



COLORADO
Department of Transportation
Division of Audit

Report Number 24-001

Emergency Project Process Released Report



January 2024

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 16, 2024

The attached report presents the results of the Emergency Project Process Audit (report number 24-001, dated January 2024). This report was reviewed and released by the CDOT Audit Review Committee (ARC) on February 14, 2024, and adds value by assisting management with improving the effectiveness and efficiency of the emergency project process.

We conducted this review as part of our Fiscal Year 2024 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
Jeffrey Sudmeier, Chief Financial Officer
Keith Stefanik, Chief Engineer
John Lorme, Director of Maintenance and Operations
Darrell Lingk, Director of Safety and Risk Management

Report Highlights

Background

State of Colorado Procurement Rule R-24-103-206-01 defines an emergency as a situation that creates an immediate threat to public health, welfare, or safety. In addition, according to State of Colorado Fiscal Rules, goods and services necessary to respond to an emergency may be procured immediately, without issuing a commitment voucher or obtaining a written waiver from the Office of the State Controller.

Emergency projects may include rockfalls, floods, sinkholes, and/or hail damage to CDOT buildings. There was a total of 55 projects using the ER (emergency) prefix for fiscal years (FY) 2018 through 2022, with an associated cost of over \$248 million. In addition, during the same time frame, CDOT requested over \$13 million in additional funds from the Transportation Commission for emergency projects.

Highlights

Audit assessed CDOT's emergency project process and found that the process is generally effective. For example, Audit **did not** find any instances where repairs were expanded beyond the scope of the emergency repair work without proper solicitation nor procurement waivers obtained for non-emergency repair, such as permanent repair work. Either of these occurrences would be considered a statutory violation. However, Audit identified opportunities to improve the process and guidance.

To improve the emergency project process and guidance, Audit has provided management with the following three recommendations. Management should:

1. Revise and consolidate policies and procedures for emergency projects with respect to consistency, roles, communications, documentation retention, tracking, external funding, and training. Related to this recommendation, Audit provided several suggestions for management's consideration.
2. Review the journal voucher process due to the large volume of entries and assess whether internal controls over journal voucher entries are working as intended.

Objective

The Audit Division (Audit) assessed the Colorado Department of Transportation's (CDOT) emergency project process.

Scope and Methodology

Our audit examined 43 of the 55 projects coded with an ER (emergency) prefix. These projects were either coded as emergency construction projects (35) or identified through conversation with Regional Business Managers (8). Projects chosen by Audit had expenditures exceeding \$500,000 during fiscal years (FY) 2018 through 2022.

We conducted this performance 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.

We did not assess the reliability of data from SAP, PMWeb, or ProjectWise.¹ Our population was determined based upon an SAP generated report showing projects coded with the ER prefix. CDOT does not track emergency projects as a group in SAP, and therefore, does not ensure the projects coded as ER are proper. Due to not being tracked, there is a scope limitation in that Audit cannot determine if the population is complete and accurate, but through interviews with CDOT staff, we determined that the data was sufficiently reliable for the purposes of this report.

The methods that Audit used to achieve our objective were:

- Analyzing trends in emergency project expenditures, budgets, funding sources, and number for the period FY 2018 through 2022.
- Reviewing project documents, including advertisements, bid information, damage assessment reports, notices to proceed, contracts, and contract modification orders.
- Reviewing data and documentation available in PMWeb, ProjectWise, and SAP.

¹ These systems are used by CDOT to maintain project data and documentation.

- Reviewing the following CDOT guidance.
 - *Construction Manual* (2019)²
 - *Center for Procurement and Contract Services Operations Manual (Procurement Manual)* (2019)³
 - Procedural Directive (PD) 3.4, “Purchasing Procedures”
 - *Continuity of Operations Plan* (2020)
 - *Emergency Operations Plan* (2017)
 - PD 1502.1, “Traffic Control for Planned and Unplanned Work Traffic”
- Reviewing applicable federal and state statutes, and other guidance.
 - *Emergency Relief Manual* (2013)
 - State of Colorado Fiscal Rules (Fiscal Rules) (2018, 2022)
 - State of Colorado Procurement Rules (Procurement Rules) (2018)
 - 2 Code of Federal Regulation (C.F.R.) §200.317
 - Colorado Revised Statutes (C.R.S.) §24-33.5-701
 - C.R.S. §24-103-206
- Interviewing CDOT staff.

Background

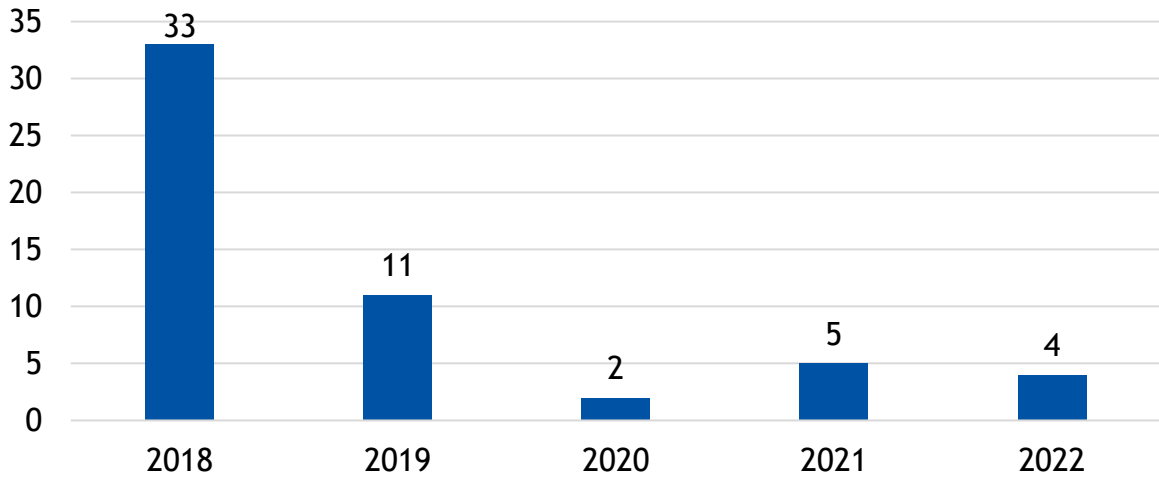
The CDOT *Construction Manual*, §120.8, and Procurement Rule R-24-103-206-01 define an emergency as “a situation that creates an immediate threat to public health, welfare, or safety, the functioning of state government, or preservation or protection of property.” According to Fiscal Rule 3-1 (2018, 2022), goods and services necessary to respond to an emergency may be procured immediately, without first issuing a Commitment Voucher (Purchase Order, State Contract, etc.) or obtaining a written waiver from the Office of the State Controller. §

Audit found a total of 55 projects coded as emergency construction projects during FY 2018 through 2022; see **Chart 1**. Such emergency projects may include rockfalls, floods, sinkholes, and/or hail damage to CDOT buildings. A declaration of emergency was issued for 12 of the 43 projects sampled. Of these, five emergency declarations were made by the governor while the other seven were declarations made by the Chief Engineer and Procurement Official.

² As updated through 2022.

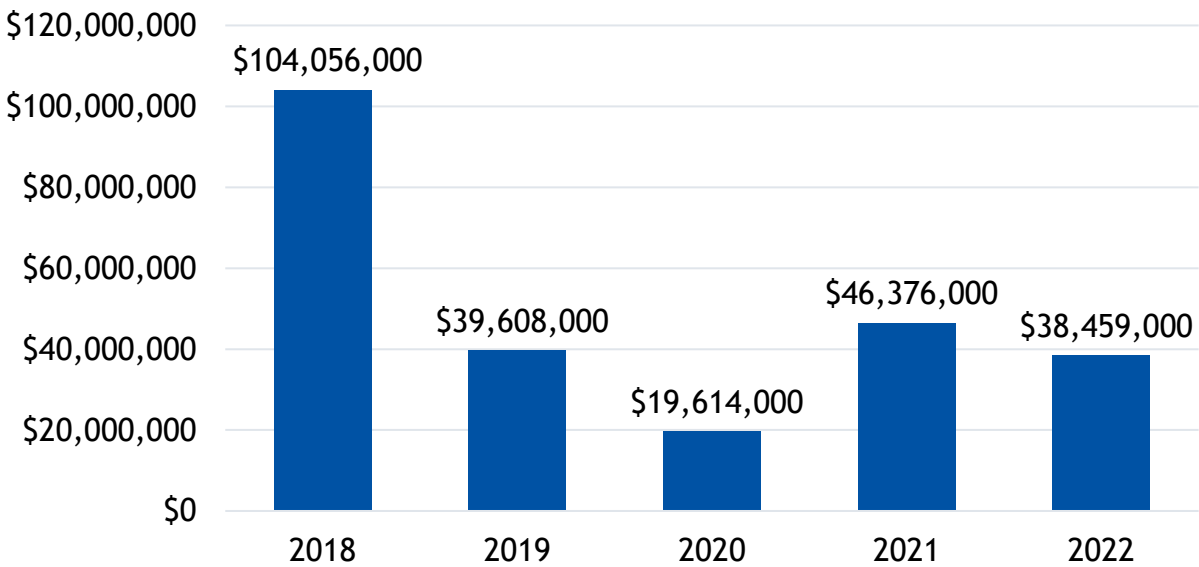
³ As updated through 2022.

**Chart 1: Number of Emergency Projects
FY 2018-2022**



CDOT has spent over \$248 million for these 55 projects; see **Chart 2**. In addition, for some of these emergency projects, CDOT had to request over \$13 million in additional funds from the Transportation Commission.

**Chart 2: Emergency Project Expenditures
FY 2018-2022⁴**



⁴ In FY2018, \$103,670,600 or 99.63% of emergency expenditures were attributed to the 2013 flooding event occurring mainly in Region 4, which was declared an emergency via Governor's Declaration (Executive Order D2013-026).

There are several steps that are followed for emergency projects. After an incident or issue is reported, the Chief Engineer must first determine whether it constitutes an emergency. If the Chief Engineer believes an emergency procurement declaration is necessary, contact is made with the CDOT Procurement Official (Procurement Official), who is the State Controller designee. The Procurement Official then determines whether an emergency procurement declaration is warranted. An emergency procurement declaration both allows for an emergency procurement per C.R.S. §24-103-206, as well as meets the requirement for waiving the Commitment Voucher requirement from Fiscal Rule 3-1.⁵ Depending on that determination, the process includes designing the repair, soliciting a contractor for the work, and completing the emergency repair work.

Findings and Conclusions

Audit assessed CDOT's emergency project process and found that the process is generally effective. For example, Audit **did not** find any instances where repair work was expanded beyond the scope of that required to resolve the emergency without proper solicitation nor instances of emergency procurement declarations obtained for non-emergency repairs, such as permanent repair work.⁶ Any such occurrences would be considered statutory violations.⁷ However, Audit identified opportunities to improve the process and guidance. Audit identified eight areas in which policies and procedures could be improved:

- 1) Consolidation of Guidance
- 2) Inconsistent Guidance
- 3) Division Roles
- 4) Communication
- 5) Documentation Retention
- 6) Tracking
- 7) External Funds
- 8) Training

Effective oversight of the emergency project process is critical to ensuring CDOT's regulatory and financial compliance with statutes governing emergency events and

⁵ Fiscal Rule 3-1 provides five conditions under which the requirements for a Commitment Voucher can be waived: 1) An immediate response is required to the situation and there is insufficient time to issue a Commitment Voucher, 2) procurement is authorized in accordance with the Procurement Code and Procurement Rules, 3) the expenditure is approved by State Controller delegate, 4) if future performance obligations are necessary, a Commitment Voucher is executed as soon as possible, and 5) the State Agency notifies the State Controller's Office in writing as soon as possible of the circumstances, goods and/or services purchased, and dollar amount of the commitment.

⁶ Permanent repairs are undertaken after emergency work that resolves the immediate threat to public health, welfare, or safety has been completed. The purpose of a permanent repair is to restore the highway, bridge, CDOT building, etc. to its pre-disaster condition.

⁷ PD 3.4, "Purchasing Procedures," defines a statutory violation as, "a liability incurred or payment made on CDOT's behalf without an approved Commitment Voucher, when required under Fiscal Rule".

procurements. Sufficient tracking and monitoring help ensure that CDOT can obtain additional federal, state, and/or third-party insurance funding when appropriate.

1) Consolidation of Guidance:

There are various CDOT materials that contain information regarding the emergency project process, including:

- *CDOT Construction Manual*
- *CDOT Procurement Manual*
- PD 3.4, “Purchasing Procedures”
- *CDOT Continuity of Operations Plan*
- PD 1502.1, “Traffic Control for Planned and Unplanned Work Traffic”
- Documents formerly located on CDOT’s Emergency Construction Project SharePoint site

Moreover, there are various standalone documents that contain information on completing aspects of the emergency project process. Such standalone documents include a thorough PowerPoint presentation developed by Region 3 outlining the emergency project process, including the roles and responsibilities of each team involved. Additional documents have been drafted by Engineering Contracts Services, which include a flowchart outlining the emergency procurement process and an emergency contracting procedure checklist to assist in the determination of whether an event is an emergency. If such specific guidance were to be incorporated into one authority and outdated information archived, this could mitigate future department-wide inconsistencies and benefit the teams involved in the process. **Appendix A** shows some examples of CDOT guidance containing redundant information.

To better ensure organizational consistency, Audit suggests that management provide its written emergency project guidance as an Appendix to PD 3.4, “Purchasing Procedures,” and reference the Appendix in all other CDOT documentation. The process could be designed to have two to three different emergency responses based upon a cost threshold.

2) Inconsistent Guidance:

Audit noted examples of unclear, inconsistent, and/or conflicting guidance within current CDOT manuals, legislation, and other materials relating to the emergency declaration process. See **Table 1**. As an example, C.R.S. §24-103-206 and Fiscal Rule 3-1 appear to conflict regarding who has the authority to declare an emergency. C.R.S. §24-103-206 states that the Executive Director of the Department of Personnel and Administration, Chief Procurement Officer, Procurement Official, or designee have the authority to declare an emergency, while Fiscal Rule 3-1 limits this authority to the State Controller or State Controller Delegate. This has led to confusion within CDOT as to who has this authority, which is reflected in guidance provided in the *Construction Manual* and *Procurement Manual*. The *Construction Manual* states that the Chief

Engineer may declare an emergency, while the *Procurement Manual* specifies that only the Procurement Official has this authority. This has resulted in the Procurement Office not receiving emergency declaration requests.

Table 1: Specific Conflicts in Emergency Project Guidance

Specific Conflicts in Emergency Project Guidance		
Document/Rule	Guidance	Conflicting Guidance
State of Colorado Fiscal Rules (Fiscal Rules)	State Controller or delegate of the State Controller must approve emergency procurements.	C.R.S. §24-103-206 is broader and provides for additional CDOT officials to be designated, including the Executive Director and Chief Engineer, to authorize emergency procurements. Moreover the C.R.S. does not list the State controller.
C.R.S. §24-103-206	Executive Director, Chief Procurement Officer, Procurement Official, or designee may make or authorize others to make emergency procurements.	
<i>Procurement Manual</i>	The CDOT Procurement Official has the authority to declare a procurement emergency.	The Procurement Manual states that the CDOT Procurement Official may authorize emergency procurements, while the Construction Manual stipulates that the Chief Engineer may authorize emergency procurements without clarifying other procurement declaration requirements. Conflicting language outlining who has the authority to appoint a Project Manager.
<i>Construction Manual</i>	The Chief Engineer has the authority to declare a procurement emergency.	
“Emergency Questionnaire”	The Chief Engineer has the authority to declare a procurement emergency.	
<i>Construction Manual</i>	The Regional Transportation Director (RTD) has the authority to designate the Project Manager.	
<i>Procurement Manual</i>	Unclear language that could be construed as giving the CDOT Procurement Official the authority to designate a Project Manager.	

Specific Conflicts in Emergency Project Guidance		
Document/Rule	Guidance	Conflicting Guidance
<i>Procurement Manual</i>	References Fiscal Rule 3-1.	<i>Procurement Manual</i> references the correct Fiscal Rule (3-1). The other documents all reference an incorrect Fiscal Rule (2-2).
<i>Construction Manual</i>	All three documents reference Fiscal Rule 2-2.	
CDOT R3 PEC - “Emergency Engineering Projects Guidance”		
<i>CDOT Continuity of Operations Plan</i>		

In addition, Audit found several sources that define what an emergency (emergency repair project) is and how to proceed, many of which contain different criteria. Without a single authoritative source that defines an emergency, personnel are left to interpret inconsistent guidance themselves, make discretionary decisions, and/or create their own process.

3) Division Roles:

There is no clear guidance as to the role each CDOT operating division/unit should perform regarding emergency projects. In addition, there is no discernible central authority to help with coordination, provide administrative assistance, or ensure compliance. Audit identified seven CDOT divisions/units involved in the emergency project process: the Office of Policy & Government Relations, Division of Accounting and Finance (DAF), Division of Engineering, Regional Offices and the RTDs, Division of Maintenance and Operations (Maintenance), Office of Risk Management (Risk Management), and Office of Emergency Management (OEM).⁸ In addition, we identified various non-CDOT entities involved in the process: federal agencies, the State Controller's Office, and the Colorado General Assembly.⁹ See **Figure 1**.

⁸ Maintenance and Risk Management roles are not clearly defined in policy and guidance. However, it is understood that Headquarters Maintenance assists with securing funding, while Regional Maintenance performs mitigation and or repair work to the extent of their resources. Risk Management assists with third-party liability claims, and files insurance claims when there is damage to CDOT facilities or equipment.

⁹ Federal agencies include the Federal Highway Administration (FHWA) and the Federal Emergency Management Agency (FEMA).

Figure 1: Emergency Project Roles

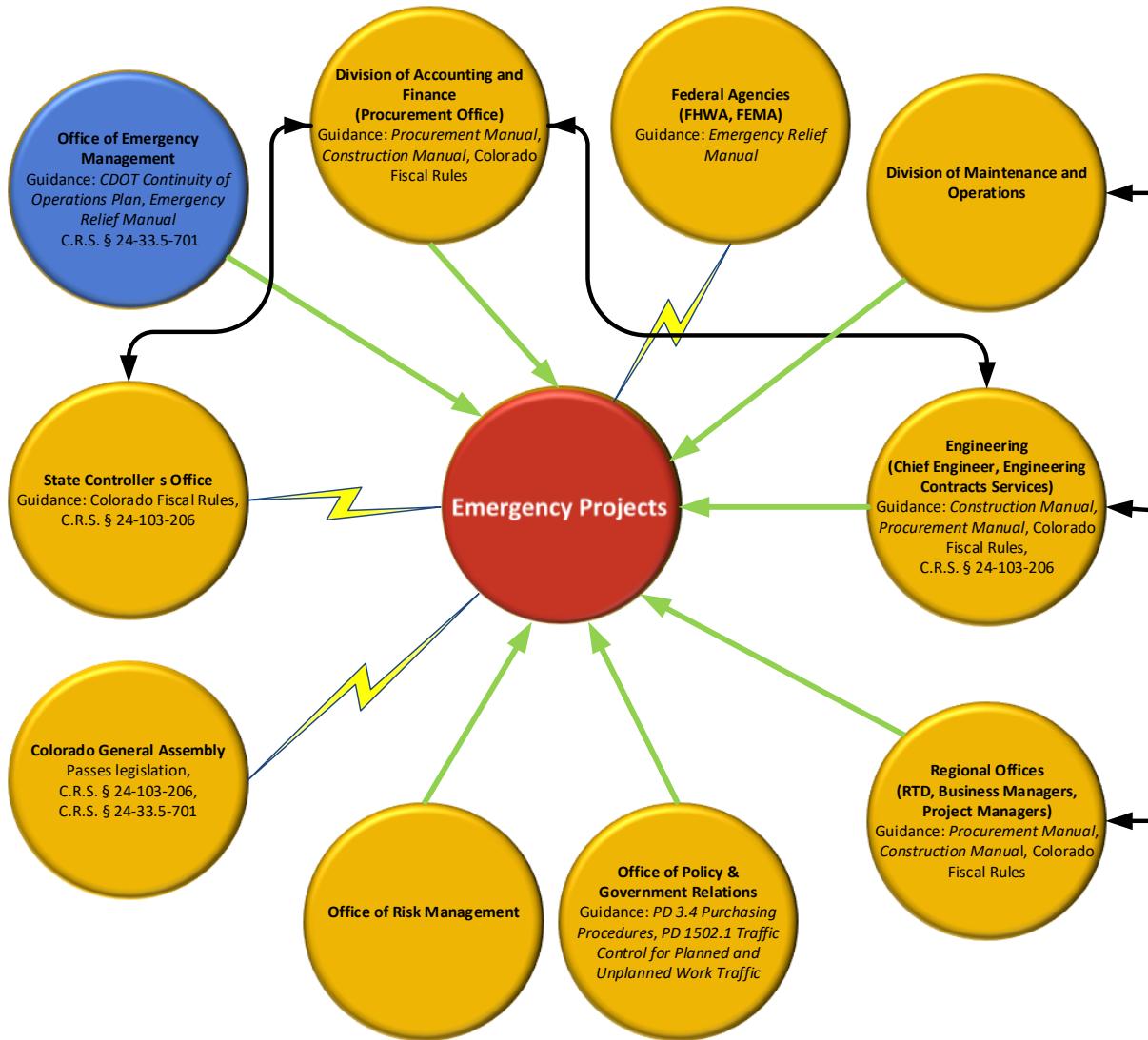






Figure 1 Legend

-  Denotes the office of Emergency Management is part of the Division of Maintenance and Operations
-  Denotes non-CDOT involvement
-  Denotes CDOT involvement
-  Denotes CDOT interaction between internal divisions and external parties

The under coordinated involvement of various CDOT divisions may create confusion and communication issues, resulting in increased risks, lost opportunities, and inefficiencies, examples of which include:

- Statutory violations, which can occur if an emergency procurement declaration is not properly obtained and/or the State Controller’s designee, the Procurement Official, is not properly notified.
- Not receiving external funds if warranted.
 - Risk Management is not always notified of asset damage caused by a third party; thus, liability claims may not be filed when appropriate.
- Workflow inefficiencies and duplication of effort may occur, such as trying to determine CDOT labor hours related to the emergency many months after the repair or having both the OEM and Regional Office contact the FHWA.

Audit noted during its review that CDOT has been effective in addressing emergencies and reestablishing safe roadway conditions. However, consolidating some administrative functions of various divisions may allow for a more efficient process. Management should consider having the OEM serve in a support function role responsible for maintaining documentation, aiding in coordination of various divisions, assisting with tracking projects (including labor), monitoring compliance, and maintaining appropriate external/internal contacts to help obtain external funding from the federal/state government or when there is third party liability.

As a starting point to assist management, based on our review of existing CDOT guidance and through interviews, Audit has identified the key roles for each division. See **Appendix B**.

4) Communication:

Communication regarding emergency events could be improved. For example, for 5 of the 12 emergency projects with an emergency procurement declaration, Audit found that notification was sent to the State Controller’s Office directly by the Chief Engineer and not the Procurement Official. Additionally, the memos seeking concurrence on an emergency from the Chief Engineer were inconsistent as to who were copied. Analysis of the projects with a memo found that only two pairs of the memos (four memos) were similar with regard to the recipient list.¹⁰ The notifications were different for the remaining projects. In addition, the Procurement Official was listed as a recipient only once, and the OEM and Risk Management were only included twice. Clarification is needed to ensure a consistent process and that necessary communication occurs between all internal divisions involved in the emergency project process.

¹⁰ The memos sent on projects 24107 and 24130 and projects 24688 and 24796 had identical lists of recipients.

5) Documentation Retention:

Document retention could also be improved. Audit found that project documentation was not consistently saved for electronic retrieval.¹¹ Instead, our interviews found that much of the emergency project documentation is maintained manually. The main reason is that, because of the involvement of various parties in the emergency project process, much of the information is not forwarded to the project manager for retention. There is no clear guidance as to how this information should be gathered and maintained. A checklist of all required documentation could be developed and used to ensure all documentation is forwarded to the project manager for retention in ProjectWise or PMWeb.

As noted above in Division Roles, the OEM can assist staff that are busy addressing safety concerns stemming from the emergency by attaching documents to software used by CDOT.

6) Tracking:

In our review of existing guidance and procedures, Audit found that requirements for business managers or other personnel on tracking emergency projects and their associated costs are not specifically addressed. Based on our interviews, most regions are using an ER prefix in SAP to designate emergency projects, but this prefix may also be used to designate a project that has received federal emergency relief funds. Proper tracking of emergency projects can assist management with resource planning, budgeting, and seeking external funds.

Moreover, our analysis indicates the use of the ER identifier in SAP is inconsistent. The 43 projects examined by Audit were compiled based on those with the ER prefix (35) as well as projects identified through conversation with Regional Business Managers (8). Of the 43 projects examined, 3 with approved emergency procurement declarations were not tagged with the ER prefix. Our population of projects also contained 30 permanent repair projects that had been tagged with the ER prefix rather than a PR (permanent repair) prefix. This does not allow CDOT to run an SAP report to identify those emergency projects that had approved emergency procurement declarations (or a governor's or the President's declaration of emergency) versus projects that are permanent repairs associated with an earlier emergency. Consistent guidance and/or development of additional SAP identifiers or prefixes are needed to ensure emergency projects can be easily identified.

7) External Funds:

Audit also found that consistent procedures for sourcing external funds were lacking. Discussions with region personnel and Risk Management indicated that there is no clear

¹¹ A memo from the Chief Engineer, dated September 11, 2017, required that project documentation be maintained in ProjectWise from 2018 onward.

process for identifying when emergency repairs or projects may require the submission of an insurance claim, nor does Risk Management maintain a schedule of the claims that are filed. Many staff members were unaware that the “Employee Incident Report” is used to report possible insurance claims resulting from third party property damage as well as employee injuries. Audit suggests removing “Employee” from the form name and renaming it the “Incident Report.” In addition, based on employee interviews, they are unaware of any guidance regarding federal funding for emergencies. Consequently, as noted in our April 2022 “Construction Project Oversight” audit report, because of time constraints, lack of knowledge, and limited resources, these potential external funding sources are sometimes overlooked.

8) Training:

Training resources for the emergency project process are sparse, outdated, and inconsistent with other policies and procedures. The *Construction Manual (2019/2022)* contains a link to a SharePoint site with additional information and materials; however, this link is no longer active. Moreover, our interviews indicate that personnel responsible for managing emergency procurements are unaware of any training available. Those interviewed thought that training on the emergency project process is needed. Updating guidance to include training requirements would improve consistency with the emergency project process. The PowerPoint provided by Region 3 could be a good starting point to develop training.

Other Matters

Audit found a large number of journal voucher entries (entries) on many of the projects reviewed, with one project having over 11,000 and the average number being over 2,000. The average number of entries is comparable to non-emergency projects that also receive federal funding. Many were for small dollar increments. Some entries are automatically generated (such as batch users), while others are performed manually (entries made by Payroll and project staff). Audit could not determine the reason for the large number of entries or whether they were correct. Interviews with CDOT staff found that they also did not have a clear understanding of the purpose of the entries, how they are reconciled, or why there is such variation in number among projects with similar types of funding. Large numbers of entries can result in work hour inefficiencies and difficulty ensuring accuracy of the entries. Management should review and determine if the process for journal voucher entries is working as intended.

Recommendations

To improve the emergency project process, Audit recommends that Management should:

- 1) Revise and consolidate policies and procedures for emergency projects with respect to consistency, roles, communications, documentation retention, tracking, external funding, and training. Related to this recommendation, the following suggestions are being provided for management's consideration:
 - a. Provide written emergency project guidance as an Appendix to PD 3.4, "Purchasing Procedures," and reference the Appendix in all other CDOT documentation. The process could be designed to have two to three different emergency responses based upon a cost threshold.
 - b. Have the Office of Emergency Management serve in a support function role responsible for maintaining documentation, aiding in coordination of various Divisions, assisting with tracking projects (including labor), monitoring compliance, and maintaining appropriate external/internal contacts to help obtain external funding from the federal/state government or when there is third party liability present.
 - c. Task the Office of Risk Management with maintaining a schedule of insurance claims filed.
 - d. Revise the title of the "Employee Incident Report" to "Incident Report".
 - e. Communicate to employees any existing guidance regarding federal funding for emergencies or develop guidance as appropriate.
 - f. Update the *Construction Manual's* (2019/2022) links to information and materials that were formerly housed on a SharePoint site.
 - g. Update guidance to include training requirements. Management could leverage the emergency project process PowerPoint developed by Region 3.
- 2) Review the journal voucher process because of the large volume of entries and assess whether internal controls over journal voucher entries are working as intended.

Management's Comments

Management agrees with the findings and recommendations contained in this report. See **Appendix C** for additional information and **Appendix D** for Management's Official Comments. The Audit Division considers management's comments responsive to the recommendations and corrective actions should resolve the issues identified in this report.

Appendix A: Examples of Redundant Guidance Regarding Emergency Projects

Issue	Guidance Containing Redundant Information	Recommendation
Emergency Procurement Process	Emergency Procedure for Procurement Manual - PO Changes	Consolidate the emergency project process for employees to follow within one source document. Also, the emergency procedures in the <i>Procurement Manual</i> are outdated and should be archived.
	Emergency Project Flow Chart	
	Emergency Purchase Form	
Emergency Construction Projects	Emergency Questionnaire	Consolidate the emergency project process for employees to follow within one source document.
	Emergency Contract Requirements Appendix	

Appendix B: Roles and Responsibilities

The Roles and Responsibilities of CDOT Departments	
Division of Accounting and Finance	<ul style="list-style-type: none"> ▪ The Procurement Official authorizes an emergency procurement declaration and notifies the Office of the State Controller and the following CDOT personnel: Controller, Chief Financial Officer, Chief Engineer, and the appropriate procurement group. This allows the competitive bidding process to be bypassed. ▪ The Accounting Office tracks the funds expended on emergency projects and makes the necessary journal entries to reflect the project’s monetary activities. ▪ The Budget Office and Regional Business Offices seek out and align the different funding sources to meet anticipated project expenditures, including acquiring additional funding from the Transportation Commission.
Regional Offices	<ul style="list-style-type: none"> ▪ Region staff, including Maintenance and Engineering, assess the emergency site for work to be completed and estimate the amount of the damage. ▪ The Regional Transportation Director (RTD) contacts the Chief Engineer to request an emergency declaration if appropriate. ▪ Business Managers and Regional Engineers begin the process of obtaining a contractor to perform the repair work, either through normal or emergency procurement processes as appropriate. ▪ Maintenance mitigates the emergency to the extent of their resources and either provides or coordinates traffic control, as well as documents work performed through work orders. ▪ Regional Engineers monitor and inspect the repair work throughout the project to ensure compliance and work quality.
Engineering	<ul style="list-style-type: none"> ▪ The Chief Engineer decides whether an emergency exists based on procurement rule requirements.¹² In addition, the Chief Engineer alerts other CDOT departments that an emergency declaration has been made. This includes Engineering Contracts Services, Division of Accounting and Finance, Office of Risk Management, Division of Maintenance and Operations, Office of Emergency Management, and the Federal Highway Administration. ▪ Engineering Contracts Services administers the bid solicitation and contract award process for emergency projects and ensures compliance with procurement policy and Fiscal Rules.

¹² Procurement Rule R-24-103-206-01 defines an emergency as an immediate threat to public health, welfare, or safety under emergency conditions (e.g., floods, riots, etc.).

The Roles and Responsibilities of CDOT Departments

Office of Emergency Management	<ul style="list-style-type: none"> ▪ Acts as liaison between the State Office of Emergency Management and Federal Emergency Management Agency during incidents/projects when the President declares an emergency.
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The Roles and Responsibilities of Non-CDOT Departments

State Controller	<ul style="list-style-type: none"> ▪ Delegates the ability to authorize an emergency procurement declaration to the CDOT Procurement Official. This office is notified of the emergency and reviews the documentation to ensure compliance with Colorado State Statutes and Fiscal Rules regarding procurements.
Federal Highway Administration and Federal Emergency Management Agency	<ul style="list-style-type: none"> ▪ Provides funding for eligible emergency projects and oversight to ensure compliance with federal regulations.
Colorado State Legislature	<ul style="list-style-type: none"> ▪ Authors the Colorado Revised Statutes.

Appendix C: Management’s Comments
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Audit Recommendation	Management Agrees or Disagrees with Audit Finding
Opportunities exist to improve the Emergency Project process.	Agrees

To improve the emergency project process, Audit recommends that Management should:

- 1) Revise and consolidate policies and procedures for emergency projects with respect to consistency, roles, communications, documentation retention, tracking, external funding, and training. Related to this recommendation, the following suggestions are being provided for management’s consideration:
 - a. Provide written emergency project guidance as an Appendix to PD 3.4, “Purchasing Procedures,” and reference the Appendix in all other CDOT documentation. The process could be designed to have two to three different emergency responses based upon a cost threshold.
 - b. Have the Office of Emergency Management serve in a support function role responsible for maintaining documentation, aiding in coordination of various Divisions, assisting with tracking projects (including labor), monitoring compliance, and maintaining appropriate external/internal contacts to help obtain external funding from the federal/state government or when there is third party liability present.
 - c. Task the Office of Risk Management with maintaining a schedule of insurance claims filed.
 - d. Revise the title of the “Employee Incident Report” to “Incident Report”.
 - e. Communicate to employees any existing guidance regarding federal funding for emergencies or develop guidance as appropriate.
 - f. Update the *Construction Manual’s* (2019/2022) links to information and materials that were formerly housed on a SharePoint site.
 - g. Update guidance to include training requirements. Management could leverage the emergency project process PowerPoint developed by Region 3.

- 2) Review the journal voucher process because of the large volume of entries and assess whether internal controls over journal voucher entries are working as intended.

Management’s Response to Recommendations:

With regard to Recommendation 1, Management agrees with the recommendation that policies and procedures should be revised and consolidated with respect to consistency, roles, communications, document retention, tracking, funding, and training.

With regard to Recommendation 2, Management has reviewed the internal controls with respect to journal voucher entries and determined internal controls are working as intended. Therefore, no further management action is warranted.

Management agrees with the recommendations. See Appendix D for Management’s Official Comments.

Target Date to Complete Implementation of Recommendations	Name of Specific Point of Contact for Implementation of Recommendation
February 2025	Herman Stockinger, Deputy Director and Director of Policy

Appendix D: Management's Official Comments

Recommendation 1-Policies and Procedures:

Management agrees with Recommendation #1 that, to the degree possible, CDOT should revise and consolidate the policies, procedures and processes for emergency projects. Management agrees that improvements should be made to consistency, roles, communications, document retention, tracking, funding and training. We appreciate the Audit Divisions suggestions with respect to Recommendation #1, which provides management with a great starting point for our considerations. Because coordination will require bringing together leaders from the Division of Engineering, the Division of Maintenance and Operations, the Division of Accounting and Finance, the Office of Transportation Safety, the Office of Communications, the Office of Policy and Government Relations, and coordination and cooperation from all five CDOT Engineering Regions, and will include analyzing and updating a significant number of formal documents, management expects full implementation to take one year.

Herman Stockinger, Deputy Director and Director of Policy

Recommendation 2-Journal Voucher Entries:

The Center for Accounting and Region 4 Business Office have analyzed the journal voucher entries for the referenced project (SH 7 Flood Repair) and have not found an issue with the number of entries or internal controls over such entries. The SH 7 Flood Repair project was a "rubber band" project that was scaled to fit remaining available Emergency funding. The project was open for several years and went through several design changes as projections of available funds changed during the course of the Flood Recovery program. As such, the project had more charges and transactional activity than the "average" project. A review of project line items indicates that there were only 7 manual journal entries, and 16 manual accrual entries. The majority of the postings to this project were system generated/automatic postings for indirect pool allocations (which are automatically assessed on each individual charge to a project), and payroll and benefit allocations.

All manual entries are subject to system required separation of duties (with separate "park" and "post" processes). System generated/automatic postings do not require separate "park" and "post" steps but are subject to other internal controls (for example, timesheet approvals).

Jeffrey Sudmeier, Chief Financial Officer