents		
		• Subrecipient Determination Tool	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		• Subrecipient Risk Assessment	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
		• Subrecipient Notification Letter	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		• Subrecipient Project Update Report (Formerly "Performance Report to CDOT")	<input checked="" type="checkbox"/>	<input type="checkbox"/>
		• CDOT Monitoring Report of Subrecipients (If applicable)	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Federal Funding Obligation and Authorization**

LAWR	No.	Description of Task	Responsible Party	
			LA	CDOT
	4.1	Authorize funding by phases (Requires FHWA Concurrence if Federal-aid Highway funded project.). Please check N/A, if Not applicable.	<input type="checkbox"/>	<input checked="" type="checkbox"/>

**Project Development**

LAWR	No.	Description of Task	Responsible Party	
			LA	CDOT
	5.1	Determine Delivery Method	<input type="checkbox"/>	<input type="checkbox"/>
1	5.2	Prepare Design Data - CDOT Form 463	<input type="checkbox"/>	<input type="checkbox"/>
	5.3	Prepare Local Agency/CDOT Inter-Governmental Agreement (see also Chapter 3)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
2	5.4	Conduct Consultant Selection/Execute Consultant Agreement		
		• Project Development	<input type="checkbox"/>	<input type="checkbox"/>
		• Construction Contract Administration (including Fabrication Inspection Services)	<input type="checkbox"/>	<input type="checkbox"/>
3,3A	5.5	Conduct Design Scoping Review Meeting	<input type="checkbox"/>	<input type="checkbox"/>
3,6	5.6	Conduct Public Involvement	<input type="checkbox"/>	<input type="checkbox"/>

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CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
(continued from prior page)

			Responsible Party	
LAWR	No.	Description of Task	LA	CDOT
3	5.7	Conduct Field Inspection Review (FIR)	<input type="checkbox"/>	<input type="checkbox"/>
4	5.8	Conduct Environmental Process (may require FHWA concurrence /involvement)	<input type="checkbox"/>	<input type="checkbox"/>
5	5.9	Acquire Right-of-Way (may require FHWA concurrence /involvement)	<input type="checkbox"/>	<input type="checkbox"/>
3	5.10	Obtain Utility and Railroad Agreements	<input type="checkbox"/>	<input type="checkbox"/>
3	5.11	Conduct Final Office Review (FOR)	<input type="checkbox"/>	<input type="checkbox"/>
3A	5.12	Justify Force Account Work by the Local Agency	<input type="checkbox"/>	<input type="checkbox"/>
3B	5.13	Justify Proprietary, Sole Source, or Local Agency Furnished Items	<input type="checkbox"/>	<input type="checkbox"/>
3	5.14	Document Design Exceptions - CDOT Form 464	<input type="checkbox"/>	<input type="checkbox"/>
	5.15	Seek Permission for use of Guaranty and Warranty Clauses	<input type="checkbox"/>	<input type="checkbox"/>
3	5.18	Prepare Plans, Specifications, Construction Cost Estimates and Submittals	<input type="checkbox"/>	<input type="checkbox"/>
	5.19	Comply with Requirements for Off-and On-System Bridges & Other Structural Work	<input type="checkbox"/>	<input type="checkbox"/>
	5.20	Update Approvals on PS&E Package if Project Schedule Delayed	<input type="checkbox"/>	<input type="checkbox"/>
	5.21	Ensure Authorization of Funds for Construction	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	5.22	Use Electronic Signatures	<input type="checkbox"/>	<input type="checkbox"/>
	5.23	File Project Development Records/Documentation in ProjectWise (PW)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Project Development Civil Rights and Labor Compliance</b>			<b>Responsible Party</b>	
LAWR	No.	Description of Task	LA	CDOT
3	6.1	Set Disadvantaged Business Enterprise (DBE) Goals for Consultant and Construction Contracts (CDOT Region Civil Rights Office)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	6.2	Determine Applicability of Davis-Bacon Act This project <input type="checkbox"/> is <input type="checkbox"/> is not exempt from Davis-Bacon Requirements as determined by the functional classification of the project location (Projects located on local roads and rural minor collectors may be exempt.)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
CDOT Resident Engineer		Date		
<input type="text"/>		<input type="text"/>		
Previous editions are obsolete and may not be used.			CDOT Form 1243 8/24 Page 4 of 10	

CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
(continued from prior page)

			Responsible Party	
LAWR	No.	Description of Task	LA	CDOT
	6.3	Set On-the-Job Training Goals (CDOT Region Civil Rights Office) "NA", if Not Applicable	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	6.4	Enforce Prompt Payment Requirements	<input type="checkbox"/>	<input type="checkbox"/>
	6.5	Use Electronic Tracking and Submission Systems B2Gnow <input type="checkbox"/> LCPTTracker <input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	6.6	Prepare/submit Title VI Plan and Incorporate Title VI Assurances	<input type="checkbox"/>	<input type="checkbox"/>
6,7		Ensure the correct Federal Wage Decision, all required Disadvantaged Business Enterprise/On-the-Job Training Special provisions and FHWA Form 1273 are included in the Contract (CDOT Resident Engineer)	<input type="checkbox"/>	<input type="checkbox"/>
<b>Advertise, Bid and Award of Construction Projects</b>			<b>Responsible Party</b>	
		Federal Project (use 7.1 series in Chapter 7) <input type="checkbox"/>		
		Non-Federal Project (Use 7.2 series in Chapter 7) <input type="checkbox"/>		
LAWR	No.	Description of Task	LA	CDOT
6,7		Obtain Approval for Advertisement Period of Less Than Three Weeks	<input type="checkbox"/>	<input type="checkbox"/>
7		Advertise for Bids	<input type="checkbox"/>	<input type="checkbox"/>
7		Concurrence to Advertise	<input type="checkbox"/>	<input type="checkbox"/>
7		Distribute "Advertisement Set" of Plans and Specifications	<input type="checkbox"/>	<input type="checkbox"/>
7		Review Worksite & Plan Details w/ Prospective Bidders While Project is Under Advertisement	<input type="checkbox"/>	<input type="checkbox"/>
7		Open Bids	<input type="checkbox"/>	<input type="checkbox"/>
7		Process Bids for Compliance		
		Check CDOT Form 1415 - Commitment Confirmation when the Low bidder meets DBE goals. ("N/A" if Not Applicable)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Evaluate CDOT Form 1416 - Good Faith Effort Report and determine if the Contractor has made a good faith effort when the low bidder does not meet DBE goals. ("N/A" if Not Applicable)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Submit required documentation for CDOT award concurrence	<input type="checkbox"/>	<input type="checkbox"/>
		Concurrence from CDOT to Award	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		Approve Rejection of Low Bidder	<input type="checkbox"/>	<input checked="" type="checkbox"/>
7,8		Award Contract (Federal)	<input type="checkbox"/>	<input type="checkbox"/>
8		Provide "Award" and "Record" Sets of Plans and Specifications (Federal)	<input type="checkbox"/>	<input type="checkbox"/>

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CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
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Construction Management			Responsible Party	
LAWR	No.	Description of Task	LA	CDOT
8		Intro File Project Construction Records/Documentation in PW or as Directed	<input checked="" type="checkbox"/>	<input type="checkbox"/>
8	8.1	Issue Notice to Proceed to the Contractor	<input type="checkbox"/>	<input type="checkbox"/>
8	8.2	Project Safety	<input type="checkbox"/>	<input type="checkbox"/>
8	8.3	Conduct Conferences		
		• Preconstruction Conference (Appendix B)	<input type="checkbox"/>	<input type="checkbox"/>
		○ Fabrication Inspection Notifications	<input type="checkbox"/>	<input type="checkbox"/>
		• Pre-Survey	<input type="checkbox"/>	<input type="checkbox"/>
		○ Construction Staking	<input type="checkbox"/>	<input type="checkbox"/>
		○ Monumentation	<input type="checkbox"/>	<input type="checkbox"/>
		• Partnering (Optional)	<input type="checkbox"/>	<input type="checkbox"/>
		• Structural Concrete Pre-Pour (Agenda is in the CDOT Construction Manual)	<input type="checkbox"/>	<input type="checkbox"/>
		• Concrete Pavement Pre-Paving (Agenda is in the CDOT Construction Manual)	<input type="checkbox"/>	<input type="checkbox"/>
		• HMA Pre-Paving (Agenda is in the CDOT Construction Manual)	<input type="checkbox"/>	<input type="checkbox"/>
8	8.4	Develop and distribute Public Notice of Planned Construction to media and local residents	<input type="checkbox"/>	<input type="checkbox"/>
9	8.5	Supervise Construction		
		A Professional Engineer (PE) registered in Colorado, who will be "in responsible charge of construction supervision"	<input type="checkbox"/>	<input type="checkbox"/>
		Local Agency Professional Engineer or CDOT Resident Engineer		
		Phone Number		
		Provide competent, experienced staff who will ensure the Contract work is constructed in accordance with the plans and specifications	<input type="checkbox"/>	<input type="checkbox"/>
		Construction inspection and documentation (including Projects with structures)	<input type="checkbox"/>	<input type="checkbox"/>
		Fabrication Inspection and Documentation	<input type="checkbox"/>	<input type="checkbox"/>
9	8.6	Review and Approve Shop Drawings	<input type="checkbox"/>	<input type="checkbox"/>
9	8.7	Perform Traffic Control Inspections	<input type="checkbox"/>	<input type="checkbox"/>
9	8.8	Perform Construction Surveying	<input type="checkbox"/>	<input type="checkbox"/>
9	8.9	Monument Right-of-Way	<input type="checkbox"/>	<input type="checkbox"/>

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CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
(continued from prior page)

			Responsible Party	
LAWR	No.	Description of Task	LA	CDOT
9,9A	8.10	Prepare and Approve Interim and Final Contractor Pay Estimates. Collect and review CDOT Form 1418 (or equivalent) or use compliance software system. Provide the name and phone number of the person authorized for this task.	<input type="checkbox"/>	<input type="checkbox"/>
		Local Agency Representative <input type="text"/> Phone Number <input type="text"/>		
9	8.11	Prepare and Approve Interim and Final Utility and Railroad Billings	<input type="checkbox"/>	<input type="checkbox"/>
9B	8.12	Prepare and Authorize Change Orders	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
9B	8.13	Submit Change Order Package to CDOT	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9A	8.14	Prepare Local Agency Reimbursement Requests	<input checked="" type="checkbox"/>	<input type="checkbox"/>
9	8.15	Monitor Project Financial Status	<input type="checkbox"/>	<input type="checkbox"/>
9	8.16	Prepare and Submit Monthly Progress Reports	<input type="checkbox"/>	<input type="checkbox"/>
9	8.17	Resolve Contractor Claims and Disputes	<input type="checkbox"/>	<input type="checkbox"/>
	8.18	Conduct Routine and Random Project Reviews Provide the name and phone number of the person responsible for this task.	<input type="checkbox"/>	<input checked="" type="checkbox"/>
		CDOT Resident Engineer <input type="text"/> Phone Number <input type="text"/>		
9	8.19	Ongoing Oversight of DBE Participation	<input checked="" type="checkbox"/>	<input type="checkbox"/>
<b>Materials</b>				
LAWR	No.	Description of Task	LA	CDOT
9,9C	9.1	Discuss Materials at Pre-Construction Meeting <ul style="list-style-type: none"> <li>Buy America documentation required prior to Installation of steel</li> <li>Buy America, Build America documentation required prior to installation of materials</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>
			<input type="checkbox"/>	<input type="checkbox"/>

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CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
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			Responsible Party	
LAWR	No.	Description of Task	LA	CDOT
9,9C	9.2	Complete CDOT Form 250 - Materials Documentation Record <ul style="list-style-type: none"> <li>• Generate form, which includes determining the Minimum number of required tests and applicable Material submittals for all materials placed on the project</li> <li>• Update the form as work progresses</li> <li>• Complete and distribute form after work is completed</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.3	Perform Project Acceptance Samples and Tests	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.4	Perform Laboratory Acceptance Tests	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.6	Accept Manufactured Products <p>Inspection of structural components:</p> <ul style="list-style-type: none"> <li>• Fabrication of structural steel and pre-stressed concrete structural components</li> <li>• Bridge modular expansion devices (0" to 6" or greater)</li> <li>• Fabrication of bearing devices</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.6	Approve Sources of Materials	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.7	Independent Assurance Testing (IAT) <p>Local Agency Procedures <input type="checkbox"/> CDOT Procedures <input type="checkbox"/></p> <ul style="list-style-type: none"> <li>• Generate IAT schedule</li> <li>• Schedule and provide notification</li> <li>• Conduct IAT</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.8	Approve mix designs <ul style="list-style-type: none"> <li>• Concrete</li> <li>• Hot Mix Asphalt</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.9	Check Final Materials Documentation	<input type="checkbox"/>	<input type="checkbox"/>
9C	9.10	Complete and Distribute Final Materials Documentation	<input type="checkbox"/>	<input type="checkbox"/>
<b>Construction Civil Rights and Labor Compliance</b>			<b>Responsible Party</b>	
LAWR	No.	Description of Task	LA	CDOT
9	10.1	Fulfill Project Bulletin Board and Pre-Construction Packet Requirements	<input type="checkbox"/>	<input type="checkbox"/>

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CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
(continued from prior page)

			Responsible Party	
LAWR	No.	Description of Task	LA	CDOT
8,9	10.2	Process CDOT Form 205 - Sublet Permit Application and CDOT Form 1425 - Supplier Application Approval Request. Review & sign completed forms, or review/approve in compliance software system, as applicable, & submit to Region Civil Rights Office.	<input type="checkbox"/>	<input type="checkbox"/>
9	10.3	Conduct Equal Employment Opportunity and Labor Compliance Verification Employee Interviews. Complete CDOT Form 280	<input type="checkbox"/>	<input type="checkbox"/>
9	10.4	Monitor Disadvantaged Business Enterprise Participation to Ensure Compliance with the "Commercially Useful Function" Requirements.	<input type="checkbox"/>	<input type="checkbox"/>
9	10.5	Conduct Interviews when Project Utilizes On-the-Job Trainees. <ul style="list-style-type: none"> <li>Complete CDOT Form 1337 - Contractor Commitment to Meet OJT Requirements.</li> <li>Complete CDOT Form 838 - OJT Trainee / Apprentice Record.</li> <li>Complete CDOT Form 200 - OJT Training Questionnaire.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>
9	10.6	Check Certified Payrolls (Contact the Region Civil Rights Office for training requirements)	<input type="checkbox"/>	<input type="checkbox"/>
9	10.7	Submit FHWA Form 1391 - Highway Construction Contractor's Annual EEO Report	<input type="checkbox"/>	<input type="checkbox"/>
	10.8	Contract Compliance and Project Site Reviews	<input type="checkbox"/>	<input checked="" type="checkbox"/>
<b>Finals</b>			<b>Responsible Party</b>	
LAWR	No.	Description of Task	LA	CDOT
	11.1	Conduct Final Project Inspection & Final Inspection of Structures, if applicable	<input type="checkbox"/>	<input checked="" type="checkbox"/>
10	11.2	Write Final Project Acceptance Letter	<input type="checkbox"/>	<input type="checkbox"/>
10	11.3	Advertise for Final Settlement	<input type="checkbox"/>	<input type="checkbox"/>
11	11.4	Prepare and Distribute Final As-Constructed Plans	<input type="checkbox"/>	<input type="checkbox"/>
11	11.5	Prepare EEO Certification and Collect EEO Forms	<input type="checkbox"/>	<input type="checkbox"/>
11	11.6	Check Final Quantities, Plans, and Pay Estimate; Check Project Documentation; and submit Final Certifications	<input type="checkbox"/>	<input type="checkbox"/>
11	11.7	Check Material Documentation and Accept Final Material Certification (See Chapter 9)	<input type="checkbox"/>	<input type="checkbox"/>
	11.8	Review CDOT Form 1419	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	11.9	Submit CDOT Professional Services Closeout Report Form	<input type="checkbox"/>	<input type="checkbox"/>
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CDOT Local Agency Manual, Exhibit E - CDOT Local Agency Administration Checklist  
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			Responsible Party	
LAWR	No.	Description of Task	LA	CDOT
	11.10	Complete and Submit CDOT Form 1212 LA - Final Acceptance Report (by CDOT)	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11	11.11	Process Final Payment	<input type="checkbox"/>	<input type="checkbox"/>
	11.12	Close out Local Project	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	11.13	Complete and Submit CDOT Form 950 - Project Closure	<input type="checkbox"/>	<input checked="" type="checkbox"/>
11	11.14	Retain Project Records	<input type="checkbox"/>	<input type="checkbox"/>
11	11.15	Retain Final Version of Local Agency Contract Administration Checklist	<input type="checkbox"/>	<input type="checkbox"/>
Cc: CDOT Resident Engineer/Project Manager CDOT Region Program Engineer CDOT Region Civil Rights Office			CDOT Region Materials Engineer CDOT Contracts and Market Analysis Branch Local Agency Project Manager	

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## CDOT Subrecipient Manual, Appendix A - Subrecipient Risk Assessment Notification Letter

*The below letter template is suggested to be used when the CDOT Division / Region contact confirms the final Risk Level (Low, Medium, High) and communicates this to the Subrecipient. This final Risk Level is determined from the "Subrecipient Risk Assessment". Copy this text on to official CDOT letterhead before sending.*

TO: [SUBRECIPIENT CONTACT NAME]  
[SUBRECIPIENT ENTITY NAME]

FROM: [RTD NAME]  
[CDOT DIVISION / REGION CONTACT]

DATE: [DATE NOTIFICATION IS SENT]

SUBJECT: CDOT Subrecipient Monitoring and Risk Assessment Program - Current Risk Level for Subrecipient Project

### Purpose and Action

The purpose of this letter is to inform [Subrecipient Entity Name] for project "[Project Name]" and Project Number [Subaccount#] that you have been determined to be a Subrecipient of Federal Funds and that the Risk Level determined by CDOT during the Subrecipient Risk Assessment completed on [Date of Completion] is: [Low, Medium, High]. Please respond within 30 days from the date of this letter if you disagree with the Subrecipient determination.

Should this project be selected for future monitoring, a notification letter will be sent from CDOT with further details of monitoring activities required to occur, based on the Risk Level designated above. Please note that for projects with a HIGH Risk Level, the project will automatically be selected for monitoring once it is initiated. If an encumbering contract document (e.g., IGA) with CDOT for the project is completed more than a year after the Subrecipient Risk Assessment is completed, the assessment will need to be refreshed to account for any risk-related changes during that time.

Please reach out with any questions and we appreciate your support in partnering with us to comply with 2 Code of Federal Regulations (2 CFR) 200 and the federal Office of Management and Budget (OMB) Circulars.

Sincerely,  
[CDOT Division / Region Contact]  
[Title]  
[CDOT contact info]

## CDOT Subrecipient Manual, Appendix B - Subrecipient Monitoring Notification Letter

*The below content is suggested language for a CDOT Division / Region contact to use when initially notifying Subrecipients that they've been selected for monitoring. Replace highlighted sections with the appropriate project information and level of monitoring as indicated below and in the CDOT Monitoring Report of Subrecipients template.*

[Date]

Dear [Subrecipient Contact Name],

As a pass through entity of federal funding, the Colorado Department of Transportation (CDOT) is required to ensure that its Subrecipients comply with the Federal administrative requirements, cost principles, and audit requirements as prescribed in 2 Code of Federal Regulations (CFR) 200 and the federal office of Management and Budget (OMB) Circulars. In June 2016, CDOT launched a new department-wide initiative, the "Subrecipient Monitoring and Risk Assessment Program" to streamline the monitoring process to:

- Comply with changes for the new Uniform Grant Guidance. (Title 2 – Code of Federal Regulations)
- Adopt and implement the federal 2 CFR 200 risk assessment requirements for monitoring.
- Standardize the monitoring process across federally funded, Intergovernmental Agreement (IGA) programs managed by CDOT.
- Optimize the number of monitoring visits you receive annually from CDOT.
- Use the results of single audits to inform risk levels for monitoring.
- Assist your organization with compliance related to the requirements of your Federal Awards.

This letter is to notify you of your selection to be monitored as part of this program through the life of the project.

### **Your Subrecipient Monitoring Details:**

- Subrecipient: [Entity Name]
- Project Name / Number: [Project Name / Number]
- Monitoring performed through project end date: [FHWA End Date]
- Current Subrecipient Risk Assessment – Risk Level: [Low, Medium, High]
- Please reference the table below for the minimum frequency of monitoring required of this project.
  - See attached for the "Subrecipient Project Update Report" template required to be submitted.  
[If sending via email, attach the template from the SharePoint location defined in the "Document Management" section of this manual]

CDOT staff will work together with you to perform monitoring activities, based on your risk level assessed that will begin at the time of your selection for federal funding and in compliance with the requirements noted above. CDOT will only monitor a sample of Subrecipients annually, based on your risk level and a judgmental sampling. Based on your monitoring performance, you will have the opportunity to improve your risk level (associated with a specific federal award) and reduce the level of Subrecipient monitoring needed.

Monitoring will include the following activities and will be tracked by CDOT through the life of the project in the monitoring report, "CDOT Monitoring Report of Subrecipients":

CDOT Subrecipient Manual, Appendix B - Subrecipient Monitoring Notification Letter  
(continued from prior page).

#	Monitoring Activities	Description of Activity	RISK LEVEL (Minimum Frequency)		
			Low	Medium	High
1	Invoice Review	Verify that all requested costs have supporting documentation and have been paid for by the Subrecipient. If issues are detected in the randomly selected invoice that are significant, then a site visit may be scheduled to resolve the matter in person. If issues are not adequately resolved, expand invoice review sample to next risk level frequency.  Note, subject to the Region Management team's discretion and may be performed on a more frequent basis.	(Annually)	(Quarterly)	(Monthly)
2	Audit Review	<i>Single Audit:</i> Review Subrecipient's single audits (as applicable) in areas such as compliance, financial stability, disclosures of related party transactions, etc.  <i>Period of Performance Date Monitoring:</i> In addition, CDOT may focus on the area of "End Date Monitoring" to help improve project spending by target 2 CFR 200 end dates. Note, subject to the Region Management team's discretion and may be performed on a more frequent basis.	(Annually)  (Weekly)	(Annually)  (Weekly)	(Annually)  (Weekly)
3	Review of Programmatic, Performance and Financial Reports*	Review reports submitted by the Subrecipient for programmatic, performance and financial progress and compliance. This will be accounted for in the Subrecipient's "Subrecipient Project Update Report". Report template will be provided by CDOT.	(Annually)	(Twice Annually)	(Quarterly)
4	Technical / Training Assistance Requirement	On question #3 of the "Subrecipient Project Update Report", the Subrecipient may indicate if 'CDOT assistance is required', allowing the Subrecipient to request additional training from CDOT, as needed. At the discretion of the CDOT Division / Region contact and based on prior results, training may also be needed for activities like: how to properly submit an invoice, following proper procurement procedures, providing required documentation, delivering proof of payment or understanding eligibility instructions.	As Needed	As Needed	As Needed
5	Other Remedies	At the discretion of the CDOT Division / Region contact, additional monitoring activities may be performed to ensure compliance. (e.g., in-person interviews, site visits)	As Needed	As Needed	As Needed

\*Note that Invoice Reviews and Project Update Reviews collectively are considered Review of Programmatic, Performance and Financial Reports.

## CDOT Subrecipient Manual, Appendix B - Subrecipient Monitoring Notification Letter (continued from prior page)

Please reach out with questions and we'll be in touch over the next few months to begin coordination of monitoring activities.

We appreciate your cooperation and hope this initiative will improve our stewardship of taxpayer dollars and enhance our working relations to provide freedom, connection and experience through travel for Coloradans.


Sincerely,

[CDOT Division / Region Contact]


[Title]

[CDOT contact info]


## CDOT Subrecipient Manual, Appendix D - [Subrecipient Determination Tool](#)

 <b>SUBRECIPIENT DETERMINATION TOOL</b>			
Name of Project / Program:			
Name of Entity (Subrecipient):			
Funding Agency Name:		(i.e., FHWA, FTA, NHTSA....)	
<b>Instructions:</b> 1. Check only one box for each question. All questions are required to be answered. 2. Review the responses and manually identify the "Final Determination" by selecting either "Subrecipient" or "Contractor". 3. Type in the name of CDOT staff responsible for completing this form. 4. Print the form, scan into an electronic format, and upload to the Shopping Cart (when it is available).		Yes	No
			Relationship
1	Does the entity determine who is eligible to receive what Federal assistance?	<input type="checkbox"/>	-
2	Does the entity have responsibility for programmatic decision making?	<input type="checkbox"/>	-
3	Is the entity responsible for adherence to applicable Federal program requirements specified in the Federal award?	<input type="checkbox"/>	-
4	Does the entity, in accordance with its agreement, use the Federal funds to carry out a program for a public purpose specified in authorizing statute? (as opposed to providing goods or services for the benefit of CDOT)	<input type="checkbox"/>	-
5	Does the entity provide similar goods or services to many different purchasers?	<input type="checkbox"/>	-
6	Does the entity normally operate in a competitive environment?	<input type="checkbox"/>	-
7	Does the entity provide goods or services that are ancillary to the operation of the Federal program?	<input type="checkbox"/>	-
8	Is the entity subject to compliance requirements of the Federal program as a result of this anticipated agreement, though similar requirements may apply for other reasons (related to different federal award)?	<input type="checkbox"/>	-
9	Has the entity had its performance measured in relation to whether objectives of a Federal program were met?	<input type="checkbox"/>	-
10	Does the entity provide its goods and services within normal business operations?	<input type="checkbox"/>	-
<b>Final Determination (input Subrecipient or Contractor):</b>			
NOTE: In determining whether an agreement between CDOT and another non-Federal entity casts the latter as a subrecipient or a contractor, the substance of the relationship is more important than the form of the agreement. All of the characteristics listed above may not be present in all cases, and the pass-through entity must use judgment in classifying each agreement as a subaward or a procurement contract. If there is any doubt as to the relationship and you are requiring the entity to meet programmatic requirements, the relationship must be deemed subrecipient.			
Name of CDOT Staff completing form:		Date:	(mm/dd/yyyy)
<b>An electronic copy of this Subrecipient Determination Tool report must be completed for each project (federal award). It is recommended to be attached to the Shopping Cart prior to an agreement being executed.</b>			
Tool Version: v3.2 (110123)			


CDOT Subrecipient Manual, Appendix E - [Subrecipient Risk Assessment Form](#)

 <b>CDOT SUBRECIPIENT RISK ASSESSMENT</b>		Date:		
		Update Date(s):		
Name of Entity (Subrecipient):				
Name of Project / Program:				
Estimated Award Period:				
Entity Chief Administrative Officer or equivalent:				
Entity Chief Financial Officer or equivalent:				
Entity Representative for this Self Assessment:				
<b>Instructions: (See "Instructions" tab for more information)</b> 1. Check only one box for each question. All questions are required to be answered. 2. Utilize the "Comment" section below the last question for additional responses. 3. When complete, check the box at the bottom of the form to authorize.		Yes	No	N/A
<b>EXPERIENCE ASSESSMENT</b>		Yes	No	N/A
1	Is your entity new to operating or managing federal funds (has not done so within the past three years)?	<input type="checkbox"/>	<input type="checkbox"/>	
2	Is this funding program new for your entity (managed for less than three years)? <i>Examples of funding programs include CMAQ, TAP, STP-M, etc.</i>	<input type="checkbox"/>	<input type="checkbox"/>	
3	Does your staff assigned to the program have at least three full years of experience with this federal program?	<input type="checkbox"/>	<input type="checkbox"/>	
<b>MONITORING/AUDIT ASSESSMENT</b>		Yes	No	N/A
4	Has your entity had an on-site project or grant review from an external entity (e.g., CDOT, FHWA) within the last three years?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	a) Were there non-compliance issues in this prior review?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	b) What were the number and extent of issues in prior review?	<input type="checkbox"/> 1 to 2	<input type="checkbox"/> ≥ 3	<input type="checkbox"/>
<b>OPERATION ASSESSMENT</b>		Yes	No	N/A
6	Does your entity have a time and effort reporting system in place to account for 100% of all employees' time, that can provide a breakdown of the actual time spent on each funded project? <i>If No, in the comment section please explain how you intend to document 100% of hours worked by employees and breakdown of time spent on each funding project.</i>	<input type="checkbox"/>	<input type="checkbox"/>	

CDOT Subrecipient Manual, Appendix F - [Subrecipient Project Update Report](#)

 <b>Subrecipient Project Update Report</b>			
Name of Entity (Subrecipient):		Name of Project / Program:	
Percentage of Project Complete:		CDOT Contact Full Name:	
Federal Award Amount:		Amount Spent:	
Estimated Award Period:		Anticipated Completion Date:	
Assessment Risk Level:		Reporting Period (Updates with Risk):	
<b>1. Please enter an "X" the box that best describes the status of your project.</b>			
<input type="checkbox"/> Continuing - Work in progress		<b>Project Update Report Submittal Timelines - Frequency (Based on Subrecipient Risk Level)</b>	
<input type="checkbox"/> Project Complete - Documentation Pending		Submit the first Subrecipient Project Update Report within 30 days following the first day of the quarter following the Intergovernmental Agreement (IGA) Execution.	
<input type="checkbox"/> Project Complete - All documentation submitted		After first submittal - Low - Annually	
		After first submittal - Medium - Semi-Annually	
		After first submittal - High - Quarterly	
<b>2. Provide a project description and briefly explain activities accomplished to implement your project. Explain how funds have been spent and the current status of your project. Compare actual accomplishments to the objectives established for the reporting period, per the agreement.</b>			
<b>3. Report any foreseeable delays or modifications that might affect timely completion of your project. Indicate if CDOT assistance is required. Explain the reasons for not meeting goals (if any) and any corrective action planning taken to address these items.</b>			
<b>4. Describe any changes or alterations to your project with rationale (budget, quantities, unit costs, specific items, etc.). Highlight any favorable project savings related to time or cost that have benefited the project compared to the original plan.</b>			

## CDOT Subrecipient Manual, Appendix G - Subrecipient Review Verification Form

 <b>Subrecipient Review Verification Form</b>											
Name of Project / Program:	Project Manager Review/Signature										
CDOT Contact Full Name:											
Amount Spent:											
Anticipated Completion Date:											
Reporting Period (Updates with Risk):											
<p>1. Please enter an "X" the box that best describes the status of your project.</p> <table border="1"> <tr> <td><input type="checkbox"/></td> <td>Subrecipient Determination Form Complete</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Subrecipient Risk Assessment Complete (CDOT and LPA)</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Debarment Verification Complete (2 CFR 200 Program Team)</td> </tr> <tr> <td><input type="checkbox"/></td> <td>Subrecipient Risk Assessment Determination Letter</td> </tr> <tr> <td><input type="checkbox"/></td> <td>This Subrecipient Review Verification Form</td> </tr> </table>		<input type="checkbox"/>	Subrecipient Determination Form Complete	<input type="checkbox"/>	Subrecipient Risk Assessment Complete (CDOT and LPA)	<input type="checkbox"/>	Debarment Verification Complete (2 CFR 200 Program Team)	<input type="checkbox"/>	Subrecipient Risk Assessment Determination Letter	<input type="checkbox"/>	This Subrecipient Review Verification Form
<input type="checkbox"/>	Subrecipient Determination Form Complete										
<input type="checkbox"/>	Subrecipient Risk Assessment Complete (CDOT and LPA)										
<input type="checkbox"/>	Debarment Verification Complete (2 CFR 200 Program Team)										
<input type="checkbox"/>	Subrecipient Risk Assessment Determination Letter										
<input type="checkbox"/>	This Subrecipient Review Verification Form										
<p>2. Provide a project description and briefly explain activities accomplished to implement your project. Explain how this subrecipient will assist with the project.</p> <div style="border: 1px solid black; height: 60px;"></div>											
<p>3. Was there any information that came about on the required forms in step 1 that the CDOT team should be aware of?</p> <div style="border: 1px solid black; height: 30px;"></div>											
<p>4. Other</p> <div style="border: 1px solid black; height: 100px;"></div>											
<p>Name &amp; Title of Local Agency (Subrecipient) Representative: <span style="border: 1px solid black; display: inline-block; width: 200px; height: 20px;"></span> Date: <span style="border: 1px solid black; display: inline-block; width: 100px; height: 20px;"></span></p>											
<p><input type="checkbox"/> By placing an "X" in this box, the Subrecipient Project Manager certifies that all information provided on this form is true and correct.</p>											
<small>Version: v1.0 (11/30/23)</small>											

## **Appendix B: Management's Comments**

### **DAF Year-End Close Processes and Statutory Violations 25-001**

**Opportunities exist to improve the year-end processes and help prevent statutory violations.**

**Agrees or Disagrees with Audit Finding:**

**Agrees with All Findings and Recommendations**

To improve the DAF year-end processes and help prevent statutory violations, Audit recommends that management should:

1. Streamline the year-end calendar to include only the essential tasks needed to timely complete year-end activities.
2. Avoid accruals by requiring vendors and/or subrecipients to submit invoices more timely and, subsequently, CDOT paying these invoices prior to the year-end close.
3. Require that all vendor invoices be paid electronically.
4. Require the subrecipient determination tool to be placed as an attachment in the Shopping Cart for construction projects, as well as develop a field to identify subrecipient status.
5. Continue efforts with reviewing diagnostic reports timely and correcting errors as needed.
6. Centralized certain administrative tasks so that CDOT can better oversee the entire grant process, including tracking expenditures, ensuring grant requirements are met, and funds are not over-expended.
7. Abstract grant compliance requirements considered vital to the project and summarize such in an appropriate software so that all stakeholders can easily access compliance requirements rather than the paper-based process currently in place to better ensure local agency compliance and consistency among the various regions and divisions.
8. Reconcile grants applied for in TrAMS to funds obligated by the FTA, to OFMB, and then to the DTR budget.
9. Revalidate 614, Z\* transactions in SAP production and decommission those that are no longer required.

10. Train CDOT staff so that they are aware of the sources of data for the reports they rely upon for TC and year-end financial statement reporting.
11. Require a senior financial executive such as the Deputy CFO to approve any Z t-codes going forward.

### **Management's Response to Recommendations:**

With regard to Recommendation 1, Management agrees that the year-end calendar could be streamlined to reduce complexity and focus more clearly on essential tasks.

With regard to Recommendation 2, Management agrees that effort should be made to reduce accruals by working with vendors and/or subrecipients to increase compliance with contract terms. Management will identify ways to push for more timely submission of invoices by local agencies/grantees.

With regard to Recommendation 3, Management agrees with undertaking efforts to require vendors be paid by electronic invoice, recognizing, however, that there may be some instances where exceptions may be necessary.

With regard to Recommendation 4, Management agrees. The subrecipient risk assessment and determination tool process is being updated to be executed in OnBase. This will automate a number of manual steps in the process. The Subrecipient Monitoring and Risk Assessment Manual will be updated to require rather than suggest the subrecipient risk assessment and determination tool OnBase PDF output be downloaded by the CDOT Project Manager and be attached to the shopping cart. Efforts will also be undertaken to develop the recommended field.

With regard to Recommendation 5, Management agrees. The Center for Accounting has increased staffing, one of the primary issues related to not reviewing diagnostic reports and correcting errors more timely. Management will continue to monitor to ensure timely completion.

With regard to Recommendation 6, Management agrees. The Subrecipient Grants Support Unit (SGSU) was established in Spring 2024, in part to review and improve current grant processes, including potential centralizing of certain functions. Management will work with the SGSU, the CDOT Local Agency Program, and Grant Managers to identify the most appropriate functions and tasks for consolidation, whether in the SGSU or elsewhere in the organization.

With regard to Recommendation 7, Management agrees. The Department is currently in the process of issuing an RFP for a new grants management software solution. As part of the implementation of the selected solution, management agrees that efforts should be undertaken to make resources available, including grant compliance requirements, within that solution.

With regard to Recommendation 8, Management agrees. The Division of Transit and Rail will review reconciliation processes with FTA and the Division of Accounting and Finance

and implement improvements to ensure all appropriate reconciliations are being completed.

With regard to Recommendation 9, Management agrees with the recommendation to review and where necessary revalidate Z\* transactions. This work is also aligned with current efforts to prepare for a future ERP replacement, the requirements of which will need to consider requirements currently being met through Z reports/transactions.

With regard to Recommendation 10, Management agrees. Management will identify opportunities for additional training on sources of data, where appropriate.

With regard to Recommendation 11, Management agrees with instituting an elevated approval process for approval of new or modified Z reports/transactions.

<b>Target Date to Complete Implementation of Recommendations</b>	<b>Name of Specific Point of Contact for Implementation of Recommendation</b>
1. June 30, 2025	Jeff Sudmeier, Chief Financial Officer
2. June 30, 2025	Jeff Sudmeier, Chief Financial Officer; Keith Stefanik, Chief Engineer
3. June 30, 2026	Jeff Sudmeier, Chief Financial Officer
4. September 30, 2025	Jeff Sudmeier, Chief Financial Officer; Keith Stefanik, Chief Engineer
5. June 30, 2025	Jeff Sudmeier, Chief Financial Officer
6. June 30, 2026	Jeff Sudmeier, Chief Financial Officer; Keith Stefanik, Chief Engineer
7. September 30, 2026	Jeff Sudmeier, Chief Financial Officer; Keith Stefanik, Chief Engineer
8. September 30, 2025	Jeff Sudmeier, Chief Financial Officer; Kay Kelly, Chief, Innovative Mobility
9. June 30, 2026	Jeff Sudmeier, Chief Financial Officer; Keith Stefanik, Chief Engineer
10. December 30, 2025	Jeff Sudmeier, Chief Financial Officer
11. March 31, 2025	Jeff Sudmeier, Chief Financial Officer; Keith Stefanik, Chief Engineer