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BUDGET TRANSPARENCY AND FRAUD DETECTION ARE PROBLEMATIC AT CDOT

DENVER—The Colorado Office of the State Auditor (OSA) has released its wide ranging audit of the Colorado Department of Transportation (CDOT) and found problems with the completeness and transparency of CDOT's budget and controls over spending—CDOT spent 37 percent more than it requested in Fiscal Year 2017. CDOT also lacked processes to detect and deter employee fraud through data analysis, experienced delays in closing some construction projects, and relied on master task order contracts that did not meet state requirements.

CDOT's budget was \$1.56 billion for Fiscal Year 2017 and completed construction on 277 State-administered design-bid-build projects between April 2016 and August 2018.

However, auditors found that CDOT spent \$582.7 million more than approved in the Fiscal Year 2017 budget due to \$1 billion of prior year revenue being carried forward but not included in the budget, as required by statute. In addition, a budget-to-actuals analysis could not be performed for nearly \$1.3 billion (about 80 percent) of its budget due to a lack of alignment between

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individual lines in the budget and how CDOT tracks expenses. CDOT's budget also did not contain required construction and maintenance project information and did not accurately reflect federal highway funding. In Fiscal Year 2017, CDOT received \$718.6 million in federal funding—about \$43.7 million more than was approved.

Auditors also found that CDOT was slow to close construction projects, delaying the release of \$29.3 million in unused funds, and auditors found problems with all five master task order contracts they reviewed, as well as 80 of the 84 related sampled task orders. Problems included unapproved consultant labor rates, contracts without proper approvals, and contract terms that did not comply with state requirements.

Finally, auditors found suspicious patterns and anomalies in CDOT's vendor records and Fiscal Year 2017 payment data that indicated a lack of detective controls to identify and deter potential fraud by employees. However, auditors did not identify specific instances of fraud.

The audit makes 6 recommendations.

The full report is available @ www.colorado.gov/auditor.

Under the direction of the state auditor, the OSA is the state's nonpartisan, independent external auditor with broad authority to audit state agencies, departments, institutions of higher education, and the Judicial and Legislative Branches. The OSA's professional staff serve the people of Colorado by addressing relevant public issues through high-quality, objective audits and reviews that promote accountability and positive change in government. Performance audits address whether programs operate in compliance with laws and regulations and in a manner that accomplishes intended program goals. Financial audits include annual audits of the state's basic financial statements and federal grants on a statewide level. IT audits review procedures and technology to ensure the confidentiality, integrity and availability of the state's critical computer systems and taxpayer data. The OSA also tracks about 4,000 Colorado local governments for compliance with the Local Government Audit Law.