

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION
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July 31, 2009

Representative Dianne Primavera, Chair
Legislative Audit Committee
200 E. Colfax
Denver, CO 80203

Re: Aeronautics Recommendation Implementation Status Report

Dear Representative Primavera:

Attached is a status report on the Division of Aeronautics' implementation of the audit recommendations from the Office of the State Auditor. The recommendations are from the February 2009 performance audit of the Division. As you can see from the report, the Aviation Board and the Division of Aeronautics have made a great deal of progress in implementing the audit recommendations. However, there is still a lot of work to complete before all of the issues are resolved.

I have asked the CDOT internal auditors to monitor and verify implementation of the audit recommendations. The internal auditors have provided me with monthly reports on the implementation progress, and we have shared these reports with the Transportation Commission's Audit Review Committee. The attached status report is as of July 31, 2009.

In their July 1st letter the State Auditor asked me to address several specific issues that were identified by the Legislative Audit Committee at the February meeting.

Implementation dates for Recommendations 1, 2, 3, 5, 6(a)(c), 12, 15, and 18.

The Division originally responded that these recommendations would be implemented in 2010. However, recognizing the concerns expressed by the members of the Committee, the Division of Aeronautics has been working on each of these recommendations and has been able to move up the implementation dates for many of these recommendations. In fact, as shown on the attachment, work on some of the recommendations has already been completed.

Substantial work has been done on the items that are yet to be completed and over the next few months additional recommendations will be implemented. However, due to the complexity of some issues, it may be well into next year or even 2011 before we can classify all items as completed. For example, Recommendation 6a involves working with our federal partners on the aviation system plan. The federal requirements mean that changes to the planning process cannot occur until 2011.

We recognize the importance of moving quickly on the remedial activities to address the concerns identified in the audit. Division staff and the Board have initiated remedial action on every recommendation. We are trying to move quickly, but we do not want haste to negatively impact either the quality of the programs, or the quality of the remedial action.

Classification of the Aeronautical Board, the Division of Aeronautics and the Division Director as Type I Entities

The Department of the Transportation has developed a productive working relationship with the Aeronautical Board and the Aeronautical Division. The cooperation between the various offices is evident in the response to the audit recommendations. The audit has helped direct CDOT and Aeronautics Board to improved business practices and to improved working relationships. The type I designation is not a concern.

Establishment of grant program criteria for the next grant program cycle.

The Division of Aeronautics recognized the need to address this issue quickly. A standardized grant evaluation form has been established that should provide guidance to applicants and the Board on what is being considered for grant selection. The Board wants to maintain some discretion in the grant selection process so they have elected to not use a standard scoring system. The new evaluation form should still provide more consistency to the selection process.

The Aeronautics Board and the Aeronautics Division perform important functions for the State of Colorado. The Board and the Division are continuing to work to improve and expand general aviation throughout the state. This audit has provided the Division some clear guidance on how to improve its efforts in managing this important program.

Sincerely,



Russell George
CDOT Executive Director

**Division of Aeronautics, Department of Transportation, Performance Audit
Recommendation Implementation Status Report
July 31, 2009**

Recommendation No. 1:

The Aeronautical Board and the Division of Aeronautics should ensure that State Aviation System Grant Program applications are reviewed and scored consistently and uniformly in accordance with best practices and statutes by:

- a. Developing standardized, written criteria for evaluating grant applications.
- b. Providing guidance to staff and Board members on applying the criteria in the evaluation process.
- c. Developing a uniform, documented, scoring system for staff to use in evaluating grant applications and making recommendations for grant approval to the Board. The system should include prioritizing and weighting the established selection criteria.
- d. Maintaining a current grant manual that reflects Grant Program criteria, policies, and procedures that is available to all Division staff, Board members, and potential grant applicants.
- e. Maintaining documentation of the discussions between Division staff and potential applicants regarding possible grant projects.

Division of Aeronautics Response:

Agree. Implementation Date: January 2010.

- a. The Division of Aeronautics will develop standardized written criteria for evaluating grant applications as a part of the Grant Management Manual (Manual).
- b. These criteria will be communicated to grant applicants, Division employees, and the Colorado Aeronautical Board (Board) via correspondence in conjunction with the grant application solicitation, statewide aviation meetings, Board meetings, Aeronautics website, and revised Manual.
- c. The Division will develop and implement a scoring system to rate and prioritize grant applications in preparation for presentation to the Board for discretionary grant consideration. Staff will document the evaluation process for the Board.
- d. The Division will develop, maintain, and distribute the Manual that details the policies and procedures required to participate in the grant program. This Manual will describe the method the staff will use to manage each grant and the overall program.
- e. The Division will document discussions between Division staff and grant applicants regarding possible grant projects.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will oversee the Division's implementation of parts "a" through "e" of the recommendation, including drafting,

development and implementation of the Manual. Updates on the status will be provided at each meeting until the Manual is complete.

Recommendation No. 1 Status Report, July 2009

Colorado Aeronautics Division

- a. **In Progress:** The Division has developed standardized written grant evaluation criteria along with a Standardized Grant Application Evaluation form. The standardized criteria utilize the Colorado Aviation Systems Plan (CASP) as the backbone and are spelled out in the draft Colorado Division of Aeronautics Discretionary Grant Program Manual (Manual). Using the criteria spelled out in the Manual, the Division has also implemented a Standardized Grant Application Evaluation form. This form ensures all applications are reviewed and evaluated consistently and has been utilized on all grant applications since May of 2009. The draft Manual which includes several standardized forms, including the grant application evaluation form, is scheduled for Colorado Aeronautical Board (CAB) action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**

- b. **In Progress:** As mentioned in 1a, the Manual contains standardized written grant evaluation criteria and is scheduled for CAB action on August 14, 2009. The evaluation criteria have been discussed at every CAB meeting under the agenda heading of Audit Recommendations/Implementation Update. The Division held multiple meetings to develop this process and provide guidance and training to the Division staff on the implementation of the standardized written criteria. The Division staff also discussed the grant criteria during a presentation at the statewide airport operators' conference on June 5, 2009. Once approved, a copy of the Manual will be provided to all Division employees and the CAB. Also upon approval, the Manual will be placed on the Division's website and a copy will be sent to all eligible airports. Prior to the next regular grant cycle, the Grant Application solicitation letter will reference the revised Manual and its availability. **Implementation: August 2009.**

- c. **Implemented:** May 2009. The Division has developed standardized written grant evaluation criteria along with a Standardized Grant Application Evaluation form. The standardized criteria utilize the CASP as the backbone and are spelled out in the draft Manual. As a discretionary grant program the standardized evaluation criteria referenced above are sufficient in identifying high priority projects and a scoring system is not needed. Using the criteria spelled out in the Manual, the Division has also implemented a Standardized Grant Application Evaluation form. This form ensures all applications are reviewed and evaluated consistently and has been completed and presented to the CAB for all grant applications since May of 2009.

- d. **In Progress:** The Division has drafted and will maintain the Manual. The Manual details the eligibility for participation in the grant program. The Manual covers the overall grant program including: eligibility, the application process, evaluation criteria, the contracting process and grant administration. The Manual is scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**
- e. **Implemented/Ongoing:** May 2009. The Division has and will continue to document discussions between staff and grant applicants regarding possible grant projects. These discussions have been documented and are contained in the applicable airport grant file.

Colorado Aeronautical Board

In Progress: The CAB has overseen the Division's implementation of items 1a-e as a part of all the CAB meetings since the audit report in February of 2009. The CAB also held an audit work shop on May 12, 2009 in order to receive an update on and oversee the Division's progress and implementation on the State Auditor's recommendations. Two CAB members were present at the statewide airport operators' meeting on June 5, 2009 to hear the update and progress on the Manual as well. A copy of the draft Manual has been provided to the CAB for additional comments and is scheduled for action on August 14, 2009. **Implementation: August 2009.**

Recommendation No. 2:

The Division of Aeronautics and the Aeronautical Board should develop criteria, policies, and procedures for managing supplemental and out-of-cycle grant requests that include:

- a. Requiring applicants to use standardized forms to request supplemental or out-of-cycle funding. For new out-of-cycle requests (i.e., not supplemental requests) the Division should require applicants to use the regular grant application form.
- b. Executing formal contract amendments for any change to an existing grant contract.
- c. Defining the circumstances under which the Division and Board will consider grant requests outside the normal grant cycle.
- d. Applying the uniform criteria developed in response to Recommendation No. 1 to the evaluation of all supplemental and out-of-cycle grant requests.

Division of Aeronautics Response:

- a. Agree. Implementation Date: January 2010. In the re-write of the Manual, policies and procedures will be implemented for out-of-cycle grant requests to include standardized forms for all supplemental and out-of-cycle requests which will be consistent with regular grant application forms.

- b. Agree. Implemented. The Aeronautics Division has implemented a standardized form for all contract amendments that has been approved by the State Controller's Office. This has been used for all contract amendments since January 2009.
- c. Agree. Implementation Date: January 2010. The Division will define the circumstances that make an out-of-cycle grant request appropriate.
- d. Agree. Implementation Date: January 2010. The Division will apply the uniform criteria that will be developed with the Manual.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will oversee the Division's implementation of parts "a" through "d" of the recommendation, including drafting, development and implementation of the Manual. Updates on the status will be provided at each meeting until complete.

Recommendation No. 2 Status Report, July 2009

Colorado Aeronautics Division

- a. **In Progress:** The draft Manual contains specific sections on out-of-cycle grant requests and supplemental funding requests. The out-of-cycle section of the Manual includes criteria for justifying out-of-cycle requests and also explains that the evaluation criteria and application process are the same as for a regular grant request. The Division will utilize the same standardized written grant evaluation criteria and form as a regular grant request. Additionally, the draft Manual contains a section on supplemental funding requests along with a standardized Supplemental Funding Request Application. The draft Manual which includes the above referenced sections and forms are scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**
- b. **Implemented:** January 2009. The Division has implemented a standardized template obtained from the DPA for all contract amendments. The standardized template has been approved by the State Controller's Office. All contract changes since January 2009 have utilized the standard template with the changes incorporated therein. The Division's Grant's Administrator has also joined the Colorado Contract Improvement Team in order to stay updated and involved with all contract management changes.
- c. **In Progress:** The draft Manual contains a specific section on out-of-cycle grant requests. The out-of-cycle grant request section of the Manual includes criteria for acceptable out-of-cycle requests. The draft Manual is scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**

- d. **In Progress:** The draft Manual contains specific sections on out-of-cycle grant requests and supplemental funding requests. The out-of-cycle section of the Manual includes criteria for justifying out-of-cycle requests and also explains the evaluation criteria and application process is the same as for a regular grant request. The Division will utilize the same standardized written grant evaluation criteria and form as a regular grant request. Additionally, the draft Manual contains a section on supplemental funding requests along with a standardized Supplemental Funding Request Application. The draft Manual which includes the above referenced sections and forms is scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**

Colorado Aeronautical Board

In Progress: The Board has overseen the Division's implementation of items 1a-d as a part of all the CAB meetings since the audit report in February of 2009. The CAB also held an audit work shop on May 12, 2009 in order to receive an update on and oversee the Division's progress and implementation on the State Auditor's recommendations. Two Board members were present at the statewide airport operators' meeting on June 5, 2009 to hear the update and progress on the Manual as well. A copy of the draft Manual has been provided to the CAB for additional comments and is scheduled for action on August 14, 2009. **Implementation: August 2009.**

Recommendation No. 3:

The Division of Aeronautics should strengthen accountability for the State Aviation System Grant Program by:

- a. Requiring grant applicants to provide detailed grant project budgets and schedules in their grant applications and including the detailed project budgets and schedules in each grant contract, or, at a minimum, referencing the applications in the contracts.
- b. Stating in each grant contract the specific percentage of total project costs to be covered by the grant, up to the total grant award.
- c. Including a consistent set of compliance requirements, as well as penalties and specific termination provisions for noncompliance, in each grant contract.
- d. Enforcing all grant contract budgets, schedules, and compliance requirements through the application of the penalties recommended in part "c" above.
- e. Implementing a comprehensive monitoring program for grants that includes scheduled on-site monitoring, review of grantee reports, and reporting to the Board on the status and expenditures of each grant project. The Division should consider using a risk-based approach for on-site monitoring.

Division of Aeronautics Response:

- a. Agree. Implementation Date: January 2010. The Division will revise the grant application form and require detailed budget estimates and schedules. The Division will include these project budgets and schedules in the grant contract or the contract will reference the application.
- b. Agree. Implementation Date: January 2010. The Division will include verbiage in the contract that states the total project cost percentage and the not-to-exceed amount.
- c. Partially Agree. Implementation Date: January 2010. The Manual will follow the guidelines from Department of Personnel & Administration (DPA) for standard state contract compliance and termination provisions and compliance requirements for grantees will be included in grant contracts. The criteria for evaluating grants, as described in the Manual, will include past performance as a condition for future grant selection. We will not pursue any other penalties.
- d. Partially Agree. Implementation Date: January 2010. The Division has been working with DPA on contract requirements and will enforce grant contract budgets, schedules, and compliance requirements through the application enforcement provisions as recommended by DPA and in accordance with part "c", above.
- e. Agree. Implementation Date: January 2010. The Division will implement policies and procedures for on-site visits and monitor compliance, review grantee reports, and report to the Board on the status of projects. Policies and procedures will be included in the Manual. The Division will do regular on-site visits dependent upon budget constraints.

Recommendation No. 3 Status Report, July 2009

Colorado Aeronautics Division

- a. **In Progress:** The Division has revised the grant application form. The form now in use requires detailed budget estimates and schedules. If they are not included, the evaluation process stops until they are provided by the grantee. The grant contract template references the detailed project budget and schedules as contained in the application. As required by CDOT, the grant contract was submitted to the Attorney General (AG) on July 1, 2009. Following AG approval, the template will be sent to Department of Personnel and Administration (DPA) for approval. **Implementation: January 2010.**
- b. **In Progress:** The Division has included verbiage in the contract template that states the total project costs, percentage, and the not-to exceed amount. As required by CDOT, the grant contract was submitted to the AG on July 1, 2009. Following AG approval, the templates will be sent to DPA for approval. **Implementation: January 2010.**

- c. **In Progress:** The new contract template follows the guidelines from the DPA for standard state contract compliance and termination. The grant manual requires all contracts to include estimated budgets and schedules. All new contracts employ a more specific scope. All grant recipients are required to provide progress reports during the project and a final acceptance form at completion of the project. Without these they will not be compliant. The Division is employing the new statewide Contract Management System (CMS) to monitor progress including scheduled reviews and programmed site visits. Any grantee not in compliance will be required to correct any problems necessary to bring them into compliance. If a grantee will not correct said problems, the contract can be terminated. This information will be used as a consideration for future grant approval. As required by CDOT, the grant contract was submitted to the AG on July 1, 2009. Following AG approval the template will be sent to DPA for approval. **Implementation: January 2010.**

- d. **In Progress:** The Manual advises grantees that the Division will enforce grant contract budgets, schedules, and compliance requirements. If a grantee will not correct said problems, the contract can be terminated. This information will be used as a consideration for future grant approval. This was a subject in a briefing given to airports by the Division staff on June 5, 2009 at a meeting of the Colorado Airport Operators Association. The Manual is scheduled to be adopted by the CAB on August 14, 2009. **Implementation: January 2010.**

- e. **In Progress:** The Division has developed a comprehensive monitoring program for grants that includes the receipt and review of grantee reports and project close out. This program includes a risk-based approach to developing an on-site inspection for projects presenting higher risk to the State. At the end of each normal grant cycle the staff will develop a plan for on-site visits based on the accepted criterion and present it to the CAB for approval. This plan will be on the August 14, 2009 CAB agenda for its action. Once approved this program will be used on existing grants from 2008 forward and all future grants. **Implementation: August 2009.**

Recommendation No. 4:

The Aeronautical Board and Division of Aeronautics should work with the City and County of Denver in a continuing effort to obtain statutory changes to eliminate the conflict between state statute and federal regulations by removing the requirement for Denver to give airport-related surplus equipment to the Division for redistribution.

Division of Aeronautics Response:

Agree. Implemented. The statutory change has been initiated under House Bill 09-1066.

Aeronautical Board Response:

Agree. Implemented. The Board will monitor the progress and provide information and support to House Bill 09-1066 as needed.

Recommendation No. 4 Status Report, July 2009

Colorado Division of Aeronautics and Colorado Aeronautical Board

Implemented: August 2009. Statutory change has been made with the passage of H.B. 1066 which removed the requirement for Denver International Airport (DIA) to give, without consideration, surplus airfield equipment to the Division. The new statute states that the City and County of Denver shall convey, at a reasonable cost, unneeded airport-related equipment to the division for equitable distribution to other governmental entities operating airports in this state. H.B. 1066 was signed by the Governor on April 2, 2009 and will take effect on August 5, 2009.

Recommendation No. 5:

The Aeronautical Board should strengthen accountability for its operations by expanding the Board's Code of Conduct to require the completion of conflict of interest disclosures on an annual basis, provide the disclosures to the full Board for review, and maintain the disclosures on file with the Division so they are accessible to all Board members and the public. The Code of Conduct should also require that any grant application or other funding request that may present a conflict of interest be voted on individually rather than being included on a consent agenda and that Board members recuse themselves from discussions and votes in cases where real or potential conflicts exist. Finally, the Board should undertake periodic training on the Code of Conduct and other relevant statutes and policies.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will draft and complete a comprehensive Code of Conduct. At this time the Board anticipates using a consultant contract and implementation will depend on the Department's ability to contract with a consultant under the current statewide hiring and contract freeze. Guidelines for consent agenda items will be included in the Code of Conduct. A Conflict of Interest Disclosure form has been completed and was provided to the Board for signature at the January 29, 2009 Board meeting. Beginning with the October 2008 grant hearings, decisions involving a conflict have been removed from the consent agenda for an individual vote. All documentation will be kept on file with the Division and will be accessible to all Board members and the public. Annual orientation will be conducted for all Board members.

Recommendation No. 5 Status Report, July 2009

Colorado Aeronautical Board

In Progress: The CAB is in the process of updating the Board's Code of Conduct and is currently reviewing existing Standards of Conduct adopted by the Colorado Transportation Commission and the Commission Roles, Norms and Ethics adopted by the Colorado Wildlife Commission. The CAB has adopted a conflict of interest statement which all Board members have signed which is being kept on file with the Division. Conflict of Interest Statements will be provided on an annual basis. Completion of the recommendation will be accomplished by January 2010.

Implementation: January 2010.

Recommendation No. 6:

The Division of Aeronautics and the Aeronautical Board should develop a strategic grantmaking approach for the State Aviation System Grant Program by:

- a. Using the State Aviation System Plan to establish goals, priorities, and outcomes for the Grant Program.
- b. Expanding the use of funding initiatives to allocate grant funds to areas that address a specific need or purpose and relate to Grant Program goals and objectives.
- c. Developing methods to evaluate statewide outcomes for the Grant Program and using the evaluation results to refine and improve the goals and priorities as appropriate.
- d. Implementing a systematic method to evaluate long- and short-term cash needs to establish a target amount or range for the uncommitted fund balance in the Aviation Fund, monitor the fund balance on an ongoing basis, and take appropriate action when the fund balance is outside the target amount or range, as needed.

Division of Aeronautics Response:

- a. Agree. Implementation Date: July 2011. The Division will use the Colorado Aviation System Plan to establish goals and priorities and desired outcomes for the discretionary grant program. The Division will include in its annual report the amount of grants that have addressed the system-wide goals and priorities.
- b. Agree. Implementation Date: July 2009. The Division will continue to look for ways to develop funding initiatives throughout the State in partnership with its constituencies that would further the goals and objectives of the System Plan.
- c. Agree. Implementation Date: July 2011. Based on the goals and priorities developed in Recommendation part "a", the Division will report and communicate on an annual basis how the grant program has addressed statewide system goals and objectives.
- d. Agree. Implementation Date: July 2009. The Division has implemented a month by month tracking report of the uncommitted fund balance and will provide recommendations on appropriate action when the balance is outside of the target

amount set by the Board. The Division will do an analysis to be presented to the Board based on historical fund balance and industry best practices.

Aeronautical Board Response:

- a. Agree. Implementation Date: July 2011. The Board will review the outcomes of the grant program as it relates to the goals and objectives of the System Plan on an annual basis.
- b. Agree. Implementation Date: July 2009. The Board will encourage statewide aviation constituents to identify potential funding initiatives for potential grant funding.
- c. Agree. Implementation Date: July 2011. The Board will review any new funding initiatives to ensure they meet goals and priorities of the system and will evaluate the desired outcomes.
- d. Agree. Implementation Date: July 2009. The Board will establish a target amount or range for the uncommitted fund balance in the aviation fund at the beginning of each fiscal year and monitor on an on-going basis. The Board will take appropriate action if the fund balance is outside of the target range. Appropriate action may include increasing or decreasing the funds available in the grant program.

Recommendation No. 6 Status Report, July 2009

Colorado Division of Aeronautics

- a. **In Progress:** The Division has developed a standard grant application evaluation; during this evaluation the project is measured against the goals and priorities as established in the CASP. In our 2009 Annual Report we will report on how the 2009 grants have addressed the system wide goals and priorities as established in the 2005 CASP. Full implementation will be completed by July 2011 with the completion of the update to the CASP. The update of the system plan will better link the grant program to goals and priorities as established in the CASP.

The CASP update will not be completed until 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division Capital Improvement Plan (CIP), the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- b. **Implemented/Ongoing:** May 2009. The Division has developed two funding initiatives. Recently the Division released a statewide bid for pavement maintenance. This bid will allow airports to take advantage of economies of scale

and perform maintenance on their pavements at more affordable cost. This bid includes fog seal, slurry seal, paint and crack fill. In addition to the statewide maintenance bid, the Division, in conjunction with DIA, held a surplus equipment sale on May 13, 2009.

- c. **In Progress:** Currently the Division is tracking and measuring the performance of the 2009 grants. The results will then be reported as part of the Division's Annual Report to the Joint Budget Committee. This report will include how the grants have addressed system wide goals and priorities. Full implementation will be completed by July 2011 with the completion of the update to the CASP. The best place to develop new methods to evaluate the grant program will be with the update of the system plan. The update to the system plan will provide a better link to the grant program which will allow for better evaluation of the grants as it relates to the goals and priorities of the system plan.

The CASP update will not be completed until 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010.
Implementation: July 2011.

- d. **In Progress:** The Division has been monitoring the uncommitted fund balance on a monthly basis. These updates are given to the CAB at each meeting. The Division has conducted an analysis of the fund balance to be presented at the August 14, 2009 CAB meeting. Included in this analysis will be a recommended target range for the uncommitted fund balance for the CAB to end each fiscal year with. As a result of this analysis, the Division will also be recommending to the CAB to move the Grant Hearings. By moving the Grant Hearing later in the fiscal year the Division and CAB will be able to better predict the amount of funding available for discretionary grants, without negatively impacting the airports that receive grant funds. **Implementation: August 2009.**

Colorado Aeronautical Board

- a. **In Progress:** The CAB will review the outcomes of the grant program as it relates to the CASP. The Division will report the outcomes on an annual basis; the full implementation will not be completed until July 2011 because of the update of the CASP. The updated system plan will better link the goals and objectives of the system plan to the outcomes of the grant program.

The CASP update will not be completed until 2011 is because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete

an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010.
Implementation: July 2011.

- b. **Implemented:** May 2009. The CAB is continuing to take advantage of funding initiatives as they present themselves. For example at the CAB meeting on May 1, 2009 a not to exceed amount of \$250,000 was allocated to support airports at the upcoming DIA surplus equipment sale. This funding initiative was to help airports purchase valuable pieces of surplus equipment that they otherwise might not have been able to purchase. The surplus equipment addresses the safety/activity goal, by helping provide airports with the equipment necessary to maintain a safe airfield for aviation activity. In addition to the surplus sale the CAB directed the Division staff to develop a statewide pavement maintenance bid. This bid will provide lower prices for airports to take advantage with their current grants, but also provides the airports the ability to spend their own money on pavement maintenance at a lower price than they would normally be able to receive.
- c. **In Progress:** Both of the funding initiatives mentioned above in “b” address goals as established in the 2005 CASP. The surplus equipment addresses the safety/activity goal, by helping provide airports with the equipment necessary to maintain a safe airfield for aviation activity. The statewide maintenance bid addresses the investment goal of the system plan. By spending money on pavement maintenance the CAB is helping protect and lengthen the investment in the airports facilities. With the update of the system plan that is scheduled for 2011 we will be able to make a better connection between the outcomes of the grant program and CAB funding initiatives as they relate to the goals and objectives of the systems plan.

The CASP update will not be completed until 2011 is because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010.
Implementation: July 2011.

- d. **In Progress:** The CAB will be briefed on the Division’s analysis at the upcoming meeting on August 14, 2009. Based on the briefing the CAB will establish a target range for the uncommitted fund balance at the beginning of each fiscal year. If the fund balance is outside of the target range the CAB will adjust their expenditures

accordingly. The CAB will take appropriate action by adjusting expenditures in the form of grants to airports and the Division. **Implementation August 2009.**

Recommendation No. 7:

This recommendation was directed at the Department of Revenue.

Recommendation No. 8:

The Division of Aeronautics and the Aeronautical Board should ensure that formula fuel tax reimbursements are issued in accordance with statute and in an accurate and timely manner by:

- a. Obtaining legal guidance on whether issuing aviation formula fuel tax reimbursements to privately owned airports is allowed by statute and seeking recovery of the reimbursements paid to privately owned airports if the determination is that such reimbursements were not allowed.
- b. Establishing a reasonable deadline for airports to file excise tax reports and seeking statutory authority to either impose financial penalties or require airports to forfeit a portion of their excise tax reimbursements for failing to comply with the reporting deadline.
- c. Updating the tax procedure manual to reflect current processes, implementing procedures to keep the manual regularly updated in the future, and cross-training staff on the reimbursement process.

Division of Aeronautics Response:

- a. Partially Agree. Implementation Date: July 2009. The Division will seek a legal opinion prior to issuing additional aviation fuel tax reimbursements to privately owned airports. The statutory clarification has been initiated under House Bill 09-1066. If the legal opinion indicates that reimbursements to privately owned airports were not allowed under statute, the Division will not seek the recovery of reimbursements from privately owned airports as it would be financially prohibitive.
- b. Partially Agree. Implementation Date: July 2009. The Division will establish and communicate deadlines to encourage airports to file their excise tax reports in a timely manner. We will not be pursuing financial penalties; however, late filing will be a consideration for future grant funding.
- c. Agree. Implementation Date: July 2009. The Division will update the Tax Procedure Manual to reflect current processes between the Department of Revenue and Division of Aeronautics staff. The Division will coordinate with the Department of Revenue annually and update the Tax Procedure Manual as needed. The Division will continue to cross-train staff on the reimbursement process.

Aeronautical Board Response:

- a. Partially Agree. Implementation Date: July 2009. The Board will monitor the progress and provide information and support for House Bill 09-1066. The Board will seek a legal opinion; however, if the legal opinion indicates that reimbursements to privately owned airports were not allowed under statute, the Board will not seek the recovery of reimbursements from privately owned airports as it would be financially prohibitive.
- b. Partially Agree. Implementation Date: July 2009. The Board will monitor the timely submission of excise tax reports. The Board will not be pursuing financial penalties; however, late filing will be a consideration for future grant funding
- c. Agree. Implementation Date: July 2009. The Board will receive report updates from the Division on the update to the Tax Procedure Manual and cross training on an annual basis.

Recommendation No. 8 Status Report, July 2009

Colorado Division of Aeronautics

- a. **Implemented:** August 2009. The Division has received an informal opinion that fuel sold by airports which are owned by non-governmental entities are not entitled to aviation fuel tax reimbursements. All fuel taxes received from non-governmental entities have been credited to the aviation fund. Privately owned airports have been notified of this action. The Division will not seek recovery of previous fuel tax rebates to privately owned airports. House Bill 1066 clarified the definition of who is eligible to receive fuel tax reimbursements by stating that the board shall transfer from the fund, on a monthly basis, to the airport operating fund of the governmental or airport entity operating the FAA-Designated public use airport. H.B. 1066 was signed by the Governor on April 2, 2009 and will take effect on August 5, 2009.
- b. **Implemented:** March 2009. The Division sent a letter on March 31, 2009 advising all airport sponsors that monthly Aviation Fuel Purchase Reports were due to the Aeronautics Office by the 25th of each month and that late reporting would be a consideration in future grants funding. The Division will not pursue financial penalties for late filing.
- c. **Implemented:** July 2009. The tax procedure manual has been developed and will be provided to the CAB at their August meeting. Cross-training of staff on the reimbursement process has been completed with two additional Division staff members.

Colorado Aeronautical Board

- a. **Implemented:** August 2009. The CAB was advised of the informal opinion that fuel sold by airports which are owned by non-governmental entities are not entitled to aviation fuel tax reimbursements. All fuel taxes received from non-governmental entities have been credited to the aviation fund. Privately owned airports have been notified of this action. The CAB will not seek recovery of previous fuel tax rebates to privately owned airports. House Bill 1066 clarified the definition of who is eligible to receive fuel tax reimbursements by stating that the board shall transfer from the fund, on a monthly basis, to the airport operating fund of the governmental or airport entity operating the FAA-Designated public use airport. H.B. 1066 was signed by the Governor on April 2, 2009 and will take effect on August 5, 2009.
- b. **In Progress:** The CAB will be reviewing a report from the Division at the August 14, 2009 CAB meeting identifying the timely submission of airport excise tax reports and the steps taken to eliminate late filings from airports. **Implementation: August 2009.**
- c. **In Progress:** The CAB will be provided the completed Tax Procedure Manual and a report from the Division at the August CAB meeting on the cross training activities which have occurred on the fuel tax reimbursement process. **Implementation: August 2009.**

Recommendation No. 9:

The Division of Aeronautics and the Aeronautical Board should develop a mechanism to ensure that airports use aviation fuel tax reimbursements for aviation purposes, as required by statute. The Division and Board should:

- a. Evaluate options for an oversight mechanism, such as requiring airports to certify that they use their fuel tax reimbursements only for aviation purposes, requiring airports to submit detailed reports on their use of the funds, or conducting on-site reviews to verify how the funds are used. The Division should seek legal guidance on whether a certification process would meet the statutory reporting requirements and implement one or more of these oversight methods.
- b. Establish guidelines and/or directives to airports to account for their aviation fuel tax reimbursements separately from other funds and communicate to airports the statutory restrictions on the use of the reimbursements.
- c. Consider the need to pursue statutory authority to impose sanctions on airports that do not comply with the reporting and/or spending requirements.

Division of Aeronautics Response:

- a. Agree. Implementation Date: July 2009. If House Bill 09-1066 passes, the

requirements for tracking fuel tax reimbursement expenditures will no longer apply. If HB 09-1066 is not successful then the Division will evaluate the options for oversight of fuel tax reimbursements being used for aviation purposes such as self certification or annual reporting from airports.

- b. **Agree.** Implementation Date: July 2009. If House Bill 09-1066 is not successful, the Division will establish guidelines on how airports track and account for fuel reimbursements and communicate these requirements to airports via the grant manual, letter and email correspondence.
- c. **Partially Agree.** Implementation Date: July 2009. If House Bill 09-1066 is not successful, the Division will not seek statutory changes to impose sanctions, however reporting compliance will be used as a consideration for future grant funding.

Aeronautical Board Response:

Partially Agree. Implementation Date: July 2009. The Board will monitor the progress and provide information and support to House Bill 09-1066. In the event House Bill 09-1066 does not pass, the Board will work with the Division to develop appropriate measures such as considering reporting compliance as a factor in future grant funding. The Board will not seek statutory changes to impose sanctions.

Recommendation No. 9 Status Report, July 2009

Colorado Aeronautics Division

- a. **Implemented:** August 2009. With the passage of H.B. 1066 the requirement to submit an annual report to the Division providing information concerning the aviation purposes for which the moneys have been used has been removed. A self-certification statement was added in April to the Monthly Aviation Fuel Tax Purchase Report to all airports which states that all fuel tax reimbursement funds will be used for aviation purposes only.
- b. **Implemented:** August 2009. With the passage of H.B. 1066, the requirement to submit an annual report to the Division providing information concerning the aviation purposes for which the moneys have been used has been removed. Airports have been advised of the statutory restrictions of the used of reimbursement funds at the annual Colorado Airport Operators Association conference on June 5, 2009. The statutory restrictions are also identified within the Manual which will be distributed to all airports and available on the Division website.
- c. **Implemented:** August 2009. With the passage of H.B. 1066 the requirement to submit an annual report to the Division providing information concerning the aviation purposes for which the moneys have been used has been removed.

Colorado Aeronautical Board

Implemented: August 2009. The passage of HB 1066 eliminated the requirement for airports to report expenditures of fuel tax refunds. Guidance to airports on the statutory restrictions has been provided to airports at the annual Colorado Airport Operators Association conference in June and via the Manual.

Recommendation No. 10:

The Division of Aeronautics should notify local governments of the method by which they may access Federal Aviation Administration information on changes in aircraft ownership by Colorado residents.

Division of Aeronautics Response:

Agree. Implementation Date: February 2009. Regardless of whether House Bill 09-1066 passes, links to the aircraft registry reporting information maintained by the FAA will continue to be provided on the Division's website as long as available through the FAA website. The aircraft registration information was added to the Division website in January 2009. Communication to local governments will be accomplished by the Division sending correspondence to the Colorado Municipal League and Colorado Counties Incorporated in February 2009.

Recommendation No. 10 Status Report, July 2009

Colorado Division of Aeronautics

Implemented: February 2009. House Bill 09-1066 passed and was signed by the Governor on April 2, 2009 and becomes effective August 5, 2009. This Bill eliminates the requirement for the Division to provide aircraft registration information to the Department of Revenue and local governments. A link to this information was added to the Division's website in January of 2009 and will remain as long as the information is available on the FAA website. Additionally, the FAA website information was sent to the Colorado Municipal League, Colorado Counties Incorporated and County Technical Services for distribution to their membership in February 2009.

Recommendation No. 11:

The Transportation Commission should improve the State Infrastructure Bank Loan Program, working with the Department of Transportation, Aeronautical Board, and Division of Aeronautics as needed, by:

- a. Requiring applicants to submit documentation to substantiate the requested loan amount, ensuring that the loan amount is appropriate for the purpose requested, and documenting the evaluation of each application.
- b. Implementing loan review and approval procedures that ensure borrowers' ability to pay and mitigate the risk of loan defaults, such as placing a cap on the amount that will be loaned to more risky borrowers and requiring applicants to submit plans showing funding sources for loan repayment.
- c. Developing rules, policies, and procedures for enforcing and approving changes to the terms of loan agreements, including procedures for ensuring that loans are used as intended and notifying borrowers of delinquencies or defaults. The policies should clearly assign responsibility for each aspect of the loan making and monitoring process and require review and approval by the Transportation Commission for all changes in the terms of loan agreements.
- d. Reviewing changes to the terms of outstanding loan agreements and approving the changes, as needed.
- e. Modifying rules and loan agreements to define delinquency and better define default, and developing a policy to apply statutory remedies when borrowers fail to meet the terms and conditions of loans, as appropriate.

Department of Transportation Response:

Agree. Implementation Date: June 2009. Regarding the implementation of parts "a", "b", "c", and "e" of the recommendation, we will need to do rule making to incorporate some of these changes. The Attorney General representative for the Department and the Transportation Commission has agreed that we can have the Transportation Commission pass a resolution as an interim solution until rule making can be completed. We will present that resolution for approval at the June 2009 Transportation Commission meeting.

- a. The Department's Office of Financial Management and Budget will work with the Division of Aeronautics in developing a more comprehensive application and evaluation process to include those items referenced in the recommendation. We have already begun that process, but it has not yet been completed as we were waiting for rule making to make these changes.
- b. We do currently require repayment sources, but will in the future require a more comprehensive plan providing for contingencies if the primary repayment source does not materialize. For some of the "riskier" borrowers, we have received letters from the county stating that the county would step in and make payment if the airport could not. We will look at expanding that option.
- c. We will develop more specific procedures for amending the loan agreements and repayment terms. We will incorporate these into our application process and rules that will be adopted by the Transportation Commission. We also agree that the roles and responsibilities between the Division of Aeronautics staff, the Aeronautical Board, Office of Financial Management and Budget staff, and the Transportation Commission should be specifically defined. Any changes to the terms of a loan agreement will be taken to the Transportation Commission for approval.

- d. In the case of the loan that was in default and the loan for which a new payment plan was established, we will take these to the Transportation Commission for approval at the March 2009 meeting. We believe that if the roles are better defined as discussed in part "c", this issue could and will be prevented in the future.
- e. Right now only default is defined in our loan agreements. As currently defined, if a borrower misses one payment or does not pay the full amount the loan is considered to be in default. We agree that default might be extreme in some cases and that adding a provision for delinquency would be appropriate. We will explore what legal and statutory remedies might be available to us.

Transportation Commission Response:

Agree with the Department of Transportation's response. Implementation Date: June 2009.

Division of Aeronautics Response:

Agree. Implementation Date: June 2009. The Division is in agreement with the response provided by the Department of Transportation. In addition, the Division will maintain copies of the SIB documents and make them available to the Board and the public.

Aeronautical Board Response:

Agree. Implementation Date: June 2009. The Board will monitor and adhere to all policies and procedures developed which address the Department of Transportation State Infrastructure Bank loan program. Once the rulemaking process is complete the Board will review the process and ensure the Division's compliance.

Recommendation No. 11 Status Report, July 2009

- a. **In Progress:** Pursuant to 24-4-103 CRS (The Administrative Procedures Act) the Colorado Transportation Commission revised the rules for the Colorado State Infrastructure Bank (SIB). A public hearing on the proposed rules was held and the Revised Rules were adopted on July 23, 2009. Rule III section 4 (1) established a review committee that will consist of the following:

One member of the Colorado Transportation Commission who will chair the review committee, the Regional Transportation Director from the appropriate engineering region, or the Divisional Director from the Aeronautics Division, or Transit and Rail Division as appropriate; the CDOT Chief Financial Officer or manager of CDOT's Office of Financial Management and Budget, and the CO SIB Administrator. The rules are set to take effect on August 30, 2009. The rules establish guidelines for loan application and criteria for evaluating the loan applications.

Rule IV Section 1(1) states:

“That all applications shall be completed as described in the application package. If the application received by the department is incomplete, at that time it shall be rejected and not considered for financial assistance until completed.”

Rule IV Section 1(2) provides that the application package shall contain instructions and guidelines for completing the application and such package shall be available upon request. The project sponsor shall be responsible for requesting an application package from the department.

Rule IV Section 3 sets forth evaluation criteria to be used by the loan evaluation committee. Project evaluations are to be accomplished by incorporating a rating scheme across specific criteria such as: Project Type, Public/Private Partnerships, Project Viability, Project Benefits and Project Planning.

Revised Rule IV section 4 (3) explains the process for loan approval:

The review committee shall submit its recommendation and final evaluation to the OFMB (Office of Financial Management and Budget), who will then submit the recommendation to the Transportation Commission for approval. Regardless of the merits of the project or its total cost, the committee shall not recommend to the Commission that it lend an applicant an amount that it considered beyond the applicant’s capacity to repay even if it means the project cannot go forward at that time.

Once the Committee is established it will then be their responsibility to develop a comprehensive application and evaluation process. The revised rules take effect August 30, 2009. The Committee will be formed during the month of August. The Committee should be able to develop the comprehensive loan application process by November 30, 2009.

- b. **In Progress:** The Revised Rules set out specific information that must be provided with the loan application. The required information is designed to be able to assess each applicant’s financial capability and reduce the risk of default. The review committee may require additional information when the formal applications are prepared. The specific evaluation criteria listed in the rules are: Financial Need, Repayment Source, Security Provision, Financial Ratios and Term of Financial Obligation.

The Evaluation Committee is to use this information in making a recommendation to the Commission. The Revised Rule IV section 4 (2) describes the duties of the newly formed committee to:

“Evaluate loan application based upon the applicants response to the criteria stipulated in section 3 items one to eleven. Examine loan

documentation including the sponsor's financial statements to assure that a pending loan meets CO SIB rules standards and statutory guidelines; review the planning and engineering aspects of the loan project.”

The Revised Rule IV Section 5 Funding Procedures:

The OFMB shall present the review committee's recommendation and evaluation to the Transportation Commission for action, and the Commission shall set the maximum level of financial assistance for the project.

- c. **In Progress:** Revised Rule VI – Repayment of Loans Section 3 (1) strengthens the language to enforce loan terms:

If a recipient of financial assistance from the CO SIB fails to meet any of the terms or conditions of the loan agreement and fails to cure within thirty (30) days thereof, the department may declare the entire principal amount of the loan then outstanding immediately due and payable, and bring a right of action against such recipient in district court to seek any applicable legal or equitable remedy, including reasonable attorney fees. The newly formed committee will also review proposed changes and/or amendments to loan agreements and make recommendations to the Transportation Commission for action.

- d. **In Progress:** The Revised Rule IV section 4 (2) describes the duties of the newly formed committee as previously mentioned in (a) above to:

Develop procedures for executing loan contract and, as required reviewing and, if appropriate recommending amending the terms of already executed loan contract, periodically review maturing loans and progress reports, and in case of default, decide what collection efforts should be taken to restore past-due loans and other nonperforming loans to satisfactory conditions.

The Revised Rules were adopted on July 23, 2009 and do not take effect until August 30, 2009. The Committee will be formed during the month of August and will meet soon after the rules take effect. Additional guidance for working on loan amendments will be developed by the Committee by November 30, 2009. All previous changes to SIB loan terms or payment schedules have been approved by the Transportation Commission.

- e. **Implemented:** The Commission met on July 23, 2009 and adopted the proposed rules for the CO SIB; the Revised Rules defined default:

“Default” shall refer to the condition of a loan where the recipient has failed to meet the contractual obligation and failed to cure within thirty (30) days, including but not limited to: failure to make the loan payment; failure to use loan proceeds for stated purpose; failure to submit progress reports.

In response to defining the term delinquency the Commission determined that a borrower is “on-time” or in default; the term delinquency should not be used; therefore, there was no need to define the term delinquency.

Recommendation No. 12:

The Aeronautical Board should work with the Division of Aeronautics to adopt written policies and procedures to ensure that transfers from the Aviation Fund to the Transportation Infrastructure Revolving Fund are consistent and necessary. This should include defining the circumstances under which transfers are allowed, conducting analyses of the need for such transfers, implementing procedures to approve all transfers from the Aviation Fund, and developing criteria regarding the amounts that may be transferred.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will adopt policies and procedures with respect to transfers from the Aviation Fund to the SIB Revolving Fund. All transfers will be acted on by the Board according to the criteria set forth in the policies and procedures.

Division of Aeronautics Response:

Agree. Implementation Date: January 2010. The Division will develop the background information to define the circumstances in which transfers are allowed, analysis of need for transfers and the criteria regarding the amount to be transferred. This information will be provided to the Board for action.

Recommendation No. 12 Status Report, July 2009

Colorado Division of Aeronautics

In Progress: The Division has developed the background information to define the circumstances in which SIB transfers are allowed, analysis of need for transfers and the criteria regarding the amount to be transferred. For example SIB transfers would be considered when there is a project of statewide significance and adequate funds are not available in the aviation fund, however, adequate funds do exist in the SIB to meet the needs of the loans. **Implementation: August 2009.**

Colorado Aeronautical Board

In Progress: With the passage of HB 09-1066, the CAB has the authority to transfer funds to and from the SIB. The Division has developed a resolution for CAB action regarding SIB transfers, resolving to approve transfers in accordance with HB 09-1066

and the aforementioned criteria. The CAB is scheduled to act on the resolution on August 14, 2009. **Implementation: August 2009.**

Recommendation No. 13:

The Division of Aeronautics and the Aeronautical Board should improve controls over expenditures for Division administration and projects by:

- a. Discontinuing the practice of making advance payments for conferences, training, or other activities on behalf of airports or other entities. If this practice continues, the Division should ensure that binding, written agreements documenting expectations for reimbursement exist between the Division and the other entities before paying the expenses.
- b. Requiring adequate documentation, including itemized receipts and notations to explain the business purpose of expenses, and proper approvals before making payments or reimbursing expenses.
- c. Ensuring Division accounting staff are trained on and held accountable for following proper accounting and fiscal procedures by including specific accounting responsibilities and expectations in job descriptions, performance plans, and evaluations.
- d. Submitting all Division Director expenses to the Department for approval, regardless of the payment method.

Division of Aeronautics Response:

- a. Agree. Implementation Date: September 2009. When advance payments for conferences or other activities are necessary, the Division will work with the Department's accounting staff to ensure that airports and/or other entities after signing an agreement are invoiced in a timely manner and that corresponding receivable entries are recorded in the Department's financial accounting system. The Department's accounting staff will monitor any outstanding balances by reviewing the receivable aging report on a monthly basis.
- b. Agree. Implementation Date: February 2009. In January 2009, the Division began implementing a process to assure adequate documentation is received and reviewed prior to approval and payment. The Department's audit division will conduct regular reviews of the Division payments. Those reviews will begin in February 2009.
- c. Agree. Implementation Date: September 2009. The Division is working with the Department's accounting staff to ensure that all accounting and fiscal procedures are followed including specific accounting responsibilities. These expectations will be included in job description, performance plans, and evaluations.
- d. Agree. Implementation Date: February 2009. The Aeronautics Division will submit all Division Director expenses for Department approval, effective February 1, 2009.

Aeronautical Board Response:

Agree. Implementation Date: September 2009. The Board will oversee the Division's implementation of parts "a" through "d" of the recommendation. The Board will request the Department's audit division to report on the internal Audit Implementation Tracking Report at the first regularly scheduled meeting following the release of the Tracking Report. The Tracking Report will help the Board monitor the implementation of the audit recommendations. The Board will review the report and if necessary meet with the Division Director and Department Internal Audit to review implementation status.

Recommendation No. 13 Status Report, July 2009

Colorado Division of Aeronautics

- a. **In Progress:** The Division has met with CDOT Procurement to develop an approved process involving the development of a binding, written agreement outlining specific requirements for reimbursement prior to CDOT paying expenses. Until this process is complete, the Division has discontinued the practice of making advance payments for any reason on behalf of airports or other entities. **Implementation: September 2009**
- b. **Implemented/Ongoing:** March 2009. The Division is now providing adequate documentation, including itemized receipts and notations on the invoices to explain the business purpose of expenses prior to approval and payment. Beginning February 2009, CDOT Accounting and CDOT Audit have conducted summary reviews to ensure proper accounting and coding for all Division transactions.
- c. **Implemented/Ongoing:** March 2009. The Division has received extensive training over the past four months and will continue to receive training ensuring proper accounting and fiscal procedures are being followed. Specific accounting responsibilities and expectations in job descriptions, performance plans and evaluations have also been added for Division staff. Division staff met with the CDOT controller and accounting staff to create an accounting form for CDOT Audit review each month, this review is ongoing.
- d. **Implemented:** April 2009. The Division is submitting all Division Director expenses to the Deputy Executive Director of the Department for approval, regardless of the payment method.

Colorado Aeronautical Board

Implemented/On Going: May 2009. CDOT Auditors reported to the CAB on the Status of the State Auditors recommendations and will continue to report at future board meetings.

Recommendation No. 14:

The Department of Transportation should improve its oversight over Division expenditures by:

- a. Implementing a process for Departmental review and approval of Division Director expenses, regardless of the payment method.
- b. Reinstating regular Department review of Division payments until the Division can demonstrate full implementation of proper accounting controls. Once the Division demonstrates adequate controls, the Department should follow up and periodically review a sample of transactions to ensure ongoing compliance.

Department of Transportation Response:

Agree. Implementation Date: February 2009.

- a. The Department's Office of Financial Management and Budget staff will work with the Division of Aeronautics in developing a process whereby the Division Director expenses will be reviewed by the supervisor regardless of payment method.
- b. The Department's audit division will conduct regular reviews of the Division payments. Those reviews will begin in February 2009.

Recommendation No. 14 Status Report, July 2009

Colorado Department of Transportation

- a. **Implemented:** April 2009. The Division is submitting all Division Director expenses to the Deputy Executive Director of the Department for approval, regardless of the payment method.
- b. **Implemented/Ongoing:** March 2009. CDOT has reinstated regular reviews of the Division payments by CDOT accounting and CDOT internal audit division. CDOT will follow up with periodic review samples of transactions to ensure ongoing compliance.

Recommendation No. 15:

The Aeronautical Board should strengthen accountability for grants to the Division and include such grants in an overall strategic grantmaking process by developing written policies and procedures requiring that the Division:

- a. Submit grant requests as part of the annual budget process, as discussed further in Recommendation No. 16.
- b. Provide detailed justifications for all Division grant requests, including a breakdown of the projected costs, the time frame for expending approved funds, and the benefit of the grant to the aviation system. Division grant requests should be evaluated against established criteria that are consistent with the criteria developed by the Board for grant applications from other entities (see Recommendation No. 1).
- c. Routinely report to the Board on the progress, budget-to-actual costs, and outcomes/benefits to the aviation system of the Division's grants.

Aeronautical Board Response:

Agree. Implementation Date: January 2010.

- c. In response to parts "a", "b", and "c" of the recommendation, the Board will direct staff to include a section in the Manual that addresses projects/grants to the Division as a part of the annual budget process.
- d. The Division projects/grants will be evaluated with criteria consistent with criteria for other grant applications to include project costs and timeframes. On all Division grant requests approved, the Board will identify the benefit to the overall State System which differs from individual airport grants.
- e. The Board will request the Division provide quarterly progress reports and began reviewing budget-to-actual cost reports in December 2008.

Recommendation No. 15 Status Report, July 2009

Colorado Aeronautical Board

- a. **Implemented/Ongoing:** June 2009. At the June 26, 2009 CAB meeting the Division presented their anticipated grant list for FY 2010. These grants were then approved as part of the annual FY 2010 budget.
- b. **Implemented/Ongoing:** June 2009. The Division has created a Division Grant Standard Evaluation form. This evaluation is consistent with other grant applications as well as the goals and priorities as established in the CASP. Starting at the June 26, 2009 CAB meeting, as a part of the FY 2010 budget process, all Division grant requests were evaluated using the new Standard Evaluation form.

- c. **Implemented/Ongoing:** December 2008. During every CAB meeting the Division staff provides a budget update, included in this update is a budget to actual expense on Division expenditures. This update also provides a list of liquidated amounts from grants between each CAB meeting as well as additional revenue collections. At the completion of each Division grant the staff will present to the CAB the outcome and benefit of the grant.
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Recommendation No. 16:

The Aeronautical Board should work with the Division of Aeronautics to improve management and oversight of the Division's budget by implementing written policies and procedures regarding budgeting, expenditure tracking, and reporting. The policies and procedures should include:

- a. Requirements for the Division to develop and the Board to approve a detailed annual budget request for the Division at the beginning of each fiscal year. The budget should include estimates of specific Division administrative costs, Division grants, funds needed for grants to other entities, and detail by project of previously committed funds to be rolled forward from the prior fiscal year.
- b. A definition of administrative costs that accounts for all the ongoing expenses associated with the Division's regular operations and duties. The Division should apply the standard definition consistently when it prepares its annual budget, records expenditures, and tracks and reports expenditures to the Board.
- c. An ongoing reporting process requiring the Division to provide budget-to-actual reports for all revenue and expenditures at each Board meeting.

Aeronautical Board Response:

- a. Agree. Implementation Date: July 2009. The Division will prepare a detailed budget to include annual administrative costs, Division grants, other grants to entities other than airports and roll forward funds for the Board to approve at the beginning of each fiscal year.
- b. Agree. Implementation Date: July 2009. The Division will utilize the administrative cost definition that is applied to the Department of Transportation as a whole contained in Section 43-1-113(2)(a)(III), C.R.S. This statute specifically defines the administrative costs for the Department as consisting of the salaries and expenses of the following offices and their staffs: the Transportation Commission, the Executive Director, the chief engineer, district engineers, budget, internal audits, public relations, equal employment, special activities, accounting, administrative services, building operations, management systems, personnel, procurement, insurance, legal, and central data processing.
- c. Agree. Implementation Date: Implemented. Beginning in December 2008, the Division submitted a budget to actual report to the Board and will update the report at all regularly scheduled Board meetings.

Division of Aeronautics Response:

- a. & b. Agree. Implementation Date: July 2009. The Board will review and act on a detailed budget to include defined administrative costs as spelled out in Section 43-1-113(2)(a)(III), C.R.S.
- c. Agree. Implementation Date: Implemented. The Board will continue to review budget to actual reports at each meeting as provided by the Division, which began in December 2008.

Recommendation No. 16 Status Report, July 2009

Colorado Division of Aeronautics

- a. **Implemented:** June 2009. The Division has developed and the CAB has approved a detailed annual budget request for the Division at the beginning of each fiscal year. The budget includes estimates for specific Division administrative costs, Division grants, funds needed for grants to other entities and detail by project of previously committed funds to be rolled forward from the prior fiscal year. The Division has discontinued the practice of rolling forward uncommitted funds. At the end of each fiscal year uncommitted funds are liquidated back into the aviation fund.
- b. **In Progress:** This recommendation is scheduled for action at the CAB Meeting on August 14, 2009. The Division will provide a list of administrative costs as defined in Section 43-1-113(2)(a)(III). The Division will apply the standard definition consistently when it prepares its annual budget, records expenditures and tracks and reports expenditures to the CAB. This will be implemented on August 14, 2009. **Implementation: August 2009.**
- c. **Implemented/Ongoing:** December 2008. The Division has implemented a report to provide budget-to-actual for all revenues and expenditures at each CAB meeting. This ongoing report was first introduced to the CAB at the December 17, 2008 meeting.

Colorado Aeronautical Board

- a. **Implemented:** June 2009. The Division has developed and the CAB has approved a detailed annual budget request for the Division at the beginning of each fiscal year. The budget includes estimates for specific Division administrative costs, Division grants, funds needed for grants to other entities and detail by grant of previously committed funds to be rolled forward from the prior fiscal year.

- b. **In Progress:** This recommendation is scheduled for action at CAB Meeting on August 14, 2009. The Division will provide a list of administrative costs as defined in Section 43-1-113(2)(a)(III). The Division will apply the standard definition consistently when it prepares its annual budget, records expenditures and tracks and reports expenditures to the Board. **Implementation: August 2009.**
 - c. **Implemented/Ongoing:** December 2008. The Division has implemented a report to provide budget-to-actual for all revenues and expenditures at each CAB meeting. This ongoing report was first introduced to the CAB at the December 17, 2008 meeting.
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Recommendation No. 17:

The Division of Aeronautics should implement controls consistent with statutes, rules, and executive directives to prevent misuse of state resources and conflicts of interest by employees. Specifically, the Division should:

- a. Enforce requirements for staff to accurately complete the vehicle log, including detailed destinations and business purposes, each time a state vehicle is used.
- b. Acquire regular training for employees on conflicts of interest and ethical behavior.
- c. Discontinue the practice of allowing employees to engage in outside employment that involves doing business with airports in Colorado or otherwise represents a conflict of interest.
- d. Implement an annual disclosure form for employees to certify that they are aware of and in compliance with statutes, rules, and directives that guide employee conduct and have disclosed any situations that may create an actual or perceived conflict of interest.
- e. Implement oversight reviews of employee activities by the Division Director. The oversight efforts should include a periodic (e.g., monthly) review of the fleet log, fuel credit card statements, and transponder statements for completeness and reasonableness. The reviews should also include periodic independent reviews of employees' outside employment to prevent inappropriate use of state resources.

Division of Aeronautics Response:

- a. Agree. Implementation Date: February 2009. The Division will enforce requirements for accurate and completion of the vehicle log by all Division staff when using a state vehicle. This effort will be reinforced by the regular reviews of the business transactions within the Division of Aeronautics, including accurate and proper completion of the vehicle logs. These reviews will begin in February 2009.
- b. Agree. Implementation Date: July 2009. The Division staff will acquire and attend training on conflict of interest and ethical behavior. The Division has requested a class through the Department of Transportation training. As soon as a class is located either internally or externally, the Division will attend.

- c. Agree. Implementation Date: July 2009. Division staff will be required to submit a Secondary Employment Form. Any employment associated with Colorado airports will not be permitted.
- d. Agree. Implementation Date: July 2009. The Division will require staff to complete annual disclosure forms certifying awareness of and compliance with all departmental and state statutes, rules and directives that guide employee conduct and conflicts of interest, to include Secondary Employment Forms.
- e. Agree. Implementation Date: February 2009. The Department of Transportation Audit Division in conjunction with the Aeronautics Director will begin a schedule of regular reviews of employees' activities within the Division of Aeronautics. The reviews will include assessments of the fleet log, fuel card statements, outside employment and E-470 statements.

Recommendation No. 17 Status Report, July 2009

Colorado Aeronautics Division

- a. **Implemented:** February 2009. The Division has enforced requirements for the accurate completion of vehicle logs including detailed destinations and business purposes by all Division staff when using a state vehicle. E470 toll statements are attached and maintained with each vehicle log. This effort is being reinforced by regular reviews of the logs by the Division Director. Additionally the vehicle logs along with the business transactions within the Division of Aeronautics were reviewed by CDOT Internal Audit Division.
- b. **In Progress:** There is currently no adopted ethics training available for employees within CDOT or the State of Colorado employee training system. The Division submitted a training request in January 2009 to CDOT Organizational Learning & Development. As a result they are working on developing a syllabus for ethics training. Because there is no scheduled completion date and in order to comply with the audit recommendations, the Division has registered the entire staff for ethics training through Colorado State University. In order to take this class, the Division required a waiver from DPA and CDOT Division of Human Resources. This waiver has been granted and the class is scheduled for October 8, 2009. **Implementation: October 2009.**
- c. **Implemented/Ongoing:** March 2009. All Aeronautics Division employees who want to seek outside employment are required to submit CDOT form #562, *Employee Request to Engage in Outside Employment*, to the Division Director for approval. Any outside employment associated with Colorado airports or any other entity that represents a conflict is not allowed.
- d. **In Progress:** The Division established a requirement for employees to complete an annual disclosure form for employees to certify that they are aware of, and in compliance with statutes, rules and directives that guide employee conduct. They are required to disclose any situations that may create an actual or perceived

conflict of interest. There is not a standard CDOT form for disclosure so the Division submitted a draft disclosure form to CDOT Human Resources for their endorsement. CDOT Human Resources is in the process of developing a department wide form for use by all Department employees. Additionally employee conduct is currently one of the Individual Performance Objectives (IPO) in each Division employee's performance evaluation. **Implementation: January 2010.**

- e. **Implemented/Ongoing:** February 2009. The CDOT Audit Division in conjunction with the Aeronautics Director began regular reviews of employees' activities within the Division. These reviews included assessments of fleet logs, outside employment and E-470 statements. Additionally, CDOT has instituted a department wide fuel card system that assigns individual pin numbers to each employee for closer scrutiny. Regular reviews by the Division Director to insure completeness and reasonableness is ongoing.

Recommendation No. 18:

The Aeronautical Board should improve oversight of Division practices with respect to grants, fuel tax reimbursements, loans, budgeting, accounting, and use of state resources, as recommended throughout this report. Additionally, the Board should:

- a. Develop written self-governance policies that include mechanisms for ensuring Board and Division compliance with applicable statutes, rules, policies, and procedures. Board members should annually review the governance policies and statutes to refamiliarize themselves with the provisions.
- b. Provide ongoing monitoring of the performance of the Division to ensure the Division accomplishes its duties assigned by statute.
- c. Follow up on internal and external audit recommendations and communicate progress to the Department, as appropriate, to ensure the Division implements recommendations in an effective and timely manner.
- d. Discontinue the practice of voting on Board action items such as grant applications or other funding requests by fax and holding all votes in a public meeting.

Aeronautical Board Response:

Agree. Implementation Date: January 2010.

- a. The Board will develop self-governance policies to ensure Board and Division compliance with applicable statutes, rules, policies and procedures. This will be done through a consultant contract and actual start date will depend on the Department's ability to contract with a consultant under the current statewide hiring and contract freeze. The Board will have an annual orientation to review statutes, policies and procedures.

- b. The Board will continue to monitor the Division's statutory duties through regularly scheduled Board meetings, retreats as necessary and general interaction with the Division.
- c. The Audit Implementation Tracking Report provided by the Department's Internal Audit Division twice a year will be provided to the Board at the first regularly scheduled meeting following the release of the Tracking Report. The Board will review the report and if necessary meet with the Division Director and the Department's Internal Audit to review implementation.
- d. For special or emergency meetings, the Board will follow the procedures that the Transportation Commission uses for special or emergency meetings. If needed, these meetings are held by conference call. For a special meeting, they are posted three days in advance. For an emergency meeting, they must be posted 24 hours in advance. The Board will not vote by fax.

Recommendation No. 18 Status Report, July 2009

Colorado Aeronautical Board

- a. **In Progress:** The CAB is in the process of developing self-governance policies to ensure the CAB and Division compliance with applicable statutes, rules, policies and procedures in addition to the Colorado Aeronautical Board Code of Conduct as referenced in recommendation 5. Due to fiscal constraints, the CAB will not be using a consultant contract but will be developing the self-governance policies in-house and will complete the implementation of the recommendation by January 2010.
Implementation: January 2010.
- b. **In Progress:** The CAB is continuing to develop measurements and standards to monitor the Division's statutory duties through regularly scheduled CAB meetings, reports provided to the CAB and general interaction with the Division. A CAB work session was held May 12, 2009 to specifically address audit compliance.
Implementation: January 2010.
- c. **Implemented/Ongoing:** May 2009. The CAB has been working with CDOT's Internal Audit Division and receiving monthly Aeronautics State Audit Findings Progress Report updates. There is a standing report at each of the CAB Meetings that is provided by the CDOT Audit Division Manager, Aeronautics Division Director or member of the internal CDOT Audit Division staff. Progress reports have also been provided to the Transportation Commission's Audit Review Committee. The CAB will continue to work with the CDOT Internal Audit Division to ensure proper follow up and implementation of internal and external audit recommendations.
- d. **Implemented:** May 2009. The CAB has discontinued taking action by fax vote and passed a motion on May 12, 2009 that the CAB will only vote on CAB action items in a public meeting. For special or emergency meetings the CAB will follow the procedures established by the CDOT's Transportation Commission.

STATE OF COLORADO

DEPARTMENT OF REVENUE
State Capitol Annex
1375 Sherman Street, Room 409
Denver, Colorado 80261
(303) 866-3091
FAX (303) 866-2400



Bill Ritter, Jr.
Governor

Roxanne Huber
Executive Director

July 17, 2009

Representative Dianne Primavera, Chair
Legislative Audit Committee
200 East 14th Avenue
Denver, Colorado 80203

Dear Ms. Primavera:

Attached please find the Department of Revenue's status update report regarding the State Auditor's recommendation to the Department resulting from the Division of Aeronautics Performance Audit completed in February 2009.

If you have any questions concerning the status update or the Department's implementation of the recommendations, please contact me at (303) 866-5610.

Sincerely,

A handwritten signature in cursive script that reads "Roxanne Huber".

Roxanne Huber
Executive Director

Attachment

Recommendation No. 7:

The Department of Revenue should improve its oversight of aviation fuel sales tax collections and deposits to the Aviation Fund by developing and implementing a sales tax form that separately identifies aviation fuel sales and related taxes as soon as possible. The Department of Revenue should also ensure that it has adequate processes to resolve problems with aviation fuel tax reporting in a timely way and maintains complete documentation of its review and follow-up procedures.

Department of Revenue Response:

Agree. Implementation Date: September 2009. Under current law, taxpayers that timely file a sales tax return and remit the proper total amount of sales tax but do not provide adequate information to the Department for the correct allocation and distribution of the money cannot be penalized for their lack of reporting. Without a penalty to encourage a prompt response to our inquiry, the taxpayers in question took an unacceptably long time to provide the necessary information. The Department of Revenue has begun to change the filing process for retailers of aviation fuel, requiring that a separate aviation fuel sales tax return be filed in addition to any retail sales tax return they must file. The Department also is seeking legislation to impose a penalty on those taxpayers who pay the tax, but fail to provide sufficient detail to allow the Department to distribute the tax properly. Successful passage of the proposed legislation will allow this sales tax penalty to be used to ensure compliance. The Department believes that these changes will enhance the accuracy of reporting and thus the allocation of revenues to the proper funds.

The Department currently conducts reviews of the aviation sales tax information based on the information and resources available. The new reporting and penalty described above will allow for quicker resolution of reporting problems. Documentation of reviews and follow-up has been implemented.

July 2009 Status Update

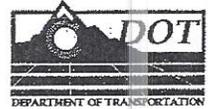
In Progress

The Department was successful in its quest to gain legislation to impose a penalty on those taxpayers who pay the tax, but fail to provide sufficient detail to allow the Department to distribute the tax properly. Once the Department has the separate return process in place, the new penalty can be applied to gain compliance in obtaining the necessary information to properly distribute the tax. The Department still anticipates implementing this legislation by the end of September provided temporary or contract resources can be secured to complete the programming phase of the project.

STATE OF COLORADO

DEPARTMENT OF TRANSPORTATION

Executive Director
4201 E. Arkansas Ave. #262
Denver, CO 80222
(303) 757-9201
(303) 757-9656 Fax



January 8, 2010

Representative Dianne Primavera,
Chair Legislative Audit Committee
200 E. Colfax
Denver, CO 80203

Re: Recommendation Implementation Status Report

Dear Representative Primavera,

Attached, is a status report on the Department's implementation of the audit recommendations from the Office of the State Auditor. The recommendations are from the February 2009 performance audit of the Division of Aeronautics. As you can see from the report, the Aeronautical Board and the Division of Aeronautics continue to make a great deal of progress in implementing the audit recommendations. Most of the recommendations are either complete or nearing completion, and we are continuing to work on improving the aviation program.

I would like to highlight some of the major accomplishments since our report last summer. The Aeronautical Board approved the new grant manual that provides guidance for airports throughout Colorado. The Aeronautics Division has taken the lead in getting ethics training for the entire staff. CDOT is moving forward on adopting ethics policies and procedures.

All of the various activities relating to implementation of the audit recommendations are included in the attached report. Please let me know if you need any additional information.

Sincerely,

Russell George
CDOT Executive Director

**Division of Aeronautics, Department of Transportation, Performance Audit
Followup to the July 2009 Recommendation Implementation Status Report
January 13, 2010**

Recommendation No. 1:

The Aeronautical Board and the Division of Aeronautics should ensure that State Aviation System Grant Program applications are reviewed and scored consistently and uniformly in accordance with best practices and statutes by:

- a. Developing standardized, written criteria for evaluating grant applications.
- b. Providing guidance to staff and Board members on applying the criteria in the evaluation process.
- c. Developing a uniform, documented, scoring system for staff to use in evaluating grant applications and making recommendations for grant approval to the Board. The system should include prioritizing and weighting the established selection criteria.
- d. Maintaining a current grant manual that reflects Grant Program criteria, policies, and procedures that is available to all Division staff, Board members, and potential grant applicants.
- e. Maintaining documentation of the discussions between Division staff and potential applicants regarding possible grant projects.

Division of Aeronautics Response:

Agree. Implementation Date: January 2010.

- a. The Division of Aeronautics will develop standardized written criteria for evaluating grant applications as a part of the Grant Management Manual (Manual).
- b. These criteria will be communicated to grant applicants, Division employees, and the Colorado Aeronautical Board (Board) via correspondence in conjunction with the grant application solicitation, statewide aviation meetings, Board meetings, Aeronautics website, and revised Manual.
- c. The Division will develop and implement a scoring system to rate and prioritize grant applications in preparation for presentation to the Board for discretionary grant consideration. Staff will document the evaluation process for the Board.
- d. The Division will develop, maintain, and distribute the Manual that details the policies and procedures required to participate in the grant program. This Manual will describe the method the staff will use to manage each grant and the overall program.
- e. The Division will document discussions between Division staff and grant applicants regarding possible grant projects.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will oversee the Division's implementation of parts "a" through "e" of the recommendation, including drafting,

development and implementation of the Manual. Updates on the status will be provided at each meeting until the Manual is complete.

Recommendation No. 1 Status Report, July 2009

Colorado Aeronautics Division

- a. **In Progress:** The Division has developed standardized written grant evaluation criteria along with a Standardized Grant Application Evaluation form. The standardized criteria utilize the Colorado Aviation Systems Plan (CASP) as the backbone and are spelled out in the draft Colorado Division of Aeronautics Discretionary Grant Program Manual (Manual). Using the criteria spelled out in the Manual, the Division has also implemented a Standardized Grant Application Evaluation form. This form ensures all applications are reviewed and evaluated consistently and has been utilized on all grant applications since May of 2009. The draft Manual which includes several standardized forms, including the grant application evaluation form, is scheduled for Colorado Aeronautical Board (CAB) action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**
- b. **In Progress:** As mentioned in 1a, the Manual contains standardized written grant evaluation criteria and is scheduled for CAB action on August 14, 2009. The evaluation criteria have been discussed at every CAB meeting under the agenda heading of Audit Recommendations/Implementation Update. The Division held multiple meetings to develop this process and provide guidance and training to the Division staff on the implementation of the standardized written criteria. The Division staff also discussed the grant criteria during a presentation at the statewide airport operators' conference on June 5, 2009. Once approved, a copy of the Manual will be provided to all Division employees and the CAB. Also upon approval, the Manual will be placed on the Division's website and a copy will be sent to all eligible airports. Prior to the next regular grant cycle, the Grant Application solicitation letter will reference the revised Manual and its availability. **Implementation: August 2009.**
- c. **Implemented:** May 2009. The Division has developed standardized written grant evaluation criteria along with a Standardized Grant Application Evaluation form. The standardized criteria utilize the CASP as the backbone and are spelled out in the draft Manual. As a discretionary grant program the standardized evaluation criteria referenced above are sufficient in identifying high priority projects and a scoring system is not needed. Using the criteria spelled out in the Manual, the Division has also implemented a Standardized Grant Application Evaluation form. This form ensures all applications are reviewed and evaluated consistently and has been completed and presented to the CAB for all grant applications since May of 2009.
- d. **In Progress:** The Division has drafted and will maintain the Manual. The Manual details the eligibility for participation in the grant program. The Manual covers the

overall grant program including: eligibility, the application process, evaluation criteria, the contracting process and grant administration. The Manual is scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**

- e. **Implemented/Ongoing:** May 2009. The Division has and will continue to document discussions between staff and grant applicants regarding possible grant projects. These discussions have been documented and are contained in the applicable airport grant file.

Colorado Aeronautical Board

In Progress: The CAB has overseen the Division's implementation of items 1a-e as a part of all the CAB meetings since the audit report in February of 2009. The CAB also held an audit work shop on May 12, 2009 in order to receive an update on and oversee the Division's progress and implementation on the State Auditor's recommendations. Two CAB members were present at the statewide airport operators' meeting on June 5, 2009 to hear the update and progress on the Manual as well. A copy of the draft Manual has been provided to the CAB for additional comments and is scheduled for action on August 14, 2009. **Implementation: August 2009.**

Recommendation No. 1 - Followup Status Report, January 2010

Colorado Aeronautics Division

- a. **Implemented:** August 2009. The Division developed standardized written grant evaluation criteria along with a Standardized Grant Application Evaluation form. The standardized criteria utilize the Colorado Aviation Systems Plan (CASP) as the backbone and are spelled out in the Colorado Division of Aeronautics Discretionary Grant Program Manual (Manual). Using the criteria spelled out in the Manual, the Division has also implemented a Standardized Grant Application Evaluation form. This form ensures all applications are reviewed and evaluated consistently and has been utilized on all grant applications since May of 2009. The Manual is available on the Division's website and an electronic copy was sent to all eligible airports.
- b. **Implemented:** August 2009. As mentioned in 1a, the Manual containing standardized written grant evaluation criteria was adopted by the CAB on August 14, 2009. The evaluation criteria were discussed at every CAB meeting under the agenda heading of Audit Recommendations/Implementation Update. The Division held multiple meetings to develop the process and provided guidance and training to the Division staff on the implementation of the standardized written criteria. The Division staff also discussed the grant criteria during a presentation at the statewide airport operators' conference on June 5, 2009. A copy of the Manual was provided to all Division employees and the CAB. The Manual is available on the Division's website and an

electronic copy was sent to all eligible airports. The most recent Grant Application solicitation letter referenced the revised Manual and its availability.

- d. **Implemented:** August 2009. The Division has completed and will maintain the Manual. The Manual details the eligibility for participation in the grant program. The Manual covers the overall grant program including: eligibility, the application process, evaluation criteria, the contracting process and grant administration. The Manual is available on the Division's website and an electronic copy was sent to all eligible airports.

Colorado Aeronautical Board

Implemented: August 2009. The CAB has overseen the Division's implementation of items 1a-e as a part of all the CAB meetings since the audit report in February of 2009. The CAB also held an audit work shop on May 12, 2009 in order to receive an update on and oversee the Division's progress and implementation on the State Auditor's recommendations. Two CAB members were present at the statewide airport operators' meeting on June 5, 2009 to hear the update and progress on the Manual as well. A final copy of the Manual was provided to and approved by the CAB on August 14, 2009.

Recommendation No. 2:

The Division of Aeronautics and the Aeronautical Board should develop criteria, policies, and procedures for managing supplemental and out-of-cycle grant requests that include:

- a. Requiring applicants to use standardized forms to request supplemental or out-of-cycle funding. For new out-of-cycle requests (i.e., not supplemental requests) the Division should require applicants to use the regular grant application form.
- b. Executing formal contract amendments for any change to an existing grant contract.
- c. Defining the circumstances under which the Division and Board will consider grant requests outside the normal grant cycle.
- d. Applying the uniform criteria developed in response to Recommendation No. 1 to the evaluation of all supplemental and out-of-cycle grant requests.

Division of Aeronautics Response:

- a. Agree. Implementation Date: January 2010. In the re-write of the Manual, policies and procedures will be implemented for out-of-cycle grant requests to include standardized forms for all supplemental and out-of-cycle requests which will be consistent with regular grant application forms.
- b. Agree. Implemented. The Aeronautics Division has implemented a standardized form for all contract amendments that has been approved by the State Controller's Office. This has been used for all contract amendments since January 2009.
- c. Agree. Implementation Date: January 2010. The Division will define the circumstances that make an out-of-cycle grant request appropriate.

- d. Agree. Implementation Date: January 2010. The Division will apply the uniform criteria that will be developed with the Manual.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will oversee the Division's implementation of parts "a" through "d" of the recommendation, including drafting, development and implementation of the Manual. Updates on the status will be provided at each meeting until complete.

Recommendation No. 2 Status Report, July 2009

Colorado Aeronautics Division

- a. **In Progress:** The draft Manual contains specific sections on out-of-cycle grant requests and supplemental funding requests. The out-of-cycle section of the Manual includes criteria for justifying out-of-cycle requests and also explains that the evaluation criteria and application process are the same as for a regular grant request. The Division will utilize the same standardized written grant evaluation criteria and form as a regular grant request. Additionally, the draft Manual contains a section on supplemental funding requests along with a standardized Supplemental Funding Request Application. The draft Manual which includes the above referenced sections and forms are scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**
- b. **Implemented:** January 2009. The Division has implemented a standardized template obtained from the DPA for all contract amendments. The standardized template has been approved by the State Controller's Office. All contract changes since January 2009 have utilized the standard template with the changes incorporated therein. The Division's Grant's Administrator has also joined the Colorado Contract Improvement Team in order to stay updated and involved with all contract management changes.
- c. **In Progress:** The draft Manual contains a specific section on out-of-cycle grant requests. The out-of-cycle grant request section of the Manual includes criteria for acceptable out-of-cycle requests. The draft Manual is scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**
- d. **In Progress:** The draft Manual contains specific sections on out-of-cycle grant requests and supplemental funding requests. The out-of-cycle section of the Manual includes criteria for justifying out-of-cycle requests and also explains the evaluation criteria and application process is the same as for a regular grant request. The Division will utilize the same standardized written grant evaluation criteria and form as a regular grant request. Additionally, the draft Manual contains a section on supplemental funding requests along with a standardized Supplemental Funding

Request Application. The draft Manual which includes the above referenced sections and forms is scheduled for CAB action on August 14, 2009. Once the Manual is approved it will be placed on the Division's website and a copy will be sent to all eligible airports. **Implementation: August 2009.**

Colorado Aeronautical Board

In Progress: The Board has overseen the Division's implementation of items 1a-d as a part of all the CAB meetings since the audit report in February of 2009. The CAB also held an audit work shop on May 12, 2009 in order to receive an update on and oversee the Division's progress and implementation on the State Auditor's recommendations. Two Board members were present at the statewide airport operators' meeting on June 5, 2009 to hear the update and progress on the Manual as well. A copy of the draft Manual has been provided to the CAB for additional comments and is scheduled for action on August 14, 2009. **Implementation: August 2009.**

Recommendation No. 2 - Followup Status Report, January 2010

Colorado Aeronautics Division

- a. **Implemented:** August 2009. The Manual contains specific sections on out-of-cycle grant requests and supplemental funding requests. The out-of-cycle section of the Manual includes criteria for justifying out-of-cycle requests and also explains that the evaluation criteria and application process are the same as for a regular grant request. The Division will utilize the same standardized written grant evaluation criteria and form as a regular grant request. Additionally, the Manual contains a section on supplemental funding requests along with a standardized Supplemental Funding Request Application. The Manual is available on the Division's website and an electronic copy was sent to all eligible airports.
- c. **Implemented:** August 2009. The Manual contains a specific section on out-of-cycle grant requests. The out-of-cycle grant request section of the Manual includes criteria for acceptable out-of-cycle requests. The Manual is available on the Division's website and an electronic copy was sent to all eligible airports.
- d. **Implemented:** August 2009. The Manual contains specific sections on out-of-cycle grant requests and supplemental funding requests. The out-of-cycle section of the Manual includes criteria for justifying out-of-cycle requests and also explains the evaluation criteria and application process is the same as for a regular grant request. The Division utilizes the same standardized written grant evaluation criteria and form as a regular grant request. Additionally, the Manual contains a section on supplemental funding requests along with a standardized Supplemental Funding Request Application. The Manual is available on the Division's website and an electronic copy was sent to all eligible airports.

Colorado Aeronautical Board

Implemented: August 2009. The Board has overseen the Division's implementation of items 1a-d as a part of all the CAB meetings since the audit report in February of 2009. The CAB also held an audit work shop on May 12, 2009 in order to receive an update on and oversee the Division's progress and implementation on the State Auditor's recommendations. Two Board members were present at the statewide airport operators' meeting on June 5, 2009 to hear the update and progress on the Manual as well. A final copy of the Manual was provided to and approved by the CAB on August 14, 2009.

Recommendation No. 3:

The Division of Aeronautics should strengthen accountability for the State Aviation System Grant Program by:

- a. Requiring grant applicants to provide detailed grant project budgets and schedules in their grant applications and including the detailed project budgets and schedules in each grant contract, or, at a minimum, referencing the applications in the contracts.
- b. Stating in each grant contract the specific percentage of total project costs to be covered by the grant, up to the total grant award.
- c. Including a consistent set of compliance requirements, as well as penalties and specific termination provisions for noncompliance, in each grant contract.
- d. Enforcing all grant contract budgets, schedules, and compliance requirements through the application of the penalties recommended in part "c" above.
- e. Implementing a comprehensive monitoring program for grants that includes scheduled on-site monitoring, review of grantee reports, and reporting to the Board on the status and expenditures of each grant project. The Division should consider using a risk-based approach for on-site monitoring.

Division of Aeronautics Response:

- a. Agree. Implementation Date: January 2010. The Division will revise the grant application form and require detailed budget estimates and schedules. The Division will include these project budgets and schedules in the grant contract or the contract will reference the application.
- b. Agree. Implementation Date: January 2010. The Division will include verbiage in the contract that states the total project cost percentage and the not-to-exceed amount.
- c. Partially Agree. Implementation Date: January 2010. The Manual will follow the guidelines from Department of Personnel & Administration (DPA) for standard state contract compliance and termination provisions and compliance requirements for grantees will be included in grant contracts. The criteria for evaluating grants, as described in the Manual, will include past performance as a condition for future grant selection. We will not pursue any other penalties.
- d. Partially Agree. Implementation Date: January 2010. The Division has been working with DPA on contract requirements and will enforce grant contract budgets, schedules,

and compliance requirements through the application enforcement provisions as recommended by DPA and in accordance with part "c", above.

- e. Agree. Implementation Date: January 2010. The Division will implement policies and procedures for on-site visits and monitor compliance, review grantee reports, and report to the Board on the status of projects. Policies and procedures will be included in the Manual. The Division will do regular on-site visits dependent upon budget constraints.

Recommendation No. 3 Status Report, July 2009

Colorado Aeronautics Division

- a. **In Progress:** The Division has revised the grant application form. The form now in use requires detailed budget estimates and schedules. If they are not included, the evaluation process stops until they are provided by the grantee. The grant contract template references the detailed project budget and schedules as contained in the application. As required by CDOT, the grant contract was submitted to the Attorney General (AG) on July 1, 2009. Following AG approval, the template will be sent to Department of Personnel and Administration (DPA) for approval. **Implementation: January 2010.**
- b. **In Progress:** The Division has included verbiage in the contract template that states the total project costs, percentage, and the not-to exceed amount. As required by CDOT, the grant contract was submitted to the AG on July 1, 2009. Following AG approval, the templates will be sent to DPA for approval. **Implementation: January 2010.**
- c. **In Progress:** The new contract template follows the guidelines from the DPA for standard state contract compliance and termination. The grant manual requires all contracts to include estimated budgets and schedules. All new contracts employ a more specific scope. All grant recipients are required to provide progress reports during the project and a final acceptance form at completion of the project. Without these they will not be compliant. The Division is employing the new statewide Contract Management System (CMS) to monitor progress including scheduled reviews and programmed site visits. Any grantee not in compliance will be required to correct any problems necessary to bring them into compliance. If a grantee will not correct said problems, the contract can be terminated. This information will be used as a consideration for future grant approval. As required by CDOT, the grant contract was submitted to the AG on July 1, 2009. Following AG approval the template will be sent to DPA for approval. **Implementation: January 2010.**
- d. **In Progress:** The Manual advises grantees that the Division will enforce grant contract budgets, schedules, and compliance requirements. If a grantee will not correct said problems, the contract can be terminated. This information will be used as a consideration for future grant approval. This was a subject in a briefing given to

airports by the Division staff on June 5, 2009 at a meeting of the Colorado Airport Operators Association. The Manual is scheduled to be adopted by the CAB on August 14, 2009. **Implementation: January 2010.**

- e. **In Progress:** The Division has developed a comprehensive monitoring program for grants that includes the receipt and review of grantee reports and project close out. This program includes a risk-based approach to developing an on-site inspection for projects presenting higher risk to the State. At the end of each normal grant cycle the staff will develop a plan for on-site visits based on the accepted criterion and present it to the CAB for approval. This plan will be on the August 14, 2009 CAB agenda for its action. Once approved this program will be used on existing grants from 2008 forward and all future grants. **Implementation: August 2009.**

Recommendation No. 3 - Followup Status Report, January 2010

Colorado Aeronautics Division

- a. **In Progress:** The Division has revised the grant application form. The form now in use requires detailed budget estimates and schedules. The grant contract template references the application. As required by CDOT, the grant contract was submitted to the Attorney General (AG) on July 1, 2009. The Division is currently awaiting approval from DPA. The new Phase I waiver is expected from DPA prior to the upcoming grant hearings on January 27, 2010. **Implementation: January 2010.**
- b. **In Progress:** The Division has included verbiage in the contract template that states the total project costs, percentage, and the not-to exceed amount. As required by CDOT, the grant contract was submitted to the AG on July 1, 2009. The Division is currently awaiting approval from DPA. The new Phase I waiver is expected from DPA prior to the upcoming grant hearings on January 27, 2010. **Implementation: January 2010.**
- c. **In Progress:** The new contract template follows the guidelines from the DPA for standard state contract compliance and termination. All grant recipients are required to provide progress reports during the project and a final acceptance form at completion of the project. Without these they will not be compliant. The Division is employing the new statewide Contract Management System (CMS) to monitor progress including scheduled reviews and programmed site visits. Any grantee not in compliance will be required to correct any problems necessary to bring them into compliance. If a grantee will not correct said problems, the contract can be terminated. This information will be used as a consideration for future grant approval. As required by CDOT, the grant contract was submitted to the AG on July 1, 2009. The Division is currently awaiting approval from DPA. The new Phase I waiver is expected from DPA prior to the upcoming grant hearings on January 27, 2010. **Implementation: January 2010.**

- d. **Implemented:** August 2009. In accordance with the Manual advises grantees that the Division will enforce grant contract budgets, schedules, and compliance requirements. If a grantee will not correct said problems, the contract can be terminated. This information will be used as a consideration for future grant approval. This was also the subject of a briefing given to airports by the Division staff on June 5, 2009 at a meeting of the Colorado Airport Operators Association.
 - e. **Implemented:** August 2009. The Division has implemented a comprehensive monitoring program for grants that include the receipt and review of grantee reports and project close out. This program includes a risk-based approach to developing an on-site inspection for projects presenting higher risk to the State. At the end of each normal grant cycle the staff will develop a plan for on-site visits based on the accepted criterion in the Manual.
-

Recommendation No. 4:

The Aeronautical Board and Division of Aeronautics should work with the City and County of Denver in a continuing effort to obtain statutory changes to eliminate the conflict between state statute and federal regulations by removing the requirement for Denver to give airport-related surplus equipment to the Division for redistribution.

Division of Aeronautics Response:

Agree. Implemented. The statutory change has been initiated under House Bill 09-1066.

Aeronautical Board Response:

Agree. Implemented. The Board will monitor the progress and provide information and support to House Bill 09-1066 as needed.

Recommendation No. 4 Status Report, July 2009

Colorado Division of Aeronautics and Colorado Aeronautical Board

Implemented: August 2009. Statutory change has been made with the passage of H.B. 1066 which removed the requirement for Denver International Airport (DIA) to give, without consideration, surplus airfield equipment to the Division. The new statute states that the City and County of Denver shall convey, at a reasonable cost, unneeded airport-related equipment to the division for equitable distribution to other governmental entities operating airports in this state. H.B. 1066 was signed by the Governor on April 2, 2009 and will take effect on August 5, 2009.

Recommendation No. 5:

The Aeronautical Board should strengthen accountability for its operations by expanding the Board's Code of Conduct to require the completion of conflict of interest disclosures on an annual basis, provide the disclosures to the full Board for review, and maintain the disclosures on file with the Division so they are accessible to all Board members and the public. The Code of Conduct should also require that any grant application or other funding request that may present a conflict of interest be voted on individually rather than being included on a consent agenda and that Board members recuse themselves from discussions and votes in cases where real or potential conflicts exist. Finally, the Board should undertake periodic training on the Code of Conduct and other relevant statutes and policies.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will draft and complete a comprehensive Code of Conduct. At this time the Board anticipates using a consultant contract and implementation will depend on the Department's ability to contract with a consultant under the current statewide hiring and contract freeze. Guidelines for consent agenda items will be included in the Code of Conduct. A Conflict of Interest Disclosure form has been completed and was provided to the Board for signature at the January 29, 2009 Board meeting. Beginning with the October 2008 grant hearings, decisions involving a conflict have been removed from the consent agenda for an individual vote. All documentation will be kept on file with the Division and will be accessible to all Board members and the public. Annual orientation will be conducted for all Board members.

Recommendation No. 5 Status Report, July 2009

Colorado Aeronautical Board

In Progress: The CAB is in the process of updating the Board's Code of Conduct and is currently reviewing existing Standards of Conduct adopted by the Colorado Transportation Commission and the Commission Roles, Norms and Ethics adopted by the Colorado Wildlife Commission. The CAB has adopted a conflict of interest statement which all Board members have signed which is being kept on file with the Division. Conflict of Interest Statements will be provided on an annual basis. Completion of the recommendation will be accomplished by January 2010. **Implementation: January 2010.**

Recommendation No. 5 - Followup Status Report, January 2010

Colorado Aeronautical Board

In Progress: The CAB in conjunction with the Attorney General's office discussed the Board's Code of Conduct at the January 13, 2010 CAB meeting with final action scheduled for April 2010. The CAB has adopted a conflict of interest statement which all

Board members have signed which is being kept on file with the Division. Conflict of Interest Statements will be provided on an annual basis. **Implementation: April 2010.**

Recommendation No. 6:

The Division of Aeronautics and the Aeronautical Board should develop a strategic grantmaking approach for the State Aviation System Grant Program by:

- a. Using the State Aviation System Plan to establish goals, priorities, and outcomes for the Grant Program.
- b. Expanding the use of funding initiatives to allocate grant funds to areas that address a specific need or purpose and relate to Grant Program goals and objectives.
- c. Developing methods to evaluate statewide outcomes for the Grant Program and using the evaluation results to refine and improve the goals and priorities as appropriate.
- d. Implementing a systematic method to evaluate long- and short-term cash needs to establish a target amount or range for the uncommitted fund balance in the Aviation Fund, monitor the fund balance on an ongoing basis, and take appropriate action when the fund balance is outside the target amount or range, as needed.

Division of Aeronautics Response:

- a. Agree. Implementation Date: July 2011. The Division will use the Colorado Aviation System Plan to establish goals and priorities and desired outcomes for the discretionary grant program. The Division will include in its annual report the amount of grants that have addressed the system-wide goals and priorities.
- b. Agree. Implementation Date: July 2009. The Division will continue to look for ways to develop funding initiatives throughout the State in partnership with its constituencies that would further the goals and objectives of the System Plan.
- c. Agree. Implementation Date: July 2011. Based on the goals and priorities developed in Recommendation part "a", the Division will report and communicate on an annual basis how the grant program has addressed statewide system goals and objectives.
- d. Agree. Implementation Date: July 2009. The Division has implemented a month by month tracking report of the uncommitted fund balance and will provide recommendations on appropriate action when the balance is outside of the target amount set by the Board. The Division will do an analysis to be presented to the Board based on historical fund balance and industry best practices.

Aeronautical Board Response:

- a. Agree. Implementation Date: July 2011. The Board will review the outcomes of the grant program as it relates to the goals and objectives of the System Plan on an annual basis.
- b. Agree. Implementation Date: July 2009. The Board will encourage statewide aviation constituents to identify potential funding initiatives for potential grant funding.

- c. Agree. Implementation Date: July 2011. The Board will review any new funding initiatives to ensure they meet goals and priorities of the system and will evaluate the desired outcomes.
- d. Agree. Implementation Date: July 2009. The Board will establish a target amount or range for the uncommitted fund balance in the aviation fund at the beginning of each fiscal year and monitor on an on-going basis. The Board will take appropriate action if the fund balance is outside of the target range. Appropriate action may include increasing or decreasing the funds available in the grant program.

Recommendation No. 6 Status Report, July 2009

Colorado Division of Aeronautics

- a. **In Progress:** The Division has developed a standard grant application evaluation; during this evaluation the project is measured against the goals and priorities as established in the CASP. In our 2009 Annual Report we will report on how the 2009 grants have addressed the system wide goals and priorities as established in the 2005 CASP. Full implementation will be completed by July 2011 with the completion of the update to the CASP. The update of the system plan will better link the grant program to goals and priorities as established in the CASP.

The CASP update will not be completed until 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division Capital Improvement Plan (CIP), the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- b. **Implemented/Ongoing:** May 2009. The Division has developed two funding initiatives. Recently the Division released a statewide bid for pavement maintenance. This bid will allow airports to take advantage of economies of scale and perform maintenance on their pavements at more affordable cost. This bid includes fog seal, slurry seal, paint and crack fill. In addition to the statewide maintenance bid, the Division, in conjunction with DIA, held a surplus equipment sale on May 13, 2009.
- c. **In Progress:** Currently the Division is tracking and measuring the performance of the 2009 grants. The results will then be reported as part of the Division's Annual Report to the Joint Budget Committee. This report will include how the grants have addressed system wide goals and priorities. Full implementation will be completed by July 2011 with the completion of the update to the CASP. The best place to develop new methods to evaluate the grant program will be with the update of the system plan. The update to the system plan will provide a better link to the grant program which will

allow for better evaluation of the grants as it relates to the goals and priorities of the system plan.

The CASP update will not be completed until 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- d. **In Progress:** The Division has been monitoring the uncommitted fund balance on a monthly basis. These updates are given to the CAB at each meeting. The Division has conducted an analysis of the fund balance to be presented at the August 14, 2009 CAB meeting. Included in this analysis will be a recommended target range for the uncommitted fund balance for the CAB to end each fiscal year with. As a result of this analysis, the Division will also be recommending to the CAB to move the Grant Hearings. By moving the Grant Hearing later in the fiscal year the Division and CAB will be able to better predict the amount of funding available for discretionary grants, without negatively impacting the airports that receive grant funds. **Implementation: August 2009.**

Colorado Aeronautical Board

- a. **In Progress:** The CAB will review the outcomes of the grant program as it relates to the CASP. The Division will report the outcomes on an annual basis; the full implementation will not be completed until July 2011 because of the update of the CASP. The updated system plan will better link the goals and objectives of the system plan to the outcomes of the grant program.

The CASP update will not be completed until 2011 is because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- b. **Implemented:** May 2009. The CAB is continuing to take advantage of funding initiatives as they present themselves. For example at the CAB meeting on May 1, 2009 a not to exceed amount of \$250,000 was allocated to support airports at the upcoming DIA surplus equipment sale. This funding initiative was to help airports

purchase valuable pieces of surplus equipment that they otherwise might not have been able to purchase. The surplus equipment addresses the safety/activity goal, by helping provide airports with the equipment necessary to maintain a safe airfield for aviation activity. In addition to the surplus sale the CAB directed the Division staff to develop a statewide pavement maintenance bid. This bid will provide lower prices for airports to take advantage with their current grants, but also provides the airports the ability to spend their own money on pavement maintenance at a lower price than they would normally be able to receive.

- c. **In Progress:** Both of the funding initiatives mentioned above in “b” address goals as established in the 2005 CASP. The surplus equipment addresses the safety/activity goal, by helping provide airports with the equipment necessary to maintain a safe airfield for aviation activity. The statewide maintenance bid addresses the investment goal of the system plan. By spending money on pavement maintenance the CAB is helping protect and lengthen the investment in the airports facilities. With the update of the system plan that is scheduled for 2011 we will be able to make a better connection between the outcomes of the grant program and CAB funding initiatives as they relate to the goals and objectives of the systems plan.

The CASP update will not be completed until 2011 is because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- d. **In Progress:** The CAB will be briefed on the Division’s analysis at the upcoming meeting on August 14, 2009. Based on the briefing the CAB will establish a target range for the uncommitted fund balance at the beginning of each fiscal year. If the fund balance is outside of the target range the CAB will adjust their expenditures accordingly. The CAB will take appropriate action by adjusting expenditures in the form of grants to airports and the Division. **Implementation August 2009.**

Recommendation No. 6 - Followup Status Report, January 2010

Colorado Division of Aeronautics

- a. **In Progress:** The Division has implemented a standard grant application evaluation process. During this evaluation the project is measured against the goals and priorities as established in the 2005 CASP. In the 2009 Annual Report the Division reported on how the 2009 grants addressed the system wide goals and priorities as established in the 2005 CASP. Full implementation will be completed by July 2011 with the

completion of the update to the CASP. The update of the system plan will better link the grant program to goals and priorities as established in the CASP.

The CASP update will be completed in 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division Capital Improvement Plan (CIP), the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- c. **In Progress:** The Division is tracking and measuring the performance of the 2009 grants. The results were reported as part of the Division's Annual Report to the Joint Budget Committee. This report includes how the grants addressed system wide goals and priorities. Full implementation will be completed by July 2011 with the completion of the update to the CASP. The best place to develop new methods to evaluate the grant program will be with the update of the system plan. The update to the system plan will provide a better link to the grant program which will allow for better evaluation of the grants as it relates to the goals and priorities of the system plan.

The CASP update will be completed in 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- d. **Implemented:** August 2009. The Division monitors the uncommitted fund balance on a monthly basis. Updates are given to the CAB at each meeting. The Division conducted an analysis of the fund balance which was presented at the August 14, 2009 CAB meeting. Included in this analysis was a recommended target range for the uncommitted fund balance for the CAB to end each fiscal year with. As a result of this analysis, the Division also recommended to the CAB to move the Grant Hearings. By moving the Grant Hearing later in the fiscal year the Division and CAB will be able to better predict the amount of funding available for discretionary grants, without negatively impacting the airports that receive grant funds.

Colorado Aeronautical Board

- a. **In Progress:** The CAB reviewed the outcome of the grant program as it relates to the CASP. The Division implemented annual reporting on the outcome of the grant

program in August 2009; the full implementation will be completed in July 2011 because of the update of the CASP. The updated system plan will better link the goals and objectives of the system plan to the outcomes of the grant program.

The CASP update will be completed in 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- c. **In Progress:** Both of the funding initiatives mentioned above in “b” address goals as established in the 2005 CASP. The surplus equipment addresses the safety/activity goal, by helping provide airports with the equipment necessary to maintain a safe airfield for aviation activity. The statewide maintenance bid addresses the investment goal of the system plan. By spending money on pavement maintenance the CAB is helping protect and lengthen the investment in the airports facilities. With the update of the system plan that is scheduled for 2011 we will be able to make a better connection between the outcomes of the grant program and CAB funding initiatives as they relate to the goals and objectives of the systems plan.

The CASP update will be completed in 2011 because the funding and planning for system plans is driven by the FAA. The FAA standard is to complete an update every 5-6 years. In order for this update to be completed the FAA must plan, program and then grant a portion of the funds for the update. Currently the Division is scheduled to receive a grant to start the update in Federal FY 2010. The process of updating the CASP is a 12-18 month process once all of the funding is in place. The Division has budgeted matching funds for the update as shown on the Division CIP, the Division anticipates funding from the FAA in April 2010. **Implementation: July 2011.**

- d. **Implemented:** August 2009. The CAB was briefed on the Division’s analysis at the August 14, 2009. Based on the briefing the CAB established a target range for the uncommitted fund balance at the beginning of each fiscal year. If the fund balance is outside of the target range the CAB will adjust their expenditures accordingly. The CAB will take appropriate action by adjusting expenditures in the form of grants to airports and the Division.

Recommendation No. 7:

This recommendation was directed at the Department of Revenue.

Recommendation No. 8:

The Division of Aeronautics and the Aeronautical Board should ensure that formula fuel tax reimbursements are issued in accordance with statute and in an accurate and timely manner by:

- a. Obtaining legal guidance on whether issuing aviation formula fuel tax reimbursements to privately owned airports is allowed by statute and seeking recovery of the reimbursements paid to privately owned airports if the determination is that such reimbursements were not allowed.
- b. Establishing a reasonable deadline for airports to file excise tax reports and seeking statutory authority to either impose financial penalties or require airports to forfeit a portion of their excise tax reimbursements for failing to comply with the reporting deadline.
- c. Updating the tax procedure manual to reflect current processes, implementing procedures to keep the manual regularly updated in the future, and cross-training staff on the reimbursement process.

Division of Aeronautics Response:

- a. Partially Agree. Implementation Date: July 2009. The Division will seek a legal opinion prior to issuing additional aviation fuel tax reimbursements to privately owned airports. The statutory clarification has been initiated under House Bill 09-1066. If the legal opinion indicates that reimbursements to privately owned airports were not allowed under statute, the Division will not seek the recovery of reimbursements from privately owned airports as it would be financially prohibitive.
- b. Partially Agree. Implementation Date: July 2009. The Division will establish and communicate deadlines to encourage airports to file their excise tax reports in a timely manner. We will not be pursuing financial penalties; however, late filing will be a consideration for future grant funding.
- c. Agree. Implementation Date: July 2009. The Division will update the Tax Procedure Manual to reflect current processes between the Department of Revenue and Division of Aeronautics staff. The Division will coordinate with the Department of Revenue annually and update the Tax Procedure Manual as needed. The Division will continue to cross-train staff on the reimbursement process.

Aeronautical Board Response:

- a. Partially Agree. Implementation Date: July 2009. The Board will monitor the progress and provide information and support for House Bill 09-1066. The Board will seek a legal opinion; however, if the legal opinion indicates that reimbursements to privately owned airports were not allowed under statute, the Board will not seek the recovery of reimbursements from privately owned airports as it would be financially prohibitive.
- b. Partially Agree. Implementation Date: July 2009. The Board will monitor the timely submission of excise tax reports. The Board will not be pursuing financial penalties; however, late filing will be a consideration for future grant funding.

- c. **Agree.** Implementation Date: July 2009. The Board will receive report updates from the Division on the update to the Tax Procedure Manual and cross training on an annual basis.

Recommendation No. 8 Status Report, July 2009

Colorado Division of Aeronautics

- a. **Implemented:** August 2009. The Division has received an informal opinion that fuel sold by airports which are owned by non-governmental entities are not entitled to aviation fuel tax reimbursements. All fuel taxes received from non-governmental entities have been credited to the aviation fund. Privately owned airports have been notified of this action. The Division will not seek recovery of previous fuel tax rebates to privately owned airports. House Bill 1066 clarified the definition of who is eligible to receive fuel tax reimbursements by stating that the board shall transfer from the fund, on a monthly basis, to the airport operating fund of the governmental or airport entity operating the FAA-Designated public use airport. H.B. 1066 was signed by the Governor on April 2, 2009 and will take effect on August 5, 2009.
- b. **Implemented:** March 2009. The Division sent a letter on March 31, 2009 advising all airport sponsors that monthly Aviation Fuel Purchase Reports were due to the Aeronautics Office by the 25th of each month and that late reporting would be a consideration in future grants funding. The Division will not pursue financial penalties for late filing.
- c. **Implemented:** July 2009. The tax procedure manual has been developed and will be provided to the CAB at their August meeting. Cross-training of staff on the reimbursement process has been completed with two additional Division staff members.

Colorado Aeronautical Board

- a. **Implemented:** August 2009. The CAB was advised of the informal opinion that fuel sold by airports which are owned by non-governmental entities are not entitled to aviation fuel tax reimbursements. All fuel taxes received from non-governmental entities have been credited to the aviation fund. Privately owned airports have been notified of this action. The CAB will not seek recovery of previous fuel tax rebates to privately owned airports. House Bill 1066 clarified the definition of who is eligible to receive fuel tax reimbursements by stating that the board shall transfer from the fund, on a monthly basis, to the airport operating fund of the governmental or airport entity operating the FAA-Designated public use airport. H.B. 1066 was signed by the Governor on April 2, 2009 and will take effect on August 5, 2009.
- b. **In Progress:** The CAB will be reviewing a report from the Division at the August 14, 2009 CAB meeting identifying the timely submission of airport excise tax reports and the steps taken to eliminate late filings from airports. **Implementation: August 2009.**

- c. **In Progress:** The CAB will be provided the completed Tax Procedure Manual and a report from the Division at the August CAB meeting on the cross training activities which have occurred on the fuel tax reimbursement process. **Implementation: August 2009.**

Recommendation No. 8 - Followup Status Report, January 2010

Colorado Aeronautical Board

- b. **Implemented:** October 2009. The CAB received a report from the Division at the October 2009 CAB meeting identifying the timely submission of airport excise tax reports and the steps taken to eliminate late filings from airports.
- c. **Implemented:** December 2009. The CAB was provided the completed Tax Procedure Manual and a report from the Division at the December 2009 CAB meeting on the cross training activities which have occurred on the fuel tax reimbursement process.

Recommendation No. 9:

The Division of Aeronautics and the Aeronautical Board should develop a mechanism to ensure that airports use aviation fuel tax reimbursements for aviation purposes, as required by statute. The Division and Board should:

- a. Evaluate options for an oversight mechanism, such as requiring airports to certify that they use their fuel tax reimbursements only for aviation purposes, requiring airports to submit detailed reports on their use of the funds, or conducting on-site reviews to verify how the funds are used. The Division should seek legal guidance on whether a certification process would meet the statutory reporting requirements and implement one or more of these oversight methods.
- b. Establish guidelines and/or directives to airports to account for their aviation fuel tax reimbursements separately from other funds and communicate to airports the statutory restrictions on the use of the reimbursements.
- c. Consider the need to pursue statutory authority to impose sanctions on airports that do not comply with the reporting and/or spending requirements.

Division of Aeronautics Response:

- a. Agree. Implementation Date: July 2009. If House Bill 09-1066 passes, the requirements for tracking fuel tax reimbursement expenditures will no longer apply. If HB 09-1066 is not successful then the Division will evaluate the options for oversight of fuel tax reimbursements being used for aviation purposes such as self certification or annual reporting from airports.
- b. Agree. Implementation Date: July 2009. If House Bill 09-1066 is not successful, the

Division will establish guidelines on how airports track and account for fuel reimbursements and communicate these requirements to airports via the grant manual, letter and email correspondence.

- c. Partially Agree. Implementation Date: July 2009. If House Bill 09-1066 is not successful, the Division will not seek statutory changes to impose sanctions, however reporting compliance will be used as a consideration for future grant funding.

Aeronautical Board Response:

Partially Agree. Implementation Date: July 2009. The Board will monitor the progress and provide information and support to House Bill 09-1066. In the event House Bill 09-1066 does not pass, the Board will work with the Division to develop appropriate measures such as considering reporting compliance as a factor in future grant funding. The Board will not seek statutory changes to impose sanctions.

Recommendation No. 9 Status Report, July 2009

Colorado Aeronautics Division

- a. **Implemented:** August 2009. With the passage of H.B. 1066 the requirement to submit an annual report to the Division providing information concerning the aviation purposes for which the moneys have been used has been removed. A self-certification statement was added in April to the Monthly Aviation Fuel Tax Purchase Report to all airports which states that all fuel tax reimbursement funds will be used for aviation purposes only.
- b. **Implemented:** August 2009. With the passage of H.B. 1066, the requirement to submit an annual report to the Division providing information concerning the aviation purposes for which the moneys have been used has been removed. Airports have been advised of the statutory restrictions of the used of reimbursement funds at the annual Colorado Airport Operators Association conference on June 5, 2009. The statutory restrictions are also identified within the Manual which will be distributed to all airports and available on the Division website.
- c. **Implemented:** August 2009. With the passage of H.B. 1066 the requirement to submit an annual report to the Division providing information concerning the aviation purposes for which the moneys have been used has been removed.

Colorado Aeronautical Board

Implemented: August 2009. The passage of HB 1066 eliminated the requirement for airports to report expenditures of fuel tax refunds. Guidance to airports on the statutory restrictions has been provided to airports at the annual Colorado Airport Operators Association conference in June and via the Manual.

Recommendation No. 10:

The Division of Aeronautics should notify local governments of the method by which they may access Federal Aviation Administration information on changes in aircraft ownership by Colorado residents.

Division of Aeronautics Response:

Agree. Implementation Date: February 2009. Regardless of whether House Bill 09-1066 passes, links to the aircraft registry reporting information maintained by the FAA will continue to be provided on the Division's website as long as available through the FAA website. The aircraft registration information was added to the Division website in January 2009. Communication to local governments will be accomplished by the Division sending correspondence to the Colorado Municipal League and Colorado Counties Incorporated in February 2009.

Recommendation No. 10 Status Report, July 2009

Colorado Division of Aeronautics

Implemented: February 2009. House Bill 09-1066 passed and was signed by the Governor on April 2, 2009 and becomes effective August 5, 2009. This Bill eliminates the requirement for the Division to provide aircraft registration information to the Department of Revenue and local governments. A link to this information was added to the Division's website in January of 2009 and will remain as long as the information is available on the FAA website. Additionally, the FAA website information was sent to the Colorado Municipal League, Colorado Counties Incorporated and County Technical Services for distribution to their membership in February 2009.

Recommendation No. 11:

The Transportation Commission should improve the State Infrastructure Bank Loan Program, working with the Department of Transportation, Aeronautical Board, and Division of Aeronautics as needed, by:

- a. Requiring applicants to submit documentation to substantiate the requested loan amount, ensuring that the loan amount is appropriate for the purpose requested, and documenting the evaluation of each application.
- b. Implementing loan review and approval procedures that ensure borrowers' ability to pay and mitigate the risk of loan defaults, such as placing a cap on the amount that will be loaned to more risky borrowers and requiring applicants to submit plans showing funding sources for loan repayment.
- c. Developing rules, policies, and procedures for enforcing and approving changes to the terms of loan agreements, including procedures for ensuring that loans are used as intended and notifying borrowers of delinquencies or defaults. The policies should clearly assign responsibility for each aspect of the loan making and monitoring process and

- require review and approval by the Transportation Commission for all changes in the terms of loan agreements.
- d. Reviewing changes to the terms of outstanding loan agreements and approving the changes, as needed.
 - e. Modifying rules and loan agreements to define delinquency and better define default, and developing a policy to apply statutory remedies when borrowers fail to meet the terms and conditions of loans, as appropriate.

Department of Transportation Response:

Agree. Implementation Date: June 2009. Regarding the implementation of parts "a", "b", "c", and "e" of the recommendation, we will need to do rule making to incorporate some of these changes. The Attorney General representative for the Department and the Transportation Commission has agreed that we can have the Transportation Commission pass a resolution as an interim solution until rule making can be completed. We will present that resolution for approval at the June 2009 Transportation Commission meeting.

- a. The Department's Office of Financial Management and Budget will work with the Division of Aeronautics in developing a more comprehensive application and evaluation process to include those items referenced in the recommendation. We have already begun that process, but it has not yet been completed as we were waiting for rule making to make these changes.
- b. We do currently require repayment sources, but will in the future require a more comprehensive plan providing for contingencies if the primary repayment source does not materialize. For some of the "riskier" borrowers, we have received letters from the county stating that the county would step in and make payment if the airport could not. We will look at expanding that option.
- c. We will develop more specific procedures for amending the loan agreements and repayment terms. We will incorporate these into our application process and rules that will be adopted by the Transportation Commission. We also agree that the roles and responsibilities between the Division of Aeronautics staff, the Aeronautical Board, Office of Financial Management and Budget staff, and the Transportation Commission should be specifically defined. Any changes to the terms of a loan agreement will be taken to the Transportation Commission for approval.
- d. In the case of the loan that was in default and the loan for which a new payment plan was established, we will take these to the Transportation Commission for approval at the March 2009 meeting. We believe that if the roles are better defined as discussed in part "c", this issue could and will be prevented in the future.
- e. Right now only default is defined in our loan agreements. As currently defined, if a borrower misses one payment or does not pay the full amount the loan is considered to be in default. We agree that default might be extreme in some cases and that adding a provision for delinquency would be appropriate. We will explore what legal and statutory remedies might be available to us.

Transportation Commission Response:

Agree with the Department of Transportation's response. Implementation Date: June 2009.

Division of Aeronautics Response:

Agree. Implementation Date: June 2009. The Division is in agreement with the response provided by the Department of Transportation. In addition, the Division will maintain copies of the SIB documents and make them available to the Board and the public.

Aeronautical Board Response:

Agree. Implementation Date: June 2009. The Board will monitor and adhere to all policies and procedures developed which address the Department of Transportation State Infrastructure Bank loan program. Once the rulemaking process is complete the Board will review the process and ensure the Division's compliance.

Recommendation No. 11 Status Report, July 2009

- a. **In Progress:** Pursuant to 24-4-103 CRS (The Administrative Procedures Act) the Colorado Transportation Commission revised the rules for the Colorado State Infrastructure Bank (SIB). A public hearing on the proposed rules was held and the Revised Rules were adopted on July 23, 2009. Rule III section 4 (1) established a review committee that will consist of the following:

One member of the Colorado Transportation Commission who will chair the review committee, the Regional Transportation Director from the appropriate engineering region, or the Divisional Director from the Aeronautics Division, or Transit and Rail Division as appropriate; the CDOT Chief Financial Officer or manager of CDOT's Office of Financial Management and Budget, and the CO SIB Administrator. The rules are set to take effect on August 30, 2009. The rules establish guidelines for loan application and criteria for evaluating the loan applications.

Rule IV Section 1(1) states:

“That all applications shall be completed as described in the application package. If the application received by the department is incomplete, at that time it shall be rejected and not considered for financial assistance until completed.”

Rule IV Section 1(2) provides that the application package shall contain instructions and guidelines for completing the application and such package shall be available upon request. The project sponsor shall be responsible for requesting an application package from the department.

Rule IV Section 3 sets forth evaluation criteria to be used by the loan evaluation committee. Project evaluations are to be accomplished by incorporating a rating scheme across specific criteria such as: Project Type, Public/Private Partnerships, Project Viability, Project Benefits and Project Planning.

Revised Rule IV section 4 (3) explains the process for loan approval:

The review committee shall submit its recommendation and final evaluation to the OFMB (Office of Financial Management and Budget), who will then submit the recommendation to the Transportation Commission for approval. Regardless of the merits of the project or its total cost, the committee shall not recommend to the Commission that it lend an applicant an amount that it considered beyond the applicant's capacity to repay even if it means the project cannot go forward at that time.

Once the Committee is established it will then be their responsibility to develop a comprehensive application and evaluation process. The revised rules take effect August 30, 2009. The Committee will be formed during the month of August. The Committee should be able to develop the comprehensive loan application process by November 30, 2009.

- b. **In Progress:** The Revised Rules set out specific information that must be provided with the loan application. The required information is designed to be able to assess each applicant's financial capability and reduce the risk of default. The review committee may require additional information when the formal applications are prepared. The specific evaluation criteria listed in the rules are: Financial Need, Repayment Source, Security Provision, Financial Ratios and Term of Financial Obligation.

The Evaluation Committee is to use this information in making a recommendation to the Commission. The Revised Rule IV section 4 (2) describes the duties of the newly formed committee to:

“Evaluate loan application based upon the applicants response to the criteria stipulated in section 3 items one to eleven. Examine loan documentation including the sponsor's financial statements to assure that a pending loan meets CO SIB rules standards and statutory guidelines; review the planning and engineering aspects of the loan project.”

The Revised Rule IV Section 5 Funding Procedures:

The OFMB shall present the review committee's recommendation and evaluation to the Transportation Commission for action, and the Commission shall set the maximum level of financial assistance for the project.

- c. **In Progress:** Revised Rule VI – Repayment of Loans Section 3 (1) strengthens the language to enforce loan terms:

If a recipient of financial assistance from the CO SIB fails to meet any of the terms or conditions of the loan agreement and fails to cure within thirty (30) days thereof, the department may declare the entire principal amount of the loan then outstanding immediately due and payable, and bring a right of action against such recipient in district court to seek any applicable legal or equitable remedy, including reasonable attorney fees. The newly formed committee will also review proposed changes and/or amendments to loan agreements and make recommendations to the Transportation Commission for action.

- d. **In Progress:** The Revised Rule IV section 4 (2) describes the duties of the newly formed committee as previously mentioned in (a) above to:

Develop procedures for executing loan contract and, as required reviewing and, if appropriate recommending amending the terms of already executed loan contract, periodically review maturing loans and progress reports, and in case of default, decide what collection efforts should be taken to restore past-due loans and other nonperforming loans to satisfactory conditions.

The Revised Rules were adopted on July 23, 2009 and do not take effect until August 30, 2009. The Committee will be formed during the month of August and will meet soon after the rules take effect. Additional guidance for working on loan amendments will be developed by the Committee by November 30, 2009. All previous changes to SIB loan terms or payment schedules have been approved by the Transportation Commission.

- e. **Implemented:** The Commission met on July 23, 2009 and adopted the proposed rules for the CO SIB; the Revised Rules defined default:

“Default” shall refer to the condition of a loan where the recipient has failed to meet the contractual obligation and failed to cure within thirty (30) days, including but not limited to: failure to make the loan payment; failure to use loan proceeds for stated purpose; failure to submit progress reports.

In response to defining the term delinquency the Commission determined that a borrower is “on-time” or in default; the term delinquency should not be used; therefore, there was no need to define the term delinquency.

Recommendation No. 11 - Followup Status Report, January 2010

- a. **In Progress:** The first committee meeting is scheduled for February 25, 2010 at CDOT Headquarters. OFMB is considering some changes to the loan application that will be presented to the committee at the meeting on February 25, 2010.

Recommendations for changes will be discussed and incorporated into the loan application processes with the final application completion date in March 2010. **Implementation: March 2010.**

- b. **In Progress:** The committee members are as follows: from the Transportation Commission Steve Parker; from CDOT Financial Management & Budget Office (OFMB) Will Ware, Heather Copp, and Ben Stein; from the Division of Aeronautics, Scott Brownlee. On January 13, 2010 the Chief Engineer is meeting with OFMB staff to finalize the appointment of a representative from the Chief Engineers office. These items will be addressed at the first committee meeting scheduled for February 25, 2010. Final action scheduled for March 2010. **Implementation: March 2010.**
- c. **In Progress:** The appointment of the current committee members occurred in December 2009. OFMB is currently working on the new process and procedures with an anticipated draft completion date of February 10, 2010 to be presented at the committee meeting on February 25, 2010. Final action scheduled for March 2010. **Implementation: March 2010.**
- d. **In Progress:** The Revised Rules were adopted on July 23, 2009 and took effect November 30, 2009. Expected completion date for the new procedures is February 10, 2010 (see item "c" above). Final action scheduled for March 2010. **Implementation: March 2010.**

Recommendation No. 12:

The Aeronautical Board should work with the Division of Aeronautics to adopt written policies and procedures to ensure that transfers from the Aviation Fund to the Transportation Infrastructure Revolving Fund are consistent and necessary. This should include defining the circumstances under which transfers are allowed, conducting analyses of the need for such transfers, implementing procedures to approve all transfers from the Aviation Fund, and developing criteria regarding the amounts that may be transferred.

Aeronautical Board Response:

Agree. Implementation Date: January 2010. The Board will adopt policies and procedures with respect to transfers from the Aviation Fund to the SIB Revolving Fund. All transfers will be acted on by the Board according to the criteria set forth in the policies and procedures.

Division of Aeronautics Response:

Agree. Implementation Date: January 2010. The Division will develop the background information to define the circumstances in which transfers are allowed, analysis of need for transfers and the criteria regarding the amount to be transferred. This information will be provided to the Board for action.

Recommendation No. 12 Status Report, July 2009

Colorado Division of Aeronautics

In Progress: The Division has developed the background information to define the circumstances in which SIB transfers are allowed, analysis of need for transfers and the criteria regarding the amount to be transferred. For example SIB transfers would be considered when there is a project of statewide significance and adequate funds are not available in the aviation fund, however, adequate funds do exist in the SIB to meet the needs of the loans. **Implementation: August 2009.**

Colorado Aeronautical Board

In Progress: With the passage of HB 09-1066, the CAB has the authority to transfer funds to and from the SIB. The Division has developed a resolution for CAB action regarding SIB transfers, resolving to approve transfers in accordance with HB 09-1066 and the aforementioned criteria. The CAB is scheduled to act on the resolution on August 14, 2009. **Implementation: August 2009.**

Recommendation No. 12 - Followup Status Report, January 2010

Colorado Division of Aeronautics

Implemented: October 2009. The Division has developed the background information to define the circumstances in which SIB transfers are allowed, analysis of need for transfers and the criteria regarding the amount to be transferred. The Board adopted an SIB transfer policy at the October 2009 meeting.

Colorado Aeronautical Board

Implemented: October 2009. With the passage of HB 09-1066, the CAB has the authority to transfer funds to and from the SIB. The Division developed and the CAB adopted a resolution regarding SIB transfers, resolving to approve transfers in accordance with HB 09-1066 and the aforementioned criteria.

Recommendation No. 13:

The Division of Aeronautics and the Aeronautical Board should improve controls over expenditures for Division administration and projects by:

- a. Discontinuing the practice of making advance payments for conferences, training, or other activities on behalf of airports or other entities. If this practice continues, the Division should ensure that binding, written agreements documenting expectations for

reimbursement exist between the Division and the other entities before paying the expenses.

- b. Requiring adequate documentation, including itemized receipts and notations to explain the business purpose of expenses, and proper approvals before making payments or reimbursing expenses.
- c. Ensuring Division accounting staff are trained on and held accountable for following proper accounting and fiscal procedures by including specific accounting responsibilities and expectations in job descriptions, performance plans, and evaluations.
- d. Submitting all Division Director expenses to the Department for approval, regardless of the payment method.

Division of Aeronautics Response:

- a. Agree. Implementation Date: September 2009. When advance payments for conferences or other activities are necessary, the Division will work with the Department's accounting staff to ensure that airports and/or other entities after signing an agreement are invoiced in a timely manner and that corresponding receivable entries are recorded in the Department's financial accounting system. The Department's accounting staff will monitor any outstanding balances by reviewing the receivable aging report on a monthly basis.
- b. Agree. Implementation Date: February 2009. In January 2009, the Division began implementing a process to assure adequate documentation is received and reviewed prior to approval and payment. The Department's audit division will conduct regular reviews of the Division payments. Those reviews will begin in February 2009.
- c. Agree. Implementation Date: September 2009. The Division is working with the Department's accounting staff to ensure that all accounting and fiscal procedures are followed including specific accounting responsibilities. These expectations will be included in job description, performance plans, and evaluations.
- d. Agree. Implementation Date: February 2009. The Aeronautics Division will submit all Division Director expenses for Department approval, effective February 1, 2009.

Aeronautical Board Response:

Agree. Implementation Date: September 2009. The Board will oversee the Division's implementation of parts "a" through "d" of the recommendation. The Board will request the Department's audit division to report on the internal Audit Implementation Tracking Report at the first regularly scheduled meeting following the release of the Tracking Report. The Tracking Report will help the Board monitor the implementation of the audit recommendations. The Board will review the report and if necessary meet with the Division Director and Department Internal Audit to review implementation status.

Recommendation No. 13 Status Report, July 2009

Colorado Division of Aeronautics

- a. **In Progress:** The Division has met with CDOT Procurement to develop an approved process involving the development of a binding, written agreement outlining specific requirements for reimbursement prior to CDOT paying expenses. Until this process is complete, the Division has discontinued the practice of making advance payments for any reason on behalf of airports or other entities. **Implementation: September 2009**
- b. **Implemented/Ongoing:** March 2009. The Division is now providing adequate documentation, including itemized receipts and notations on the invoices to explain the business purpose of expenses prior to approval and payment. Beginning February 2009, CDOT Accounting and CDOT Audit have conducted summary reviews to ensure proper accounting and coding for all Division transactions.
- c. **Implemented/Ongoing:** March 2009. The Division has received extensive training over the past four months and will continue to receive training ensuring proper accounting and fiscal procedures are being followed. Specific accounting responsibilities and expectations in job descriptions, performance plans and evaluations have also been added for Division staff. Division staff met with the CDOT controller and accounting staff to create an accounting form for CDOT Audit review each month, this review is ongoing.
- d. **Implemented:** April 2009. The Division is submitting all Division Director expenses to the Deputy Executive Director of the Department for approval, regardless of the payment method.

Colorado Aeronautical Board

Implemented/On Going: May 2009. CDOT Auditors reported to the CAB on the Status of the State Auditors recommendations and will continue to report at future board meetings.

Recommendation No. 13 - Followup Status Report, January 2010

Colorado Division of Aeronautics

- a. **Implemented:** September 2009. The Division has discontinued the practice of making advance payments for any reason on behalf of airports or other entities.
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Recommendation No. 14:

The Department of Transportation should improve its oversight over Division expenditures by:

- a. Implementing a process for Departmental review and approval of Division Director expenses, regardless of the payment method.
- b. Reinstating regular Department review of Division payments until the Division can demonstrate full implementation of proper accounting controls. Once the Division demonstrates adequate controls, the Department should follow up and periodically review a sample of transactions to ensure ongoing compliance.

Department of Transportation Response:

Agree. Implementation Date: February 2009.

- a. The Department's Office of Financial Management and Budget staff will work with the Division of Aeronautics in developing a process whereby the Division Director expenses will be reviewed by the supervisor regardless of payment method.
- b. The Department's audit division will conduct regular reviews of the Division payments. Those reviews will begin in February 2009.

Recommendation No. 14 Status Report, July 2009

Colorado Department of Transportation

- a. **Implemented:** April 2009. The Division is submitting all Division Director expenses to the Deputy Executive Director of the Department for approval, regardless of the payment method.
- b. **Implemented/Ongoing:** March 2009. CDOT has reinstated regular reviews of the Division payments by CDOT accounting and CDOT internal audit division. CDOT will follow up with periodic review samples of transactions to ensure ongoing compliance.

Recommendation No. 15:

The Aeronautical Board should strengthen accountability for grants to the Division and include such grants in an overall strategic grantmaking process by developing written policies and procedures requiring that the Division:

- a. Submit grant requests as part of the annual budget process, as discussed further in Recommendation No. 16.
- b. Provide detailed justifications for all Division grant requests, including a breakdown of the projected costs, the time frame for expending approved funds, and the benefit of the grant

to the aviation system. Division grant requests should be evaluated against established criteria that are consistent with the criteria developed by the Board for grant applications from other entities (see Recommendation No. 1).

- c. Routinely report to the Board on the progress, budget-to-actual costs, and outcomes/benefits to the aviation system of the Division's grants.

Aeronautical Board Response:

Agree. Implementation Date: January 2010.

- c. In response to parts "a", "b", and "c" of the recommendation, the Board will direct staff to include a section in the Manual that addresses projects/grants to the Division as a part of the annual budget process.
- d. The Division projects/grants will be evaluated with criteria consistent with criteria for other grant applications to include project costs and timeframes. On all Division grant requests approved, the Board will identify the benefit to the overall State System which differs from individual airport grants.
- e. The Board will request the Division provide quarterly progress reports and began reviewing budget-to-actual cost reports in December 2008.

Recommendation No. 15 Status Report, July 2009

Colorado Aeronautical Board

- a. **Implemented/Ongoing:** June 2009. At the June 26, 2009 CAB meeting the Division presented their anticipated grant list for FY 2010. These grants were then approved as part of the annual FY 2010 budget.
- b. **Implemented/Ongoing:** June 2009. The Division has created a Division Grant Standard Evaluation form. This evaluation is consistent with other grant applications as well as the goals and priorities as established in the CASP. Starting at the June 26, 2009 CAB meeting, as a part of the FY 2010 budget process, all Division grant requests were evaluated using the new Standard Evaluation form.
- c. **Implemented/Ongoing:** December 2008. During every CAB meeting the Division staff provides a budget update, included in this update is a budget to actual expense on Division expenditures. This update also provides a list of liquidated amounts from grants between each CAB meeting as well as additional revenue collections. At the completion of each Division grant the staff will present to the CAB the outcome and benefit of the grant.

Recommendation No. 16:

The Aeronautical Board should work with the Division of Aeronautics to improve management and oversight of the Division's budget by implementing written policies and procedures regarding budgeting, expenditure tracking, and reporting. The policies and procedures should include:

- a. Requirements for the Division to develop and the Board to approve a detailed annual budget request for the Division at the beginning of each fiscal year. The budget should include estimates of specific Division administrative costs, Division grants, funds needed for grants to other entities, and detail by project of previously committed funds to be rolled forward from the prior fiscal year.
- b. A definition of administrative costs that accounts for all the ongoing expenses associated with the Division's regular operations and duties. The Division should apply the standard definition consistently when it prepares its annual budget, records expenditures, and tracks and reports expenditures to the Board.
- c. An ongoing reporting process requiring the Division to provide budget-to-actual reports for all revenue and expenditures at each Board meeting.

Aeronautical Board Response:

- a. Agree. Implementation Date: July 2009. The Division will prepare a detailed budget to include annual administrative costs, Division grants, other grants to entities other than airports and roll forward funds for the Board to approve at the beginning of each fiscal year.
- b. Agree. Implementation Date: July 2009. The Division will utilize the administrative cost definition that is applied to the Department of Transportation as a whole contained in Section 43-1-113(2)(a)(III), C.R.S. This statute specifically defines the administrative costs for the Department as consisting of the salaries and expenses of the following offices and their staffs: the Transportation Commission, the Executive Director, the chief engineer, district engineers, budget, internal audits, public relations, equal employment, special activities, accounting, administrative services, building operations, management systems, personnel, procurement, insurance, legal, and central data processing.
- c. Agree. Implementation Date: Implemented. Beginning in December 2008, the Division submitted a budget to actual report to the Board and will update the report at all regularly scheduled Board meetings.

Division of Aeronautics Response:

- a. & b. Agree. Implementation Date: July 2009. The Board will review and act on a detailed budget to include defined administrative costs as spelled out in Section 43-1-113(2)(a)(III), C.R.S.
- c. Agree. Implementation Date: Implemented. The Board will continue to review budget to actual reports at each meeting as provided by the Division, which began in December 2008.

Recommendation No. 16 Status Report, July 2009

Colorado Division of Aeronautics

- a. **Implemented:** June 2009. The Division has developed and the CAB has approved a detailed annual budget request for the Division at the beginning of each fiscal year. The budget includes estimates for specific Division administrative costs, Division grants, funds needed for grants to other entities and detail by project of previously committed funds to be rolled forward from the prior fiscal year. The Division has discontinued the practice of rolling forward uncommitted funds. At the end of each fiscal year uncommitted funds are liquidated back into the aviation fund.
- b. **In Progress:** This recommendation is scheduled for action at the CAB Meeting on August 14, 2009. The Division will provide a list of administrative costs as defined in Section 43-1-113(2)(a)(III). The Division will apply the standard definition consistently when it prepares its annual budget, records expenditures and tracks and reports expenditures to the CAB. This will be implemented on August 14, 2009. **Implementation: August 2009.**
- c. **Implemented/Ongoing:** December 2008. The Division has implemented a report to provide budget-to-actual for all revenues and expenditures at each CAB meeting. This ongoing report was first introduced to the CAB at the December 17, 2008 meeting.

Colorado Aeronautical Board

- a. **Implemented:** June 2009. The Division has developed and the CAB has approved a detailed annual budget request for the Division at the beginning of each fiscal year. The budget includes estimates for specific Division administrative costs, Division grants, funds needed for grants to other entities and detail by grant of previously committed funds to be rolled forward from the prior fiscal year.
- b. **In Progress:** This recommendation is scheduled for action at CAB Meeting on August 14, 2009. The Division will provide a list of administrative costs as defined in Section 43-1-113(2)(a)(III). The Division will apply the standard definition consistently when it prepares its annual budget, records expenditures and tracks and reports expenditures to the Board. **Implementation: August 2009.**
- c. **Implemented/Ongoing:** December 2008. The Division has implemented a report to provide budget-to-actual for all revenues and expenditures at each CAB meeting. This ongoing report was first introduced to the CAB at the December 17, 2008 meeting.

Recommendation No. 16 - Followup Status Report, January 2010

Colorado Division of Aeronautics

- b. **Implemented:** August 2009. The Division provided a definition of administrative costs utilized by the Department of Transportation as defined in Section 43-1-113(2)(a)(III). This definition was approved by the CAB at its August 2009 meeting.

Colorado Aeronautical Board

- b. **Implemented:** August 2009. The Division provided a definition of administrative costs utilized the Department of Transportation as defined in Section 43-1-113(2)(a)(III). The Board approved the above definition at its August 2009 meeting.

Recommendation No. 17:

The Division of Aeronautics should implement controls consistent with statutes, rules, and executive directives to prevent misuse of state resources and conflicts of interest by employees. Specifically, the Division should:

- a. Enforce requirements for staff to accurately complete the vehicle log, including detailed destinations and business purposes, each time a state vehicle is used.
- b. Acquire regular training for employees on conflicts of interest and ethical behavior.
- c. Discontinue the practice of allowing employees to engage in outside employment that involves doing business with airports in Colorado or otherwise represents a conflict of interest.
- d. Implement an annual disclosure form for employees to certify that they are aware of and in compliance with statutes, rules, and directives that guide employee conduct and have disclosed any situations that may create an actual or perceived conflict of interest.
- e. Implement oversight reviews of employee activities by the Division Director. The oversight efforts should include a periodic (e.g., monthly) review of the fleet log, fuel credit card statements, and transponder statements for completeness and reasonableness. The reviews should also include periodic independent reviews of employees' outside employment to prevent inappropriate use of state resources.

Division of Aeronautics Response:

- a. Agree. Implementation Date: February 2009. The Division will enforce requirements for accurate and completion of the vehicle log by all Division staff when using a state vehicle. This effort will be reinforced by the regular reviews of the business transactions within the Division of Aeronautics, including accurate and proper completion of the vehicle logs. These reviews will begin in February 2009.
- b. Agree. Implementation Date: July 2009. The Division staff will acquire and attend training on conflict of interest and ethical behavior. The Division has requested a class

through the Department of Transportation training. As soon as a class is located either internally or externally, the Division will attend.

- c. Agree. Implementation Date: July 2009. Division staff will be required to submit a Secondary Employment Form. Any employment associated with Colorado airports will not be permitted.
- d. Agree. Implementation Date: July 2009. The Division will require staff to complete annual disclosure forms certifying awareness of and compliance with all departmental and state statutes, rules and directives that guide employee conduct and conflicts of interest, to include Secondary Employment Forms.
- e. Agree. Implementation Date: February 2009. The Department of Transportation Audit Division in conjunction with the Aeronautics Director will begin a schedule of regular reviews of employees' activities within the Division of Aeronautics. The reviews will include assessments of the fleet log, fuel card statements, outside employment and E-470 statements.

Recommendation No. 17 Status Report, July 2009

Colorado Aeronautics Division

- a. **Implemented:** February 2009. The Division has enforced requirements for the accurate completion of vehicle logs including detailed destinations and business purposes by all Division staff when using a state vehicle. E470 toll statements are attached and maintained with each vehicle log. This effort is being reinforced by regular reviews of the logs by the Division Director. Additionally the vehicle logs along with the business transactions within the Division of Aeronautics were reviewed by CDOT Internal Audit Division.
- b. **In Progress:** There is currently no adopted ethics training available for employees within CDOT or the State of Colorado employee training system. The Division submitted a training request in January 2009 to CDOT Organizational Learning & Development. As a result they are working on developing a syllabus for ethics training. Because there is no scheduled completion date and in order to comply with the audit recommendations, the Division has registered the entire staff for ethics training through Colorado State University. In order to take this class, the Division required a waiver from DPA and CDOT Division of Human Resources. This waiver has been granted and the class is scheduled for October 8, 2009. **Implementation: October 2009.**
- c. **Implemented/Ongoing:** March 2009. All Aeronautics Division employees who want to seek outside employment are required to submit CDOT form #562, *Employee Request to Engage in Outside Employment*, to the Division Director for approval. Any outside employment associated with Colorado airports or any other entity that represents a conflict is not allowed.
- d. **In Progress:** The Division established a requirement for employees to complete an annual disclosure form for employees to certify that they are aware of, and in

compliance with statutes, rules and directives that guide employee conduct. They are required to disclose any situations that may create an actual or perceived conflict of interest. There is not a standard CDOT form for disclosure so the Division submitted a draft disclosure form to CDOT Human Resources for their endorsement. CDOT Human Resources is in the process of developing a department wide form for use by all Department employees. Additionally employee conduct is currently one of the Individual Performance Objectives (IPO) in each Division employee's performance evaluation. **Implementation: January 2010.**

- e. **Implemented/Ongoing:** February 2009. The CDOT Audit Division in conjunction with the Aeronautics Director began regular reviews of employees' activities within the Division. These reviews included assessments of fleet logs, outside employment and E-470 statements. Additionally, CDOT has instituted a department wide fuel card system that assigns individual pin numbers to each employee for closer scrutiny. Regular reviews by the Division Director to insure completeness and reasonableness is ongoing.

Recommendation No. 17 - Followup Status Report, January 2010

Colorado Aeronautics Division

- b. **Implemented:** October 2009. The entire Division attended ethics training through Colorado State University.
- d. **In Progress:** CDOT Human Resources has completed the Policy Directive and the Procedural Directive for Ethical Standards that will be presented at the Executive Management Team (EMT) meeting on February 4, 2010 for approval.

The procedural directive on ethics addresses issues relating to professional and ethical conduct of CDOT employees, contract workers and volunteers. The directive provides guidance on nepotism; gifts; use of State-owned vehicles and equipment; confidentiality of records and information obtained by employees through the course of work; political activity and outside employment.

CDOT employees, contract workers and volunteers are required to read the Procedural Directive and the Policy Directive on Ethical Standards and sign the Certificate of Review which contains the following statement:

"By my signature, I (employee name) affirm that I have read and understand this Policy and Procedural directive and the Executive Order D 001 99 dated January 15, 1999 and will abide by both. I understand that any violation of these documents may be cause for corrective and/or disciplinary action up to and including termination of employment." **Implementation: March 2010.**

Recommendation No. 18:

The Aeronautical Board should improve oversight of Division practices with respect to grants, fuel tax reimbursements, loans, budgeting, accounting, and use of state resources, as recommended throughout this report. Additionally, the Board should:

- a. Develop written self-governance policies that include mechanisms for ensuring Board and Division compliance with applicable statutes, rules, policies, and procedures. Board members should annually review the governance policies and statutes to refamiliarize themselves with the provisions.
- b. Provide ongoing monitoring of the performance of the Division to ensure the Division accomplishes its duties assigned by statute.
- c. Follow up on internal and external audit recommendations and communicate progress to the Department, as appropriate, to ensure the Division implements recommendations in an effective and timely manner.
- d. Discontinue the practice of voting on Board action items such as grant applications or other funding requests by fax and holding all votes in a public meeting.

Aeronautical Board Response:

Agree. Implementation Date: January 2010.

- a. The Board will develop self-governance policies to ensure Board and Division compliance with applicable statutes, rules, policies and procedures. This will be done through a consultant contract and actual start date will depend on the Department's ability to contract with a consultant under the current statewide hiring and contract freeze. The Board will have an annual orientation to review statutes, policies and procedures.
 - b. The Board will continue to monitor the Division's statutory duties through regularly scheduled Board meetings, retreats as necessary and general interaction with the Division.
 - c. The Audit Implementation Tracking Report provided by the Department's Internal Audit Division twice a year will be provided to the Board at the first regularly scheduled meeting following the release of the Tracking Report. The Board will review the report and if necessary meet with the Division Director and the Department's Internal Audit to review implementation.
 - d. For special or emergency meetings, the Board will follow the procedures that the Transportation Commission uses for special or emergency meetings. If needed, these meetings are held by conference call. For a special meeting, they are posted three days in advance. For an emergency meeting, they must be posted 24 hours in advance. The Board will not vote by fax.
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Recommendation No. 18 Status Report, July 2009

Colorado Aeronautical Board

- a. **In Progress:** The CAB is in the process of developing self-governance policies to ensure the CAB and Division compliance with applicable statutes, rules, policies and procedures in addition to the Colorado Aeronautical Board Code of Conduct as referenced in recommendation 5. Due to fiscal constraints, the CAB will not be using a consultant contract but will be developing the self-governance polices in-house and will complete the implementation of the recommendation by January 2010. **Implementation: January 2010.**
- b. **In Progress:** The CAB is continuing to develop measurements and standards to monitor the Division's statutory duties through regularly scheduled CAB meetings, reports provided to the CAB and general interaction with the Division. A CAB work session was held May 12, 2009 to specifically address audit compliance. **Implementation: January 2010.**
- c. **Implemented/Ongoing:** May 2009. The CAB has been working with CDOT's Internal Audit Division and receiving monthly Aeronautics State Audit Findings Progress Report updates. There is a standing report at each of the CAB Meetings that is provided by the CDOT Audit Division Manager, Aeronautics Division Director or member of the internal CDOT Audit Division staff. Progress reports have also been provided to the Transportation Commission's Audit Review Committee. The CAB will continue to work with the CDOT Internal Audit Division to ensure proper follow up and implementation of internal and external audit recommendations.
- d. **Implemented:** May 2009. The CAB has discontinued taking action by fax vote and passed a motion on May 12, 2009 that the CAB will only vote on CAB action items in a public meeting. For special or emergency meetings the CAB will follow the procedures established by the CDOT's Transportation Commission.

Recommendation No. 18 - Followup Status Report, January 2010

Colorado Aeronautical Board

- a. **In Progress:** The CAB in conjunction with the Attorney General's office discussed the Board's self-governance and Code of Conduct policies at the January 13, 2010 CAB meeting with final action scheduled for April 2010. **Implementation: April 2010.**
- b. **Implemented:** October 2009. The CAB monitors the Division's statutory duties through regularly scheduled CAB meetings, reports provided to the CAB and general interaction with the Division. The latest CAB work session was held May 12, 2009 to specifically address audit compliance.