

Colorado Transportation Commission
Audit Review Committee Agenda
Wednesday, August 15, 2018
CDOT Headquarters
Room: Valley Highway Conference Room 158
Start Time: 4:00 pm

Bill Thiebaut, Chair
District 10, Pueblo

Sidny Zink
District 8, Durango

Rocky Scott
District 9, Colorado Springs

Ed Peterson
District 2, Lakewood

Kathy Connell
District 6, Steamboat Springs

All commissioners are invited to attend this Committee meeting.

1.	Call to Order	Verbal
2.	Motion to approve the June 21, 2018 Minutes	p. 1
3.	Motion for Overtime Audit Draft Report	Verbal
4.	Motion for Uniform Guidance Audit Draft Report	Verbal
5.	Delay Construction Claim	Verbal
6.	Audit Division FY 2018 Metrics, Activity and Results	Verbal

THE AGENDA MAY BE ALTERED AT THE CHAIR'S DISCRETION



**Colorado Transportation Commission
Audit Review Committee (ARC) Meeting
June 21, 2018
11:30 a.m. - 12:10 p.m.
CDOT Headquarters, Howitzer Conference Room**

AUDIT COMMITTEE MEMBERS: Kathy Connell; Ed Peterson; Rocky Scott; Sidny Zink; and Bill Thiebaut, Chair

Audit Director: Frank Spinelli

AUDIT TEAM: Jim Ballard, Audit Manager; Melissa Canaday, Audit Supervisor; James Moseley, Auditor Intern; Samuel Nnuro, Auditor II; Daniel Pia, IT Auditor; Christopher Woodward, Auditor Intern, Patrick Wheat, Intern, Robin Evans, Auditor III, Stephanie Sheetz, Auditor Intern, Chris Stapley, Auditor III, and Yuning Frank, Auditor I.

AND: Chief Engineer: Joshua Laipply

Call to Order

Chair Thiebaut called the meeting to order at 11:30 a.m. A quorum was present.

Approval of February 14, 2018 Minutes

Commissioner Connell made a MOTION to approve the February 14, 2018 minutes. Commissioner Scott seconded the motion. No further discussion for this item. All voted in favor.

Introducing interns

Mr. Spinelli introduced new staff members to the audit division - Ms. Sheetz, Mr. Moseley and Mr. Woodward as entry level auditors and Mr. Wheat as a college intern.

Motion for Change Order Audit Draft Report

Chair Thiebaut asked the commissioners whether they have reviewed the report. All commissioners answered yes. Commissioner Peterson made a MOTION to release the report without the need for discussion. Commissioner Connell second the motion. No further discussion for this item. All voted in favor.

FY 2019 Internal Audit Plan

MR. Spinelli introduced the FY 2019 internal audit plan to the ARC. He explained the risk assessment process and stated that audit has conducted the majority of risk assessments with top management and modified risk categories.

Commissioner Peterson asked if the budget category, an item of the added risk factors during the risk assessments, includes the forecast of cost. He has concerns over material and labor cost. Mr. Spinelli noted that the budget category does include the forecast of cost and the cash



management is on the project side. A potential audit would be to verify whether CDOT is using the funds efficiently and timely. Mr. Laipply noted that this concern could be addressed on the PMO side.

There are three primary audits designed for FY 2019.

1. CDOT Policy Directives within the COSO Framework:
Mr. Woodward presented the background, reasons for audit, and potential improvements for the area. Mr. Woodward introduced the COSO Framework. The current CDOT policy framework has functionality issues that create problems for users and result in policies being less effective. The improvements can be made in the areas of completeness, naming conventions and search functions. Audit's goal is for management to create a user-friendly framework for CDOT policies and other control activities as to improve the control environment. There are good practices in other organizations that CDOT could reference.

After listening to Mr. Woodward's introduction of the CDOT Policy Directives within the COSO Framework audit, Commissioner Zink asked the audit team to explain what COSO was to the ARC members, who may not be familiar with COSO. Mr. Spinelli explained the COSO model. Commissioner Zink commented that the key word search of the current policy and procedure framework is not user-friendly. Commissioner Connell commented that this function would be helpful and Commissioner Peterson commented that benchmarking is a great approach.

2. Local Agencies:
Mr. Wheat presented the background and the objective of this audit. Local agencies receive federal funds through CDOT and the audit division wants to take a closer look at these activities to ensure the safe keeping of taxpayers' money.
3. CDOT Utility Payments and Vendor Accounts
Mr. Wheat also presented the background of this audit. CDOT has spent millions of dollars on utility usage and vendor accounts. Audit wants to take a closer look at these areas of concern and ensure that the expenditures are accurate and appropriate.

Mr. Laipply commented on the potential for audit findings related to local agency oversight. He also suggested that CDOT and local agencies could look into the self-certification process that other states, such as California, use for local agency qualification as it may help local agencies as well as save CDOT time with the sub-recipient monitoring process.

Mr. Spinelli also presented four alternative audits, CDOT Bus Service (Bustang), Fuel Card, Overtime Usage, and Security of Facilities, to the ARC.

Commissioner Connell made a MOTION to approve the Fiscal Year 2019 Internal Audit Plan. Commissioner Zink seconded the motion. No further discussion for this item. All voted in favor.



FY 2019 External Audit Plan

Mr. Spinelli introduced ten audit projects scheduled in Fiscal Year 2019. They are Single Audits, Subrecipient Monitoring, Indirect Cost Rate Reviews, EPA Reviews, Direct Salary Rate Reviews, Indirect cost Rate Reviews for Local Government Agencies, Sole Source Reviews, Cognizant Reviews, Final Cost Examinations, and Disputes and Claims. These audits cover six out of 27 risk factors.

Commissioner Connell asked if the audit division would present on the results of the disputes and claims in progress. Mr. Spinelli stated that there will be reports on them at the August ARC meeting.

Audit Team Introduction

Audit team members introduced themselves.

Adjourn

Meeting adjourned at 12:10 p.m.

