



## ***Audit Committee Agenda***

**Friday, February 7, 2025  
9 a.m.**

Welcome to SANDAG. The Audit Committee meeting scheduled for Friday, February 7, 2025, will be held in person in the SANDAG Board Room. While Audit Committee members will attend in person, members of the public will have the option of participating either in person or virtually.

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**Mission Statement:** *We are the regional agency that connects people, places, and innovative ideas by implementing solutions with our unique and diverse communities.*

**Our Commitment to Equity:** *We hold ourselves accountable to the communities we serve. We acknowledge we have much to learn and much to change; and we firmly uphold equity and inclusion for every person in the San Diego region. This includes historically underserved, systemically marginalized groups impacted by actions and inactions at all levels of our government and society.*

*We have an obligation to eliminate disparities and ensure that safe, healthy, accessible, and inclusive opportunities are available to everyone. The SANDAG equity action plan will inform how we plan, prioritize, fund, and build projects and programs; frame how we work with our communities; define how we recruit and develop our employees; guide our efforts to conduct unbiased research and interpret data; and set expectations for companies and stakeholders that work with us.*

*We are committed to creating a San Diego region where every person who visits, works, and lives can thrive.*



# Audit Committee

Friday, February 7, 2025

## Comments and Communications

### 1. Non-Agenda Public Comments/Member Comments

Members of the public shall have the opportunity to address the Audit Committee on any issue within the jurisdiction of the Audit Committee that is not on this agenda. Public speakers are limited to three minutes or less per person. Public comments under this agenda item will be limited to five public speakers. If the number of public comments under this agenda item exceeds five, additional public comments will be taken at the end of the agenda. Audit Committee members and SANDAG staff also may present brief updates and announcements under this agenda item.

### 2. Office of the Independent Performance Auditor Activities

Information

*Courtney Ruby, Independent Performance Auditor*

The Independent Performance Auditor will present an update on the Office of the Independent Performance Auditor's activities and other sharing events.

## Consent

### +3. Approval of Meeting Minutes

Approve

*Francesca Webb, SANDAG*

The Audit Committee is asked to approve the minutes from its January 17, 2025, meeting.

[Meeting Minutes.pdf](#)

## Reports

### +4. Grand Jury Report Response

Discussion

*Mario Orso, SANDAG; Courtney Ruby, Independent Performance Auditor*

Staff will present an update on the Grand Jury Report findings and response.

[SD County Grand Jury Report - SANDAG Be Audit You Can Be Att. 1 - Draft Response to SD County Grand Jury Report](#)

### 5. Audit Recommendation and Corrective Action Plan Quarterly Status Update

Information

*Courtney Ruby, Independent Performance Auditor*

The Office of the Independent Performance Auditor will present an update on the status of pending audit recommendations and corrective actions that were due on or before September 30, 2024.

[Presentation.pdf](#)

### 6. Office of the Independent Performance Auditor's Audit Recommendation and Corrective Action Online Dashboard

Discussion

*Courtney Ruby, Independent Performance Auditor*

The Office of the Independent Performance Auditor will preview a draft of the new online Audit Recommendation and Corrective Action dashboard for information and discussion.

## **Adjournment**

### **7. Adjournment**

The next Audit Committee meeting is scheduled for Friday, March 7, 2025,  
at 9 a.m.

+ next to an agenda item indicates an attachment

February 7, 2025

## **January 17, 2025, Special Meeting Minutes**

[View Meeting Video](#)

Chair David Zito (Board Member) called the meeting of the Audit Committee to order at 1:02 p.m.

### **1. Non-Agenda Public Comments/Member Comments**

Public Comments: Purita Javier, Cesar Javier, Truth, Blair Beekman.

Member Comments: Agnes Wong-Nickerson (Public Member).

### **2. Office of the Independent Performance Auditor Activities**

The Independent Performance Auditor presented an update on the Office of the Independent Performance Auditor's activities and other sharing events.

Public Comments: Cesar Javier.

Action : Information.

### **Consent**

### **3. Approval of Meeting Minutes**

The Audit Committee approved the minutes from its meeting on November 1, 2024.

Public Comments: Cesar Javier.

Action: Upon a motion by Shawnee Pickney-Forrest (Public Member), and a second by Rowena Dorsey (Public Member), the Audit Committee voted to approve the Consent Agenda.

The motion passed.

Yes: Chair Zito, Shawnee Pickney-Forrest, Rowena Dorsey, and Agnes Wong-Nickerson.

No: None.

Abstain: None.

Absent: Councilmember Ed Musgrove (Board member).

### **Reports**

### **4. Closed Session: Performance Evaluation of Independent Performance Auditor (Government Code Section 54957 (B)(1))**

The Audit Committee met in closed session to conduct the performance evaluation of the Independent Performance Auditor for the period from November 2023 through October 2024.

Public Comments: Truth.

Action: No reportable action.

## **5. Update on the Independent Performance Auditor's Annual Performance Review**

The Audit committee discussed the status of the Independent Performance Auditor's performance review for the period from November 2023 to October 2024. Chair Zito provided an update on the results of the performance review.

Public Comments: Cesar Javier, Truth.

Action: Upon a motion by Chair Zito, and a second by Rowena Dorsey, the Audit Committee voted to recommend that the compensation for the Independence Performance Auditor (IPA) be increased to \$267,000.

The motion passed.

Yes: Chair Zito, Shawnee Pickney-Forrest, Rowena Dorsey, and Agnes Wong-Nickerson.

No: None.

Abstain: None.

Absent: Councilmember Musgrove.

## **6. Office of the Independent Performance Auditor Proposed FY 2026 Budget**

IPA Courtney Ruby introduced the item. Associate Administrative Analyst Emilee Mullen presented the Office of the Independent Performance Auditor Proposed FY 2026 Budget for discussion by the members.

Public Comments: Cesar Javier, Blair Beekman, Truth.

Action: Upon a motion by Chair Zito, and a second by Shawnee Pickney-Forrest, the Audit Committee voted to recommend the Board of Directors approve the IPA Proposed FY 2026 Budget.

The motion passed.

Yes: Chair Zito, Shawnee Pickney-Forrest, Rowena Dorsey, Agnes Wong-Dickerson.

No: None.

Abstain: None.

Absent: Councilmember Musgrove.

## **7. 2024 SANDAG Ethical Climate Survey**

Courtney Ruby presented the 2024 SANDAG Ethical Climate Survey for discussion by the members.

Public Comments: Cesar Javier, Truth, Blair Beekman.

Action: Upon a motion by Agnes Wong-Nickerson and a second by Shawnee Pickney-Forrest, the Audit Committee voted to recommend that the 2024 SANDAG Ethical Climate Survey results be presented to the Board of Directors for information.

The motion passed.

Yes: Chair Zito, Agnes Wong-Nickerson, Shawnee Pickney-Forrest, and Rowena Dorsey.

No: None.

Abstain: None.

Absent: Councilmember Musgrove.

## **8. San Diego County Grand Jury Report**

Courtney Ruby presented the San Diego County Grand Jury Report for discussion by the members.

Public Comments: Cesar Javier, Blair Beekman, Truth.

Action: Discussion.

## **9. Adjournment**

The next Audit Committee meeting is scheduled for Friday, February 7, 2025, at 9 a.m.

Chair Zito adjourned the meeting at 3:15 p.m.

DRAFT

## Confirmed Attendance at Audit Committee Meeting

Jurisdiction/Organization	Name	Member/ Alternate	Attended
Board Member	David Zito (Chair)	Primary	Yes
Board Member	Vacant	Primary	
Public Member	Shawnee Pickney-Forrest	Primary	Yes
Public Member	Agnes Wong Nickerson	Primary	Yes
Public Member	Rowena Dorsey	Primary	Yes
Board Member	Ed Musgrove (Alternate)	Alternate	No



**NOV 18 2024**

By: T. Cutts, Deputy

## **SANDAG: BE AUDIT YOU CAN BE**

### **SUMMARY**

The San Diego Association of Governments (SANDAG) is a large, one-county Metropolitan Planning Organization (MPO) charged with planning and administering transportation projects within San Diego County. The annual SANDAG fiscal year budget is typically over \$1B per year.

The Grand Jury's investigative efforts focused on SANDAG's internal independent audits and the functioning of the audit process over the last several years. The Grand Jury's review of SANDAG audits (2020–2024) found concerning issues, such as numerous unresolved issues discovered during audits, how audit results were received (by staff), and how the responses to audit findings and recommendations were tracked and implemented.

Audits provide essential accountability and transparency to governments and public agencies. Given the challenges facing San Diego County and its many transportation needs, the oversight provided by audits is more critical than ever. Auditing provides the objective analysis and information needed to make the decisions necessary to ensure program efficiency and fiscal responsibility.

This report examines the challenges confronting SANDAG's Office of the Independent Performance Auditor (OIPA) and the SANDAG staff, making recommendations such as exploring an increase in OIPA staffing, explore a change in the General Counsel's reporting relationship, exploring funding an external independent counsel for internal audits, and increasing the visibility and effectiveness of the Corrective Action Report that summarizes audit findings and recommendations.

### **BACKGROUND**

SANDAG is a coalition of San Diego County municipal and county governments.<sup>1</sup> SANDAG, as an MPO, is a federally mandated and federally funded transportation policy-making organization comprising representatives from local governments, including mayors, council members, and county supervisors. SANDAG receives funding from the TransNet sales tax, along with funding from federal, state, and local sources, which supports transportation initiatives throughout San Diego County. The SANDAG budget is anticipated to be \$1.2 billion for the fiscal year starting July 1, 2024.<sup>2</sup>

The origins of SANDAG date back to the 1960's, when the area's post-war growth and rapid suburbanization began having region-wide impacts. In 1966, the incorporated cities in the County formed the Comprehensive Planning Organization (CPO), as a subcomponent of the County of San Diego. This was done primarily to address long-range transportation and other regional planning issues. The CPO was a voluntary association, headed by representatives of the agencies that wished to be a part of the organization. Six years later, the members of the planning organization reestablished the organization as a separate joint powers authority (JPA), independent of county government.<sup>3</sup> In 1980, the CPO changed its name to SANDAG.<sup>4</sup>

In 1987, San Diego County residents approved a 20-year TransNet program, a half-cent sales tax to fund various transportation projects throughout San Diego County. This program, which

became operative in 1988, is one of the largest transportation improvement programs in California.<sup>5,6</sup>

In November 2004, voters approved an extension ordinance and expenditure plan (Proposition A) that extended the TransNet program to 2048.<sup>7</sup> These funds are projected to be distributed among highway, transit, and local road projects to reduce traffic congestion in San Diego County. In 2016, SANDAG lobbied for the passage of Measure A, which would have added another half-cent sales tax increase for additional funding for transportation and infrastructure.<sup>8,9</sup> In October 2016, local media outlets reported that SANDAG officials knowingly misrepresented how much revenue Measure A sales tax would bring in for projected major transportation projects.<sup>10,11</sup> In November of that year Measure A failed to gain the two-thirds threshold to pass. This resulted in a shortfall of billions of dollars and directly affected the projects SANDAG had promised to provide.<sup>12</sup>

In 2018, in response to the failure of Measure A, California Assembly Bill 805 (AB 805) was passed, requiring SANDAG to create an Audit Committee and an Office of the Independent Performance Auditor (OIPA). The OIPA is led by the Independent Performance Auditor (IPA) with a staff of audit professionals.<sup>13</sup> The Audit Committee is composed of two members from the SANDAG Board and three outside persons with audit expertise. The Audit Committee assists the Board of Directors in fulfilling its oversight responsibilities of the Independent Performance Auditor by recommending internal control guidelines and providing recommendations for the annual audit plan and annual financial statement audits. In the four years since the OIPA has been in effect, numerous audits have been conducted with reports distributed to the public on the SANDAG website (see Appendix).<sup>14</sup>

The OIPA conducts performance audits, which provide objective analyses, findings, and recommendations. The SANDAG staff is charged with implementing recommendations and the SANDAG Board of Directors provides governance and oversight. These audits are intended to identify changes that can improve program performance, reduce costs, facilitate decision-making, initiate corrective actions, and contribute to public accountability.

Recent attention by local media has focused on the IPA audit results.<sup>15,16,17,18</sup> Some of the relevant issues reported by local media include:

- Unjustifiable severance and bonuses paid to departing executive-level staff;
- Improper and questionable use of taxpayer-funded procurement cards;
- Large contract amendments that lacked board approval;
- Missing and poorly kept contract paperwork;
- Back-dated contracts; and
- SR 125 toll revenue, software, and management issues.

In this report, the Grand Jury provides recommendations intended to help SANDAG overcome transparency and accountability issues within the organization.

## **METHODOLOGY**

### **Interviews**

The Grand Jury interviewed members of SANDAG leadership and staff including representatives from the Board of Directors, the SANDAG Executive Staff, the SANDAG Audit

Committee, and the Office of the Independent Performance Auditor. Each provided their viewpoints on the internal workings of SANDAG.

### **Reviewed Documents**

- SANDAG Policies and Procedures;
- SANDAG agendas, minutes, and staff reports;
- Audit results (2020–2024);
- Responses to audit findings and recommendations; and
- Relevant news articles.

## **DISCUSSION**

### **Increasing the OIPA Staff**

Before each Fiscal Year begins, the IPA proposes an Audit Plan. The audit plan is designed to review internal activities, identify areas for improvement, and help ensure that there are sound system controls in place that complement established processes and procedures.

The OIPA can be engaged by SANDAG’s Board, the Audit Committee, or the Executive Director to perform an audit of any desired issue. These requests are brought to the IPA and the Audit Committee for consideration and adjustment of the budgeted audit plan.<sup>19</sup>

Auditing is a workforce-intensive effort. The number of auditors on staff determines the number of audits that can be accomplished each year. The IPA develops an annual audit plan to perform high-priority audits within the available auditor resource constraints.

At the March 27th, 2020, SANDAG Board of Directors meeting the IPA outlined the staffing issues concerning the OIPA.<sup>20</sup> At that time the OIPA was staffed with the following personnel:

- Independent Performance Auditor (Administration, Leadership, Risk Facilitations, Quality Control (QC), and Training and Development responsibilities)
- Two (2) Principal Management Internal Auditors
- Two (2) Audit Interns.

Based on the above brief to the Board of Directors, the Office of the Independent Performance Auditor requested additional audit positions:

- Two (2) Associate Management Internal Auditors
- Two (2) Management Internal Auditor (entry-level audit position)
- One (1) Administrative Support.

The entire Board (minus a board member not in attendance) voted in favor of increasing the IPA staff.<sup>21</sup> Despite this approval by the Board, staffing was not increased for the OIPA because “funding could not be found” in the over \$1 billion annual budget.

As of October 2023, the audit team consisted of the Independent Performance Auditor, two Principal Management Internal Auditors, two Associate Management Internal Auditors, and a part-time Audit Intern.

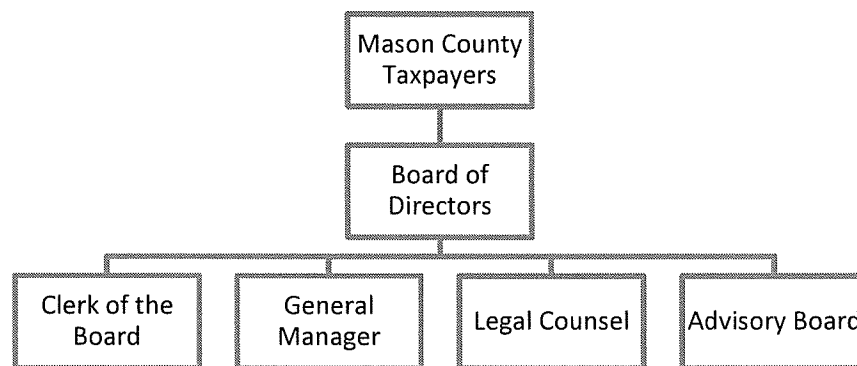
The Grand Jury notes that during the February 2, 2024, Audit Committee meeting the OIPA provided a “Staffing Needs and Structure” brief. The Audit Committee unanimously voted to

recommend to the Board of Directors to authorize funding for two additional OIPA audit positions, a Principal Independent Auditor and a Senior Independent Auditor, and additional funding to cover the increased costs associated with the Deputy IPA position.<sup>22</sup> The Grand Jury recommends that SANDAG approve the Audit Committee’s request for increased staffing for the Office of the Independent Performance Auditor.

### General Counsel Reporting Relationship

The General Counsel (GC) is the chief steward of the legal and ethical behavior of a company, a role critical to the functioning of the organization. The GC ensures that the organization is following all federal, state, and local laws, guidelines, and policies, including its own.

Many government organizations, such as the Mason (Washington) Transit Authority have the GC report to the Board of Directors, as shown below in Figure 2. Having the GC report directly to the Board of Directors ensures that they can work independently and provide unbiased oversight of the entire organization (including the Executive Director or equivalent position) without having to consider that the Executive Director will be writing their yearly performance evaluation.



Source: Mason Transit Authority

Figure 2. 2016 Mason Transit Authority Organization Chart<sup>23</sup>

As illustrated in the SANDAG organizational chart below (Figure 3), the GC reports directly to the Executive Director (solid line) but also has a responsibility to the Board of Directors (BOD) (dashed line).

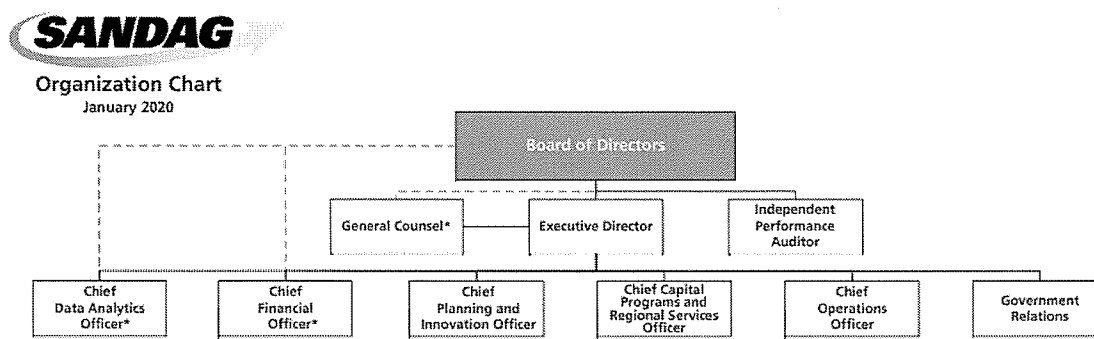


Figure 3. SANDAG Organization Chart

Interviews with SANDAG members established that having the GC report to the SANDAG Executive Director creates at least the appearance of a conflict of interest. Issues can arise during audits in which the IPA's interpretation of SANDAG's Board Policies disagrees with the interpretation of the SANDAG staff. Because the Executive Director prepares the GC's performance reviews, this could result in a conflict of interest for the GC. The GC's allegiance must protect the public rather than the SANDAG staff. To avoid an appearance of conflict and to improve public and internal trust in the process, SANDAG should reevaluate its reporting structure.

### **Retaining Independent Council for the Audit Committee and the OIPA**

Government organizations are required to follow numerous laws and regulations. Auditors may desire to consult with legal counsel when an audit uncovers practices that may conflict with a law, regulation, or policy.<sup>24</sup>

During Grand Jury interviews, most SANDAG personnel agreed that there was a legitimate need for an independent counsel for the OIPA and the Audit Committee. Currently, the OIPA and the Audit Committee do not have immediate access to outside independent counsel. Instead, if the Audit Committee or the IPA require legal advice, they use the SANDAG General Counsel. This presents the potential for a conflict of interest if the IPA needs legal advice on an interpretation of SANDAG's policies or other governmental policies and/or regulations concerning audits being conducted.

The Grand Jury recognizes that there is an ongoing discussion within the SANDAG Audit Committee to contract the services of an independent counsel. A vote to accept the procedures for obtaining independent counsel and to approve an authorization to move forward with the acquisition took place at the December 8, 2023, Audit Committee meeting.<sup>25,26</sup>

The Grand Jury recommends that SANDAG continue to pursue acquiring the services of an independent outside counsel for the OIPA and the Audit Committee.

### **Corrective Action Report (CAR)**

The first SANDAG IPA, hired in April of 2019, had decades of auditing experience. The SANDAG members who were interviewed stated that the new IPA was extremely thorough. The IPA uncovered issues (i.e., findings) that had not been discovered or reported in previous audits.

In July 2020, the OIPA provided to the members of the Audit Committee a new product, the "Annual Report of Audits and Status of Recommendations and Corrective Action Implementations – Fiscal Year 2020."<sup>27</sup> This document was a compilation of external and internal audits performed on SANDAG operations, projects, and partner agencies before the IPA's tenure. Before the IPA assembled this data, SANDAG had no process for collecting and tracking its audit findings, recommendations, and corrective actions in a consolidated manner.

The IPA has provided SANDAG with both audit results and corrective action plans (CAPs) since the OIPA was established and staffed. These results have been published on the SANDAG website under SANDAG/ABOUT/Office of the Independent Auditor/Reports and Press Releases.<sup>28</sup> A list of all audits and CAPs can also be found in the Appendix A of this report. Each audit CAP with its recommendations and corrective actions will eventually be entered into the Corrective Action Report (CAR).<sup>29</sup>

A review of the CARs indicates that over the last four years, the CAR has matured into a comprehensive spreadsheet encompassing numerous data fields including *Report Issue Date; Title/Issue/Recommendation; Status; Corrective Action; Date of Implementation; Planned Implementation Date; Recommendation Owner; Recommendation Dept.*<sup>30</sup>

The last CAR published was entitled “OIPA Corrective Action Report - Results as of June 30, 2023.”<sup>31</sup> The Grand Jury is concerned that many Findings with Corrective Actions remain static for years. For example, row 215 in this report lists Finding I from the October 2021 Contracts and Procurement Operational and System Control Audit Report: “Inadequate Administrative Standard Operating Procedures (SOPs) for Contract Analysts and Program Managers.” The Corrective Action states, “Management shall create procedures and guidelines for Contracts Analysts and project managers to support their responsibilities regarding procurement and contract administration functions. This effort will fall under the Procurement Program Optimization Initiative. Timing for completion is unknown” and the Date of Implementation is “TBD.” Findings II through VII have similar issues. Thus, the audit findings and corrective actions from October 2021 have not been corrected or updated as of June 2023.

SANDAG Board Policy 039 states that the responsibilities of the Audit Committee include, in paragraph 3.1.3, “Review and oversee the implementation of corrective action to address noted audit deficiencies.”<sup>32</sup> A review of Audit Committee meetings beginning in July of 2023 provides no evidence that this is taking place. The only mention of recommendations and status of corrective actions occurred during the July 14<sup>th</sup>, 2023, Audit Committee meeting. On the agenda, the OIPA provided the Audit Committee with the “Summary of Audits and Recommendations and Status of Corrective Action Plans FY 2023.” It also asked that the report be provided to the Board of Directors as information.<sup>33</sup> The Grand Jury finds that SANDAG does not effectively ensure issues identified during audits are addressed, tracked, and implemented.

Some Issues with Corrective Actions have statements that read “Ongoing Activity” with no Date of Implementation stated. Every corrective action should have a stated implementation plan and a method to track the implementation. If no implementation date is projected, then a metric such as a percentage of completion should be used to measure implementation progress. The “Recommendation Owner” or the “Recommendation Department” should be required to provide periodic progress updates to the CAR along with a date to document the latest update.

The Grand Jury finds that the CAR:

- Is difficult to locate on the SANDAG website;
- Is updated only occasionally (once each in FY20, FY21, and FY23);
- Is difficult to read as a large PDF on the website;
- Has numerous corrective action implementation dates that are not stated and/or not being met, and
- Does not track and report on Corrective Action implementation status.

An example of a better approach to communicating audit findings and CAPs can be found on the City of San Diego Office of City Auditor website. This site includes a Follow-up Dashboard that allows an external user to interactively view, sort, and filter the status of audit recommendations.<sup>34</sup>

Based on the findings described above, the Grand Jury makes a set of recommendations that SANDAG improve its processes around managing the Corrective Action Plans and the Corrective Action Report so that they become a tool to improve SANDAG's business performance and improve its transparency to the public.

### **Culture**

Merriam-Webster's definition of culture is the set of shared attitudes, values, goals, and practices that characterize an institution or organization.<sup>35</sup> Culture guides workplace behavior. When aligned with strategy and leadership, a strong culture drives positive organizational outcomes.

Culture and conduct play an essential role in the health of an organization. Organizations with a culture based on strong internal values have a higher probability of successfully achieving their business objectives and retaining high-performance employees.

When irregularities in an organization are exposed, such as during audits, it can indicate the prevalent type of its culture. Lack of controls over the use of taxpayers' money (e.g., Procurement Cards) and contracting irregularities, such as missing evaluation score sheets and bid notes, are past examples of the organizational culture that has existed at SANDAG.

The Grand Jury posed the question to the interviewees on whether SANDAG has held any of its employees responsible for any possible malfeasance noted in the audits. No interviewee professed to know of anyone who had been held accountable. The interviewees stated that holding staff accountable was the responsibility of the Executive Director.

### **Enterprise Resource Planning (ERP)**

Most SANDAG staff members the Grand Jury interviewed were professional, honest, and forthcoming. The interviewees stated that SANDAG is working to improve its system of internal controls to prevent personnel from bypassing important steps needed to maintain the integrity of SANDAG's policies and procedures. One of the methods that SANDAG has been implementing for the last two years is an Enterprise Resource Planning (ERP) system.<sup>36,37</sup> The Grand learned the ERP was fully deployed on 2 January 2024.

Enterprise Resource Planning software is used to manage and integrate essential parts of business functions, such as planning, purchasing, inventory, sales, marketing, finance, human resources, and more. In the past, SANDAG relied on 15 standalone legacy IT systems, some of which were 20 years old. SANDAG's ERP will take the 15 separate systems and merge the information and functionality into one database and one system of record. With ERP, for example, an engineer can get the same financial information on a project that is available to the finance and/or contracting personnel.

Using the ERP system, it should be possible for the IPA to perform many audit functions without having to go to standalone IT systems. As of this report, ERP has been live for only several months. It is yet to be determined how successful ERP will be, but it has the potential to be a major asset to SANDAG.

Despite its overall utility, ERP will not be able to correct all the issues that audits have uncovered. It cannot perform program management functions like reviewing work performed before approving invoices, it cannot stop management from adding funding to vendor contracts without board approval, and it cannot stop management from providing suspect severance

bonuses to departing staff. A well-functioning ERP with robust controls along with a culture of ethical compliance should help to restore public trust in SANDAG.

## **Conclusion**

The Grand Jury recognizes that auditing alone cannot correct all the issues in SANDAG's corporate culture. SANDAG management and the SANDAG Board of Directors, as representatives of the San Diego County citizenry, are ultimately responsible for how SANDAG performs its mission and how carefully it uses taxpayer money.

The SANDAG Board of Directors has recently chosen a new Executive Director. The brochure describing the search for the new executive director on the SANDAG website detailed the desired qualities, characteristics, education, and experience of the new Executive Director.<sup>38</sup> The list is extensive and commendable. However, the Grand Jury suggests that the new Executive Director embrace a commitment to ensure that taxpayer money is used judiciously for the benefit of the county residents and that the entire organization has the same commitment.

## **FINDINGS**

- F1.** The OIPA is understaffed, which negatively impacts audit effectiveness, thoroughness, and value.
- F2.** The SANDAG General Counsel reports directly to the SANDAG Executive Officer, creating the appearance of a conflict of interest.
- F3.** The OIPA lacks outside independent counsel and must use the SANDAG General Counsel for legal advice, creating the appearance of a conflict of interest.
- F4.** The Corrective Action Report is difficult to locate and is updated sporadically, making it difficult for the public to track progress against audit findings and recommendations.
- F5.** The Corrective Action Report has numerous Findings and Recommendations with corresponding corrective actions that are overdue or are missing implementation dates.
- F6.** The Corrective Action Report is not actively updated by SANDAG staff or reviewed by the Audit Committee.

## **RECOMMENDATIONS**

- R1.** Review OIPA staffing recommendations and collaborate with the Audit Committee to provide additional qualified staff.
- R2.** Reevaluate SANDAG's reporting structure and consider having the General Counsel report directly to the Board of Directors.
- R3.** Continue pursuing – and make a priority - access to independent outside counsel for the OIPA and the Audit Committee.
- R4.** Make the Corrective Action Report easier to access on the SANDAG website.
- R5.** Provide implementation target dates or metrics that track implementation progress on a scheduled basis (e.g., monthly or quarterly).



**R6. Create a system that periodically reviews the Corrective Action Report recommendation implementation status.**

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  - <sup>8</sup> Ballotpedia. San Diego County, California, Transportation and Environment Sales Tax, Measure A. (November 2016). [https://ballotpedia.org/San\\_Diego\\_County,\\_California,\\_Transportation\\_and\\_Environment\\_Sales\\_Tax,\\_Measure\\_A\\_\(November\\_2016\)#cite\\_ref-analysis\\_3-0](https://ballotpedia.org/San_Diego_County,_California,_Transportation_and_Environment_Sales_Tax,_Measure_A_(November_2016)#cite_ref-analysis_3-0)
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- <sup>20</sup> SANDAG Board of Directors Meeting, March 27, 2020. <https://www.youtube.com/watch?v=5aytCn2psXo>
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- <sup>35</sup> Merriam Webster's Collegiate Online, s.v. "Culture," accessed January 17, 2024 <https://www.merriam-webster.com/dictionary/culture>
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- <sup>37</sup> SANDAG Board of Directors Meeting Agenda. (April 14, 2023). <https://d3n9y02raazwpg.cloudfront.net/sandag/be5412b0-a0f6-11ed-8145-0050569183fa-7f44a2c2-2334-459d-8147-30947a15d18b-1681444072.pdf>
- <sup>38</sup> SANDAG. "Chief Executive Officer." (Accessed April 1, 2024). <https://online.flipbuilder.com/kper/lwpu/>

## REQUIREMENTS AND INSTRUCTIONS

The California Penal Code §933(c) requires any public agency which the Grand Jury has reviewed, and about which it has issued a final report, to comment to the Presiding Judge of the Superior Court on the findings and recommendations pertaining to matters under the control of the agency. Such comment shall be made no later than 90 days after the Grand Jury publishes its report (filed with the Clerk of the Court); except that in the case of a report containing findings and recommendations pertaining to a department or agency headed by an elected County official

(e.g. District Attorney, Sheriff, etc.), such comment shall be made within 60 days to the Presiding Judge with an information copy sent to the Board of Supervisors.

Furthermore, California Penal Code §933.05(a), (b), (c), details, as follows, the manner in which such comment(s) are to be made:

- (a) As to each grand jury finding, the responding person or entity shall indicate one of the following:
  - (1) The respondent agrees with the finding
  - (2) The respondent disagrees wholly or partially with the finding; in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefor.
- (b) As to each grand jury recommendation, the responding person or entity shall report one of the following actions:
  - (1) The recommendation has been implemented, with a summary regarding the implemented action.
  - (2) The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.
  - (3) The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or head of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the grand jury report.
  - (4) The recommendation will not be implemented because it is not warranted or is not reasonable, with an explanation therefor.
- (c) If a finding or recommendation of the grand jury addresses budgetary or personnel matters of a county agency or department headed by an elected officer, both the agency or department head and the Board of Supervisors shall respond if requested by the grand jury, but the response of the Board of Supervisors shall address only those budgetary or personnel matters over which it has some decision-making authority. The response of the elected agency or department head shall address all aspects of the findings or recommendations affecting his or her agency or department.

Comments to the Presiding Judge of the Superior Court in compliance with the Penal Code 933.05 are required from the.

Responding Agency	Findings	Recommendations
SANDAG Executive Director	F1, F3-F6	R1, R3-R6
SANDAG Board of Directors	F2	R2

## APPENDIX

The SANDAG Office of the Independent Performance Auditor (OIPA) serves as the SANDAG Board of Directors' oversight function that objectively evaluates and recommends improvements to SANDAG. The below links are the published audits and reports performed since 2020.

### FY 2023

- [OIPA Corrective Action Report - Results as of June 30, 2023](#)
- [Fraud, Waste, and Abuse Report - Quarter Ending June 30, 2023](#)
- [Fraud, Waste, and Abuse Report - Quarter Ending March 31, 2023](#)
- [Fraud, Waste, and Abuse Report - Quarter Ending December 31, 2022](#)
- [Fraud, Waste, and Abuse Report - Quarter Ending September 30, 2022](#)
- [Final Audit Report - Contracts and Procurement \(Part II\) with Management Response](#)
- [Final Audit Report - Contracts and Procurement \(Part I\) with Management Response](#)

### FY 2022

- [Fraud, Waste, and Abuse Report - Quarter Ending March 31, 2022](#)
- [Final Purchase Card Audit Report, Management Response and Corrective Action Plan](#)
- [Final Vendor Audit Report](#)
- [SR 125 Final Report](#)
- [OIPA Corrective Action Report - Results as of December 31, 2021](#)
- [OIPA Corrective Action Report - Results as of September 30, 2021](#)

### FY 2021

- [Corrective Action Report Results for Sal and Ben Audit - 11 Items as of June 30, 2021](#)
- [Fraud, Waste, and Abuse Report \(External and Internal Reporting\) Fiscal Year 2021](#)
- [Summary Status of Audits and Corrective Action Plan for 5 PFY - Fiscal Year 2021](#)

### FY 2020

- [Annual Fraud, Waste, and Abuse Report - Fiscal Year 2020](#)
- [Annual Report of Audits and Status of Recommendation and Corrective Action Plan Report Memo - Fiscal Year 2020](#)
- [Annual Report of Audits and Status of Recommendation and Corrective Action Implementations - Fiscal Year 2020](#)
- [Salaries and Compensation Performance and Compliance Audit - August 2020](#)
- [SANDAG Organizational Structure Summary of Analysis and Recommendations](#)



January 27, 2025

Honorable Maureen F. Hallahan  
Presiding Judge of the Superior Court of San Diego County  
1100 Union Street, 10<sup>th</sup> Floor  
San Diego, CA 92101

Re: Grand Jury Report: "SANDAG: Be Audit You Can Be"

Dear Judge Hallahan:

Pursuant to California Penal Code Section 933 (c), the San Diego Association of Governments (SANDAG) and the Office of the Independent Auditor (OIPA) provide the attached response to the findings and recommendations included in the above-referenced Grand Jury Report.

Respectfully,

MARIO ORSO  
Chief Executive Officer

COURTNEY RUBY  
Independent Performance Auditor

Attachment:

1. SANDAG and OIPA response to the San Diego County Grand Jury Report Titled "SANDAG: Be Audit You Can Be"

Copy to: Honorable Chair Lesa Heebner, First Vice Chair Joe LaCava, Second Vice Chair John Minto and Members of the SANDAG Board, Honorable Audit Committee Chair Dave Zito and Members of the SANDAG Audit Committee

**Response to  
San Diego County Grand Jury Report Titled  
“SANDAG: Be Audit that You Can Be”**

Pursuant to California Penal Code Section 933 (c) SANDAG provides the following response to the findings and recommendations included in the above referenced Grand Jury Report:

- F1.** The Office of the Independent Performance Auditor (OIPA) is understaffed, which negatively impacts audit effectiveness, thoroughness, and value.
- R1.** Review OIPA staffing recommendations and collaborate with the Audit Committee to provide additional qualified staff.

The OIPA, with the concurrence of the Chief Executive Officer, partially agrees with Finding 1 that OIPA is understaffed; however, we do not agree this has impacted the OIPA's effectiveness, thoroughness or the value of OIPA's audit work. Inadequate staffing levels have instead impacted the ability for the OIPA to conduct more high-risk audit work that is needed as exemplified in Appendix C of the 2024-25 Annual Audit Plan (an extensive list of high-risk audit topics considered during this year's annual risk assessment).

This recommendation has been implemented by the SANDAG Audit Committee and Board of Directors, which have approved new staff for the OIPA when requested by the IPA. No requests have been denied. Consequently, budget allocations for staffing have been consistently approved by the Board of Directors, and management assisted in fulfilling such requests and funding mid-cycle requests when needed. The OIPA has, however, experienced hiring delays due to availability of candidates, therefore slowing the process down at times.

The OIPA has presented two staffing analysis report to the Audit Committee in February 2024 and March 2020, and an individual staffing request for an Administrative Analyst that was approved in January 2024 and subsequently hired in May 2024. Annually, the IPA is required per Board Policy 39 to submit OIPA's proposed budget 180 days prior to the beginning of each fiscal year. In an effort to further this recommendation, the Audit Committee will include reviewing the OIPA's staffing needs during the annual budget process to ensure adequate resources are being allocated.

- F2.** The SANDAG General Counsel reports directly to the SANDAG Executive Officer, creating the appearance of a conflict of interest.
- R2.** Re-evaluate SANDAG's reporting structure and consider having the General Counsel report directly to the Board of Directors.

The SANDAG Board of Directors considered this finding at its January 31, 2025, meeting and agrees that changing the line of reporting for the General Counsel would avoid the appearance of a conflict of interest.

This recommendation has been partially implemented, and implementation will continue into the next fiscal year. Under a pilot program approved by the Board, external legal counsel is currently under contract to advise the Board on matters related to Board governance, meeting procedures, and items before the Board. The Board has also requested a legal analysis from its external counsel of the process to change the SANDAG General Counsel to a direct

report to the Board.

- F3.** The OIPA lacks outside independent counsel and must use the SANDAG General Counsel for legal advice, creating the appearance of a conflict of interest.
- R3.** Continue pursuing - and make a priority - access to independent outside counsel for the OIPA and the Audit Committee.

The OIPA, with the concurrence of the CEO, partially agrees with Finding 3. While the OIPA lacked a formal process to engage outside independent counsel, it did retain independent legal counsel in August 2020 for assistance with an auditing matter/concern. This is the only occurrence to date and SANDAG staff was able to provide the necessary resources to provide independent counsel for OIPA.

This recommendation is currently being implemented. The SANDAG Audit Committee and Board of Directors approved a formal process in December 2023 to ensure timely access to independent legal counsel and adequate funding. The Request for Proposals for on-call legal services to support the Audit Committee and OIPA was released in January 2024.

- F4.** The Corrective Action Report is difficult to locate and is updated sporadically, making it difficult for the public to track progress against audit findings and recommendations.
- R4.** Make the Corrective Action Report easier to access on the SANDAG website.

The OIPA, with the concurrence of the CEO, partially agrees with Finding 4. The Corrective Action Report (CAR) can be difficult to locate, however we disagree that it is reviewed sporadically by the Audit Committee. The CAR has been presented and reviewed annually by the SANDAG Audit Committee during meetings in July 2020, June 2021, June 2022, July 2023 and October 2024. This past year the CAR was presented 3 months later than usual due to competing priorities and allocation of resources.

This recommendation is currently being implemented. The OIPA is in the process of establishing an online recommendation dashboard similar to the City of San Diego Auditor's Office. We anticipate the dashboard to be published on the OIPA's website by March 2025. The Chair of the Audit Committee requested such a dashboard approximately a year ago and the OIPA has been working towards this end as resources became available.

- F5.** The Corrective Action Report has numerous Findings and Recommendations with corresponding corrective actions that are overdue or are missing implementation dates.
- R5.** Provide implementation target dates or metrics that track implementation progress on a scheduled basis (e.g., monthly or quarterly).

The CEO, with the concurrence of the OIPA, agrees with Finding 5. However, please note that several recommendations are being implemented by deploying a new Enterprise Resource Planning (ERP) system, which is a multi-phased project that will span several years. For recommendations reliant upon the new ERP system implementation, the OIPA and SANDAG management agreed during the Contracts Audit Part 1 and 2 that those recommendations would be reviewed again and updated accordingly with implementation dates as the ERP project advanced.

This recommendation is currently being implemented. The agency has created an internal tracking system for corrective actions. SANDAG and OIPA have a set schedule for status updates on all open items in the Corrective Action Reports. OIPA sends the agency scheduled requests for Corrective Action Report updates at a minimum quarterly. In addition, the agency is building out a team to oversee internal risk and compliance matters, including an Internal Controls program. Designated staff throughout the agency are now responsible for monitoring the implementation of corrective actions and ensuring thorough responses, with implementation target dates and metrics.

**F6.** The Corrective Action Report is not actively updated by SANDAG staff or reviewed by the Audit Committee.

**R6.** Create a system that periodically reviews the Corrective Action Report recommendation implementation status.

The CEO and OIPA disagree with Finding 6. The agency has created a database of corrective actions and works with the OIPA to provide regular status updates on tasks. The CAR has been presented and reviewed annually by the Audit Committee during meetings in July 2020, June 2021, June 2022, July 2023 and October 2024. This past year the CAR was presented 3 months later than usual due to competing priorities and allocation of resources.

This recommendation has been implemented. SANDAG and the OIPA work together throughout the year to update the status of open recommendations and a formal Corrective Action Report is presented to the Audit Committee annually. Additionally, OIPA presents status updates upon request by the Audit Committee in the interim periods. Likewise, SANDAG has created an internal corrective action database to track implementation status.

In addition, the OIPA and Audit Committee are improving upon the current process with the addition of a new online recommendation dashboard. Once the dashboard is operational, it will be used to provide updates to the Audit Committee on any changes in the recommendation status since the previous Audit Committee meeting. Additionally, members of the Audit Committee may continue to request a presentation of implementation status prior to the annual report as was done this past May when management presented an update on the implementation status for recommendations from the Contracts Audits Part 1 and 2 to the Audit Committee.



## Audit Recommendation and Corrective Action Plan Quarterly Status Update

SANDAG Audit Committee  
February 7, 2025



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Audit Year	Audit Name	Finding	Finding Number	Recommendation Number	Recommendation	Due Date	Status	Assigned Department
2022-23	Contracts and Procurement Operational and System Control Audit Report (Part I)	Itemized Breakdown of Work Performed Not Required for Invoice Payment	3	1	Require detailed/itemized invoices and progress reports or detailed summary of work performed for a payment to be processed.	9/30/2024	Implemented	Accounting and Finance
			3	3	Create formal standard operating procedures and training for invoice payment to include instructions/methods for verifying invoiced work is included in the contract/task order.	9/30/2024	Implemented	Accounting and Finance
2022-23	Contracts and Procurement Operational and System Control Audit Report (Part II)	Invoices are Missing, Lacking Supporting Documentation, or Not Consistent with the Corresponding Fee Schedule	3	1	Require detailed/itemized invoices and progress reports or a detailed summary of work performed for a payment to be processed.	9/30/2024	Implemented	Accounting and Finance
			3	3	Create formal procedures and training for invoice payment to include instructions/methods for verifying invoiced work is included in the contract/task order.	9/30/2024	Implemented	Accounting and Finance
			3	6	Create standard operating procedures that provides instructions on entering and processing invoices to ensure all information is entered correctly into OneSolution and/or any future financial payment system.	11/30/2024	Implemented	Accounting and Finance

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Audit Year	Audit Name	Finding	Finding Number	Recommendation Number	Recommendation	Due Date	Status	Assigned Department
2023-24	Continuous Auditing Operational Process and System Control Review - Purchase Cards	Use of Federal Funds to Pay for Food at a Groundbreaking Event	2	1	If federal and state funds are used for Hospitality and Events, staff should ensure that the funding source used for payment(s) are in compliance with all relevant funding laws, rules, and regulations.	9/30/2024	Implemented	Accounting and Finance
			2	3	Staff should perform due diligence by verifying allowability and/or seeking approval of fund use prior to submitting reimbursement claims.	9/30/2024	Implemented	Accounting and Finance
2024-25	Performance Audit of SANDAG's Contracts Invoicing and Payment Process	Invoices Paid with Insufficient Supporting Documentation	1	1	Provide annual training for project managers on what is required for invoices based on the updated Standard Services Agreement and Task Order requirements.	9/30/2024	Implemented	Contracts and Procurement
			1	2	Update Accounts Payable procedures to include requiring supporting documents consistent with the Standard Services Agreement and Task Order submitted for invoice processing.	9/30/2024	Implemented	Accounting and Finance

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# Questions?

Independence • Transparency • Accountability

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