

**Colorado Transportation Commission  
 Audit Review Committee Agenda  
 Thursday, June 16, 2016  
 CDOT Headquarters, Room 225  
 9:45 a.m. – 10:15 a.m.**

**Sidny Zink, Chair**  
 District 8, Durango

**Bill Thiebaut**  
 District 10, Pueblo

**Gary Reiff**  
 District 3, Englewood

**Nolan Schriener**  
 District 9, Colorado Springs

**Ed Peterson**  
 District 2, Lakewood

All commissioners are invited to attend this Committee meeting.

<b>1.</b>	<b>Call to Order</b>	<b>Verbal</b>
<b>2.</b>	<b>Approval of February 2016 Minutes</b>	<b>p 1</b>
<b>3.</b>	<b>Release – Patrol Inventory Report Review</b>	<b>Attachment 1</b>
<b>4.</b>	<b>Review of FY 2017 Strategic Plan</b>	<b>Verbal</b>
<b>5.</b>	<b>Review &amp; Approval of FY 2017 Audit Plan</b>	<b>Verbal</b>
<b>6.</b>	<b>Peer Review Update</b>	<b>Verbal</b>
<b>7.</b>	<b>Fraud Hotline Update</b>	<b>Verbal</b>
<b>8.</b>	<b>Follow Up Process Update</b>	<b>Verbal</b>

**THE AGENDA MAY BE ALTERED AT THE CHAIR’S DISCRETION**

**February 18, 2016**  
**10:00 to 11:00 a.m.**  
**CDOT Headquarters Auditorium**

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**AUDIT COMMITTEE MEMBERS PRESENT:** Sidny Zink, Bill Thiebaut, Gary Reiff, Ed Peterson

**ALSO PRESENT:** Scott Young, Acting Audit Director, James Ballard, Audit Manager; Daniel Pia, IT Auditor; Melissa Canaday, Audit Supervisor; John Carlson, Audit Supervisor; Lisa Gibson, Program Administrator; several auditors from the Audit Division.

**AND:** Other Executive Management Team members and the public.

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**Call to Order**

ARC Chair Zink called the meeting to order on February 18, 2016 at 10:05 a.m. Chair Zink also called role and all Audit Committee members were present. The meeting was held in the Auditorium at the Colorado Department of Transportation Headquarters' building.

**Approval of Minutes of the June 17, 2015 ARC Meeting**

Commissioner Peterson moved to approve the meeting minutes for August 19, 2015. Commissioner Reiff seconded the motion. The minutes were approved with no opposition. The minutes were adopted as published in the agenda.

**Review of the Modified FY 2016 Audit Plan**

Mr. Ballard reviewed the modified audit plan. These changes were based off of comments made by the Audit Review Committee regarding the original plan being overly aggressive. He pointed out that the five audits that were removed, Audit feels that the risk was mitigated and that was behind their selection.

**Release of Hard to Fill (HTF) and Extremely Hard to Fill (HFTX) Benefits Audit**

Chair Zink reviewed options related to release of a report. Commissioner Thiebaut motioned to release the report and Commissioner Peterson seconded the motion. All committee members voted to approve and release report. The report was released with no opposition.

**Discussion of Hard to Fill (HTF) and Extremely Hard to Fill (HFTX) Benefits Audit**

Mr. Ballard reviewed the report and presented the audit results and the three recommendations contained in the report. The three areas that improvements could be made are in eligibility criteria could be improved providing more flexibility within pay bands, insufficient policies and procedures, as well as greater monitoring and oversight. These recommendations were made to management.

Chair Zink requested clarification on the first recommendation surrounding more flexibility within pay bands. She asked if that is instead of what is being done now. Commissioner Reiff said that it seems to undercut a Civil Service pay structure. Chair Zink asked if this will be at odds with the Colorado state pay policies. Commissioner Reiff stated that whatever is recommended needs to be able to be defended with a Civil Service pay structure.

Scott Young stated that we will work with Human Resources to ensure we are meeting regulations. Director Bhatt stated that the Department needs to work with the Department of Personnel and Administration to ensure regulations are being met. Commissioner Peterson said to ensure this is not in opposition to any regulations, policies, etc. before progressing too far down the road. Scott Young assured Commissioner Peterson that the division is working closely with our Human Resources section as well as DPA to ensure guidelines and regulations are being met. Commissioner Thiebaut said that the procedural

directive date of July 1, 2016 seems manageable to take the comments of the Committee into consideration.

Chair Zink asked if the report was considered final. Commissioner Reiff confirmed that the report is final. However, it is appropriate to request a report back on the implementation of recommendations in the future.

### **Audit Division Updates**

Mr. Ballard briefly reviewed work that had been completed since the last meeting in August.

Commissioner Reiff inquired as to what lessons were learned in relation to the Construction Claim/Dispute Audits. One surrounded asphalt mixture and what was appropriate. From that we've learned better communication may be in order. The second claim/dispute also surrounded inefficiencies surrounding moving utilities. Better monitoring may alleviate inefficiencies and strengthening planning going forward may help. Josh Laipply stated that they are working with the contractors regarding the disparity in the asphalt mixture. The second claim/dispute Mr. Laipply feels they have built a strong partnership with the contractor's association and if the department enforces the specifications to move utilities in a timely manner, it should help to resolve many issues. Commissioner Peterson feels that we need to consistently tighten up the requirements we have surrounding moving utilities.

Scott McDaniel stated that we need to identify utilities early and notify of need to move early on. Commissioners Reiff and Peterson feel the issues are being handled, just wanted to see what lessons were being gained from the process.

Chair Zink asked who says that each firm 'must' go through the Master Pricing Agreement process. Mr. Ballard said that Procurement and Contracts feels it will streamline the process of competitive bidding. Chair Zink feels that it would be onerous for the smaller firms. Josh Laipply explained that the process is different for extremely small firms versus larger firms. Scott McDaniel said the process needs to provide a fair and reasonable assurance for each contractor. Mr. McDaniel feels that this shouldn't be as much of an issue moving forward.

Chair Zink inquired as to what the hourly savings referred to in the Master Pricing Agreement section in the packet. Mr. Ballard explained that we are trying to quantify what the division is doing. He provided several examples of how the division arrived at the figures that are in the packet. While adding up the mitigated cost from October through December we identified a savings of approximately \$2,000/billed hour. Mr. Ballard is going to meet with the CDOT Statistician to see if there is a better way to identify this savings.

Mr. Ballard reviewed recent staff changes, vacancies and their anticipated fill dates. Mr. Ballard stated that the turnover rate for the Audit Division from August until now has been 40%. However, the climate is improving and the environment is more stable. The Division is doing more outreach and feel that the division is headed on a promising path.

Commissioner Thiebaut stated that perhaps now is an opportune launching point for ARC and the division to go forward in a positive direction. He feels that both the Audit Review Committee and the Division as a whole are greatly valued.

### **Fraud Hotline Statistics**

Mr. Ballard briefly reviewed the Fraud Hotline Statistics for the 2015 calendar year. He also pointed out the more detailed information for review is in the ARC packet provided to committee members. If greater specifics were desired, Mr. Ballard is willing to provide detail outside of the meeting.

### **Outstanding Audit Recommendations**

Mr. Ballard gave an overview of the Outstanding Audit Recommendations and stated that Deputy Director Mike Lewis has been very helpful in getting them pared down. Chair Zink feels there are a lot of open recommendations and inquired as to when they are expected to be closed. Mr. Ballard answered that most are being closed within their suggested timelines. Scott Young also said that DTD/DTR has majority of the open recommendations. They just had an outside audit that brought about many of those. They have a month to review and provide feedback.

### **Audit Division Staff Introductions**

Scott Young requested that the Audit Division staff introduce themselves to the Commission and state how long they have been with the Division/Department.

Meeting was adjourned at 11:00 a.m.