



**COLORADO**  
Department of Transportation  
Division of Audit

REPORT NUMBER 20-003

# Disadvantaged Business Enterprise Audit Released Report



May 2020

The Colorado Department of Transportation (CDOT) Audit Division 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. The Division reports directly to an Audit Review Committee (ARC), who provide independent oversight of the Audit Division, thereby ensuring the Division is free from internal and external influences in order to provide objective and independent assessments. The Audit Division is responsible for examining and evaluating CDOT's various operations in order to improve efficiency and effectiveness.

#### Audit Review Committee

---

Sidny Zink, Chair, District 8  
Don Stanton, Member, District 2  
Eula Adams, Member, District 3  
Karen Stuart, Member, District 4

#### Audit Division Staff

---

Frank Spinelli, Audit Director, CPA, CIA  
Jim Ballard, Internal Audit Supervisor, MBA, CPA, CIA, CGAP, CFE  
Daniel Pia, IT Audit Supervisor, CISA, CRISC  
Ben Meade, Auditor II  
Dana Dove, Auditor II  
Patrick Wheat, Auditor I  
Christopher Woodward, Auditor I  
Shannon Smith, Audit Intern

You can obtain copies of this report (Number 20-003) by contacting us at:



CDOT Audit Division  
2829 W. Howard Place, Room 417, Denver, CO 80204  
P 303.757.9687 • F 303.757.9671



**COLORADO**  
**Department of Transportation**  
Division of Audit

Transportation Commission  
2829 W. Howard Place  
Denver, CO 80204-2305

August 19, 2020

The attached report presents the results of our review of the Disadvantage Business Enterprise's compliance with applicable federal regulations (report number 20-003 and date May 30, 2020). This report was reviewed and released by the CDOT Audit Review Committee (ARC) on August 19, 2020 and adds value by assisting management with improving its processes associated with the Disadvantage Business Enterprise program.

We conducted this review as part of our FY 2020 audit plan and performed this work in accordance with Government Auditing Standards. This report presents our findings, conclusions, 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  
Stephen Harelson, Chief Engineer  
Jeffrey Sudmeier, Chief Financial Officer  
Greg Diehl, Civil Rights Program Director



# REPORT HIGHLIGHTS



**COLORADO**  
Department of Transportation  
Division of Audit

## Disadvantaged Business Enterprise (DBE) Audit

The Audit Division (Audit) assessed the effectiveness and regulatory compliance of CDOT's Disadvantaged Business Enterprise (DBE) certification program (Program) processes.

### Background

The federal government has encouraged the development of DBEs, which are defined as small businesses that are majority owned and controlled (51 percent) by socially and economically disadvantaged individuals. State or local agencies that are designated as certifiers, such as CDOT, determine whether a firm is a DBE. Work performed to make a DBE determination can include on-site visits, personal interviews, and reviews of licenses, stock ownership, equipment, bonding capacity, work completed, resumes of principal owners, and financial capacity.

The number of DBE applicants processed by CDOT has increased nearly 80 percent from federal fiscal years (FY) 2017 to 2019. With this increase in applicants, there is an increased risk for potential fraud as evidenced in a 2013 Transportation Department Office of Inspector General (OIG) report that found from FY 2009 to FY 2010, DBE fraud and abuse cases increased significantly, making up nearly 25 percent of OIG active investigations, and in FY 2013, DBE cases had increased even further, to 29 percent. *This report also noted that the DBE program's integrity primarily depends upon the establishment of systematic procedures by State transportation agencies to ensure that only certified firms are eligible to participate in the program.*

### Highlights

Audit assessed the effectiveness and regulatory compliance of CDOT's DBE Program processes. Our work identified several weaknesses that, if corrected, would improve both regulatory compliance and program effectiveness. These weaknesses included:

#### **Initial DBE Certification:**

- Firm ownership and control was not always scrutinized sufficiently
- DBE application information was incomplete and/or inaccurate in some instances
- Denied applicants were later approved without addressing initial denial concerns

#### **DBE Annual Renewal Process:**

- Follow-up on annual renewal information was not always performed
- DBE renewal information was incomplete and/or inaccurate in many instances
- The three-year average annual gross receipt cap as well as other program restrictions are not always being monitored sufficiently

#### **External Federal Report:**

- The report provided to FHWA is not reconciled or validated against systems that contain source data such as SiteManager or SAP and does not include activity related to Architectural and Engineering DBE firms

Audit identified two major causes that, if corrected, could improve the process:

- 1) Insufficient Policy and Procedural Directive/manual guidance, and
- 2) Ineffective defined data structure (schema) within CDOT's Enterprise Resource Planning system design.

To improve program effectiveness and compliance, four recommendations were made:

- 1) Improve Policy and Procedural Directive and/or CDOT DBE manual to develop better employee guidance,
- 2) Implement an employee training program,
- 3) Reconcile key source documents as well as B2Gnow, SiteManager, and SAP information to ensure federal reporting accuracy, and
- 4) Develop a monitoring process linked to key factors for DBE certification decisions.

## Objective

---

The Audit Division (Audit) assessed the effectiveness and regulatory compliance of CDOT's Disadvantaged Business Enterprise (DBE) certification program (Program) processes related to federal requirements specifically for the Federal Highway Administration (FHWA) program.

## Scope and Methodology

---

Our audit was limited to the review of CDOT's DBE certifications, both initial year and annual renewals, and FHWA federal reporting for compliance with 49 Code of Federal Regulation (CFR) Part 26 - Participation by DBEs in Department of Transportation Financial Assistance Programs during federal fiscal year (FY) 2019 (October 1, 2018 through September 30, 2019). In addition, our audit included the review of B2Gnow DBE certification denials from FYs 2016 to 2018, as well as B2Gnow DBE annual gross revenue exceptions from FYs 2015 to 2018. FY was preferred because of federal reporting requirements.

Audit relied upon data obtained from SAP, B2Gnow (B2Gnow software is used to generate FHWA reports), and SiteManager; other than B2Gnow, we did not test the validity or accuracy of the information we received from SAP or SiteManager. This engagement was performed in accordance with 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.

Methods used to achieve our objective included, but were not limited to:

- Reviewed CDOT DBE Program Manual, revised 2016,
- Reviewed 49 CFR Part 26, 13 CFR Part 124 - 8(a) Business Development/Small Disadvantaged Business Status Determinations, and 13 CFR Part 121 - Small Business Size Regulations,
- Reviewed external reports on DBE certification programs from the United States Transportation Office of Inspector General (OIG), City and County of Denver (CCD), and South Carolina Department of Transportation,
- Reviewed both semi-annual reports for FY 2019 submitted by CDOT's Civil Rights and Business Resource Center (Civil Rights) to FHWA,
- Randomly selected the following FY 2019 audit samples from B2Gnow:
  - 10 of 57 FY 2019 initial applications, representing 18 percent of the total population, and
  - 58 of 380 FY 2019 annual renewals, representing 15 percent of the total population.
- Reviewed denied DBE certifications B2Gnow report from FYs 2016 to 2018, and

- Reviewed DBE annual gross revenue exception B2Gnow report from FYs 2015 to 2018.

## Background

---

Through various legislation and regulation, the federal government has encouraged the development of small Disadvantaged Business Enterprises (DBEs).<sup>1</sup> The federal DBE program is designed to remedy ongoing discrimination and the continuing effects of past discrimination in federally assisted highway, transit, airport, and highway safety financial assistance transportation contracting markets nationwide. The primary remedial goal and objective of the federal DBE program is to level the playing field by providing small businesses owned and controlled by socially and economically disadvantaged individuals a fair opportunity to compete for federally funded transportation contracts.

State or local agencies can be designated as DBE certifiers. There are two DBE certifying agencies in Colorado: CDOT and the City and County of Denver. CDOT certifies only for DBEs, while City and County of Denver also certifies Airport Concession DBEs.

### ELIGIBILITY PROCESS

The federal DBE program's eligibility requirements are established by 49 CFR Part 26, and some of the key requirements (further defined/described in appropriate sections below) focus on the following areas:

- Group membership or individual disadvantage
- Business size
- Firm ownership
- Firm control

CDOT developed processes (see [Appendix A](#)) to determine the initial eligibility and annual renewal (see [Appendix B](#)) of applicant firms to certify them as DBEs. The following are some of the steps for the initial and annual renewal application processes:

- Initial applicant: submission of documents to CDOT via B2Gnow (affidavit, tax forms, W-2, personal net worth statement, etc.),
- Annual renewal applicant: submission of documents to CDOT via B2Gnow (no change affidavit form, tax forms, and other documents or additional information as deemed necessary),
- CDOT:
  - Pre-verification of documents (completeness of submission),

---

<sup>1</sup> Examples of legislation and regulations include the Civil Rights Act of 1964, the Surface Transportation Assistance Act of 1982, 49 CFR Part 26, 13 CFR Part 124, and Small Business Administration's Section 8(a) Program.

- On-site review for Colorado-based firm (mandated for initial applicants only; optional for annual renewal applicant),
- File review, and
- Determination (approval or denial).

The Findings and Conclusions section of this report discusses our concerns with CDOT's initial eligibility and annual renewal processes.

## FEDERAL REPORTING

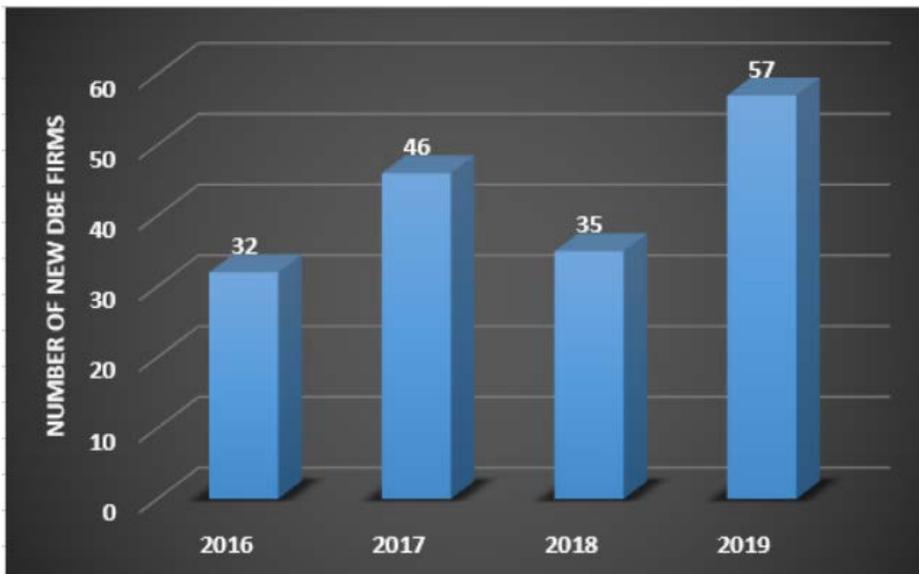
CDOT has also designed a process to obtain federal reporting information pertaining to the awards, commitments, ongoing payments, and completion of construction projects for DBE and non-DBE firms (see [Appendix C](#)). The following software systems play a role in CDOT's DBE processes:

- American Association of State Highway and Transportation Officials (AASHTO), hosted by AASHTO:
  - Bid Express - server based,
  - Pre-Construction - webpage, and
  - SiteManager - server based.
- Shaxam,
- SAP, and
- B2Gnow.

The Findings and Conclusions section of this report discusses our concerns with CDOT's use as well as the electronic flow of information obtained-from/within these systems for its DBE federal reporting process.

As shown in Chart 1, the number of initial DBE applicants processed by CDOT has increased by 78 percent (from 32 to 57) from FY 2016 to FY 2019.

Chart 1: Initial DBE Applicants



Source: Chart developed by Audit using data obtained from B2Gnow

As the number of applicants increase, the potential for fraud also increases as evidenced in a 2013 Transportation OIG report that identified from FYs 2009 to 2010, DBE fraud and abuse cases increased significantly, making up nearly 25 percent of OIG's active investigations. In addition, the report identified that in FY 2013, DBE cases increased to 29 percent of all OIG's active procurement and grant fraud investigations.<sup>2</sup> This report also noted that the *DBE program's integrity primarily depends upon the establishment of systematic procedures by State transportation agencies* to ensure that only certified firms are eligible to participate in the program.

## Findings and Conclusions

Audit's assessment of the effectiveness and regulatory compliance of CDOT's DBE Program processes identified several weaknesses that, if corrected, would improve the Program's compliance and process effectiveness. These weaknesses included:

- Insufficient scrutiny of initial DBE certification in the following areas:
  - Firm ownership,
  - Firm control,
  - Incomplete and/or inaccurate documentation provided by the applicant, and
  - Denied applicants were later approved without addressing initial concerns.

<sup>2</sup> *Weaknesses in The Department's Disadvantaged Business Enterprise Program Limit Achievement of Its Objectives*, Transportation Office of Inspector General, Report Number: ZA-2013-072, issued on April 23, 2013.

- Deficient process for DBE annual renewals in the following areas:
  - Follow-up on additional information deemed vital for applicant approval decision was not always performed,
  - Missing and/or inaccurate information provided by the applicant deemed vital for approval decision purposes with no further action taken by CDOT, and
  - The three-year average annual gross receipts (AGR) cap was not always monitored.
- Deficient process for external reporting to FHWA in the following areas:
  - B2Gnow is not reconciled or validated against the software systems containing the source data such as SiteManager or SAP, and Audit identified significant differences, and
  - External reports to FHWA do not include DBE participation and other relevant payment data for applicable Architectural and Engineering firms.

As a result of these weaknesses, CDOT faces risks of increased federal oversight, fines, statutory violations, negative media attention, and/or possible litigation resulting from improperly certifying a business as a DBE. Audit identified two major causes that, if corrected, could improve both regulatory compliance and Program effectiveness: 1) Insufficient Policy and Procedural Directive and/or CDOT DBE manual guidance and 2) Ineffective defined data structure (schema) within CDOT's Enterprise Resource Planning (ERP) system design. These weaknesses, causes, and our recommendations are further discussed below.

## 1. Review of Initial DBE Application

### A. Firm Ownership

DBE applicant approval determination for ownership is regulated by 49 CFR § 26.69, which establishes how to determine if a DBE firm's ownership and operations are appropriately structured. Particularly, this section puts an emphasis on eligibility factors, such as:

- Applicant firm is at least 51 percent owned by socially and economically disadvantaged individuals,
- Contribution of capital or expertise to acquire ownership interest must be real and substantial,
- All securities shall be held directly by the disadvantaged person,
- The owner's expertise must be in a specialized field, of outstanding quality, and in an area critical to the firm,
- Business interests or other assets contributed by a firm owner must be excluded if the result of any of the following: 1) property settlement, 2) court order, 3) legal separation, 4) Inheritance, 5) death of former owner, 6) gift, or 7) transfer without adequate consideration, and
- Marital assets used to acquire ownership interest must be irrevocably renounced and transferred to the owner.

Audit tested 10 initial DBE applications (18 percent) processed by CDOT during FY 2019, focusing on CDOT's understanding and validation of an applicant firm's ownership and control. In addition, audit tested the accuracy and completeness of documentation that is required to be provided by a firm, which includes:

- Firm applicant's affidavit,
- Ownership's Articles of Organization,
- DBE owners' personal net worth information,
- Corporate and individual income tax returns,
- DBE owners' W-2s, and
- Certain financial documents such as debt agreements, proof of payments, etc.

Audit also tested some of CDOT's processes related to review of applicant documentation, including:

- Onsite visits,
- Findings of Facts - CDOT's initial conclusion after the review of documents, and
- Approval/denial letters.

Audit identified that 7 of the 10 applicant firms tested were structured as sole proprietorships, while the other 3 were structured as corporations.

Firms with multiple owners have additional firm ownership and operation eligibility requirements. Audit reviewed the three corporation firms and found that some applications were insufficiently reviewed in the following areas:

**a) Real and substantial capital contributions, examples:**

- The operating agreement of one DBE firm established that each of the three members was required to contribute initial capital for \$10,000; however, the only documentation received for the contributions was a \$20 deposit slip, which also lacked an account name or other identifying information, and
- Another firm's DBE application was previously denied on August 15, 2017, for not providing enough supporting documentation concerning capital contributions. The firm then subsequently reapplied for DBE status on May 21, 2019, and was approved. CDOT noted that the applicant was DBE certified because the disadvantaged owner had made additional personal contributions through lines of credits and paid off 70 percent of those loans. However, CDOT failed to properly document this determination with appropriate supporting documentation, and therefore, was unable to substantiate the loan or capital contribution transactions. Additionally, the loan documentation provided by the firm may indicate that this transaction was not an arms-length transaction (see [Appendix D](#)). Requesting and reviewing copies of the equipment purchases and tax payments would also be useful to further evaluate these concerning circumstances.

**b) Real and substantial expertise contributions, example:**

- One DBE firm was certified for work on right of way (ROW) services with two North American Industry Classification System (NAICS) codes that were not the appropriate codes for ROW services.<sup>3</sup> In addition, Civil Rights relied on a real estate broker license to establish ROW expertise; however, interviews with CDOT ROW personnel stated that a real estate broker license would not be considered as proof of expertise for ROW services (see [Appendix E](#)).

**B. Control**

Management control determination is regulated by 49 CFR § 26.71, which establishes how to review and determine if the socially and economically disadvantaged owners of a DBE firm also control the operational management decisions of the firm. Particularly, this section puts an emphasis on the following eligibility factors:

- Independence (relationship with non-DBE firms),
- Restriction on control (corporate charter provisions, by-laws provisions, etc.),
- Power to direct,
- Disproportionate responsibility,
- Delegation,
- Managerial and technical competence,
- Required license,
- Differences in compensation,
- Outside employment,
- Family-run business,
- Continuing participation by former owner,
- Necessary equipment, and
- Ability to control the firm's DBE work.

**a) Independence:**

- The disadvantaged owner of a firm that was granted DBE certification for ROW development (noted above, see **1(A)(b)**) was associated with two other firms performing the same type of ROW work. One of the firms he was associated with was determined to also be affiliated to the DBE applicant firm in question. Federal regulations specifically state that relationships between affiliated and DBE firms must be scrutinized to determine independence. Additionally, the DBE owner applicant was a vice president of business development for another firm. CDOT's on-site visit notes identified that the disadvantaged owner stated he only worked five hours per week for the applicant firm, which contradicts the DBE documents submitted to CDOT

---

<sup>3</sup> The North American Industry Classification System is the standard used by federal statistical agencies in classifying business establishments.

that state that his position was full-time with significant responsibilities. It does not appear that CDOT investigated or further inquired into these application inconsistencies.

### C. Incomplete and Inaccurate Documentation

During our testing of the 10 initial DBE applications, we found instances of insufficient and/or inaccurate documentation. For example:

- The information for 8 applications (80 percent) were not accurately reflected within B2Gnow,
- 1 application file (10 percent) was missing the articles of organization,
- 4 applications (40 percent) had incomplete personal net worth information,
- 8 applications (80 percent) had personal net worth information with inaccurate calculations, and
- 3 applications (30 percent) did not sufficiently support or accurately calculate the proof of contributed capital.

### D. Denial of Initial DBE Applicants

49 CFR § 26.86 states that DBE certifiers must perform the following for any DBE certification denial:

- Provide the firm a written explanation of the reason(s) for the denial, and
- Establish a time period of no more than 12 months before the firm may reapply.

Audit reviewed the exception report for all denied certifications from FYs 2016 to 2018 and identified four DBE firms that were initially denied and then subsequently approved upon reapplying during FY 2019 after the relevant firms' wait periods had elapsed. After analyzing these approvals, audit found that two DBE firms claimed to have made changes to address the reasons stated for the denials; however, it does not appear that Civil Rights fully investigated these claims.

Consequently, incomplete and/or inaccurate application documentation, as well as insufficient reviews related to the information provided increases the risk of improper DBE certification approval.

## 2. Review of DBE Annual Renewals

The DBE certification annual renewal process is regulated by 49 CFR § 26.83. Civil Rights has developed an annual renewal process and requires renewal applicants to submit a "No Change Affidavit" form (see [Appendix F](#)) as well as their most recent tax documents (both corporate and DBE owners' individual income tax returns). CDOT uses this information to identify which areas may warrant further review in order to better determine if a DBE annual renewal should be approved or denied.

## A. Annual Renewal

Audit reviewed the annual renewals for 58 DBE firms (15 percent) during FY 2019 and identified the following:

- 7 DBE firms (12 percent) reported changes that should have warranted further review and a request for additional information from the DBE renewal applicant and/or an on-site visit (see Table 1), and
- 3 DBE firms' (5 percent) tax information entered into B2Gnow did not agree with the tax documents received from the applicant (see Table 2).

**Table 1: Reported DBE Changes**

DBE Firm	Description of Change	Significance for DBE Determination
1	- Adding NAICS code	- Affiliation must be scrutinized
	- Firm executed agreements for outside management and consulting	- Affiliation must be scrutinized
2	- The firm entered into a written employment contract	- Control should be reevaluated
3	- New capital stock issued, changing ownership	- The ownership percentages are critical to the DBE determination
	- Added a new board member	- Control should be reevaluated
3	- New board director	- Affiliation must be scrutinized
	- Firm executed agreement for outside management and consulting	- Affiliation must be scrutinized
4	New agreements outside management	Affiliation must be scrutinized
5	New ownership agreement	The ownership percentages are critical to the DBE determination
6	Firm executed agreements for outside management and consulting services	Affiliation must be scrutinized
7	Firm executed agreements for outside management or consulting services	Affiliation must be scrutinized

**Table 2: DBE Firms with Differences between B2Gnow and Tax Documents**

DBE Firm	Annual Gross Receipt (B2Gnow)	Annual Gross Receipt (Tax Return)	Difference
1	34,486	402,520	368,034
2	1,927,605	1,910,630	<16,975>
3	2,945,041	2,207,165	<737,876>

## B. Firm's Three-year Average AGR

A DBE firm is not eligible pursuant to 49 CFR § 26.65 if the firm (including its affiliates) has a three-year average AGR in excess of \$23.98 million, with special rules and limits for Indian tribe and Native Hawaiian organizations (49 CFR § 26.73). B2Gnow's annual

gross revenue exception report from FYs 2015 to 2018 was reviewed, and Audit identified one DBE firm (25 percent) that did not provide documentation on the last annual renewal; however, based on a trending analysis, this firm may have exceeded the three-year average AGR cap.

Consequently, incomplete and/or inaccurate DBE firm documentation or insufficient review of a firm's annual AGR increases the risk of an improper DBE recertification approval or denial.

### 3. External Reporting

A DBE certifier, such as CDOT, is required by 49 CFR Part 26 to report certain DBE activities on a semi-annual basis to FHWA. Civil Rights collects DBE and non-DBE information from various CDOT software systems required for this federal report. Some of the information being provided to FHWA includes:

- Prime contracts awarded,
- Subcontracts awarded and committed,
- Completed projects, and
- On-going payments.

Audit's methodology to compare the FHWA report for: 1) prime contracts awarded, 2) subcontracts a) awarded and b) committed, and 3) completed contracts was to compare reports from source systems such as SiteManager, B2Gnow, and SAP as well as source documents such as bid information and vendor contracts. In addition, Audit used the following two methods to compare the FHWA report for on-going payments to SAP expenditures:

- Method One:
  - Identified the prime contracts/projects reported within the semi-annual FHWA report,
  - Obtained an SAP report with all CDOT contracts with federal funding, and
  - Compared the contracts in SAP against the contracts reported to FHWA and analyzed the differences.
- Method Two:
  - Identified the prime contracts/projects reported within the semi-annual FHWA report,
  - Obtained payment data from SAP by prime along with the inclusion of purchase orders (POs), and
  - Compared the FHWA report against the SAP payment data inclusive of POs and analyzed the differences.

Audit was able to confirm the outcome of both SAP methods by comparing results against each other. Audit then reviewed and compared the April 1, 2019, to September 30, 2019, FHWA semi-annual report (report 2) against the source of information, such

as vendor contracts and applicable software systems (SiteManager and SAP), and found a couple of differences, one significant (see Table 4 and Table 4.1, report 2).

The October 1, 2018, to March 31, 2019, FHWA semi-annual report (report 1) also had differences when compared against the information from source documents or software systems. However, CDOT is unable to provide any supporting details for report 1 so Audit only compared the totals of prime and subcontractor ongoing payments reported to FHWA (\$126,992,812) to the data source SAP (\$125,132,561) and identified a difference of \$1,860,251; due to this scope limitation, Audit is unable to investigate these differences in detail by project.

In addition, although comparing FHWA reported amounts to source information is optimal, Audit did compare the prime and subcontractor ongoing payments in B2Gnow (\$122,267,463) to the data source SAP (\$125,132,561) by project, and identified a difference of <\$2,865,098> (see [Appendix G](#)). Audit also compared FHWA reported totals for subcontracts awarded/committed and completed contracts to B2Gnow, and identified other differences (see Table 3, report 1).

**Table 3: Results of Comparison for FHWA Report 1 to B2Gnow (see [Appendix H](#))**

Description of the Data	Amount Reported to FHWA	Amount in B2Gnow	Difference	Does Amount Reported Match B2Gnow?
Prime Awarded Contracts	279,914,939	279,914,939	-	Yes
Subcontracts Awarded and Committed	112,966,936	115,986,488	<3,019,552>	No (1)
Prime/Sub Ongoing Payments	126,992,812	122,267,463	4,725,349	No (1)
Completed Contracts	71,046,002	86,593,245	<15,547,243>	No

(1) The software B2Gnow allows, and it is common practice for, self-reporters (prime and subcontractors) to enter on-going payment information into B2Gnow using a prior date. This practice is one of the causes for these differences, which not only makes it difficult or impossible to reconcile data between applicable software systems, it also excludes this information from federal semi-annual reporting if the date entry is made in a prior federal reporting period.

**Table 4: Results of Comparison for FHWA Report 2 to B2Gnow**

Description of the Data	Amount Reported to FHWA	Amount in B2Gnow	Difference	Do Amounts Reported Match B2Gnow?
Prime Awarded Contracts	78,617,679	78,617,679	-	Yes
Subcontracts Awarded and Committed	38,276,560	38,276,560	-	Yes
Prime/Sub Ongoing Payments	216,429,850	216,429,850	-	Yes
Completed Contracts	91,574,742	91,574,742	-	Yes

**Table 4.1: Results of Comparison for FHWA Report 2 to Data Source**

Description of the Data	Amount Reported to FHWA	Amount in Source	Difference	Data Source
Prime Awarded Contracts	78,617,679	78,617,679	-	Bid, Vendor Contract, and SiteManager
Prime/Sub Ongoing Payments	216,429,850	204,899,781	11,530,069 (3)	SAP (1)
Completed Contracts	91,574,742	91,886,933	<312,191>	SAP (2)

(1) See [Appendix I](#) for details on source data (SAP) and differences for the prime/sub ongoing payments.

(2) See [Appendix J](#) for details on the differences for the completed contracts.

(3) After reviewing ongoing payments for the federally funded construction contracts identified in SAP against the contracts reported within FHWA report 2, Audit found:

- 20 of the 97 contracts (21 percent) reported on the FHWA report 2 were not identified as federally funded construction within SAP. For example, two contracts were improperly classified as state funded projects within the SAP system. See Table 5 for details, and
- 278 of the 355 federally funded construction contracts (78 percent) within the SAP report were not included within FHWA report 2. Audit tested a sample of 10 of the 278 contracts. Four of the 10 (40 percent) had payments during the period April 1, 2019, to September 30, 2019. See Table 6 for details.

**Table 5: Federally Funded Payments Improperly Classified in SAP**

Purchase Order Number	Amount Paid	Payments made from 4/19 - 9/19	Reported to FHWA?	Type of Funding in SAP	Type of Funding in Contract
461001213	5,515,278	Yes	Yes	S - State Projects	F - Federal Aid
461001142	15,839,398	Yes	Yes	S - State Projects	F - Federal Aid

**Table 6: Federally Funded Payments in SAP Not Reported to FHWA**

Purchase Order Number	Amount Paid	Payments made from 4/19 - 9/19	Reported to FHWA?	Type of Funding in SAP
461000953	5,255	Yes	No	F - Federal Aid
461001278	312,369	Yes	No	F - Federal Aid
461001060	9,038	Yes	No	F - Federal Aid
461001302	4,961,069	Yes	No	F - Federal Aid

In addition to the differences identified above, the DBE activities for Architectural and Engineering firms are not being included within the semi-annual reports. If Audit included these DBE activities within the SAP source data, then the federal report differences would change even further.

Other potential reasons for FHWA report differences to source data are:

- Untimely and/or inconsistent entry of information,
- Substitution of subcontractors,
- Changes in commitments and the award amounts, and
- Combination of multiple projects into one single construction project within SAP.

*Consequently, considering CDOT's ERP is not integrated with a logical schema, Audit suggests the DBE information that is being reported to external (i.e. FHWA) and internal (i.e. Executive Management, Transportation Commission) stakeholders should be reconciled to the source database as part of Civil Rights' process. Without a reconciliation to SAP or other data sources, the risk of CDOT reporting inaccurate and incomplete information, and therefore, being non-compliant increases.*

## Causes

---

The internal control weaknesses identified were primarily caused by:

- 1) Insufficient Policy and Procedural Directive and/or CDOT DBE manual guidance, and
- 2) Ineffective defined data structure within CDOT's ERP system design.

### Policy and Procedural Directive and CDOT DBE Manual Guidance

CDOT's Policy and Procedural Directive and DBE manual could be improved with standard and consistent guidelines being followed by Civil Rights when reviewing DBE documents for certification. For instance, the CDOT DBE manual is 94 pages long and consists of 48 pages of text followed by 46 pages of Exhibits. Of the 48 pages of text, *approximately 95 percent is an exact copy of 49 CFR Part 26 or slightly modified to "denote that CDOT is the authority"*. The Exhibits include signed program approval, policy directives, forms, FHWA and FTA approvals, CDOT organization chart, FAQs, and similar items. A manual that incorporates exact copy of governmental statute and/or regulations (49 CFR Part 26) rather than incorporating an electronic link to the underlying Authority, increases the risks of complying with outdated laws, regulations, and/or standards; and most times results in redundancy and an inordinately long manual.

In addition, CDOT's Policy and Procedural Directive and DBE manual do not sufficiently clarify and/or contain:

- Roles and responsibilities, and
- Instructions that include clear and concise guidelines.

Audit has identified the following best practices that should be considered when improving CDOT's Policy and Procedural Directive and/or the DBE manual:

### There is little guidance for DBE certification on:

- How to scrutinize DBE firms on ownership and control; for example, when analyzing the capital contributions, CDOT should ensure that the supporting documentation clearly identifies the name(s) of the owner(s) making the contribution(s) as well as ensure that the information entered in B2Gnow matches the supporting documentation,
- What minimum level of supporting documentation CDOT needs to collect in order to make final determination on the DBE firm eligibility while taking into consideration all of the applicant's nuances, or on how to determine if the documentation provided is inaccurate or incomplete; for example, CDOT should ensure that personnel net worth forms and calculations are completed accurately and ensure the subtotal by section reconciles against the main totals by assets and liabilities,
- How to follow up on specific situations, including how to process applications for firms that were initially denied DBE status; for example, CDOT could consider developing "what if" scenarios to help follow up in certain common situations,
- How to follow up on significant changes identified on the "No Change" affidavit form; for example, CDOT should already have defined criteria identifying what are the significant questions on the form and what supporting documentation should be provided by the DBE firm in case of an affirmative response, and
- How to monitor key areas of the DBE Program; for example, CDOT should develop a monitoring control and identify those DBE firms either exceeding or close to the three-year average AGR threshold and/or other Program thresholds to avoid abuse of the Program by DBE firms.

### There is little guidance for external reporting on:

- Ensuring the information reported to FHWA is complete and accurate,
- Reconciling key B2Gnow data to various source software systems and/or documents, and
- Ensuring primes and subcontractors enter their applicable information into B2Gnow in a timely manner.

### ERP

ERP is the integrated management of main business processes, which could provide seamless integration without the need for manual intervention. Currently SiteManager, B2Gnow, and SAP lack an integrated schema; therefore, significant manual intervention between SiteManager and B2Gnow is necessary, and most likely has led to many of the differences identified in this audit report.

Some other benefits of an effective ERP design are:<sup>4</sup>

- Visibility - availability of the information is maintained in a centralized location and allows for increased collaboration and more streamlined completion of tasks. Complete visibility provides more coherent workflows and allows inter-departmental processes to be easily tracked with optimal efficiency, and makes it possible to make quick decisions in confidence,
- Improved Reporting - provides for a single source of truth, unified reporting system for all tasks,
- Improve Efficiency - can reduce or eliminate repetitive manual steps and align all actions across the ERP,
- Data Quality - a single repository of information can eliminate the conflicts between data sources when information from multiple systems need to be merged, and
- Standardized Business Processes - many processes are automated; therefore, errors and costs are greatly reduced and as a result, most processes across the Regions and HQ are standardized, and there is less friction and improved synergy between departments.

## Recommendations

---

To better improve the DBE Program's effectiveness and compliance with federal regulations, Audit recommends the following:

- 1) Improve Policy and Procedural Directive and/or CDOT DBE manual to develop better employee guidance,
- 2) Implement an employee training program,
- 3) Reconcile key source documents as well as B2Gnow, SiteManager, and SAP information to ensure federal reporting accuracy, and
- 4) Develop a monitoring process linked to key factors for DBE certification decisions.

---

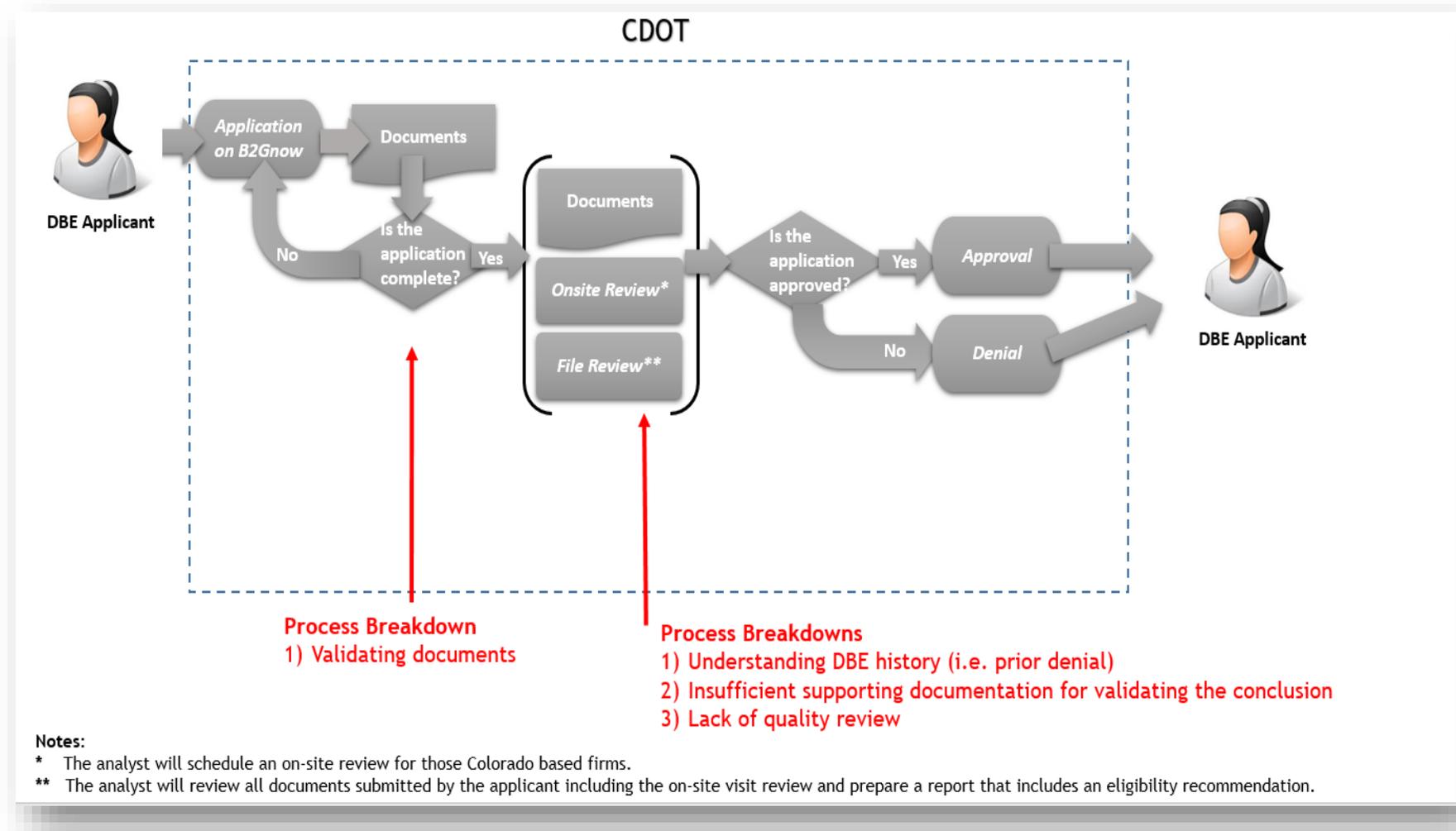
<sup>4</sup> Kim O'Shaughnessy, *Benefits of ERP: Advantages and Disadvantages of an Enterprise Resource Planning System*, accessed November 27, 2019, at <https://selecthub.com/enterprise-resource-planning/erp-advantages-and-disadvantages/#advantages>.

## Management's Comments

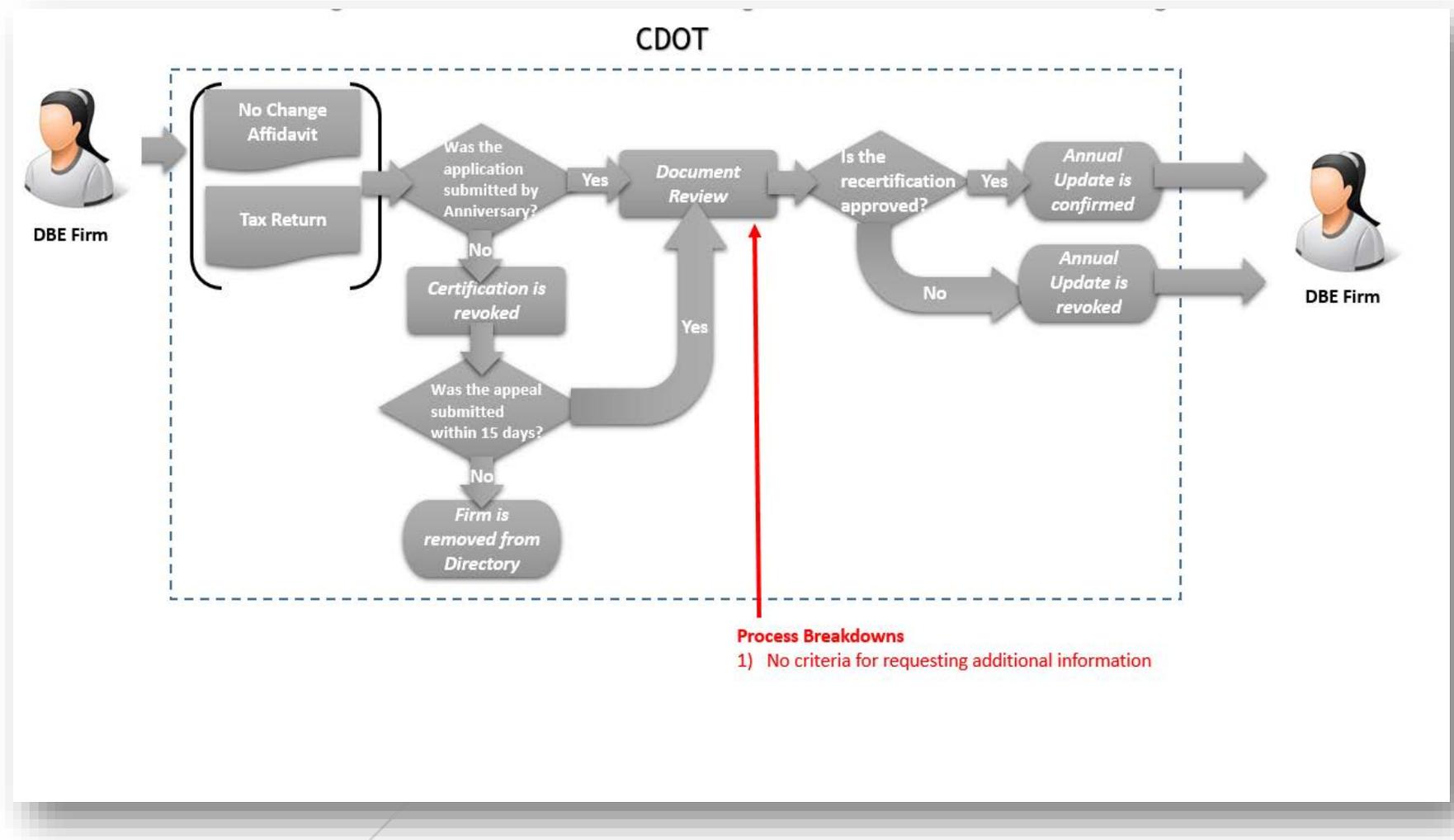
---

Management agrees with the findings and recommendations contained in this report. See [Appendix K](#) for details. The Audit Division considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in this report.

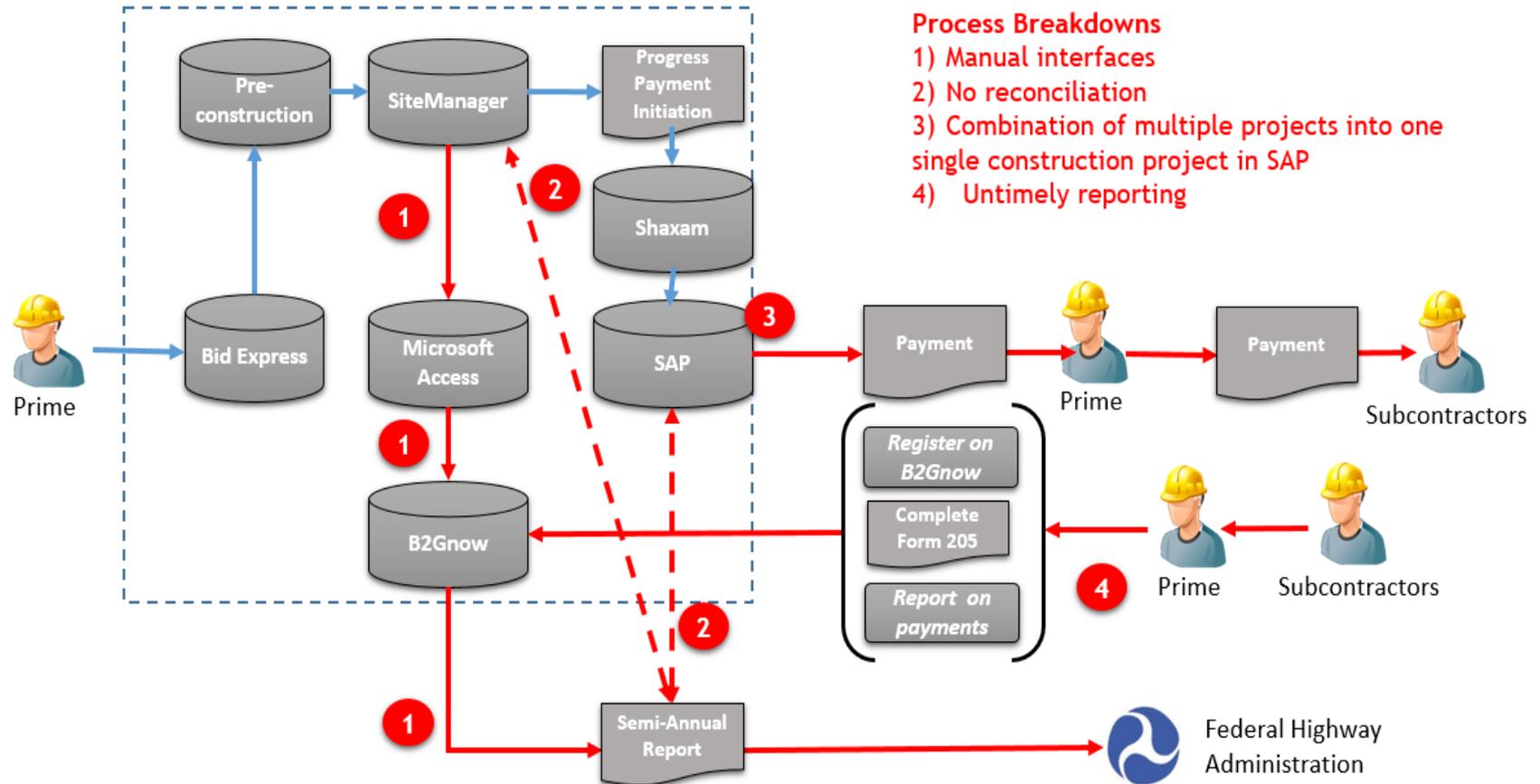
## Appendix A - Initial DBE Application Process



## Appendix B - Annual Renewal Process



## Appendix C - DBE Reporting Process



## Appendix D - Equipment Loan

### LOAN AGREEMENT

#### I. THIS LOAN AGREEMENT IS BETWEEN:

i. The Lender -

[REDACTED]

DBE applicants  
mother and father

ii. The Borrower -

[REDACTED]

#### II. LOAN AMOUNT & TAXES:

iii. The Lender promises to loan \$44855.98 from their [REDACTED] account, to the Borrower and the Borrower promises to repay this principal amount to the Lender. Breakdown of the loan is as follows

[REDACTED]

No payment in full date  
or stated interest

#### III. SECURITY:

iv. The following vehicle secures this loan and once the loan is paid in full to the satisfaction of the Lender, the lender will sign over

[REDACTED]

## Notarized Identity Verification

Sign in the Presence of a Notary

	<u>5-19-19</u>
	Date
	<u>5-19-19</u>
	Date
	<u>5-19-19</u>
	Date

I hereby represent that all above information is true and accurate.

State of Colorado County of 

I hereby certify that on this 19<sup>th</sup> day of May, 20 19

Personally appeared before me the signer and subject of the above form, who signed or attested to the same in my presence, and presented the following form of identification as proof of his or her identity:

Driver's License or Govt. Identification Card

Notary Public: 

My Commission

Notary Public S

Reserved for Notary Seal



## Payment History

DATE	CHECK #	AMOUNT	REMAINING BALANCE
	<b>BEGINNING BALANCE</b>		\$44855.98
May 2, 2017	1023	\$500.00	\$44355.98
July 15, 2017	1032	\$500.00	\$43855.98
5/17/2019	1023	\$250.00	43605.98

Irregular payment history and amounts

Duplicate check numbers

## Appendix E - NAICS Codes

NAICS Codes used in DBE Application	
NAICS Code	Description
531390	Other activities related to real state
541611	Administrative management and consulting

NAICS Codes for ROW Services	
NAICS Code	Description
541320	Architectural Services
541330	Engineering Services
541340	Drafting Services
541350	Building Inspection
541360	Geophysical Surveying and Mapping Services
541370	Surveying and Mapping (except Geophysical Services)
541380	Testing Laboratories

## Appendix F - No Change Affidavit Form

### Certification Application: View DBE Annual Update

[Help & Tools](#)

Main Documents Signature Submit Q & A Utilities DBE Cert List

Status: **Processing Complete**  
Started: 8/18/2019  
Submitted: 8/18/2019

Print to Printer Print to PDF File

#### DBE Annual Update Information

Type	DBE Annual Update
Certifying Agency	Colorado Department of Transportation
Business Name	<input type="text"/>
Current Status	Processing Complete
Application Number	<input type="text"/>
Contact Person	<input type="text"/>

#### Section A: Contact Information

A.1. Legal Name of Business

A.2. DBA Name, if any

A.3. Street Address

A.4. Mailing Address

A.5. Contact Person

A.6. Business Telephone Number

A.7. Fax Number

A.8. Email Address

A.9. Web Address

#### Section B: Business Information - General

B.1. Current number of employees

Full-time	1
Part-time	0
Contract Personnel	3

B.2. During the past year have changes occurred in the legal structure of the business (proprietorship, partnership, corporation, etc.)?

Page 1 of 3 (3000046\_01198930\_20191212151313.pdf)

This form is found on the Cert List tab, the other tabs above contain information about the entity; including status updates, the DBE certification process, and communications to the entity.

[Redacted]

No
B.3. During the past year have changes occurred in the ownership (including changes in interests of existing owners(s) and the additional or removal of an owner(s)?)
No
B.4. During the past year have changes occurred in the duties of the owner(s) or other key personnel?
No
B.5. During the past year have changes occurred that would impact or change the firm's work specialty?
No
B.6. During the past year have there been any changes in the signers, indemnifiers or guarantors for bonding?
No
B.7. Did any stockholder, director, officer, partner and/or manager establish a new business relationship with, or purchase ownership interest in, any other firm since last certification?
No
B.8. Has the disadvantaged status of the firm's disadvantaged owner(s) changed in the past year?
No
B.9. Has this business enterprise been denied certification or had its certification revoked by any agency in the last 12 months?
No
B.10. Does the Personal Net Worth exceed \$1.32 million (not including primary residence and ownership interest in the business) for the 51% qualifying owner or all disadvantaged owners comprising 51% or more of the firm?
No
B.11. Has the firm entered into written employment contracts with any of its employees?
No
B.12. Has the firm entered into new agreements for outside management or consulting services?
Yes

**Section C: Business Information - LLC**

C.1. During the past year have changes occurred in the limited liability company's operating agreement?
No

**Mandatory Documents**

Document	Status
Firm's most recent signed tax return and all related schedules <a href="#">2018 Leif Return.pdf</a> (PDF, 3.30 MB)	[Redacted]

**Required Documents**

Document	Status
Operating Agreement and any amendments <a href="#">Articles of Org 0817.pdf</a> (PDF, 316.92 KB)	[Redacted]
Job description for each owner or key management personnel who experienced a change in duties Work specialty change	
For any new business relationship, submit all relevant information such as ownership documents, lease agreements, Notes Payable, etc.	
If denied certification or recertification in the last 12 months, submit a copy of Denial or Intent To Deny Certification/Recertification letter. If appealed, submit a copy of the letter of appeal. Most recent signed tax return (and all related schedules) for any AFFILIATE business enterprise	

[Redacted]

about which information was requested last year

Changes that have occurred in Owners, Officers (if corporation), Managers and Supervisors of the firm during the last year

Additional supporting documentation not listed above

[Redacted]

**Electronic Signature**

Signature

Title

Organization

Date

[Redacted]

[Customer Support](#)

Copyright © 2019 B2Gnow. All rights reserved.

[Home](#) | [Print This Page](#) | [Print To PDF](#) | [Translate](#)

## Appendix G, Report 1 - B2Gnow Ongoing Payments Differences to SAP

Project #	Amount Retained (B2Gnow)	Amount Retained (SAP)	Difference
1	3,079,926	562,105	2,517,821
2	2,372,608	906,185	1,466,424
3	2,805,296	1,593,315	1,211,981
4	1,626,267	554,049	1,072,218
5	3,733,883	2,700,577	1,033,307
6	570,760	156,088	414,672
7	1,832,686	1,435,180	397,506
8	1,369,151	1,110,100	259,051
9	251,969	-	251,969
10	222,364	-	222,364
11	411,761	202,745	209,016
12	216,102	25,103	190,999
13	17,406,084	17,254,983	151,101
14	133,858	12,373	121,485
15	4,079,306	3,966,300	113,006
16	965,970	878,942	87,028
17	145,049	58,249	86,800
18	2,333,698	2,256,708	76,990
19	1,325,551	1,250,651	74,900
20	1,030,962	976,040	54,921
21	525,750	495,302	30,448
22	1,731,537	1,702,325	29,212
23	62,465	37,058	25,407
24	70,026	56,099	13,927
25	80,299	67,800	12,499
26	2,095	-	2,095
27	739,947	739,946	-
28	267,810	267,809	-
29	1,051,901	1,051,900	-
30	1,525,370	1,525,370	-
31	1,043,494	1,043,493	-
32	797,188	797,188	-
33	4,084,750	4,084,749	-
34	1,098,890	1,098,890	-
35	1,471,697	1,471,696	-
36	38,064	38,064	-
37	3,001,350	3,001,349	-
38	15,980	15,980	-
39	4,050,754	4,050,754	-
40	4,172,765	4,172,764	-
41	363,208	363,208	-
42	1,220,998	1,220,998	-
43	1,024,712	1,024,712	-
44	133,790	133,789	-

Project #	Amount Retained (B2Gnow)	Amount Retained (SAP)	Difference
45	3,503,264	3,503,264	-
46	1,276,100	1,276,099	-
47	9,204	9,204	-
48	873,923	873,923	-
49	250,801	250,801	-
50	136,717	136,717	-
51	76,160	76,160	-
52	3,563	3,563	-
53	1,366	1,366	-
54	256,418	256,420	(3)
55	174,706	195,300	(20,593)
56	409,852	599,964	(190,112)
57	20,285,822	20,594,151	(308,329)
58	418,615	785,406	(366,792)
59	740,827	1,341,286	(600,459)
60	3,229,436	4,046,339	(816,904)
61	991,431	2,952,493	(1,961,062)
62	15,141,165	23,869,164	(8,728,000)
	<b>122,267,463</b>	<b>125,132,561</b>	<b>(2,865,098)</b>

# Appendix H - FHWA Report 1

**UNIFORM REPORT OF DBE COMMITMENTS/AWARDS AND PAYMENTS**  
 "Please refer to the instruction sheet for directions on filling out this form"

1 Submitted to (check only one)  FHWA  FAA  FTA - Recipient ID Number

2 AIP Numbers (FAA Recipients):  
 Grant Number (FTA Recipients):

3 Federal Fiscal Year in which reporting period: FY 2019

4 Date This Report Submitted: 5/30/2019

5 Reporting Period:  Report due June 1 (for period Oct. 1-Mar. 31)  Report due Dec. 1 (for period Apr. 1-Sept. 30)  FAA annual report due Dec 1

6 Name and Address of Recipient: **Colorado Department of Transportation (CDOT), 4201 E. Arkansas Ave., Denver, CO 80222**

7 Annual DBE Goal(s): Race Conscious Projection: 8.7% Race Neutral Projection: 3.45% OVERALL Goal: 12.15%

---

**Awards/Commitments this Reporting Period**

A	AWARDS/COMMITMENTS MADE DURING THIS REPORTING PERIOD (Total contracts and subcontracts)								
	A	B	C	D	E	F	G	H	I
	Total Dollars	Total Number	Total to DBEs (dollars)	Total to DBEs (number)	Total to DBEs/Race Conscious (dollars)	Total to DBEs/Race Conscious (number)	Total to DBEs/Race Neutral (dollars)	Total to DBEs/Race Neutral (number)	Percentage of total dollars to DBEs
8	\$ 279,914,939	51	\$ -	0	\$ -	0	\$ -	0	0.0%
9	\$ 112,966,936	713	\$ 34,189,433	210	\$ 28,309,850	88	\$ 5,879,593	122	30.3%
10	<b>TOTAL</b>		\$ 34,189,433	210	\$ 28,309,850	88	\$ 5,879,593	122	12.2%

---

**BREAKDOWN BY ETHNICITY & GENDER**

B	Total to DBE (dollar amount)			Total to DBE (number)			
	A	B	C	D	E	F	
	Women	Men	Total	Women	Men	Total	
11	\$ 16,873	\$ 2,422,175	\$ 2,439,047	2	7	9	
12	\$ 6,470,728	\$ 10,055,034	\$ 16,525,762	32	83	115	
13	\$ 2,225	\$ 175,258	\$ 177,483	2	4	6	
14	\$ -	\$ -	\$ -	0	0	0	
15	\$ -	\$ -	\$ -	0	0	0	
16	\$ 15,047,140	\$ -	\$ 15,047,140	80	0	80	
17	<b>TOTAL</b>	\$ 21,536,965	\$ 12,652,467	\$ 34,189,433	116	94	210

---

**Payments Made this Period**

C	PAYMENTS ON ONGOING CONTRACTS					
	A	B	C	D	E	F
	Total Number of Contracts	Total Dollars Paid	Total Number of Contracts with DBEs	Total Payments to DBE Firms	Total Number of DBE Firms Paid	Percent to DBEs
18	853	\$ 126,392,812	279	\$ 16,288,022	123	12.8%

---

**TOTAL PAYMENTS ON CONTRACTS COMPLETED THIS REPORTING PERIOD**

D	TOTAL PAYMENTS ON CONTRACTS COMPLETED THIS REPORTING PERIOD				
	A	B	C	D	E
	Number of Contracts Completed	Total Dollar Value of Contracts Completed	DBE Participation Needed to Meet Goal (Dollars)	Total DBE Participation (Dollars)	Percent to DBEs
19	18	\$ 69,888,817	\$ 6,073,646	\$ 9,889,843	14.2%
20	4	\$ 1,157,184	\$ -	\$ 200,620	17.3%
21	<b>Totals</b>	\$ 71,046,002	\$ -	\$ 10,090,463	14.2%

22 Submitted by: \_\_\_\_\_ 23. Signature: \_\_\_\_\_

Reporting period Oct 1st, 2018 through March 31st, 2019

Amount of prime contracts awarded

Amount of subcontracts awarded/committed

Amount of ongoing payments on prime and subcontracts

Amount of total payments on contracts completed

## Appendix I, Report 2 - FHWA Ongoing Payments Differences to SAP

Project #	Amount Retained (Reported to FHWA)	Amount Retained (SAP)	Difference
1	7,944,727	-	7,944,727
2	6,613,590	2,220,762	4,392,828
3	6,537,550	3,368,136	3,169,415
4	988,294	125,602	862,692
5	5,361,076	4,566,099	794,977
6	5,013,827	4,596,549	417,278
7	238,699	-	238,699
8	232,669	-	232,669
9	1,787,653	1,557,757	229,896
10	225,707	-	225,707
11	219,761	-	219,761
12	211,493	-	211,493
13	429,085	326,363	102,722
14	85,938	-	85,938
15	531,942	455,641	76,302
16	68,172	2,860	65,312
17	175,983	118,320	57,663
18	18,556,931	18,515,148	41,783
19	41,672	-	41,672
20	1,401,861	1,364,636	37,225
21	666,789	647,138	19,652
22	14,463,123	14,447,115	16,008
23	329,854	315,675	14,179
24	12,569	21	12,548
25	2,301,694	2,290,260	11,435
26	363,651	352,353	11,298
27	36,213	25,083	11,130
28	655,280	645,144	10,137
29	7,792,515	7,783,280	9,235
30	5,727	-	5,727
31	5,724	-	5,724
32	2,409	-	2,409
33	3,907,902	3,906,006	1,895
34	3,590,457	3,588,730	1,728
35	4,679,975	4,679,218	756
36	1,088,506	1,088,506	-
37	416,847	416,847	-
38	252,109	252,109	-
39	3,563	3,563	-
40	587,875	587,875	-
41	2,684,867	2,684,867	-
42	4,002,688	4,002,688	-
43	397,528	397,528	-
44	3,623	3,623	-

Project #	Amount Retained (Reported to FHWA)	Amount Retained (SAP)	Difference
45	2,156,351	2,156,351	-
46	4,924,739	4,924,739	-
47	2,039,958	2,039,958	-
48	3,171,412	3,171,412	-
49	616,169	616,169	-
50	2,220,665	2,220,665	-
51	3,058,977	3,058,977	-
52	898,741	898,741	-
53	1,019,789	1,019,789	-
54	738,895	738,895	-
55	1,543,709	1,543,709	-
56	235,296	235,296	-
57	467,769	467,769	-
58	165,372	165,372	-
59	892,043	892,043	-
60	6,375,800	6,375,800	-
61	1,375,308	1,375,308	-
62	3,760,878	3,760,878	-
63	5,183,816	5,183,816	-
64	68,817	68,817	-
65	1,750,355	1,750,355	-
66	1,492,823	1,492,823	-
67	760,111	760,111	-
68	671,662	671,662	-
69	2,252,506	2,252,506	-
70	2,774,376	2,774,376	-
71	769,567	769,567	-
72	460,260	460,260	-
73	277,514	277,514	-
74	334,287	334,287	-
75	221,110	221,110	-
76	561,857	561,857	-
77	5,749,262	5,749,262	-
78	714,585	714,585	-
79	862,305	862,306	(1)
80	89,937	93,365	(3,428)
81	2,142,087	2,146,885	(4,799)
82	4,746,386	4,758,992	(12,607)
83	1,040,270	1,066,044	(25,774)
84	866,054	972,750	(106,696)
85	21,402,694	21,561,097	(158,402)
86	938,071	1,105,866	(167,795)
87	339,574	511,276	(171,702)
88	1,575,553	1,765,344	(189,791)
89	1,358,619	1,602,128	(243,509)
90	1,087,809	1,388,085	(300,276)

Project #	Amount Retained (Reported to FHWA)	Amount Retained (SAP)	Difference
91	1,899,101	2,203,050	(303,948)
92	2,109,908	2,522,264	(412,356)
93	1,098,251	1,514,060	(415,809)
94	244,745	806,932	(562,186)
95	660,338	1,510,277	(849,939)
96	4,275,539	6,229,155	(1,953,616)
97	5,069,714	7,239,631	(2,169,917)
	<b>216,429,850</b>	<b>204,899,788</b>	<b>11,530,069</b>

## Appendix J, Report 2 - FHWA Completed Projects Differences to SAP

Project #	Amount Retained (Reported to FHWA)	Amount Retained (SAP)	Difference
1	6,392,794	6,334,225	58,569
2	233,405	225,725	7,681
3	5,717,133	5,717,133	-
4	4,248,071	4,248,071	-
5	5,769,808	5,769,808	-
6	39,979,375	39,979,375	-
7	6,081,283	6,081,283	-
8	584,760	584,760	-
9	3,300,849	3,300,849	-
10	1,469,725	1,473,434	(3,709)
11	7,605,745	7,613,689	(7,944)
12	174,706	198,343	(23,637)
13	2,157,388	2,181,139	(23,751)
14	5,023,509	5,085,307	(61,799)
15	1,248,026	1,327,913	(79,887)
16	1,588,164	1,765,879	(177,715)
	<b>91,574,742</b>	<b>91,886,933</b>	<b>(312,191)</b>

## Appendix K - Management's Comments

<p>Opportunities exist to improve regulatory compliance and effectiveness of the CDOT's DBE program associated with the initial certification, annual renewal, and external federal report.</p>	<p>Agree or Disagree with Audit Finding:  Agree</p>
---	---

### Narrative for Findings

DBE processes could be improved:

#### Initial DBE Certification:

- Firm ownership and control was not always scrutinized sufficiently
  - **CDOT Civil Rights & Business Resource Center (CRBRC) Comments:** *49 CFR Part 26 requires certifiers to account for the record in its entirety. The final decision is based upon an applicant's ability to demonstrate eligibility based upon a preponderance of evidence. That said, the CRBRC is always interested in continuous improvement and is committed to placing even greater emphasis on key areas in this arena such as obtaining proof of initial ownership contributions etc. as highlighted in the draft audit report.*
- DBE application information was incomplete and/or inaccurate in some instances
  - **CRBRC Comments:** *We wish to reiterate that the draft audit report focused on ten randomly selected application files. However, in the spirit of continuous improvement, this represents an area that will receive even greater focus going forward.*
- Denied applicants were later approved without addressing initial denial concerns
  - **CRBRC Comments:** *49 CFR Part 26 requires certifiers to review applications based upon present circumstances. Moving forward, the CDOT certifying unit will place additional scrutiny on previously denied firms consistent with the findings highlighted in the audit report (where such scrutiny is in alignment with applicable law).*

#### DBE Annual Renewal Process:

- Follow-up on annual renewal information was not always performed
  - **CRBRC Comments:** *This is an existing and ongoing area of emphasis. This appears to be a documentation issue, in which case the CRBRC certifying unit remains committed to developing and standardizing a more effective documentation process.*
- DBE renewal information was incomplete and/or inaccurate in some instances
  - **CRBRC Comments:** *The CRBRC appreciates this feedback as it has been helpful in identifying some procedural gaps that can be closed through the development of a more rigorous and formal operational manual as committed to below.*

- The three-year average annual gross receipt cap as well as other program restrictions are not always being monitored sufficiently
  - **CRBRC Comments:** *The audit report highlights one firm out of four as it relates to this issue. The firm highlighted chose to not submit annual renewal information and are in the process of being removed from the program, in accordance with formal Federal removal process.*

External Federal Report:

- The report provided to FHWA is not reconciled or validated against systems that contain source data such as SiteManager or SAP and does not include activity related to Architectural and Engineering DBE firms
  - **CRBRC Comments:** *Data included in FHWA reports is populated directly with information interfaced from SiteManager to B2Gnow. The CRBRC does agree that additional steps could and should be taken to validate source data from SAP. The source data in SiteManager etc. is dynamic with additional information being added on a regular basis. Reports submitted to FHWA represent a snapshot in time. Professional Services (Architectural and Engineering) contracts data will be included within the semi-annual DBE reports starting FFY21.*

**Suggested recommendation to address Findings:**

Management should:

- 1) Improve Policy and Procedural Directive and/or CDOT DBE manual to develop better employee guidance,
- 2) Implement an employee training program,
- 3) Reconcile key source documents as well as B2Gnow, SiteManager, and SAP information to ensure federal reporting accuracy, and
- 4) Develop a monitoring process linked to key factors for DBE certification decisions.

**Management's Response to Recommendations:**

- 1) The audit report highlights the need for greater documentation and standardization of internal operational procedures in the CRBRC certifying unit. This unit has already started the process of creating an operations manual to clarify processes and develop key metrics for DBE certification decisions along with monitoring training of these metrics for internal staff. Key metrics and training will be completed by June 1, 2021
- 2) The CDOT DBE Program Manual will be revised to more clearly reflect CRBRC processes and CRBRC staff will be trained on how they adhere to the DBE regulations. This will involve streamlining existing resources and integrating (linking) with other process guide resources currently being created by the larger CRBRC team. Training for the new manual will be complete by March 30, 2022.
- 3) The CRBRC is committed to work under the direction of OIT to create a direct interface between B2Gnow and SAP to address the areas of concern identified in the study - however, before such time, CRBRC will develop processes to reconcile

key data to better ensure its accuracy and prepare for the new interface. This process development will occur by June 1, 2021.

- 4) Professional Services (Architectural and Engineering) contracts data will be included within the semi-annual DBE reports starting in FFY21.

Target Date to Complete Implementation Activities	Name of Specific Point of Contact for Implementation
1) Establish draft CRBRC certifying unit operational manual (likely an integrated Google Site) <u>by March 30, 2021</u> . Key metrics and training will be complete by June 1, 2021.	1) Jun Arcilla
2) Revised CDOT DBE Program Manual <u>by December 31, 2021</u> Training for the new manual will be complete by March 30, 2022.	2) Jun Arcilla
3) Under the direction of OIT, work to establish a SAP/B2Gnow interface <u>by December 31, 2021</u> . Process Development will be complete by June 1, 2021.	3) Mohamed Benjelloun
4) Include Professional Services data in DBE reports submitted to FHWA starting in FFY21 (first report to be submitted <u>by March 20, 2021</u> ).	4) Mohamed Benjelloun