



COLORADO

Department of Transportation

Office of the Executive Director

4201 East Arkansas Ave, Suite 262

Denver, CO 80222

February 5, 2016

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Ms. Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendations contained in the *Collection and Usage of the FASTER Motor Vehicle Fees, August 2015* performance audit. The attached report provides a brief explanation of the actions taken by the Department of Transportation and the Transportation Commission to implement the recommendations.

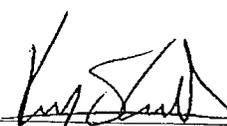
We would like to take this opportunity to thank your audit staff for working with us on this audit. As a result of the performance audit on the FASTER program we have put in place clear policies and procedures that clarify roles and responsibilities of the Transportation Commission and department staff, provide direction in various project prioritization processes, ensure proper accounting and reconciliations are accomplished, and even put in place new processes to close out projects in a more timely manner and account for contingency dollars in a way that may not benefit only the FASTER program, but could be expanded to benefit the department's entire program.

If you have any questions, please do not hesitate to contact us at shailen.bhatt@state.co.us/303-757-9201 or kconnell@resortgroup.com/970-846-3746.

Sincerely,



Shailen P. Bhatt
Executive Director



Kathy Connell
Chairwoman, Transportation Commission

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Collection and Usage of the FASTER Motor Vehicle Fees

AUDIT NUMBER: 1410P

DEPARTMENT: Colorado Department of Transportation, and Transportation Commission

DATE OF STATUS REPORT: February 1, 2016

SUMMARY INFORMATION

Rec. Number	Agency's Response	Original Implementation Date	Implementation Status	Revised Implementation Date (If applicable)
1	Agree	December 2015	Implemented and Ongoing	
2a	Agree	December 2015	Implemented	
2b	Agree	June 2016	Implemented and Ongoing	
3	Agree	January 2016	Implemented	
4a	Agree	January 2016	Implemented	
4b	Agree	May 2016	Partially Implemented	
5a	Agree	January 2016	Implemented	
5b	Agree	January 2016	Implemented and Ongoing	
5c	Agree	March 2016	Implemented	
5d	Agree	January 2016	Implemented	
6	Agree	July 2016	Implemented and Ongoing	
7	Agree	January 2016	Not Implemented	May 2016
9a	Agree	June 2015	Implemented and Ongoing	
9b	Agree	June 2015	Implemented and Ongoing	
9c	Agree	June 2015	Implemented and Ongoing	

DETAIL OF IMPLEMENTATION STATUS

Note: The Department of Transportation and the Transportation Commission agreed with all of the audit recommendations.

Recommendation No. 1:

The Colorado Department of Transportation and the Bridge Enterprise should work together to ensure that the State obtains the greatest benefit in increased bridge safety per FASTER dollar spent by establishing and utilizing a documented process to strategically prioritize and program eligible bridge projects in a thorough and integrated manner. This process should include clearly documenting the rationale for selecting bridges to repair, including instances where bridges that would otherwise appear to be a higher priority for repair are not chosen.

Current Implementation Status for Rec. 1: Implemented and Ongoing.

Agency's Update:

Bridge Enterprise Board of Directors adopted Policy Directive 16.0 on January 21, 2016. The Policy clarifies that projects should be strategically selected by utilizing not only the quantitative prioritization plan, but also a qualitative analysis and requires department staff to present to the Board documentation as to why a bridge being proposed for funding was selected over other bridges. A corresponding Procedural Directive, 16.1, details the elements to be contained in both the qualitative and quantitative analysis.

Recommendation No. 2:

The Colorado Department of Transportation and the Bridge Enterprise should work together to ensure that the State obtains the greatest benefit in increased bridge safety from FASTER bridge dollars available for use by:

- a. Establishing and implementing a bridge project budgeting process that avoids routinely approving project budgets that are significantly larger than necessary. This may include specifying the contributing factors within projects that will be allowed for setting contingencies, establishing a reasonable standard overall contingency percentage that is applied to all projects, and/or establishing a shared contingency pool at each region that can be used for multiple projects.

Current Implementation Status for Rec. 2, part a: Implemented.

Agency's Update:

A new budgeting process established under Procedural Directive 16.1 sets the contingency level at 5%, and uses future year dollars for the contingency. For example, a two year bridge project will budget the contingency amount in year two, ensuring the contingency does not sit unused for a year. This allows those funds to be utilized for bridge projects immediately rather than "sitting in contingency." The department is considering extending these provisions to all projects, thus improving the department's entire program, not just Bridge Enterprise bridge projects.

- b. Establishing and implementing a bridge project closure process that addresses the FASTER legislative mandate to effectively and efficiently leverage FASTER revenue and strategically and quickly complete bridge projects, rather than only using the requirements for federal funding.

Current Implementation Status for Rec. 2, part b: Implemented and Ongoing.

Agency's Update:

Following the Bridge Enterprise Board's direction under Policy Directive 16.0, Procedural Directive 16.1 provides procedures to ensure projects are closed in a timely manner by requiring program management staff to consistently review projects nearing completion and requiring specific evaluations be done for projects that are 90% complete, requiring and allowing project savings to be returned to the Bridge Enterprise fund for reprogramming.

Recommendation No. 3:

The Transportation Commission (Commission) should ensure that FASTER safety revenue is utilized effectively and strategically addresses Colorado's urgent statewide road safety needs by adopting formal, written resolutions that establish overarching policy directives and that clarify the roles and responsibilities of the Commission and the Colorado Department of Transportation (CDOT) management. The policy directives should also address the types of projects or project components that are eligible for FASTER safety revenue and the process for prioritizing and approving these projects that CDOT must follow when selecting and approving road safety projects to fund with FASTER safety revenue.

Current Implementation Status for Rec. 3: Implemented.

Agency's Update:

The Transportation Commission adopted Policy Directive 704.0 on January 21, 2016. The Policy clarifies the roles of the Commission and department, defines what a FASTER Safety Project is, and further specifies that the Commission determines funding allocations. The Procedural Directive 1504.1 sets project selection criteria for the department to follow when selecting projects, and defines the types of projects eligible for FASTER Safety funds in accordance with the Policy Directive.

Recommendation No. 4:

The Colorado Department of Transportation (CDOT) should ensure that FASTER safety revenue is used consistently according to legislative requirements and Transportation Commission policy directives by:

- a. Developing and implementing written policies and procedures that staff are required to adhere to and procedural directives that (1) define which types and aspects of projects, including non-construction aspects, are and are not eligible to fund with FASTER safety revenue, and (2) establish the criteria and process to be used when prioritizing and approving eligible projects.

Current Implementation Status for Rec. 4, part a: Implemented.

Agency's Update:

While Policy Directive 704.0 defines the types and aspects of projects the Commission considers eligible, three new Procedural Directives, 1504.1, 1608.1 and 1608.2, provide more detailed instruction to staff on how to utilize eligibility criteria in the project prioritization and selection processes for all types of FASTER Safety projects.

- b. Providing training on the developed policies and procedures to all staff members responsible for identifying and managing road safety projects funded with FASTER safety revenue.

Current Implementation Status for Rec. 4, part b: Partially Implemented.

Agency's Update:

In the process of drafting and adopting new FASTER-related Policy and Procedural Directives, many staff engaged in the program have already familiarized themselves with the new processes and procedures. With the January formal adoption of these documents, there will now be several months of outreach to ensure all staff involved in projects related to the FASTER program are trained and familiar with relevant changes. Department remains on schedule for May, 2016 implementation.

Recommendation No. 5:

The Colorado Department of Transportation (CDOT) should provide sufficient oversight of FASTER safety revenue to ensure that it is budgeted effectively and in accordance with legislative intent by:

- a. Creating a FASTER Safety Program, with appropriate policies and procedures, and designating specific staff the responsibility for managing and monitoring the use of all FASTER safety revenue.

Current Implementation Status for Rec. 5, part a: Implemented.

Agency's Update:

The Transportation Commission, under Policy Directive 704.0, created a FASTER Safety Program. That Policy, as well as Procedural Directives 1504.1, 704.1, and 1608.2 articulate the roles and responsibilities of the Transportation Commission as well as CDOT's Office of Financial Management and Budget, FASTER Safety Mitigation (FSM) Executive Steering Committee, FSM Program staff, Asset Management Executive Oversight Committee, Asset Class Managers, CDOT Regional Offices, and others. This helps ensure that the program is adequately managed and monitored.

- b. Routinely tracking and monitoring aggregate data on FASTER safety projects. CDOT should use these data to ensure that the amount of FASTER safety revenue budgeted to projects is proportionate to the amount of safety work on a project.

Current Implementation Status for Rec. 5, part b: Implemented and Ongoing.

Agency's Update:

CDOT has put in place mechanisms to track and monitor aggregate data. The criteria established in the program and the data are used to analyze the cost effectiveness of the safety improvements. Additionally, the Transportation Commission, under Policy Directive 704.0, now lists the types and components of construction, reconstruction and maintenance projects that are eligible for funding.

- c. Updating SAP to include specific coding that is unique to FASTER safety revenue and follows the funds from receipt through budgeting and project expenditures in a manner that provides the capability of compiling accurate and complete reports.

Current Implementation Status for Rec. 5, part c: Implemented.

Agency's Update:

The Executive Director has adopted Procedural Directive 704.1 which creates SAP codes that are unique to FASTER safety revenue, making it easier to follow the funds from allocation to fund to project close-out. This enhances the department's ability to compile complete and accurate reports.

- d. Establishing sufficient achievable performance measures and goals to measure the impact that FASTER safety revenue has had on highway safety and routinely collecting adequate data.

Current Implementation Status for Rec. 5, part d: Implemented.

Agency's Update:

CDOT's Performance Plan has been updated to reflect two new "Lead" measures related to the FASTER Safety program. The first measure targets project selection by increasing the selection of projects under the FASTER Safety Mitigation Program at locations with a particularly poor safety rating. The second measure compares program dollars spent each year with that year's allocation of funds to help ensure dollars are spent in a timely manner.

Recommendation No. 6:

The Colorado Department of Transportation (CDOT) should ensure that state transit funds are used effectively and in accordance with legislative requirements and intent by providing oversight and establishing sufficient controls within the Transit and Rail Division related to transit revenue and projects, and by implementing the CDOT Internal Audit Division July 2014 recommendations. This should include establishing, implementing, and requiring staff to follow written policies and procedures that specify oversight activities for FASTER transit revenue and projects, and routinely reconciling transit revenue, expenditures, and other transfers in and out of the transit fund.

Current Implementation Status for Rec. 6: Implemented and Ongoing.

Agency's Update:

Under Policy Directive 704.0, the Transportation Commission now puts in policy the previously adopted allocation formulas for transit funds and provides direction for staff to follow on project criteria, selection, and reporting expectations. Procedural Directives 704.1 and 1608.1 include specific roles and responsibilities and procedures that staff must follow. A new process is now in place to reconcile revenue, expenditures, and transfers into and out of the transit fund.

Recommendation No. 7:

The Colorado Department of Transportation (CDOT) should work with the Transportation Commission to re-establish and re-implement an “efficiency and accountability committee” as directed by statute, to ensure statutory compliance and effective management of FASTER, and other, revenue that it receives. Alternatively, if CDOT believes this committee is no longer necessary or is fulfilled through other means, it should seek statutory change to repeal the requirement.

Current Implementation Status for Rec. 7: Not Implemented.

Agency’s Update:

Since the release of the Audit in August 2015, the Legislative Audit Committee has met several times, with CDOT in attendance, to consider draft legislation related to the E&A Committee. Staff will continue to work with the LAC on specific legislation during 2016 session. If no legislation for the E&A Committee is approved in 2016, CDOT will reconstitute the E&A Committee based on existing statutory requirements in May, 2016 and begin meeting no later than June, 2016.

Recommendation No. 9:

The Colorado Department of Transportation (CDOT) should establish and implement adequate accounting controls and recordkeeping to ensure that all revenue collected from the FASTER oversize and overweight surcharge is accurately and appropriately transferred to the correct state accounts, by:

- a. Establishing and utilizing an overall process for recordkeeping that accurately captures all FASTER surcharges assessed and all revenue collected.

Current Implementation Status for Rec. 9, part a: Implemented and Ongoing.

Agency’s Update:

The Division of Accounting and Finance (DAF) has developed written desk procedures for reconciling surcharge revenue recorded by the COOPR OSOW Permitting System and the SAP system. This is done monthly. The Permitting Office reconciles the collections on a daily basis for permits issued. These processes ensure all data is being recorded accurately. Staff is also working on developing an interface between COOPR and SAP that should eliminate the chances of human error.

- b. Establishing and utilizing reconciliation processes that ensure year-end accounting information for the surcharge revenue is accurate and that transactions and adjustments are reflected appropriately. This includes establishing a written interagency agreement with the other state agencies involved in collecting this surcharge that defines each agency’s role and responsibilities and specifies how and when surcharge revenue data will be maintained and shared.

Current Implementation Status for Rec. 9, part b: Implemented and Ongoing.

Agency's Update:

CDOT, CDPS and DOR entered into an Interagency Agreement in December, 2015 memorializing the responsibilities of each agency regarding surcharge revenue. Additionally, in an attempt to improve permit transactions at Ports of Entry facilities, CDOT plans to install kiosks which will allow motor carriers the opportunity to order their own permits independent of Port of Entry operations. That deployment should be complete in 2016.

- c. Establishing and utilizing a periodic account balance review process to ensure that all FASTER surcharge revenue within CDOT's internal accounts has been forwarded to the Department of the Treasury.

Current Implementation Status for Rec. 9, part c: Implemented and Ongoing.

Agency's Update:

As noted in Rec. 9, part a, CDOT accounting reviews the SAP report on a monthly and quarterly basis. These reviews confirm that the surcharges have been transferred to the State Treasurer through the Interagency Initiator and Interagency Acceptance processes in the state's financial accounting system, called CORE.



COLORADO
Department of Revenue

Division of Motor Vehicles
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February 12, 2016

Dianne E. Ray, CPA
State Auditor
Colorado Office of the State Auditor
1525 Sherman St., 7th Floor
Denver, CO 80203

Dear Auditor Ray:

In response to your request, we have prepared an updated status report regarding the implementation of audit recommendation number 8 in the *Collection and Usage of the FASTER Motor Vehicle Fees, August 2015* performance audit.

The attached document provides a brief description of the actions taken by the Department of Revenue to implement the recommendation.

If you have any questions please do not hesitate to contact Rusty Gates at 303-205-8423 or by email at Robert.Gates@state.co.us.

Sincerely,

Barbra J. Brohl
Executive Director
Colorado Department of Revenue

AUDIT RECOMMENDATION STATUS REPORT

AUDIT NAME: Collection and Usage of the FASTER Motor Vehicle Fees

AUDIT NUMBER: 1410P

DEPARTMENT: Colorado Department of Revenue

DATE OF STATUS REPORT: February 12, 2016

SUMMARY INFORMATION

Rec. Number	Agency's Response	Original Implementation Date	Implementation Status	Revised Implementation Date (If applicable)
8a	Agree	July 2015	Implemented and Ongoing	January 2016
8b	Agree	April 2015	Implemented and Ongoing	
8c	Agree	April 2015	Implemented and Ongoing	

DETAIL OF IMPLEMENTATION STATUS

Note: The Department of Revenue agreed with the audit recommendations.

Recommendation No. 8:

The Department of Revenue (Revenue) should establish and implement adequate controls to ensure that FASTER late fees are collected in accordance with statutory requirements and state regulations, including specific controls over identifying, recording, and monitoring the events when FASTER late fees are exempted on a countywide basis. This should include:

- a. Ensuring that the system that replaces CSTARs has the capability to identify all late fee exemptions and maintain a record of all exemptions. Until that new system is in place, Revenue should implement requirements for county motor vehicle offices to report the date, reason, number, and dollar amount of all late fee exemptions, and a process to monitor exemptions.

Current Implementation Status for Rec. 8, part a: Implemented and Ongoing.

Agency's Update:

The Department has ensured that the RFP for the DRIVES project has specific requirements for system reporting capabilities, and the ability to identify when a waiver has occurred and any fees are not collected. The CSTARs system has now been programed to track and report when late fees are waived by the county motor vehicle offices to include the date, reason, number, and dollar amount, and a process to monitor exemptions made by county officials. The report is now included in the counties' end of month process for the Clerk and Recorder to sign and submit to the department

acknowledging the exemption of any late fees. This programming went into effect on December 31, 2015.

- b. Notifying affected counties when a late fee exemption has been authorized, as required by rule.

Current Implementation Status for Rec. 8, part b: Implemented and Ongoing.

Agency's Update:

The Department has updated its processes and procedures to notify affected counties when a late fee exemption has been authorized to reflect 1 C.C.R. § 204-10 Rule 44 – Late Fee Exemption. The updated processes and procedures went into effect in April 2015.

- c. Reviewing every countywide exemption event request from the counties asking Revenue to authorize late fee exemptions and only authorizing those requests that are consistent with statutory requirements and rules.

Current Implementation Status for Rec. 8, part c: Implemented and Ongoing.

Agency's Update:

The Department has updated its policies to only approve exemption requests for events when the statutory and rule requirements are met. The new policy went into effect in April 2015.