



DATE: April 20, 2016

TO: Transportation Commission

FROM: Herman Stockinger, Office of Policy & Government Relations Director

SUBJECT: Department and Commission Compliance with Recommendations of the Colorado Office of the State Auditor “Collection and Usage of the FASTER Motor Vehicle Fees” dated August 2015

Purpose and Action

Provide a “deeper dive” into the actions taken by CDOT to comply with the FASTER Audit recommendations, improve the FASTER program overall and report on the impact of those actions. This month, we will focus on the Transit program.

Audit Recommendation #6 Summary:

The purpose for the auditor’s transit-related review was to determine whether CDOT had the appropriate oversight and controls in place for transit revenue and projects at both the state and region levels. The Audit reviewed eight contract files over \$100,000 (six were region construction projects and two were non-construction projects managed by DTR). Aggregate data for the \$75 million in transit funds received over five years was reviewed as well. Key elements that resulted in the Recommendation include:

- Inadequate Performance Standards: Of the six region projects, none of them had adequate information regarding performance expectations for what the contractors would need in order to complete the projects, or what CDOT would use to evaluate whether the work was sufficient.
- Missing Performance Schedules: The six region contracts lacked a performance schedule or other timeline information to track progress. Each contract was for a five-year term without interim deadlines or deliverables for completing various phases of construction.
- Lack of Contract Monitoring Requirements: The six region contracts did not specify how CDOT would monitor the contractors’ progress.
- Contracts Not Entered Into the State’s Contract Management System (CMS): Four of the region contracts and neither of the DTR contracts were entered into the CMS as required by statute.
- Transit Division Did Not Maintain Accurate Information on Revenue & Expenditures: DTR could not provide complete information on the total amount expended for all project contracts, and errors caused some reports to overstate the total number of transit projects that had been completed. A reconciliation of the Transit Fund was conducted in October, 2014 which identified almost \$500,000 of the transit allocation was not accounted for (though ultimately the unreconciled \$500,000 was deposited into the Transit Fund).

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The Audit had one key recommendation related to the transit programs:

Recommendation #6: CDOT should implement CDOT Internal Audit recommendations from July, 2014, and establish, implement and require staff to follow written policies and procedures that specify oversight activities and routinely reconcile transit revenues and expenditures.

How is this resolved?

Policy Directive 704.0 (PD 704.0) (Attachment A) was adopted by the Board in January. Here’s what the Board did by passing this new Policy:

- Put into Policy previous TC decisions that specified how the statewide transit funds (\$10 million) and local transit funds (\$5 million) would be distributed.



- Provided guidance on “criteria” for project selection, including things like criticality, financial need, and readiness (among other criteria).
- Allows staff to select transit projects that meet TC criteria, and requires staff to develop project selection metrics in a Procedural Directive (PD 1608.1 signed by Executive Director in January).
- Requires quarterly reports to TC on expenditures and status of all funded projects of the reconciliation of FASTER funding.
- Requires an annual reporting of recommended projects for the next fiscal year.
- Requires project and budget tracking through both DTR and Office of Financial Management and Budget (OFMB).

Much of the detail addressing the audit findings are addressed in other documents, including:

- State Management Plan: Released as Draft for public and FTA comment on January 28th. Comment period closed on February 26th. FTA is provided additional guidance through March. Final document expected April/May.
- Grant Partner Manual: Released as Draft for Grant Partner review/comment on April 4th. Final expected in May/June, depending on comments received.
- DTR Standard Operating Protocol: Is an additional staff-level of detail following on, and supporting the Grant Partner Manual, State Management Plan, and PD 704. In progress. Currently we have drafts of approximately 60 procedures. Work continues on remaining procedures within DTR, and also on intra-departmental procedures. One example of intra-departmental procedures is the update of the Local Agency Manual which is the “bible” for all construction projects CDOT does in partnership with or in the oversight role of local governments.
- COTRAMS: This grant management & reporting system is requiring more reporting from grant recipients per grant/contract milestones.

Along with the already adopted Procedural Directive 1608.1, each of the documents/systems will improve on the department’s transit grant/contract processes and help fulfill the audit recommendation.

Transportation Commission “Hands-On” versus “Hands-Off” Options

- Project Selection: Like most programs, the Commission continues the general “hands-off” approach to project selection of FASTER Safety projects, though the Policy does ask for the TC to be annually “apprised” of projects being recommended for funding. The TC could require approval of the projects through TC, or could remove the requirement to be apprised of proposed projects.
- Making a Difference? It is a bit difficult to find areas where the Transportation Commission and/or the Transit and Intermodal Committee can be impactful on ensuring the audit findings are accomplished, because many of the issues that the auditors discovered from the transit portion of the audit are more project-level contract tracking and monitoring items the TC doesn’t typically delve into. If the findings are of high enough concern to the TC, one appropriate action could be for the Commission’s Audit Committee to receive an update of the 2014 Internal Audit report. If the TC wants to do that, we would work with the Audit Division to determine how this would be fit into the Audit Division workplan and accomplished.

