



## ***Audit Committee Agenda***

**Friday, January 17, 2025  
1 p.m.**

Welcome to SANDAG. The Audit meeting scheduled for Friday, January 17, 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.

For public participation via Zoom webinar, click the link to join the meeting: <https://us02web.zoom.us/j/84116190857>

Webinar ID: 841 1619 0857

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**Public Comments:** Members of the public may speak to the Audit Committee on any item at the time the Audit Committee is considering the item. Public speakers are generally limited to three minutes or less per person.

Persons who wish to address the members on an item to be considered at this meeting, or on non-agendized issues, may email comments to the Clerk at [clerkoftheboard@sandag.org](mailto:clerkoftheboard@sandag.org) (please reference Audit Committee meeting in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. the business day before the meeting will be provided to members prior to the meeting. All comments received prior to the close of the meeting will be made part of the meeting record.

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**Vision Statement:** *Pursuing a brighter future for all*

**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, January 17, 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 meeting on November 1, 2024.

[Meeting Minutes.pdf](#)

## Reports

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

*David Zito, Audit Committee Chair*

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

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

Discussion  
/ Possible  
Action

*David Zito, Audit Committee Chair*

The Audit Committee is asked to discuss the status of the Independent Performance Auditor's performance review for the period from November 2023 to October 2024. The Audit Committee Chair will provide an update on the results of the performance review and any additional steps needed before moving the final review and recommendation to the Board of Directors for consideration.

[Update on the IPAs Annual Perf Review.pdf](#)

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

Recommend

*Courtney Ruby, Independent Performance Auditor*

The Audit Committee is asked to review the proposed Office of the Independent Performance Auditor FY 2026 budget and recommend its approval by the Board of Directors.

[OIPA Proposed FY 2026 Budget.pdf](#)

[Att. 1 - OIPA Proposed FY 2026 Budget.pdf Presentation.pdf](#)

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

Recommend

*Courtney Ruby, Independent Performance Auditor*

The Office of the Independent Performance Auditor will present the results of the 2024 SANDAG Ethical Climate Survey for information and discussion, and the Audit Committee is asked to recommend the report be provided to the Board of Directors for information.

[2024 SANDAG Ethical Climate Survey.pdf Presentation.pdf](#)

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

Discussion

*Courtney Ruby, Independent Performance Auditor*

The Audit Committee will discuss the findings and recommendations from the San Diego County Grand Jury report titled, "SANDAG: Be Audit You Can Be" released on November 18, 2024.

[San Diego County Grand Jury Report.pdf](#)

**Adjournment**

**9. Adjournment**

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

+ next to an agenda item indicates an attachment

January 17, 2025

## **November 1, 2024, Special Meeting Minutes**

[View Meeting Video](#)

Chair David Zito (Board Member) called the meeting of the Audit Committee to order at 9:01 a.m.

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

Public Comments: Call-In User\_1.

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: None.

Action : Information.

### **Consent**

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

The Audit Committee approved the minutes from its special meetings on July 11, 2024, and on October 11, 2024.

Public Comments: None.

Action: Upon a motion by Vice Chair David Druker (Board Member), and a second by Shawnee Pickney-Forrest (Public Member), the Audit Committee voted to approve the Consent Agenda.

The motion passed.

Yes: Chair Zito, Vice Chair Druker, Shawnee Pickney-Forrest, and Rowena Dorsey (Public Member).

No: None.

Abstain: Agnes Wong-Nickerson.

Absent: None..

### **Reports**

### **4. Management Response to the Office of the Independent Performance Auditor's Companion Investigation Reports to the State Route 125 Tolling Operations Investigation**

Chief Executive Officer Mario Orso presented the management response to the Office of the Independent Performance Auditor's Companion Investigation Reports to the State Route 125 Tolling Operations Investigation for information.

Public Comments: None.

Action: Discussion/Possible Action.

## **5. Matters to be Communicated in Accordance with Auditing Standards**

In accordance with the Statement of Auditing Standards 114 (SAS 114), Director of Finance and Accounting Kimberly Trammel and Jennifer Farr, Davis Farr LLP, presented an overview of the FY 2024 SANDAG Financial Audit Plan.

Public Comments: None.

Action: Information.

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

Chair Zito introduced the item. Courtney Ruby presented the OIPA report for discussion by the members.

Public Comments: None.

Action: Discussion/Possible Action.

## **7. Adjournment**

The next Audit Committee meeting is scheduled for Friday, December 6, 2024, at 1 p.m.

Chair Zito adjourned the meeting at 10:20 a.m.

## Confirmed Attendance at Audit Committee Meeting

Jurisdiction/Organization	Name	Member/ Alternate	Attended
Board Member	David Zito (Chair)	Primary	Yes
Board Member	David Druker (Vice Chair)	Primary	Yes
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	Yes

**SANDAG**  
OIPA | Office of the Independent  
Performance Auditor

# OIPA Accomplishments

## November 2023 – October 2024

SANDAG Audit Committee  
November 1, 2024

**Courtney Ruby, CPA, CFE**  
Independent Performance Auditor

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**SANDAG**  
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Performance Auditor

## Background

**Board Policy No. 039, section 3.1.11** states that it is the responsibility of the Audit Committee to “conduct the independent performance auditor’s annual performance evaluation against performance measures established and adopted by the Audit Committee.”

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# A Year in Review

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## New Independent Performance Auditor's Focus:

Purpose, People and Results

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## Purpose • People • Results

### PURPOSE

To create a model independent audit and investigative oversight office

- looking into what matters most, when it matters—prioritizing impact
- leveraging limited resources to achieve timely accountability and transparency

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# Purpose • People • Results

## PEOPLE

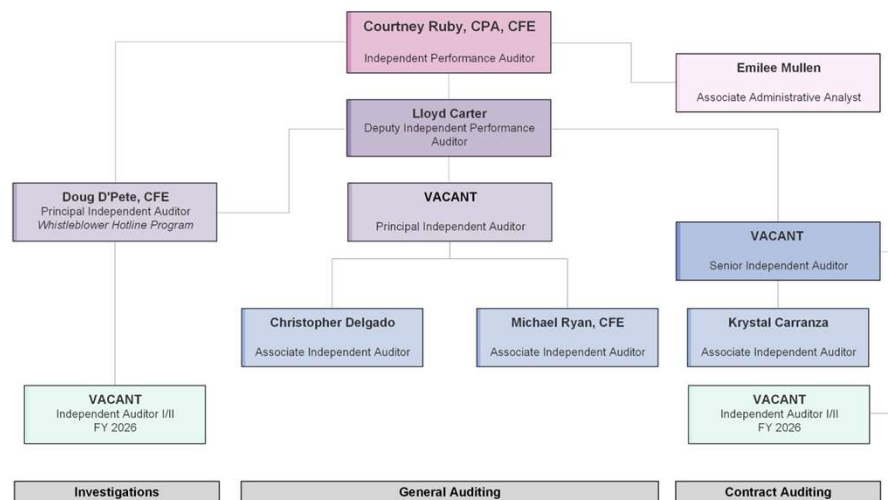
- Successful leadership transition and team integration
- Staff reorganization and recruitment:
  - Audit Staff Analysis presented February 2024
- Defined team performance expectations
- Established audit and investigation training program

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# Staff Reorganization and Recruitment



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## Staff Hiring and Recruitment

**Associate Administrative Analyst** joined OIPA's team in May 2024 to assist with procurements, publications, data visualization, and other analytical and administrative tasks.

Immediate increase in productivity including:

- 3 procurements in process: Finance department assessment, outside legal services, and a third-party Whistleblower Hotline provider.
- Developed new report format for OIPA Audit and Investigation Recommendation and Corrective Action Plan Status Report, worked alongside team during verification process and drafted a recommendation dashboard for OIPA website.
- Procured new audit time-keeping and recommendation tracking software.

Recruitments began in August 2024 for **Principal Independent Performance Auditor** (Audit Manager) and **Senior Independent Performance Auditor**.

Plans to add two additional Independent Performance Auditor I/II's in FY 2026.

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## Defined Team Performance Expectations

### *Transparency and Accountability*

Management Expectations	Staff Expectations
<b>Management:</b> Strategically plan, supervise, and oversee audit functions and WB Hotline operations to achieve high levels of effectiveness and productivity.	<b>Professional Judgment:</b> Demonstrate sound and reliable professional judgment
<b>Standards Compliance:</b> Ensure adherence to investigative and government auditing standards, as well as the ethical guidelines set by the Association of Certified Fraud Examiners (ACFE) and the Institute of Internal Auditors (IIA).	<b>Analytical Skills:</b> Effectively evaluate data, draw informed conclusions, and substantiate your work.
<b>Demonstrated advanced knowledge, skills and abilities:</b> Appropriate to the job classification.	<b>Problem Solving:</b> Solve work problems efficiently and ask for help when necessary.
<b>Professional Relationships:</b> Cultivate and sustain collaborative relationships with Board members, member agencies, community groups, and other relevant stakeholders.	<b>Time Management:</b> Multitask, prioritize work, and meet deadlines.
<b>Leadership Development:</b> Actively participate in professional organizations such as the Association of Local Government Auditors (ALGA), the Institute of Internal Auditors (IIA), and the Association of Certified Fraud Examiners (ACFE) to foster leadership growth.	<b>Skill Development:</b> Develop job skills and knowledge and proactively identify and address gaps.
<b>Staff Development:</b> Provide training, mentorship, and support for staff career growth, while implementing effective performance management practices.	<b>Communication:</b> Convey information clearly and effectively in both written and verbal forms.
	<b>Attention to Detail:</b> Ensure quality and accuracy in work products and reports, meet set expectations, and verify accuracy.
	<b>Work Attitude:</b> Prioritize work, seek feedback for improvement, and learn from audits and investigations to avoid repeating issues.
	<b>Teamwork:</b> Be a supportive team member and offer help when needed.

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## Established Audit and Investigation Training Program

*IPA's Staff Development Philosophy – it is my responsibility to ensure every team member has what they need to succeed and to impart my knowledge & passion of government accountability to my team through training, fun, connection and leadership*

OIPA Staff Development Performance Measures for FY 2025 Audit Plan include: 1) Auditors will adhere to professional certification and licensing requirements, completing no less than 40 annual hours of continuing education. 2) Increase specialized audit and investigations expertise within the OIPA. 50% of audit team to participate in specialized training in contracting and investigations.

### Accomplishments

#### **GAO Government Auditing Standards Continuing Professional Education**

28 hours CPE completed by 5 out of 6 team members between August and October, by December all audit team members will have 40 hours CPE.

#### **Specialized Training and Certifications**

##### **Completed Certified Inspector General Investigator (CIFI) Certification Course**

- 34 hours CPE completed by Courtney Ruby and Doug D'Pete in August 2024

##### **OIPA's Certified Fraud Examiners:**

- Michael Ryan certified November 2023
- Doug D'Pete certified September 2024
- Courtney Ruby certified February 2010

#### **Joined Association of Local Government Auditors (ALGA) in July 2024**

ALGA is an important professional organization for training, networking, leadership development and information sharing among peers.

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## Purpose • People • Results

### RESULTS

- Annual Reports (5)
  - Revised Annual Audit Plan FY 2024
  - Annual Investigations Report FY 2024
  - Risk Assessment and Annual Audit Plan FY 2025
  - Audit and Investigation Recommendation and Corrective Action Plan Status Report
  - External Audit Recommendation Compilation Report

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## Purpose • People • Results

### RESULTS

- Audits Released (2)
  - Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements (*work performed under former IPA, released under new IPA*)
  - Performance Audit of SANDAG's Contracts and Invoicing Payment Process
- Audits Launched (2)
  - SANDAG's Sole Source Procurement Process
  - SANDAG's Contracting with HNTB

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## Purpose • People • Results

### RESULTS

- Investigation Reports Released (3) and Detailed Response (1)
  - OIPA's SR125 Companion Investigation: When ETAN's Significant Performance Issues Were Known, by Whom, and What Actions Occurred
  - Whistleblower Investigation: SANDAG's New Tolling Back-Office System Implementation
  - *Investigation Response* to Management's Response to the Investigation Report on SANDAG's State Route 125 Toll Operations
  - Investigation Report on SANDAG's State Route 125 Toll Operations
- OIPA Outreach

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## Annual Reports

- **Fiscal Year 2024 Revised Annual Audit Plan**
  - Released January 5, 2024
  - Outlined revised strategic goals, performance measure, and audit plan for FY 2024.
- **Fiscal Year 2024 Annual Investigations Report**
  - Released July 3, 2024
  - Summary of OIPA's Investigation Report on SANDAG's SR 125 Toll Operations and an overview of all Whistleblower Hotline cases received and/or investigated in FY 2024.
- **Fiscal Year 2025 Risk Assessment and Annual Audit Plan**
  - Released July 3, 2024
  - Outlined strategic goals for the new fiscal year, performance measures, risk assessment process, and audit plan for FY 2025.
- **Fiscal Year 2024 Annual Audit and Investigation Recommendation and Corrective Action Plan Status Report**
  - Released October 4, 2024
  - Comprehensive overview of OIPA performance audit and investigation recommendations for FY 2024; all information on implementation status is verified via testing and/or document review.
- **Fiscal Year 2024 Annual External Audit Recommendation Compilation**
  - Released October 4, 2024
  - Reference tool which allows Audit Committee, Board Members, SANDAG Management and the public to easily access the status of all outstanding external audit recommendations for FY 2024.

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## Audits

- **Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements**
  - Released December 8, 2023.
  - Scope: July 1, 2020, through May 31, 2023
  - Management committed to standardizing request forms and updating guidelines for employee business travel and professional development.
- **Performance Audit of SANDAG's Contracts and Invoicing Payment Process**
  - Released July 3, 2024.
  - Scope: July 1, 2019, through June 30, 2023
  - Management committed to developing additional training, oversight, and approval requirements for invoice payments.
- **Audits of SANDAG's Sole Source Procurement Process and Contracting with HNTB are underway.**
  - Sole source audit is to determine if sole source procurements are justified, documented, and in compliance with policies, procedures, laws and regulations.
    - Scope: July 1, 2022, through June 30, 2024
  - HNTB/SANDAG contracting performance audit is to determine if awards were competed appropriately, work was delivered on time and within budget and to evaluate SANDAG's contract oversight structure including when oversight is managed internally versus externally.
    - Scope: July 1, 2019, through June 30, 2024

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## Investigations

- **Investigation Report on SANDAG's SR 125 Toll Operations (March 2024)**
  - Investigation completed on an accelerated, three-month timeline.
  - Identified seven (7) findings, including that ETAN's financial reporting cannot be relied upon, and the Finance department lacks adequate internal controls, including proper review and supervision, to ensure SR 125 financial information is accurately recorded and reported.
- **Investigation Response to Management's Response to the Investigation Report on SANDAG's State Route 125 Toll Operations (April 2024)**
  - Identified areas of Management's Response that were inconsistent with the investigation findings and required further clarification or additional information from Management.
- **Companion Investigation to the SR 125 Toll Operations Investigation (October 2024)**
  - Identified four (4) findings, including that SANDAG's Executive Team were all aware of ETAN's back-office system performance issues, and SANDAG embarked on four different paths to address the operational crisis caused by ETAN's inability to meet critical contractual requirements.
- **Whistleblower Hotline Investigation on SR 125 Back-Office System Implementation (October 2024)**
  - Investigation revealed several significant issues with the implementation of the replacement back-office system from Deloitte and A-to-Be, including that SANDAG's financial reporting needs were not considered during the procurement process.

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## OIPA Outreach

- **OIPA and the Investigation Report on SR 125 Toll Operations Q&A Sessions:**
  - April 17, 2024 – Virtual Meeting attended by approx. 135 employees
  - April 18, 2024 – In-Person Meeting attended by approx. 20 employees
  - April 18, 2024 – Engineering & Construction Team meeting attended by approx. 25 employees
- **August 27, 2024** - OIPA presentation at Director's Executive Team Meeting.
- **October 7, 2024** - OIPA emails all staff with both SR 125 investigations released and announces upcoming **staff outreach events on November 13th and 14th** on how the Whistleblower Hotline program works and to learn more about the OIPA.
- **October 10, 2024** - IPA presents remarks at SANDAG's agency-wide staff meeting regarding Whistleblower Program and upcoming OIPA staff outreach events.

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## Meeting Performance Measures for Fiscal Year

Goal	Performance Measure	On Target	Exceeds	Actual
<b>Continued Professional Education</b>	100% of auditors adhere to professional certificate/licensing requirements and competency needs every two years and at least 40 hours annually.	90%	100%	100%
<b>Percentage of planned engagements vs. number of engagements conducted</b>	Ensure auditor utilization performance meets industry standards, with audit utilization being measured by the number of planned audits divided by the number of audits conducted. <i>IPA dropped timekeeping audit and assisting management with ERP controls due to other priorities and maintaining independence. Unplanned work included releasing 2 additional SR125 related investigations. Contracting Continuous Auditing Operational Process and System Control Review merged into Performance Audit of SANDAG's Contracts Invoicing and Payment Process released July 3, 2024.</i>	80%	85%	75%
<b>Budgeted vs. actual audit hours per engagement</b>	Complete audits in an efficient and effective manner, measured by the number of hours budgeted per audit vs actual hours expended per audit.	70%	80%	100%
<b>Risk Assessment Participation</b>	In preparation of the annual audit plan, the IPA offers and provides support that includes an annual risk discussion with the governing board, the audit committee, and executive team as part of consideration of risk. The IPA offers and supports providing training and outreach to SANDAG staff and Board members by way of classes and guidance on areas of system controls, best practices, and risk consideration.	70% participation	80% participation	73% participation
<b>Percentage of OIPA's key goals achieved</b>	<p><i>The Annual Audit Plan Revised Jan. 5, 2024, listed 4 strategic goals for FY 2024:</i></p> <ol style="list-style-type: none"> <li><i>1. Work directly with SANDAG's CEO and Deputy CEOs to identify areas where improvement is needed regarding policies, procedures, and system controls.</i></li> <li><i>2. Work directly with the Director of Technology on the development of the agencywide ERP system.*</i></li> <li><i>3. Continue to investigate areas of potential fraud, waste, abuse and mismanagement identified by SANDAG's employees, Board of Directors, CEO, Deputy CEOs, contractors and vendors.</i></li> <li><i>4. The IPA and OIPA staff will work to ensure that the Corrective Action Plans that are approved by the Board are implemented and within the stated dates.</i></li> </ol> <p><i>* This goal was determined to potentially impair OIPA's independence and was not pursued.</i></p>			75% of goals achieved

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## Meeting Performance Measures for Fiscal Year

Goal	Performance Measure	On Target	Exceeds	Actual
<b>Public transparency and accountability</b>	The IPA ensures that the OIPA will work with Management to maintain an ongoing summary of all internal and external audits that are performed on SANDAG and the status of all Corrective Action Plans (CAPs). Additionally, the IPA will ensure that all CAPs relating to audits performed by the OIPA are reviewed and tested and that results are reported on a quarterly basis to the Audit Committee on posted to the OIPA website on an annual basis. Fraud, Waste, Abuse – The IPA ensures that the OIPA will provide an annual written report to the Audit Committee, Board, and post to the OIPA website that consists of all incidents reported via the Fraud, Waste, and Abuse website. Further, the IPA will, on a quarterly basis, give an update to the Audit Committee. The IPA ensures that there will be no intentional failures to post and there would be no public posting of disclosures by the IPA of information that is required, under law, to be kept confidential.	100%	100%	100%
<b>Communication and relationship development</b>	Maintain and further develop working relationships with management, while maintaining independence, so that the Office of the Independent Performance Auditor is viewed as a value-added part of the organization. The IPA will undergo an independent - 360 type performance review/survey. Participants will include professional peers, Board, Audit Committee Members, management, and staff of SANDAG. Based on an evaluation like the IPA's previous review performed by an independent consultant.	Not less than satisfactory or 70%	Exceeds 80%	Underway

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# Questions?

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## Comparison of “Chief Auditor” Positions at San Diego Regional Agencies

*The following information was gathered by SANDAG staff, at the request of Audit Committee Chair David Zito in October 2024. Except for the SANDAG IPA position, data for other positions was self-reported by the incumbent.*

	<b>City of San Diego</b>	<b>County of San Diego</b>	<b>* Port of San Diego</b>	<b>San Diego County Regional Airport Authority</b>	<b>Orange County Transportation Authority (OCTA)</b>	<b>SANDAG</b>
Position Title (Incumbent)	City Auditor (Andy Hanau)	Chief of Audits (Juan Perez)	Port Auditor (Mark Yielding)	Chief Auditor (Lee Parravano)	Executive Director (Janet Sutter)	Independent Performance Auditor (Courtney Ruby)
Reporting Relationship	City Audit Committee	Administratively: Auditor & Controller  Operationally: Auditor & Controller and Audit Committee	Board of Port Commissioners	Audit Committee and Board of Directors	Dotted line to the CEO and the Board of Directors	Audit Policy Advisory Committee and Board of Directors
FY 2025 Agency Budget	\$5.82 billion	\$8.53 billion	Operating: \$217 million  Non-Operating: \$93 million	Revenue Budget \$684M  Operating Expense Budget \$469M  Capital Program is Budgeted at \$4.3B	\$1.8 billion	\$1.3 billion
FY 2025 Audit Program Budget	\$5.59 million	\$4.69 million	\$1.4 million	\$1.49 million	\$2 million	\$2.12 million
Size of Audit Team	24 in total: 1 City Auditor 1 Asst City Auditor 1 Dep. City Auditor	22 in total: 1 Chief of Audits 2 Audit Managers 1 Group Program	6 in total: 1 Port Auditor 1 Asst Port Auditor	6 in total: 1 Chief Auditor 1 Audit Services Mgr.	6 in total: 1 Executive Director 1 Executive Assistant 1 Internal Audit	10 in total: 1 Ind. Perf. Auditor

	<b>City of San Diego</b>	<b>County of San Diego</b>	<b>* Port of San Diego</b>	<b>San Diego County Regional Airport Authority</b>	<b>Orange County Transportation Authority (OCTA)</b>	<b>SANDAG</b>
	1 Asst to Director 1 Audit Comm's & Quality Control Specialist 2 Fraud Investigators 16 Perf. Auditors 1 Admin. Support	Mgr. 13 Auditors 1 Admin. Secretary 4 Admin. Analysts* <i>*Temporary staff</i>	3 Auditors 1 Assistant	3 Senior Auditors 1 Auditor	Senior Manager 2 Internal Auditor Principal 1 Internal Auditor	1 Deputy IPA 2 Principal Auditors 3 Auditors 1 Admin Analyst 2 p/t Interns (= 1 FTE)
FY 2025 Annual Salary Range	\$93,000 to \$352,332	\$124,342.40 to \$248,393.80	Amount is set by Board/Contract	Amount is set by Board/Contract	\$200,013 to \$355,014	\$173,971 to \$269,672
Reported Salary (as of 11/1/2024)	\$269,214/year	\$179,628.80/year	\$218,000/year	\$250,496/year	\$273,874/year	\$264,160/year
Tenure of Incumbent	November 2020	January 2013	Feb/March 2021	April 2018	July 2008	November 2023
Contract Term Length	Initial 5-year term, and may be reappointed for a second 5-year term	No set employment term	Initial 5-year term and continuing with a second 5-year term. Additional year added, employment through 2027	Initial 12-month term; contract auto-renews for 12 months at a time unless action is taken	n/a	Initial 3-year term with automatic 3-year renewal
			* The Port of San Diego did not respond to this request for information. Data listed is from 2023.			

January 17, 2025

## Office of the Independent Performance Auditor Proposed FY 2026 Budget

### Overview

In accordance with SANDAG Board Policy No. 039, section 6.12, the Independent Performance Auditor (IPA) has prepared the proposed Office of the Independent Performance Auditor (OIPA) FY 2026 budget for the Audit Committee to review before recommending its approval to the Board of Directors.

### Key Considerations

The OIPA serves as the SANDAG Board of Directors' oversight function that objectively evaluates and recommends improvements to SANDAG operations. The OIPA prioritizes its efforts through an annual objective risk assessment and by continually monitoring concerns and trends from the Whistleblower Hotline.

Per California Assembly Bill 805 (AB 805), the OIPA has the authority to conduct performance audits of all departments, offices, boards, activities, and programs of the consolidated agency.

The OIPA is also the official body of SANDAG to investigate allegations of potential fraud, waste, abuse, and gross mismanagement identified by SANDAG staff or other stakeholders.

The current audit team includes seven (7) full-time staff members, in addition to the appointed Independent Performance Auditor and one (1) full-time position currently under recruitment. OIPA provides legislated oversight of a \$1.2 billion regional agency with the responsibilities of both a metropolitan planning organization and a council of governments tasked with developing regional solutions impacting transportation, air quality, clean energy, economic development, public safety, and housing, among other concerns. SANDAG's substantial responsibilities, significant operating budget and annual capital budget of over \$683 million demand an effective, nimble and appropriately resourced independent audit and investigative oversight function.

At the Audit Committee meeting on February 2, 2024, the IPA presented a detailed OIPA Audit Staffing Analysis which supported the addition of two (2) entry-level, full-time auditors in the FY 2026 budget process. A proposed organizational chart is included for discussion purposes which contains these positions.

### Next Steps

Pending the Audit Committee's recommendation of approval of the OIPA FY 2026 proposed budget, the Board of Directors is expected to consider this item as part of the broader FY 2026 SANDAG budget.

### **Courtney Ruby, Independent Performance Auditor**

Attachment: 1. Office of the Independent Performance Auditor Proposed FY 2026 Budget

#### Action: **Recommend**

The Audit Committee is asked to review the proposed Office of the Independent Performance Auditor FY 2026 budget and recommend its approval by the Board of Directors.

#### **Fiscal Impact:**

*Two Independent Auditor I/II positions:*

**\$138,315.77** per position for annual salary and benefits for budgeting purposes (salary range is \$59,384 to \$101,504), \$276,631.54 in total.

*Contracted Services:* **\$26,000** to fund the third-party Whistleblower Hotline platform (\$) and obtain outside legal counsel (\$) for the Audit Committee and OIPA.

#### **Schedule/Scope Impact:**

FY 2026

# Proposed Fiscal Year 2026 Budget

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Office of the Independent Performance Auditor  
July 1, 2025 to June 30, 2026

Presented to the SANDAG Audit Committee on December 6, 2024

## Budget

	FY 2025 Budget	FY 2026 Budget	% of Non-Personnel Costs	Annual % Change
<b>Personnel</b>				
Salaries and Benefits	\$2,085,898	\$2,306,516	-	10.5%
<b>Subtotal Personnel</b>	<b>\$2,085,898</b>	<b>\$2,306,516</b>	-	<b>10.5%</b>
<b>Non-Personnel</b>				
Memberships and Publications	\$7,000	\$1,940	2.9%	<b>(72.3)%</b>
Training Program	\$30,600	\$36,400	55.3%	<b>19%</b>
Contracted Services <sup>1</sup>	-	\$26,000	39.5%	-
Software Licenses <sup>2</sup>	-	\$1,500	2.3%	-
<b>Subtotal Non-Personnel</b>	<b>\$37,600</b>	<b>\$65,840</b>		
<b>Total Budget</b>	<b>\$2,123,498</b>	<b>\$2,372,356</b>		<b>11.7%</b>

<sup>1</sup> Contracted services include a third-party Whistleblower Hotline and online reporting platform, as well as outside legal counsel for the Audit Committee and the OIPA.

<sup>2</sup> Necessary software license fees in FY 2025 paid via the Memberships and Publications budget.

## Detailed Descriptions

Account Title/Purpose	FY 2025 Budget	FY 2026 Budget	Change Amount	Annual % Change	Reason for Change
<b>Memberships and Publications</b>					Budgeted to reflect actual costs for memberships and publications. Software license fees and other misc. costs separated out in FY 2026 budget to more accurately reflect spending
Professional memberships and certifications for auditors including ACFE, IIA, CBA , AIG, and ALGA <sup>3</sup> .	\$7,000	\$1,940	\$(5,060)	(72.3)%	
<b>Training Program</b>					
Annual continuing professional development as required by GAGAS professional auditing standards and the approval OIPA Annual Audit Plan. Attendance and travel costs for audit staff at the Association for Local Government Auditors Annual Conference is included	\$30,600	\$36,400	\$5,800	19%	Estimated travel costs included in the FY 2026 training program budget
<b>Total Membership/Training</b>	<b>\$37,600</b>	<b>\$38,340</b>	<b>\$740</b>	<b>1.97%</b>	

<sup>3</sup> Association of Certified Fraud Examiners (ACFE), Institute of Internal Auditors (IIA), California Board of Accountancy (CBA), Association of Inspectors General (AIG), Association of Local Government Auditors (ALGA).

# Office of the Independent Performance Auditor Proposed Budget FY 2026

SANDAG Audit Committee  
January 17, 2025

**Courtney Ruby, CPA, CFE**  
Independent Performance Auditor

## Budget

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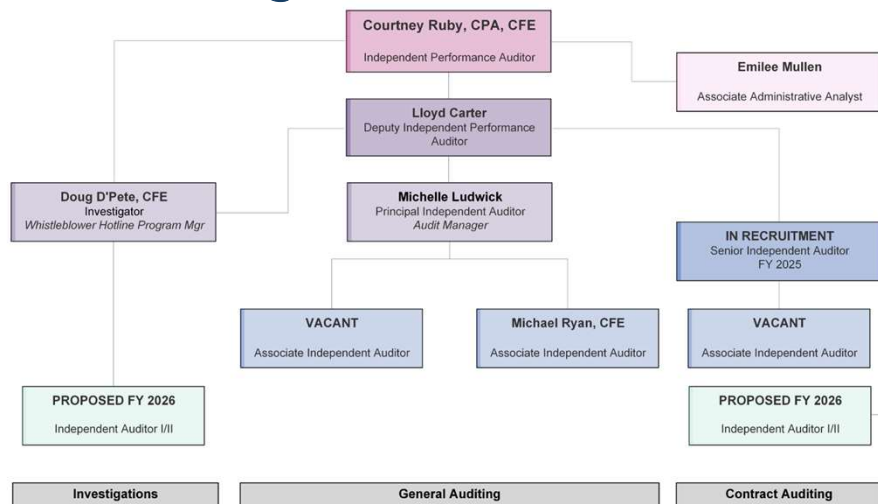


## Detailed Descriptions

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<sup>3</sup> Association of Certified Fraud Examiners (ACFE), Institute of Internal Auditors (IIA), California Board of Accountancy (CBA), Association of Inspectors General (AIG), Association of Local Government Auditors.

## Organizational Chart



# Questions?

Independence • Transparency • Accountability

# 2024 SANDAG Ethical Climate Survey



Courtney Ruby, CPA, CFE  
Independent Performance Auditor  
[OIPA@sandag.org](mailto:OIPA@sandag.org)  
[www.sandag.org/oipa](http://www.sandag.org/oipa)

January 13, 2025

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## Message from the Independent Performance Auditor

I am pleased to present the results of SANDAG’s first Ethical Climate Survey (ECS). This survey is designed to assist SANDAG in gauging its ethical climate. As the inaugural survey, the results inform the reader of SANDAG’s current ethical culture and serve to establish an ethical climate baseline for future surveys. The ECS records employees’ perceptions of SANDAG’s ethical climate at a point in time.

The Ethical Climate Survey, designed by the Institute for Local Government (ILG), is broken down into three short sections (employees, management, and elected officials). The questions posed in this survey evaluate the **accountability, responsiveness, integrity, trust, fairness, communication, and leadership** present at SANDAG. It tells us the degree to which ethical standards influence organizational and individual decision-making and helps identify ethical blind spots or provide reassurance that SANDAG’s ethical house is in order. In short, this survey is SANDAG’s ethical report card.

### The Results

The Ethical Climate Survey was administered during the early stages of a leadership transition; therefore, it is important to review the survey results noting both past and current practices will impact an employee’s perception of the organization.

**SANDAG has room to improve.** Overall, survey participants gave SANDAG an ethical climate score of 181 out of 300. The ILG categorizes scores between 150 and 224 as a “Medium” score. According to the ILG, this means SANDAG is in a good place but has room to improve.

**Employees’ perceptions of their own ethics are better than their perceptions of the ethics of management and elected officials.** Participants of all levels scored their own ethics much higher than they scored the ethics of executive and elected leadership as a whole. The agencywide score for elected officials was “Low.”

**Employees’ perceptions do not differ across staff roles and years of service with the organization except new employees rated elected officials higher.** Most participant groups scored SANDAG’s ethical climate for each section similarly, except for one group. Participants who identified themselves as being new employees (less than one year of service) scored each section higher yet remained consistent within the overall category of “High”, “Medium” or “Low” – except for “Section 3: Elected Officials” where they gave far higher scores than their counterparts with more years of service.

**A significant number of employees reported “not knowing” enough to answer survey questions related to management and elected officials.** This demonstrates a gap in an organization’s overall ethical climate. Such responses could mean staff are organizationally disconnected, disengaged or are choosing to not be engaged with management and elected officials.

**Employees have myriad opinions about SANDAG.** Over 52 percent of the 196 survey participants provided comments regarding how to enhance SANDAG’s ethical climate and what they would change at SANDAG. Participants’ statements were diverse and revealed participants’ feelings about the direction of the Agency, new leadership, the Board of Directors, Human Resources practices, accountability, transparency, and staff capacity.

The following sections provide more details on the results of the 2024 Ethical Climate Survey including employees’ comments organized into seven themes.

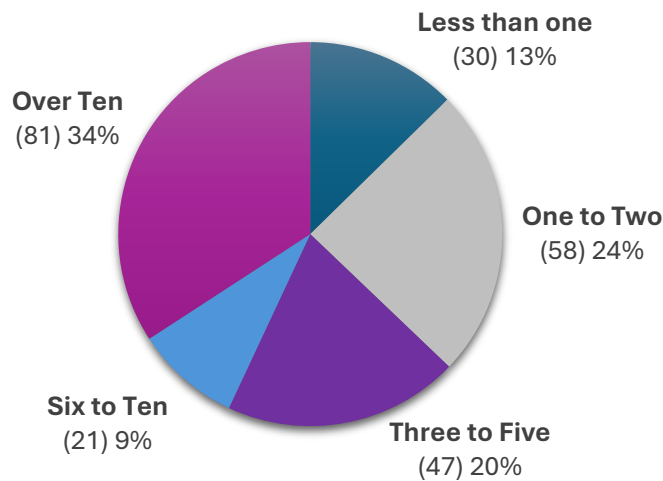
The OIPA plans to administer this survey again in 18 months to assist the Board of Directors, SANDAG Management and employees with identifying changes in the ethical culture of the agency from this baseline survey.

I want to thank SANDAG’s employees for participating in the inaugural ECS and answering the survey’s open-ended questions openly and honestly.

## Survey Participants

Participation in the survey was voluntary and completely anonymous. Approximately **196 employees** completed the survey in its entirety – **46 percent** of SANDAG’s total workforce, and around 20 more employees only completed the survey through the first “employee” section designed to gauge an employee’s self-perception of their ethical decision making. Approximately 40 more employees only completed the identifying questions related to participant’s length of employment and staffing role.

**Total Number of Survey Participants by Years of Service with SANDAG**

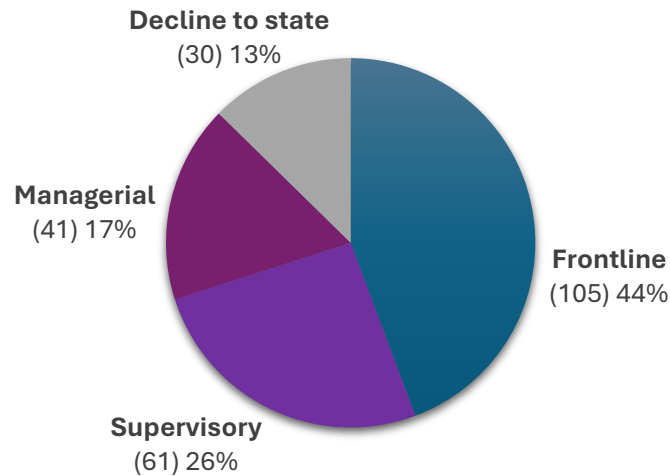


Participants identifying themselves as employees of SANDAG for less than one year gave higher scores in all sections compared to those employed longer.

Years of Service	Section 1 Employees	Section 2 Management	Section 3 Elected Officials	Survey TOTAL
Less than one (>1)	89 High	73 Medium	58 Medium	220 Medium
One to two (1 - 2)	77 High	57 Medium	35 Low	169 Medium
Three to five (3 - 5)	81 High	64 Medium	40 Low	185 Medium
Six to ten (6 - 10)	79 High	68 Medium	38 Low	185 Medium
Over ten (10+)	78 High	57 Medium	37 Low	172 Medium
All Participants	80 High	61 Medium	40 Low	181 Medium

Frontline employees made up 44 percent of all participants, with supervisors and managers comprising 26 percent and 17 percent of respondents, respectively. 13 percent of respondents declined to provide their staffing role.

### Total Number of Survey Participants by Staffing Role



Trends were consistent across staffing roles, within the overall category of “High”, “Medium” or “Low. Participants who identified themselves as management notably scored Section 2: Management significantly higher (nine to twelve points). Participants who declined to state their staffing role gave scores far below the average in all sections.

Staffing Role	Section 1 Employees	Section 2 Management	Section 3 Elected Officials	Survey TOTAL
Frontline (Intern / I / II / Associate)	82 High	61 Medium	40 Low	183 Medium
Supervisory (Senior, Principal)	80 High	64 Medium	41 Low	185 Medium
Management (Manager, Director)	85 High	73 Medium	45 Low	203 Medium
Decline to state	63 Medium	45 Low	32 Low	140 Low
All Participants	80 High	61 Medium	40 Low	181 Medium



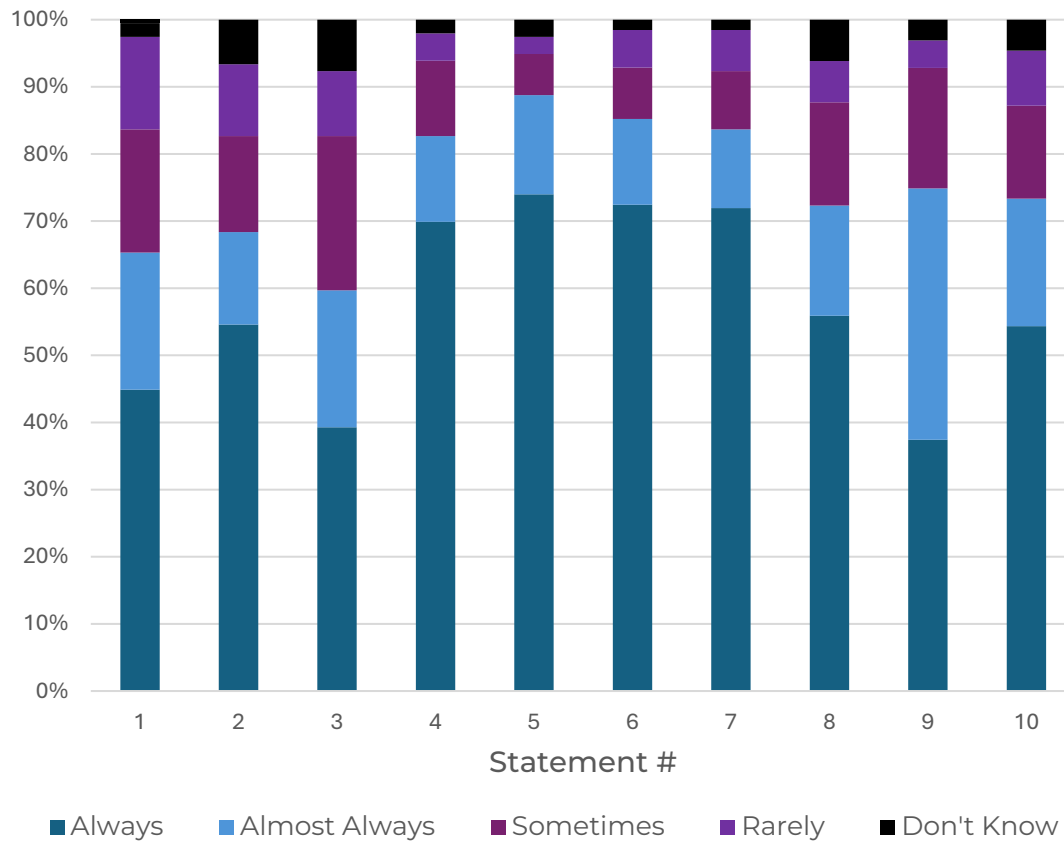
## Section One Results: Employees

Participants gave an overall score of **80** in this section, signaling a “High” ethics score. This section, relating to an employee’s expectations and personal responsibilities, was the highest scoring of the survey by far. 7 of the 10 statements scored 7.5 or more, suggesting a “High” perception of ethical standards.

At SANDAG, I am...	Average Score	Ethical Climate Rating <sup>1</sup>
1. Encouraged to speak up about any agency practices and policies that are ethically questionable.	7.32	Medium
2. Expected to report questionable ethical behaviors of others.	7.47	Medium
3. Clear about where to turn to for advice about ethical issues.	6.85	Medium
4. Expected to follow the spirit as well as letter of the law in my work for the agency.	8.61	High
5. Expected to use ethical behaviors in getting results.	8.88	High
6. Expected to tell the complete truth in my work for the agency.	8.72	High
7. Expected to treat everyone who comes before the agency equally, regardless of personal or political connections.	8.66	High
8. Expected to follow stated policy of the governing body and not the desires of individual elected or appointed officials.	7.74	High
9. Surrounded by coworkers who know the difference between ethical and unethical behaviors and seem to care about the difference.	7.55	High
10. Working with one or more trusted confidantes with whom I can discuss ethical dilemmas at work.	7.76	High

<sup>1</sup> Scores were calculated using the [Institute for Local Government’s Ethical Climate Survey](#) rating system. High = 7.50 to 10, Medium = 5 to 7.49, Low = 0 to 4.99 (See Appendix A).

## Distribution of Participant Responses to Statements About THEMSELVES<sup>2</sup>



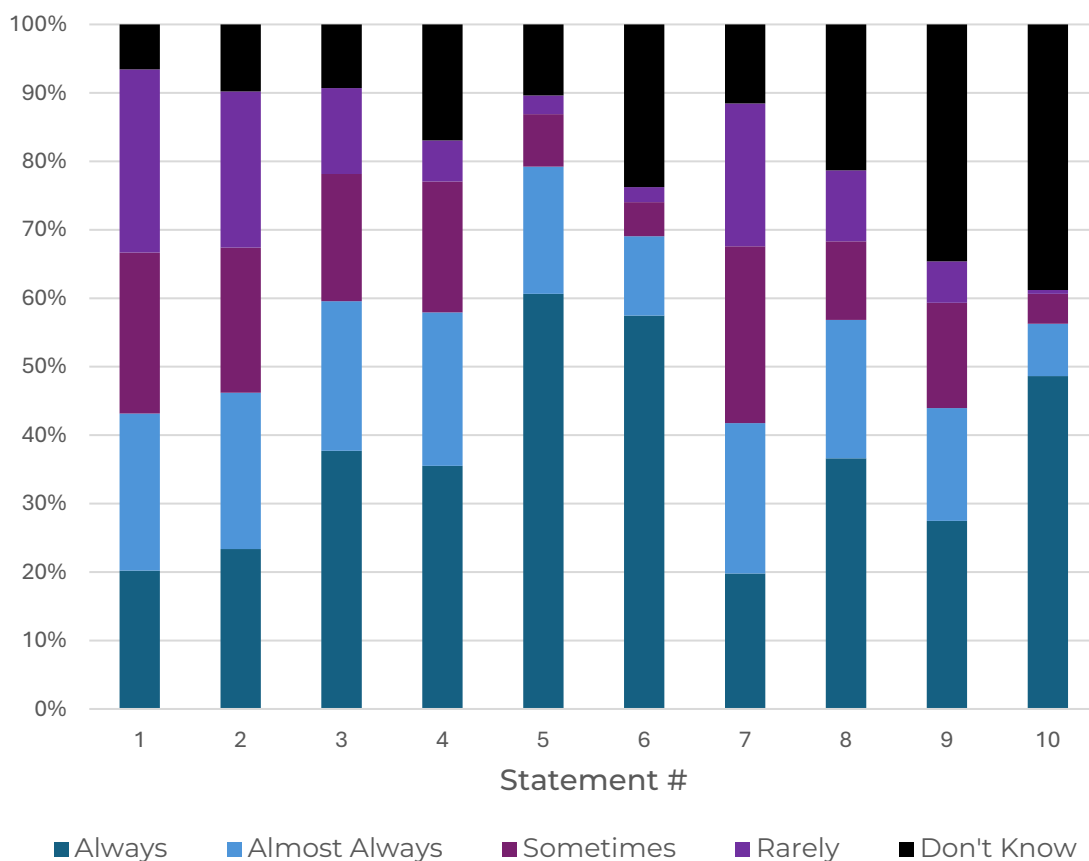
<sup>2</sup> Respondents indicating they “Don’t Know” represent a gap in an organization’s overall ethical climate and, therefore, factors negatively into the scoring. Sections left blank were not factored into the score.

## Section Two Results: SANDAG Management

This section reflected a “Medium” ethics score, with participants scoring it **61**. Overall, this section was scored significantly lower than Section 1, but still much higher than Section 3. Only one statement reflected a “High” ethics score, relating to whether the executives at SANDAG treat the public with civility and respect. This section also received a large percentage of “Don’t Know” responses, contributing to the lower score.

The Executives at SANDAG...	Average Point Score	Ethical Climate Rating	Percent of Respondents Selecting “Don’t Know”
1. Create an environment in which staff are comfortable raising ethical concerns.	5.59	Medium	7%
2. Appreciate staff bringing forward bad news and don't "shoot the messenger" for doing so.	5.68	Medium	10%
3. Expect staff to use ethical practices in getting results - not "whatever it takes."	6.65	Medium	9%
4. Gear their decisions to the spirit as well as the letter of the law or policy.	6.34	Medium	17%
5. Treat the public with civility and respect.	7.91	High	10%
6. Use public resources only for agency purposes and not for their own personal or political uses (such as agency supplies, staff time, equipment)	6.92	Medium	24%
7. Appoint and reward people on the basis of performance and contribution to the organization's goals and services.	5.44	Medium	12%
8. Treat all members of the public equally, regardless of who has "connections."	6.01	Medium	21%
9. Help elected officials work within their policy roles and stay out of the day-to-day work of the agency.	4.90	Low	35%
10. Refuse to accept gifts and/or special treatment from those with business before the agency.	5.67	Medium	39%

## Distribution of Participant Responses to Statements About MANAGEMENT

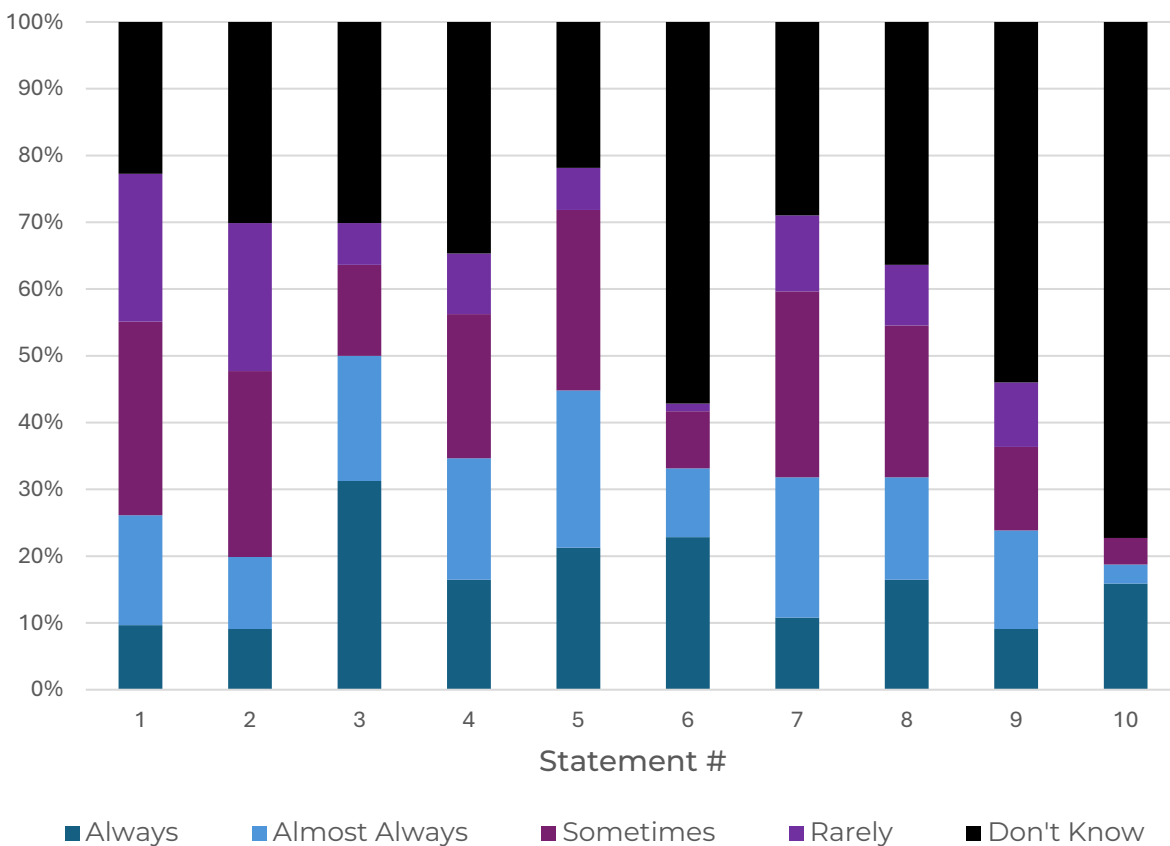


## Section Three Results: Elected Officials at SANDAG

The overall participant score for this section was **40**, reflecting a “Low” perception of ethical behavior. This section scored the lowest of the three included in the survey, with only two statements receiving a score of “Medium” and none rated “High.” This section also received the highest percentage of “Don’t Know” responses, contributing to the lower score.

The Elected Officials at SANDAG...	Average Point Score	Ethical Climate Rating	Percent of Respondents Selecting “Don’t Know”
1. Create an environment in which staff are comfortable raising ethical concerns.	4.20	Low	23%
2. Appreciate staff bringing forward bad news and don't "shoot the messenger" for doing so.	3.66	Low	30%
3. Expect staff to use ethical practices in getting results - not "whatever it takes."	5.37	Medium	30%
4. Gear their decisions to the spirit as well as the letter of the law or policy.	4.32	Low	35%
5. Treat the public with civility and respect.	5.40	Medium	22%
6. Use public resources only for agency purposes and not for their own personal or political uses (such as agency supplies, staff time, equipment).	3.51	Low	57%
7. Allow the staff to handle day-to-day management issues and don't try to get involved.	4.33	Low	29%
8. Treat all members of the public equally, regardless of who has people or political connections.	4.16	Low	36%
9. Exclude themselves from decisions when reasonable members of the public might question their ability to make a fair decision.	2.88	Low	54%
10. Refuse to accept gifts and/or special treatment from those with business before the agency.	2.00	Low	77%

## Distribution of Participant Responses to Statements About ELECTED OFFICIALS



## Insights

The survey results revealed areas for SANDAG leadership to focus attention. For example, participants reported lower scores<sup>3</sup> for SANDAG Management in:

- ✓ creating a comfortable environment for staff to raise ethical concerns.
- ✓ appreciating staff who bring concerns forward.
- ✓ appointing and rewarding people based on their performance.
- ✓ refusing special treatment from those doing business with SANDAG.

and a “Low” score for SANDAG Management in:

- ✓ helping elected officials stay in their policy lane and out of day-to-day operations.

Elected officials were ranked low in all but two of ten survey statements, however, a significant number of survey participants responded as not knowing enough to score the statements. This occurred in the management section as well – but to a lesser extent.

These employee perceptions suggest a need for SANDAG leadership to reach out to employees and regularly affirm their rights and responsibilities to bring issues forward, while also ensuring a safe and responsive reporting environment. It is incumbent upon management and elected leadership to self-reflect upon how their actions are contributing to the state of SANDAG’s ethical environment.

Lastly, perceptions regarding human resources’ practices are troubling, as illustrated in the survey comments, and in response, the OIPA will include a hiring and promotion practices audit in next year’s audit work plan.

Prominent themes from the participants’ comments to two open-ended questions are highlighted below to provide greater insight into employee perceptions and concerns.

---

<sup>3</sup> Participants scored these statements between 5.4-5.7, the low range of a “Medium” ethics score (5 to 7.49).

## Key Themes

Survey participants provided comments on the following open-ended questions:

In your own opinion, please describe how you would enhance SANDAG's ethical climate and culture.

If I could change one thing about SANDAG, I would change...

The participants' comments centered around seven themes. Two of these themes were pronounced and each garnered over 17 percent of the comments. These themes focused on concerns with the Board of Directors and Human Resources. Additionally, 15 percent of the participants' comments reflected their belief that SANDAG is headed in the right direction. The remaining themes each received 6-8 percent of the participants' comments.

**Theme 1: Trust between the Board of Directors (BOD) and staff must be repaired.** The BOD, at times, openly disparages SANDAG and repeats misinformation or incorrect information publicly, appearing to distance themselves from SANDAG's work, thus seeding frustration, disappointment and mistrust with the staff.

*"I would ask the board members to recognize that staff are doing their best to deliver difficult projects and when problems are brought to them, focus on solutions [not] shooting the messenger or political agendas."*

*"Board politics - they adversely impact staff morale and the work we need to do, especially when they spread misinformation and bad press in the name of 'accountability.' They express 'appreciation' for our work but then sometimes use that same work against us."*

*"Acknowledge that there is an issue and that the SANDAG Board has played a role in creating the culture of fear and has the power to make some real changes by working together."*

*"I would ask the Board to lower the temperature and for leadership [to] filter the Board politics more."*

**Theme 2: Organizational Effectiveness (Human Resources) needs to improve troubling HR practices and repair trust with employees.** This includes hiring and promotion practices, an accountable performance management system with corresponding consequences and a reliable and ethical HR complaint process.

*"Despite being a data-driven organization, performance metrics for individuals are seldom evaluated using available data, further undermining transparency and accountability."*



*"The Human Resources department is good at offering aspirins, but not at solving ethical problems. I have no confidence."*

*"...a culture that harms staff, and tries to hide and silence complaints and problems through unethical means."*

*"Implementing equal opportunities for upward mobility and being transparent about job opportunities."*

*"Looking more at the culture within to promote and appoint people within on the basis of performance and contribution to the organization's goals and services."*

*"allow for open competition for positions and not appointment of positions or promotions for hand selected individuals. Lack of consistency in hiring & promotions creates an environment of favoritism."*

### **Theme 3: SANDAG is headed in the right direction and many attribute change to the new CEO.**

*"I am thankful for new leadership. Previously, the agency was heading in the Wrong Direction. The staff are too over-worked and under-resourced to spend time concentrating on being deliberate with climate and culture, and it has not been a priority of past management."*

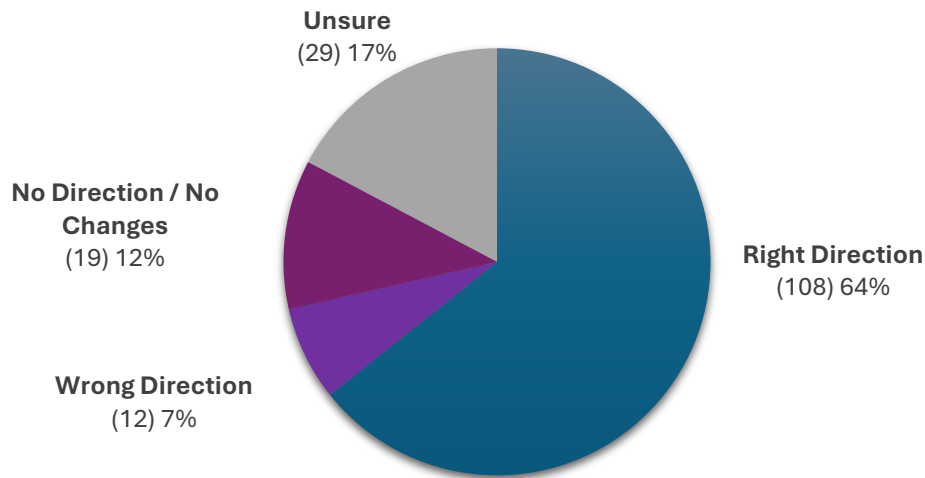
*"It starts with internal leadership which from my perspective and due to recent and new executive director we are moving in the right direction."*

*"I think it's going in the right direction. I am new to this organization, but I am surprised by some of the sentiments from the board and public. The staff I work with are some of the best I've worked with."*

*"The new CEO is already starting to change the culture tremendously, simply by questioning why we do what we do and not just simply taking answers at their face value."*

When participants were asked to respond directly about the current direction of SANDAG relating to ethical climate, 64 percent of the participants stated the agency was headed in the right direction.

I think SANDAG's ethical culture is headed in the:



**Theme 4: Ethics is an inside job and SANDAG's leadership must lead by example.**  
 Employees want more practical ethics training, and a safe and encouraging environment for SANDAG employees to report wrongdoing.

*"Eliminate a retaliation culture and encourage employees to speak up."*

*"Leadership tends to discourage dissent, fostering a 'shoot the messenger' mentality. Executives primarily seek affirmation, and those who express concerns or propose alternatives frequently face professional repercussions. The culture prioritizes compliance with leadership directives over practicality or advisability."*

*"There's a difference between being encouraged and expected to do something, and actually feeling comfortable doing it."*

*"Be honest, do things that you say."*

**Theme 5: More transparency and open communications regarding SANDAG's decision-making processes, goals, objectives, and priorities are needed.**

*"There is becoming more of an outright emphasis on transparency, which is good."*

*"I would encourage leadership to be more considerate of the day to day work that frontline employees face. That means reviewing things in a timely manner, being transparent with their goals, critiques, and decision-making processes. When they are non-communicative it erodes the trust between employees and their managers."*

*"I would enhance SANDAG's ethical climate and culture by promoting transparent decision making, encouraging open communication across all levels, and ensuring that ethical training and resources are accessible and regularly updated."*

**Theme 6: All levels of the organization need to demonstrate accountability.** This includes the Board of Directors, Executive Management, and Department Directors in setting expectations and tone, owning roles/responsibilities, taking responsibility for the results, and collectively working together to move SANDAG forward.

*"The "us vs them" mentality--this is apparent not only within the agency, such as between departments, but also between staff and the Board of Directors/elected officials."*

*"We should try to foster more of an attitude of cooperation and teamwork between departments."*

*"The leaders need to learn long term success comes from blending efforts to complete tasks with efforts to develop people ...who are needed to complete the tasks. People who feel valued and feel they are part of a positive effort will stay longer and will help develop others on the team."*

**Theme 7: SANDAG's capacity to address its workload is strained.** Evaluate SANDAG's capacity to ensure the organization can effectively meet its mandates, special projects/requests and the demands of process improvements while retaining and investing in its staff.

*"Our established headcount to carry out all the work on our plate; is it the right amount?"*

*"The thinking that we can continue the same heavy workload without adding additional resources. For years, staff have been overworked and overwhelmed...This has led to frustration and a lack of work-life balance. It has also led to an increased attrition rate. I believe that this philosophy has also contributed to a potential lack of ethics in order to deliver results faster."*

*"I would change how overworked staff is. Most of us are stretched to the limit with little capacity to take on new/extra work or implement process improvements."*

## Appendix A: Scoring Methodology

The ILG ethical climate survey uses a 5-point Likert scale, which allows respondents to provide more nuanced feedback. Each response is assigned a point value:

Always	Almost Always	Sometimes	Rarely	Don't Know <sup>4</sup>
10	7.5	5	2.5	0

Responses are then totaled and divided by the number of participants. Each section receives a final score, as does the entirety of the survey. The ILG interprets those scores as follows:

Point Score	Ethical Climate Rating	What it Means / Recommendations
Per Section: <b>75 - 100</b>  Entire Survey: <b>225 - 300</b>	<b>High</b>	<b>Your agency has a strong ethical environment. Keep up the good work, including such steps as:</b> <ul style="list-style-type: none"> <li>• Incorporating ethics into the hiring and evaluation process for staff.</li> <li>• Conducting regular ethics-related learning opportunities, including examples of ethical dilemmas and ways to resolve them.</li> <li>• Going through specific items on the assessment to identify further opportunities for positive change.</li> <li>• Reinforcing the importance of ethical considerations in agency behaviors and decisions.</li> </ul>
Per Section: <b>50 - 74</b>  Entire Survey: <b>150 - 224</b>	<b>Medium</b>	<b>Take a moment to reflect. Your agency is in a good place but has room to improve by doing the following:</b> <ul style="list-style-type: none"> <li>• Evaluating the areas of weakness indicated by the questionnaire and considering targeted remedial actions.</li> <li>• Analyzing the messages that staff and others receive and send about ethics.</li> <li>• Reviewing the agency's policies, including the criteria by which staff are evaluated.</li> <li>• Consider whether having a code of ethics would be helpful for the agency.</li> </ul>
Per Section: <b>0 - 49</b>  Entire Survey: <b>0 - 149</b>	<b>Low</b>	<b>Your agency's culture needs significant change. Suggested activities include:</b> <ul style="list-style-type: none"> <li>• Identifying the aspects of the agency's culture that foster the problematic behaviors and analyze how to remediate them.</li> <li>• Consulting with your agency's attorney about potential violations of laws and agency regulations.</li> <li>• Following best practices indicated in the boxes above.</li> </ul>

<sup>4</sup> Respondents indicating they "Don't Know" represent a gap in an organization's overall ethical climate and, therefore, factors negatively into the scoring.

## Appendix B: About the Survey Tool

[The Institute for Local Government](#) (ILG) is a nonprofit organization that was founded in 1955 with the intention of promoting cooperation and information sharing among California's local public agencies. The ILG has become a leader in addressing urgent public policy issues through its research, publications, and training programs.

The ILG and the International City/County Management Association developed an assessment tool in 2006 to assist public managers in determining the ethical climate of their organizations. Employees are surveyed on their perception of ethical standards upheld by employees, managers, and elected officials within the organization. Those answers are then assigned point values and tabulated to provide a clear snapshot of the internal ethical culture of the agency.

The survey can provide assurance that an agency's ethical culture is in order, and/or highlight potential blind spots that may need to be addressed. This assessment is also used to track progress in the ethical climate of an organization.

## Appendix C: OIPA's Independent Whistleblower Hotline

### Purpose

The Whistleblower Hotline is an independent, safe and reliable way for SANDAG employees, contracted parties, members of the public or other stakeholders to report allegations of fraud, waste, abuse and gross mismanagement at SANDAG. Reports are received via phone, or email and can be made anonymously.

### Authority

The OIPA per Assembly Bill 805 (2018) is the official independent oversight function of SANDAG to investigate allegations of potential fraud, waste, abuse, and gross mismanagement identified by SANDAG staff or other stakeholders.

### Investigation and Referral Process

The OIPA conducts a preliminary analysis of each complaint submitted through the Whistleblower Hotline. The following five (5) criteria are used to determine if launching an investigation is warranted:

1. Did it involve SANDAG property, infrastructure, employees, officials, contractors, or does it otherwise fall within the OIPA's jurisdiction?
2. Does it meet the criteria of fraud, waste, abuse, or gross mismanagement?
3. Did it occur within the last year?
4. Was sufficient information provided to initiate an investigation?
5. Is the matter not currently being litigated?

In order to protect the confidential reporting process, updates and conclusions of actions will not be provided. Whistleblower complaints should not be discussed with others, including family, friends, and coworkers, as this may jeopardize your confidentiality.

Completed investigations will be reported in the OIPA's Annual Investigations Report or a standalone investigation report and are not discussed with or provided to Whistleblowers directly.



## Whistleblower Hotline

Online

[Contact Form](#)

Phone <sup>5</sup>

(619) 595-5386

Email <sup>5</sup>

[oipa@sandag.org](mailto:oipa@sandag.org)

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<sup>5</sup> Whistleblower Hotline phone and email accounts route directly to the Independent Performance Auditor.

## 2024 SANDAG Ethical Climate Survey Results

SANDAG Audit Committee  
January 17, 2025



**Courtney Ruby, CPA, CFE**  
Independent Performance Auditor

1

### What is the Ethical Climate Survey?

- Created in 2006 by the **Institute for Local Government** (ILG) and the International City/County Management Association.
- Survey designed to measure the degree to which ethical standards influence organizational and individual decision-making and helps to identify potential blind spots that may need to be addressed.
- Answers are assigned point values to provide a clear picture of the internal ethical culture of the agency.

2



## What is the Ethical Climate Survey?

- Measures employee perception of an agency's culture at a point in time.
- Grouped into 3 sections: Employees, Management, and Elected Officials.
- Evaluates accountability, responsiveness, integrity, trust, fairness, communication, and leadership.



3

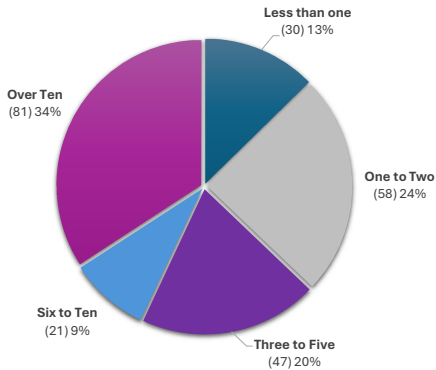
## Survey Details

- Approximately **196 employees** completed the entirety of the survey, 46% of SANDAG's total workforce.
- Over **52% of the 196 survey participants** provided comments on how to enhance SANDAG's ethical climate
- The 2024 survey was conducted during the early stages of a leadership transition at SANDAG.
- The survey established an ethical baseline for SANDAG. Over time it will help assess changes in the Agency's ethical culture.

4

## Survey Details

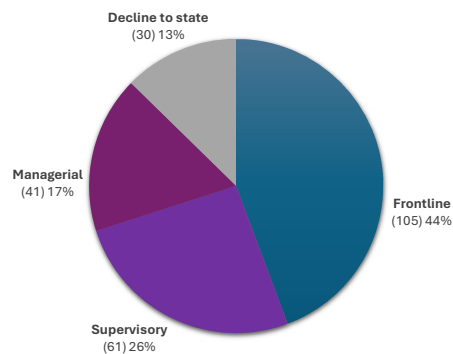
Total Number of Survey Participants by Years of Service with SANDAG:



5

## Survey Details

Total Number of Survey Participants by Staffing Role at SANDAG:



6

## The Results

- SANDAG has room to improve:
  - Participants gave SANDAG an overall score of **181 out of 300**.
  - The ILG categorizes scores between 150 and 224 as a **“Medium”** ethical climate rating.
- Employee perceptions do not differ across staff roles and years of service:
  - Except new employees (less than one year of service) scored each section higher than the average and rated elected officials higher than their counterparts.

7

## The Results

Total Survey Scores Grouped by Participants' Years of Service with SANDAG:

Years of Service	Section 1 Employees	Section 2 Management	Section 3 Elected Officials	Survey TOTAL
Less than one (>1)	89 High	73 Medium	58 Medium	220 Medium
One to two (1 - 2)	77 High	57 Medium	35 Low	169 Medium
Three to five (3 - 5)	81 High	64 Medium	40 Low	185 Medium
Six to ten (6 - 10)	79 High	68 Medium	38 Low	185 Medium
Over ten (10+)	78 High	57 Medium	37 Low	172 Medium
All Participants	80 High	61 Medium	40 Low	181 Medium

8

## Survey Participants

Total Survey Scores Grouped by Participants' Staffing Role at SANDAG:

Staffing Role	Section 1 Employees	Section 2 Management	Section 3 Elected Officials	Survey TOTAL
Frontline (Intern / I / II / Associate)	82 High	61 Medium	40 Low	183 Medium
Supervisory (Senior, Principal)	80 High	64 Medium	41 Low	185 Medium
Management (Manager, Director)	85 High	73 Medium	45 Low	203 Medium
Decline to state	63 Medium	45 Low	32 Low	140 Low
All Participants	80 High	61 Medium	40 Low	181 Medium

9

## The Results

- A significant number of employees reported **“not knowing” enough to answer survey questions** related to management and elected officials:
  - This demonstrates a gap in an organization's overall ethical climate.
  - These responses could mean staff are organizationally disconnected, disengaged, or choosing not to involve themselves with management and elected officials.
- Employees have myriad opinions about SANDAG:
  - Over **52% of the 196 survey participants** provided comments on how to enhance SANDAG's ethical climate and what they would like to see changed at the Agency.
  - Comments revealed feelings about the direction of SANDAG, new leadership, the Board of Directors, Human Resources, ethics, accountability, transparency, and staff capacity.

10

## Section One Results: Employees

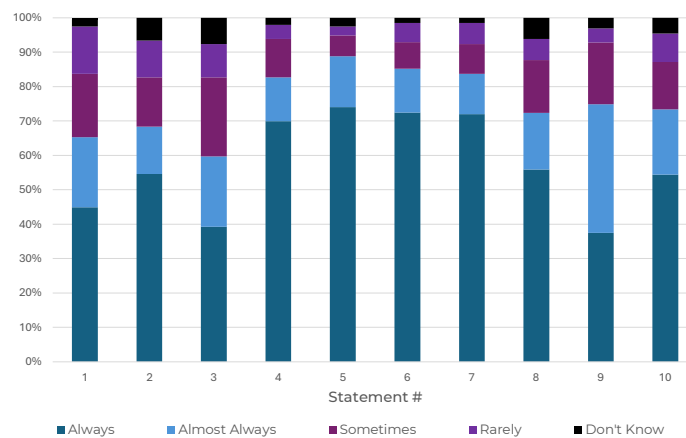
Participants gave an overall score of **80** in this section, signaling a “High” ethics score

At SANDAG, I am...	Average Score	Ethical Climate Rating
1. Encouraged to speak up about any agency practices and policies that are ethically questionable.	7.32	Medium
2. Expected to report questionable ethical behaviors of others.	7.47	Medium
3. Clear about where to turn to for advice about ethical issues.	6.85	Medium
4. Expected to follow the spirit as well as letter of the law in my work for the agency.	8.61	High
5. Expected to use ethical behaviors in getting results.	8.88	High
6. Expected to tell the complete truth in my work for the agency.	8.72	High
7. Expected to treat everyone who comes before the agency equally, regardless of personal or political connections.	8.66	High
8. Expected to follow stated policy of the governing body and not the desires of individual elected or appointed officials.	7.74	High
9. Surrounded by coworkers who know the difference between ethical and unethical behaviors and seem to care about the difference.	7.55	High
10. Working with one or more trusted confidantes with whom I can discuss ethical dilemmas at work.	7.76	High

11

## Section One Results: Employees

Distribution of Participant Responses to Statements About Themselves:



12

## Section Two Results: SANDAG Management

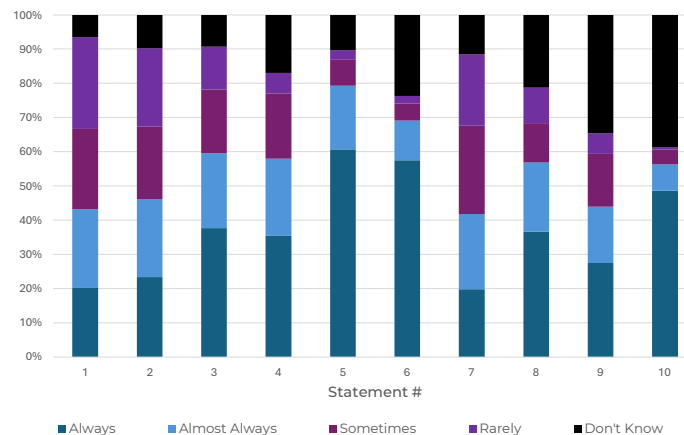
Participants gave an overall score of **61** in this section, signaling a “Medium” ethics score

The Executives at SANDAG...	Average Point Score	Ethical Climate Rating	Percent of Respondents Selecting “Don’t Know”
1. Create an environment in which staff are comfortable raising ethical concerns.	5.59	Medium	7%
2. Appreciate staff bringing forward bad news and don't "shoot the messenger" for doing so.	5.68	Medium	10%
3. Expect staff to use ethical practices in getting results - not "whatever it takes."	6.65	Medium	9%
4. Gear their decisions to the spirit as well as the letter of the law or policy.	6.34	Medium	17%
5. Treat the public with civility and respect.	7.91	High	10%
6. Use public resources only for agency purposes and not for their own personal or political uses (such as agency supplies, staff time, equipment)	6.92	Medium	24%
7. Appoint and reward people on the basis of performance and contribution to the organization's goals and services.	5.44	Medium	12%
8. Treat all members of the public equally, regardless of who has "connections."	6.01	Medium	21%
9. Help elected officials work within their policy roles and stay out of the day-to-day work of the agency.	4.90	Low	35%
10. Refuse to accept gifts and/or special treatment from those with business before the agency.	5.67	Medium	39%

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## Section Two Results: SANDAG Management

Distribution of Participant Responses to Statements About Management:



14

## Section Three Results: Elected Officials

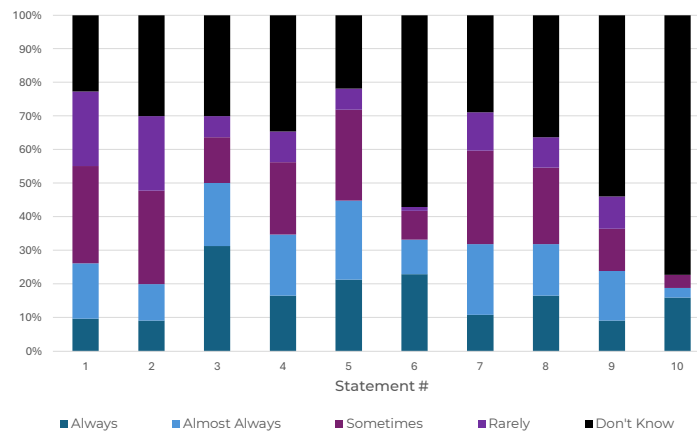
Participants gave an overall score of **40** in this section, signaling a “Low” ethics score

The Elected Officials at SANDAG...	Average Point Score	Ethical Climate Rating	Percent of Respondents Selecting “Don’t Know”
1. Create an environment in which staff are comfortable raising ethical concerns.	4.20	Low	23%
2. Appreciate staff bringing forward bad news and don't "shoot the messenger" for doing so.	3.66	Low	30%
3. Expect staff to use ethical practices in getting results - not "whatever it takes."	5.37	Medium	30%
4. Gear their decisions to the spirit as well as the letter of the law or policy.	4.32	Low	35%
5. Treat the public with civility and respect.	5.40	Medium	22%
6. Use public resources only for agency purposes and not for their own personal or political uses (such as agency supplies, staff time, equipment).	3.51	Low	57%
7. Allow the staff to handle day-to-day management issues and don't try to get involved.	4.33	Low	29%
8. Treat all members of the public equally, regardless of who has people or political connections.	4.16	Low	36%
9. Exclude themselves from decisions when reasonable members of the public might question their ability to make a fair decision.	2.88	Low	54%
10. Refuse to accept gifts and/or special treatment from those with business before the agency.	2.00	Low	77%

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## Section Three Results: Elected Officials

Distribution of Participant Responses to Statements About Elected Officials:



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## Insights

Survey results revealed areas for SANDAG leadership to focus attention. Participants report lower scores for SANDAG Management in:

- ✓ Creating a comfortable environment for staff to raise ethical concerns.
- ✓ Appreciating staff who bring concerns forward.
- ✓ Appointing and rewarding people based on their performance.
- ✓ Refusing special treatment from those doing business with SANDAG.

And a “Low” score for SANDAG Management in:

- ✓ Helping elected officials stay in their policy lane and out of day-to-day operations.

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## Insights

Employee perceptions suggest a need for SANDAG leadership to:

- Reach out to employees regularly to affirm their rights and responsibilities to report ethical concerns.
- Ensure a safe and responsive reporting environment.
- Reflect on how their actions contribute to SANDAG’s ethical environment.

Perceptions regarding Human Resources:

- Employees expressed concerns over HR practices.
- In response, the OIPA will include a hiring and promotion practices audit in the FY 2026 audit work plan.

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## Summary of Key Themes

Survey participants were asked to provide comments on the following:

- In your own opinion, please describe how you would **enhance** SANDAG's ethical climate and culture.
- If I could **change** one thing about SANDAG, I would change...

Participants' comments centered around **seven themes**:

- Concerns related to the Board of Directors and Human Resources each received over 17% of comments.
  - Theme 1: Trust between the Board of Directors (BOD) and staff must be repaired.
  - Theme 2: Organizational Effectiveness (HR) needs to improve practices and repair trust with employees.

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## Summary of Key Themes

- 15% of comments reflected a belief that SANDAG is heading in the right direction.
  - Theme 3: SANDAG is headed in the right direction and many attribute change to the new CEO.
- Ethics, transparency, accountability and staff capacity each received 6 – 8% of comments.
  - Theme 4: Ethics is an inside job and SANDAG's leadership must lead by example.
  - Theme 5: More transparency and open communication regarding SANDAG's decision-making processes, goals, objectives, and priorities are needed.
  - Theme 6: All levels of the organization need to demonstrate accountability.
  - Theme 7: SANDAG's capacity to address its workload is strained.

20

## Key Themes

### Theme 1:

**Trust between the Board of Directors and staff must be repaired.** The BOD, at times, openly disparages SANDAG and repeats misinformation or incorrect information publicly, appearing to distance themselves from SANDAG's work, thus seeding frustration, disappointment and mistrust with the staff.

*"I would ask the board members to recognize that staff are doing their best to deliver difficult projects and when problems are brought to them, focus on solutions [not] shooting the messenger or political agendas."*

*"Board politics - they adversely impact staff morale and the work we need to do, especially when they spread misinformation and bad press in the name of 'accountability.' They express 'appreciation' for our work but then sometimes use that same work against us."*

*"Acknowledge that there is an issue and that the SANDAG Board has played a role in creating the culture of fear and has the power to make some real changes by working together."*

21

## Key Themes

### Theme 2:

**Organizational Effectiveness (HR) needs to improve troubling practices and repair trust with employees.** This includes hiring and promotion practices, an accountable performance management system with corresponding consequences and a reliable and ethical HR complaint process.

*"Despite being a data-driven organization, performance metrics for individuals are seldom evaluated using available data, further undermining transparency and accountability."*

*"...a culture that harms staff, and tries to hide and silence complaints and problems through unethical means."*

*"allow for open competition for positions and not appointment of positions or promotions for hand selected individuals. Lack of consistency in hiring & promotions creates an environment of favoritism."*

22

## Key Themes

### Theme 3:

**SANDAG is headed in the right direction and many attribute the change to the new CEO.**

*"I am thankful for new leadership. Previously, the agency was heading in the Wrong Direction. The staff are too over-worked and under-resourced to spend time concentrating on being deliberate with climate and culture, and it has not been a priority of past management."*

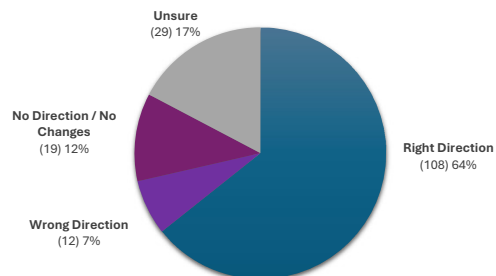
*"I think it's going in the right direction. I am new to this organization, but I am surprised by some of the sentiments from the board and public. The staff I work with are some of the best I've worked with."*

*"The new CEO is already starting to change the culture tremendously, simply by questioning why we do what we do and not just simply taking answers at their face value."*

23

## SANDAG is Headed in the Right Direction

Participants were asked about the current direction of SANDAG relating to ethical climate, and 64% stated that the agency was heading in the **right direction**:



24

## Key Themes

### Theme 4:

**Ethics is an inside job and SANDAG's leadership must lead by example.** Employees want more practical ethics training, and a safe and encouraging environment for SANDAG employees to report wrongdoing.

*"Eliminate a retaliation culture and encourage employees to speak up."*

*"Leadership tends to discourage dissent, fostering a 'shoot the messenger' mentality. Executives primarily seek affirmation, and those who express concerns or propose alternatives frequently face professional repercussions. The culture prioritizes compliance with leadership directives over practicality or advisability."*

*"There's a difference between being encouraged and expected to do something, and actually feeling comfortable doing it."*

25

## Key Themes

### Theme 5:

**More transparency and open communication is needed regarding SANDAG's decision-making processes, goals, objectives and priorities.**

*"There is becoming more of an outright emphasis on transparency, which is good."*

*"I would encourage leadership to be more considerate of the day to day work that frontline employees face. That means reviewing things in a timely manner, being transparent with their goals, critiques, and decision-making processes. When they are non-communicative it erodes the trust between employees and their managers."*

*"I would enhance SANDAG's ethical climate and culture by promoting transparent decision making, encouraging open communication across all levels, and ensuring that ethical training and resources are accessible and regularly updated."*

26

## Key Themes

### Theme 6:

**All levels of the organization need to demonstrate accountability.** This includes the Board of Directors, Executive Management, and Department Directors in setting expectations and tone, owning roles/responsibilities, taking responsibility for the results, and collectively working together to move SANDAG forward.

*"The 'us vs them' mentality--this is apparent not only within the agency, such as between departments, but also between staff and the Board of Directors/elected officials."*

*"We should try to foster more of an attitude of cooperation and teamwork between departments."*

*"The leaders need to learn long term success comes from blending efforts to complete tasks with efforts to develop people ...who are needed to complete the tasks. People who feel valued and feel they are part of a positive effort will stay longer and will help develop others on the team."*

27

## Key Themes

### Theme 7:

**SANDAG's capacity to address its workload is strained.** Evaluate SANDAG's capacity to ensure the organization can effectively meet its mandates, special projects/requests and the demands of process improvements while retaining and investing in its staff.

*"Our established headcount to carry out all the work on our plate; is it the right amount?"*

*"The thinking that we can continue the same heavy workload without adding additional resources. For years, staff have been overworked and overwhelmed...This has led to frustration and a lack of work-life balance. It has also led to an increased attrition rate. I believe that this philosophy has also contributed to a potential lack of ethics in order to deliver results faster."*

*"I would change how overworked staff is. Most of us are stretched to the limit with little capacity to take on new/extra work or implement process improvements."*

28

## What It Means

Point Score	Ethical Climate Rating	What it Means / Recommendations
Per Section: <b>75 - 100</b>  Entire Survey: <b>225 - 300</b>	<b>High</b>	<b>Your agency has a strong ethical environment. Keep up the good work, including such steps as:</b> <ul style="list-style-type: none"> <li>• Incorporating ethics into the hiring and evaluation process for staff.</li> <li>• Conducting regular ethics-related learning opportunities, including examples of ethical dilemmas and ways to resolve them.</li> <li>• Going through specific items on the assessment to identify further opportunities for positive change.</li> <li>• Reinforcing the importance of ethical considerations in agency behaviors and decisions.</li> </ul>
Per Section: <b>50 - 74</b>  Entire Survey: <b>150 - 224</b>	<b>Medium</b>	<b>Take a moment to reflect. Your agency is in a good place but has room to improve by doing the following:</b> <ul style="list-style-type: none"> <li>• Evaluating the areas of weakness indicated by the questionnaire and considering targeted remedial actions.</li> <li>• Analyzing the messages that staff and others receive and send about ethics.</li> <li>• Reviewing the agency's policies, including the criteria by which staff are evaluated.</li> <li>• Consider whether having a code of ethics would be helpful for the agency.</li> </ul>
Per Section: <b>0 - 49</b>  Entire Survey: <b>0 - 149</b>	<b>Low</b>	<b>Your agency's culture needs significant change. Suggested activities include:</b> <ul style="list-style-type: none"> <li>• Identifying the aspects of the agency's culture that foster the problematic behaviors and analyze how to remediate them.</li> <li>• Consulting with your agency's attorney about potential violations of laws and agency regulations.</li> <li>• Following best practices indicated in the boxes above.</li> </ul>

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## Next Steps

- Results will be presented to the SANDAG Board of Directors on January 24, 2025.
- The BOD and Management should consider, as the survey tool recommends, evaluating the areas of weakness indicated by the ECS and considering targeted remedial actions.
- The OIPA will include a hiring and promotion practices audit in next year's audit work plan.

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## Next Steps

- OIPA's "Let's Talk Ethics" Lunch Series --beginning in the first quarter of 2025. The IPA will host a quarterly forum to discuss ethics in the workplace, including guest speakers and interesting case studies.
- The OIPA is rolling out a new third-party 24/7 Whistleblower Hotline in FY 2025, including a web-based platform and call center for employees, contractors, and the public to easily report suspected fraud, waste, abuse, and/or gross mismanagement.
- The OIPA will conduct a follow-up survey in 18 months to report on any changes in SANDAG's ethical climate.

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## Questions?

Independence • Transparency • Accountability

**FILED**  
Clerk of the Superior Court

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

**NOV 18 2024**

### **SUMMARY**

By: T. Cutts, Deputy

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.

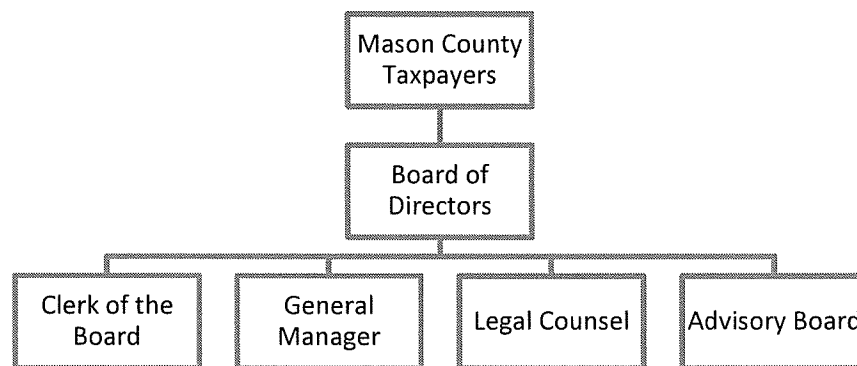
The Grand Jury notes that during the February 2, 2024, Audit Committee meeting the OIPA provided a “Staffing Needs and Structure” brief. The Audit Committee unanimously voted to

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).

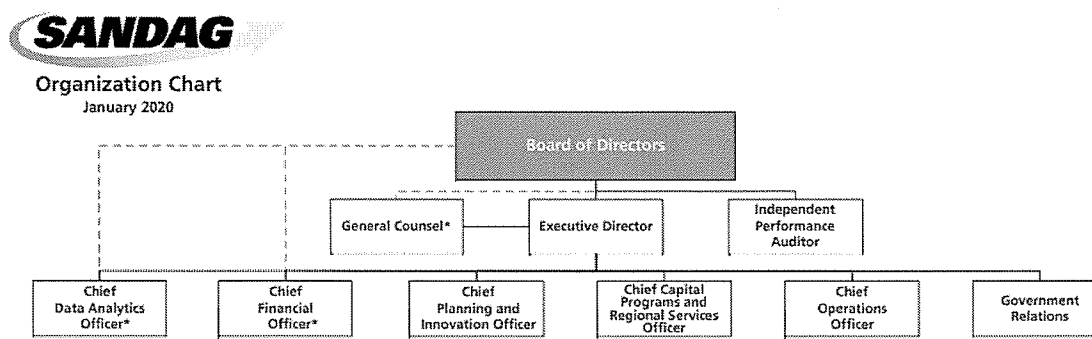


Figure 3. SANDAG Organization Chart

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>3</sup> CA Pub Util Code 132005 California Public Utilities Code Section 132005
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  - <sup>10</sup> "Findings reveal SANDAG misled voters over Measure A." CBS8.com. (August 4, 2017). <https://www.cbs8.com/article/news/findings-reveal-sandag-misled-voters-over-measure-a/509-3677c1f8-9c08-4062-b9d1-b48c9beb718d>
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## 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](#)