



Audit Committee Agenda

**Friday, January 5, 2024
9 a.m.**

Welcome to SANDAG. The Audit Committee meeting scheduled for Friday, January 5, 2024, will be held in person in the SANDAG Board Room. While Audit Committee members will attend in person, members of the public will have the option of participating either in person or virtually.

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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 5, 2024

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 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. Update - 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 Auditor's activities and other sharing events.

Consent

+3. Approval of Meeting Minutes

Approve

Courtney Ruby and Krystal Carranza, Office of the Independent Performance Auditor

The Audit Committee is asked to review and approve the minutes from its December 8, 2023, meeting.

[Meeting Minutes.pdf](#)

Reports

+4. Discussion of SANDAG Board Policy No. 039

Discussion/
Possible
Action

Chair David Zito and Courtney Ruby, Independent Performance Auditor

The Audit Committee is asked to discuss Board Policy No. 039 to determine if any recommendations or amendments to the policy are needed.

[Discussion of SANDAG Board Policy No. 039.pdf](#)

[Att. 1 - Proposed SANDAG Board Policy No. 039 with Redline Changes.pdf](#)

+5. Administrative and Audit Staffing Needs

Discussion/
Possible
Action

Courtney Ruby, Independent Performance Auditor

The Audit Committee is asked to discuss the need for administrative and audit staff to support the Office of the Independent Performance Auditor.

[Administrative and Audit Staffing Needs.pdf](#)

[Att. 1 - Classification Specification for Associate Administrative Analyst.pdf](#)

+6. Proposed Revisions to Audit Plan

Recommend

Courtney Ruby, Independent Performance Auditor

The Independent Performance Auditor will propose revisions to the FY 2024 Audit Plan to support audit investigation needs.

[Proposed Revisions to Audit Plan.pdf](#)

[Att. 1 - Revised OIPA Annual Audit Plan FY 2023-2024 with Redline Changes .pdf](#)
[Att. 2 - Revised OIPA Annual Audit Plan FY 2023-2024 Final.pdf](#)

7. Upcoming Meetings

The next Audit Committee meeting is scheduled for Friday, February 2, 2024,
at 9 a.m.

8. Adjournment

+ next to an agenda item indicates an attachment

January 5, 2024

December 8, 2023, Meeting Minutes

[View Meeting Video](#)

Chair David Zito (Board Member) called the meeting of the Audit Committee to order at 3 p.m.

The members of the Audit Committee and Office of the Independent Performance Auditor (OIPA) staff provided brief introductions to the new Public Members of the Audit Committee.

1. Non-Agenda Public Comments/Member Comments

Chair David Zito briefly mentioned the announcement of the Interim Chief Executive Officer (CEO) as Colleen Clementson.

Truth commented on the new committee members, the new Independent Performance Auditor (IPA), and the new audit committee meeting times.

Mary K. thanked the continuing members of the audit committee and wished the new IPA Courtney Ruby the best of luck.

TheOriginalDra commented on the fraud, waste, abuse, and corruption within SANDAG.

2. Update- Office of the Independent Performance Auditor (OIPA) Activities

IPA Ruby updated the Audit Committee on the active audits and investigations of the OIPA office.

Action: Discussion only.

3. Approval of Meeting Minutes

TheOriginalDra commented on the SANDAG fraud, waste, and abuse.

Action: Upon a motion by Vice Chair Druker and a second by Public Member Pickney-Forrest, the Audit Committee Board voted to approve the meeting minutes from its October 13, 2023, meeting.

Yes: Chair David Zito, Vice Chair David Druker, Public Member Agnes Wong Nickerson, Public Member Shawnee Pickney-Forrest, and Public Member Rowena Dorsey

No: None.

Abstain: None

Reports

4. Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements

IPA Ruby provided the objectives of the audit, mentioned the areas where no non-compliance issues were found, identified the number of recommendations and commended SANDAG management.

4A. Audit Results

Associate Auditor Christopher Delgado presented the objectives, scope, findings, and recommendations for completed audit.

Auditor Delgado, Public Member Wong Nickerson, Public Member Pickney-Forrest discussed the appropriateness of the reimbursements and approval authority for travel requests.

4B. Management's Response and Corrective Action Plan

Senior Director of Organization Effectiveness Melissa Coffelt commended OIPA staff and presented management's response and action plan to the audit.

The Audit Committee, IPA Ruby, and Auditor Delgado discussed the sample size, correction action for non-compliant reimbursements, the follow-up plan for corrective actions, and forwarding the results of the audit to the Board of Directors.

TheOriginalDra commented on the lack of audits on SANDAG's employees and sample size for the audit.

Action: Upon a motion by Public Member Wong Nickerson and a second by Vice Chair Druker, the Audit Committee Board voted to forward the audit results to the Board of Directors for consideration and acceptance.

Yes: Chair Zito, Vice Chair Druker, Public Member Wong Nickerson, Public Member Pickney-Forrest, and Public Member Dorsey

No: None.

Abstain: None

5. Update on Retaining Independent Counsel for the Audit Committee

The Audit Committee and IPA Ruby discussed the need for retaining Independent Counsel to support the OIPA, retaining services on an as-needed basis, the need for the Independent Counsel to specialize in certain areas, and the potential authorization of the Chair and IPA leading the acquisition efforts of the legal counsel. The Audit Committee also inquired about the potential need for these services during the current ongoing investigation. IPA Ruby explained that she did not know if it would be needed at this time.

TheOriginalDra commented on the importance of independent counsel for the Audit Committee.

Action: Upon a motion by Public Member Wong-Nickerson and a second by Vice Chair Druker, the Audit Committee Board voted to authorize the Chair and IPA to acquire independent counsel on behalf of the Audit Committee.

Yes: Chair Zito, Vice Chair Druker, Public Member Wong Nickerson, Public Member Pickney-Forrest, and Public Member Dorsey

No: None.

Abstain: None

6. Toll Road Operations Assessment

Chief Financial Officer (CFO) Andre Douzdijan presented and addressed the allegations regarding the customer account issues on SANDAG toll roads, provided information on the deficiencies, explained SANDAG efforts to eliminate them, provided an overview on toll operations for the Interstate 15 (I-15) and State Route 125 (SR 125), and explained to the Audit Committee who this information was disclosed to upon identifying the issues.

Director of Regional Transportation Services Lucinda Broussard presented the history and timeline on the roadside equipment provider, the back-office system, the process of data flow for tolling operations, the customer billing processes, the accuracy testing conducted and the proposed solution to resolve the accounting issues.

The Audit Committee, CFO Douzdijan, and Deputy General Counsel Amberlynn Deaton discussed the customer accounts and general ledger, the toll road processes, the back-office system and vendor, the legal options available, the discovery of the incorrectly charged accounts, the sample reviewed for the I-15 toll road, a timeline for reconciliation of the accounts, and the disclosure process for the issues.

The Audit Committee, Deputy CEO Ray Major, Deputy General Counsel Deaton, and IPA Ruby discussed resources and timing of a potential audit, management's operations and response approach, non-performing contracts, policies and procedures around reporting, the vendor contract, and OIPA's communication efforts.

Chair Zito, IPA Ruby, and Deputy General Counsel Deaton then discussed the details of a potential investigation and the potential conflicts with the end of year financial audits.

TheOriginalDra commented on SANDAG's accountability and the necessity to look back further regarding toll road issues.

Action: Upon a motion by Chair Zito and a second by Vice Chair Druker, the Audit Committee voted to direct the Independent Performance Auditor to return to the Audit Committee with more information regarding the scoping of an investigation related to Toll Operations, amend the Annual Audit Plan to reflect the changes associated with a potential investigation, and direct management to provide the necessary resources.

Yes: Chair Zito, Vice Chair Druker, Public Member Wong Nickerson, Public Member Pickney-Forrest, and Public Member Dorsey

No: None

Abstain: None

7. Upcoming Meetings

The next Audit Committee meeting is scheduled for Friday, January 5, 2024.

8. Adjournment

Chair Zito adjourned the meeting at 4:40 p.m.

Confirmed Attendance at SANDAG Audit Committee Meeting

December 8, 2023

| 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 | Yes |

January 5, 2024

Discussion of SANDAG Board Policy No. 039

Overview

In accordance with Assembly Bill 805 (Gonzalez, 2017), SANDAG Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities (BP 039) was established to provide guidance on how to carry out the bill. Each year policies are reviewed and, if necessary, revised. Members of the Audit Committee previously discussed and proposed areas of the policy that would benefit revisions or clarifications and thus require Board of Directors action. These revisions were to be presented to the Executive Committee of the Board (Executive Committee) on December 8, 2023, however, at the November 3, 2023, Executive Committee meeting it was requested that the newly appointed Independent Performance Auditor (IPA) review, comment, and confer with the Chair of the Audit Committee on the proposed revisions before being presented to the Executive Committee.

Action: Discussion/Possible Action

The Audit Committee is asked to discuss Board Policy No. 039 to determine if any recommendations or amendments to the policy are needed.

Fiscal Impact:

None.

Schedule/Scope Impact:

None.

Key Considerations

SANDAG Board Policy No. 039: Audit Policy Advisory Committee and Audit Activity is the document that provides direction on how to carry out the AB 805, as it relates to the Audit Committee and the Office of the Independent Performance Auditor.

The intent of the meeting today is for Chair Zito to review all the proposed revisions with the Audit Committee, given there is a new IPA and new Audit Committee members. The Chair will focus specifically on the area that most changes are being proposed: Section 4 – Selection of Audit Committee Members.

Members are asked to discuss and take possible action in regard to the following:

1. Public Membership Selection Process and composition of Selection Committee;
2. Public Members term limits and staggering of members terms;
3. Appointment of the Chair and Vice Chair; and
4. Addition of a Public Member to serve as an alternate.

Next Steps

The Audit Committee is asked to discuss and determine next steps including possible actions to move SANDAG Board Policy No. 039 proposed revisions forward.

Councilmember David Zito, Audit Committee Chair

Key Staff Contact: Courtney Ruby, (619) 595-5323, courtney.ruby@sandag.org

Attachment: 1. Proposed SANDAG Board Policy No. 039 with Redline Changes



BOARD POLICY NO. 039

AUDIT POLICY ADVISORY COMMITTEE AND AUDIT ACTIVITIES

1. Purpose

The purpose of this policy is to specify the functions of the Audit Committee and the SANDAG Independent Performance Auditor.

2. Governance and Role of the Audit Committee

- 2.1 The Audit Committee shall be overseen by the SANDAG Board of Directors and shall govern itself in accordance with Public Utilities Code Sections 132351.4 and 132354.1, and the policies and procedures applicable to all SANDAG Policy Advisory Committees.
- 2.2 Membership of the Audit Committee shall be as set forth in Board Policy No. 002:
- 2.3 Policy Advisory Committee Membership. The Audit Committee shall consist of five voting members with two members of the Board of Directors and three members of the public, all of which shall be appointed by the Board of Directors. Due to the qualification requirements and selection process described in this policy, Audit Committee members and alternates shall be selected according to the processes below.
- 2.4 ~~The Chair of the Board will select~~The Audit Committee members themselves will select by a majority vote of the Committee which members of the Audit Committee will hold the Chair and Vice Chair positions on the Audit Committee ~~every two years or whenever a position is vacant~~for a term of one year.
- 2.5 The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities and provide a forum for pursuing the opportunities for improvements in operations, financial reporting and internal controls identified through the agency's audit products.

3. Authority of the Audit Committee

- 3.1 The Audit Committee may hear items within the subject areas of audits, internal controls and investigations into fraud, waste, or impropriety, and may be asked to provide actions or recommendations on other matters within the Audit Committee's purview. The responsibilities of the Audit Committee include:
 - 3.1.1 Recommend to the Board which firm to contract with to conduct the annual financial statement audits and oversee the conduct of such audits.
 - 3.1.2 Meet with management and the independent performance auditor to review and discuss SANDAG's annual financial statement audits, internal control reports and other audits performed by external auditors.

- 3.1.3 Review and oversee the implementation of corrective action to address noted audit deficiencies.
- 3.1.4 Based on the Board's direction regarding whether to hire an individual or firm, recommend to the Board which individual or firm to hire to carry out independent performance auditor responsibilities.
- 3.1.5 Recommend to the Board the annual compensation of the independent performance auditor.
- 3.1.6 Oversee the work of the independent performance auditor in preparing and issuing audit and investigative reports and other audit, review or attest activities.
- 3.1.7 Approve the annual audit plan after discussion with the independent performance auditor, pursuant to Public Utilities Code Section 132354.1(b), and make recommendations to the Board regarding the budget needed to carry out the annual audit plan of the independent performance auditor.
- 3.1.8 Monitor the implementation of the annual audit plan and provide an annual report to the Board.
- 3.1.9 Monitor the implementation of corrective action identified in audit and investigative reports and inform the Board when corrective action is insufficient or untimely.
- 3.1.10 Independently communicate with the IPA consistent with the limitations set forth in the Brown Act.
- 3.1.11 Conduct the independent performance auditor's annual performance evaluation against performance measures established and adopted by the Audit Committee.
- 3.1.12 Vote on whether to remove the independent performance auditor for cause including, but not limited to incompetence, dishonesty, unethical behavior, violation of state or federal laws, or failure to maintain required professional certifications; such removal being subject to an approving vote by two-thirds of the Audit Committee and the Board.
- 3.1.13 Recommend internal control guidelines to be adopted by the Board to prevent and detect financial errors and fraud based on the internal control guidelines developed by the State Controller pursuant to Government Code Section 12422.5 and the standards adopted by the American Institute of Certified Public Accountants.

4. Selection of Audit Committee Members

- 4.1 The Board members serving on the Audit Committee shall be appointed by the Board using the procedures in this subsection 4.1.
 - 4.1.1 The two Board members and any Board member alternates serving on the Audit Committee shall be recommended for appointment by the Chair of the Board. The Chair of the Board shall select Board members to recommend to the Board based on the following criteria:

- 4.1.1.1 The Board member shall have served on the Board for at least three years;
 - 4.1.1.2 The Board member shall have a basic understanding of the role of the Audit Committee; and
 - 4.1.1.3 The Board member shall express a willingness to work through the Audit Committee to pursue opportunities for improvements in operations, financial reporting, and internal controls identified through the agency's audit products.
- 4.1.2 The Board members recommended by the Chair of the Board shall be subject to approval by a majority vote of the Board.
- 4.1.3 Audit Committee members shall serve until their successors are appointed. In the event that the Board member who has been appointed to serve on the Audit Committee is no longer a primary or alternate member of the Board of Directors, the position shall be considered vacant. If and when vacancies in the voting membership of the Audit Committee occur, the same selection process as outlined above shall be followed to select a replacement.
- 4.1.4 Board members appointed to the Audit Committee shall serve a term of two years. At the completion of a term, eligible incumbent members will need to apply for reappointment for another term. In no case shall any member serve more than ~~five-six~~ years on the Audit Committee, but may reapply after a hiatus of a full term.
- 4.2 The public members serving on the Audit Committee shall be appointed by the Board using the procedures in this Subsection 4.2.
 - 4.2.1 Whenever there is a vacancy for a public member seat on the Audit Committee, application forms will be made available on the SANDAG website for persons interested in applying for an Audit Committee position. Applications shall be due within 30 days after the application forms are posted. Only candidates who submit an application by the deadline will be considered.
 - 4.2.2 Applicants shall possess the independence, experience, and technical expertise necessary to carry out the duties of the Audit Committee. This expertise includes, but is not limited to, knowledge of accounting, auditing, and financial reporting. The minimum professional standards for public members shall include at least ten years of experience as a certified public accountant or as a certified internal auditor, or ten years of other professional accounting, financial, or legal experience in audit management.
 - 4.2.3 ~~The candidates shall be recommended by a majority vote of a screening committee composed of a member of the Board selected by the Chair of the Board, the chief financial officer or finance director of a SANDAG member agency, and at least one outside financial expert appointed by the other two members of the screening committee and confirmed by the Board. A five~~ person Selection Committee shall be convened comprised of a Board Member or Board Member Alternate sitting on the Audit Committee, a

Public Member or Public Member Alternate sitting on the Audit Committee, SANDAG's ~~current~~ Independent Performance Auditor or an OIPA upper management level staff person, and SANDAG's Chief Financial Officer or an upper management level staff person from SANDAG Finance, and one outside government financial expert. The Chair of the Audit Committee, the Independent Performance Auditor, and the Chief Financial Officer shall appoint the members of the Selection Committee subject to the composition rules in this section. The outside government financial expert will be confirmed by the Board of Directors. The outside government financial expert may serve until replaced by the Board's appointment of a new outside government financial expert to the Selection Committee.

Persons serving on the screening committee shall sign a declaration establishing that they do not have a conflict of interest.

4.2.4 ~~The screening committee may interview one or more of the candidates. The screening committee shall submit its recommended nominee(s) for the position(s). The screening committee also may nominate alternates from among the applicants. The Selection Committee shall score the applicants against criteria which are informed by section 4.2.2 above and which are agreed upon by the Audit Committee.~~

4.2.5 ~~In the event that the screening committee is unable to recommend any of the applicants for any or all positions, or an insufficient number of applications have been received, the screening committee may recommend a supplemental process, subject to Board approval. The constraints set forth in the normal nomination process shall not be mandated to apply to the supplemental process. The Selection Committee may choose to interview applicants to help determine finalists to be considered, and the results of such interviews shall be incorporated into the final scoring.~~

4.2.6 ~~The public members nominated by the screening committee shall be subject to approval by a majority vote of the Board. Applicants scoring within no more than 20% of the top-scoring candidate shall be considered finalists.~~

~~4.2.7~~ The applicants to be forwarded to the Board for approval shall be chosen by a random draw from the finalists.

~~4.2.7~~ 4.2.8 Audit Committee members shall serve until their successors are appointed. If and when vacancies in the voting membership of the Audit Committee occur, the same selection process as outlined above shall be followed to select a replacement to fill the remainder of the term.

4.2.9 Public members appointed to the Audit Committee shall serve a term of ~~two~~ three years. At least two months prior to the completion of a term, eligible incumbent members ~~will need to apply for reappointment for another term, may request reappointment for another term, and it will be at the discretion of the Selection Committee either to approve such request or require the full advertisement and selection process described above in this section. Other than instances in which a term is extended because of a delay in selecting a successor or to otherwise avoid having all three public members term out in the same year, members may not serve more than six~~

consecutive years on the Audit Committee, but may reapply following a hiatus of at least one full term. To avoid having all three public members termed out at the same time, the Selection Committee will be given the discretion to lengthen the term of a sitting public member by no more than one year. In no case shall any member serve more than five years on the Audit Committee.

4.2.10 A public member non-voting alternate shall also be selected, with a term pursuant to 4.2.98. Such public member alternate shall be chosen by the Selection Committee from volunteers among prior public members. Should no prior public member volunteer, the selection committee will select a member from finalists, per 4.2.4 above, not selected for Committee membership or a prior public member who has notified the Audit Committee in writing by the application deadline, per 4.2.1. In the event a prior public member serves as a non-voting alternate, consecutive service cannot exceed 4 terms (2 terms as a public member and 2 terms as a public member non-voting alternative) without a hiatus of a full term.

5. Selection of Independent Performance Auditor

- 5.1 The independent performance auditor shall serve a two-year term and shall be selected by the Board on the basis of qualifications and experience, which include, but are not limited to:
 - 5.1.1 At least ten years of experience performing audits under Government Audit Standards;
 - 5.1.2 At least five years of management experience;
 - 5.1.3 A Bachelors or higher degree in business, public administration, finance, accounting or a related field; and
 - 5.1.4 Possession of a Certified Public Accountant or Certified Internal Auditor license or certificate.

6. Scope of Authority and Responsibilities of Independent Performance Auditor

- 6.1 The independent performance auditor shall report to the Audit Committee and shall be independent of SANDAG's internal management and administration, except that SANDAG's Director of Finance role shall maintain administrative oversight of the IPA's monthly timesheets and tracking of annual leave.
- 6.2 The objective of the IPA is to serve as the Board of Directors oversight function that objectively evaluates and recommends improvements to SANDAG including prioritizing its efforts by continuously facilitating an objective risk assessment. The Independent Performance Auditor's audit functions are designed to include timely reporting of significant issues to appropriate oversight authorities.
- 6.3 The IPA may facilitate and conduct a risk assessment process to assist management to logically identify key risks within SANDAG and its components and shall annually present and discuss risk with the Committee to receive input and feedback. As part of the aforementioned process, the IPA shall receive input from SANDAG's executive

management and staff, the Committee, and the Board of Directors as to the risk factors that the Committee deems most important to SANDAG.

- 6.4 Based upon the results of the risk assessment, the independent performance auditor shall annually prepare an audit plan and conduct audits in accordance therewith. The independent performance auditor shall have authority to conduct, or to cause to be conducted, performance audits of SANDAG departments, offices, boards, activities, agencies, and programs and perform those other duties as may be required by the Board or as provided by the California Constitution and general laws of the state.
- 6.5 The IPA will oversee and conduct independent examinations, including audits, of SANDAG programs, functions, operations, or management systems and procedures. In performing such audits, the IPA will independently and objectively assess whether:
 - 6.5.1 Activities and programs being implemented have been authorized by the appropriate governing laws or codes, state or local law, or applicable federal law or regulations.
 - 6.5.2 Activities and programs are in compliance, properly conducted, and funds expended in accordance with the applicable laws.
 - 6.5.3 The departments, divisions, or agencies are acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, equitably, and effectively, and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation.
 - 6.5.4 The entity, programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices.
 - 6.5.5 The desired result or benefits are being achieved.
 - 6.5.6 Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of revenues and other resources.
 - 6.5.7 Management has established adequate operating and administrative procedures and practices, fiscal and accounting systems, and an adequate system of controls or internal management controls.
 - 6.5.8 Indications of fraud, abuse, waste, misappropriation, or illegal acts are valid and need further investigation.
- 6.6 The IPA may also perform external reviews of contracts or service programs of entities that are awarded funds overseen by SANDAG.
- 6.7 The independent performance auditor shall from time to time advise the Audit Committee on existing and evolving governance practices that may be best suited for SANDAG.
- 6.8 The independent performance auditor shall follow the most recent version of

Generally Accepted Government Auditing Standards as published by the United States Government Accountability Office.

- 6.9 The Committee shall approve the processes pertaining to follow-up audit procedures, if appropriate. The IPA shall have procedures in place to track, monitor, and evaluate the status of identified control issues with a tracking mechanism and with consideration to the risk of each issue and the cost and benefit of various audit procedure alternatives.

All officers and employees of SANDAG shall furnish to the independent performance auditor unrestricted access to employees, information, and records, including electronic data, within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts, and methods of business required to conduct an audit or otherwise perform audit duties. It is also the duty of any consolidated agency officer, employee, or agent to fully cooperate with the auditor, and to make full disclosure of all pertinent information, with the exception of information that is protected by law from disclosure.

- 6.10 The IPA shall hold data and information obtained during the course of its audit activities with due care and the appropriate level of confidentiality. Unless otherwise mandated by law, the IPA shall have authority to grant, limit, and restrict access to work papers and records.
- 6.11 The IPA shall communicate results of its work and otherwise known issues to management and the Committee. The IPA shall form and report appropriate opinions based on audit evidence. Management shall provide responses to issues in a prompt and efficient manner. Written reports may be distributed to the Committee, SANDAG's Management, and if appropriate for reports containing significant issues or when there is a disagreement with management other than minor in nature, to the Board of Directors. The IPA shall provide summary information to the Committee pertaining to issues resulting from audit procedures as well as known issues outside of the audit scope of review. Additionally, the IPA shall provide the Committee with an annual assessment as to the effectiveness of management's attention to resolving identified control issues.
- 6.12 The independent performance auditor shall prepare a proposed budget and submit it to the Audit Committee for a recommendation to the Board of Directors for its approval 180 days prior to the beginning of each fiscal year or as otherwise requested by the Director of Finance.
- 6.13 The independent performance auditor shall have the power to appoint, employ, and remove assistants, employees, and personnel as deemed necessary for the efficient and effective administration of the affairs of the independent performance auditor. The independent performance auditor may prescribe the duties, scope of authority, and qualifications of employees and consultants overseen by the independent performance auditor. The independent performance auditor's authority shall be subject to the annual audit plan and the budget approved by the Board, SANDAG rules and policies related to the management and hiring of SANDAG employees and consultants, and the scope of the independent performance auditor's purview as determined by the Board.

- 6.14 The independent performance auditor may investigate any material claim of financial fraud, waste, or impropriety within SANDAG and for that purpose may summon any officer, agent, or employee of the consolidated agency, any claimant, or other person, and examine him or her upon oath or affirmation relative thereto. The independent performance auditor will conduct investigations generally following the procedures recommended by the Association of Certified Fraud Examiners' Fraud Examiners Manual for any allegations of financial fraud, waste or impropriety. ^(L)~~(S)~~ Prior to questioning any person under oath, the independent performance auditor shall advise the members of the Audit Committee of that intention, seek legal counsel from the Office of General Counsel or outside counsel under contract to SANDAG regarding the relevant legal issues, and document the reasons why the questioning must be done under oath instead of by some other form of affirmation.
- 6.15 The independent performance auditor shall coordinate audit functions such that there is no duplication of effort between the audits undertaken by the independent performance auditor and audits undertaken by the Independent Taxpayer Oversight Committee.
- 6.16 Pursuant to Government Code section 8546.7, when the amount of a contract will exceed \$10,000, SANDAG and the State Auditor, at the request of SANDAG or as part of any audit of SANDAG, have authority to examine and audit a contracting party for a period of three years after SANDAG's final payment on the contract, whether or not audit language is included in the contract document. As an additional measure, all SANDAG contracts with consultants, vendors, or agencies in excess of \$25,000 in aggregate within a fiscal year, which call for a contracting party to provide goods or services to SANDAG over a period of time, will be prepared with an adequate audit provision to allow the independent performance auditor access to the entity's records needed to verify compliance with the terms specified in the contract. The intent of this provision is to put parties contracting with SANDAG on notice that the independent performance auditor will have the right to audit both the party's accounting methods and performance on such contracts
- 6.17 Results of all audits and reports shall be made available to the public in accordance with the requirements of the California Public Records Act (Chapter 3.5 [commencing with Section 6250] of Division 7 of the Title 1 of the Government Code). Final versions of formal reports also shall be posted on the SANDAG website.

- 6.18 All materials or services needed by the independent performance auditor shall be procured using an open and competitive basis with solicitation of proposals from the widest possible number of qualified firms as prescribed by SANDAG procedures for procurement. The scope of work of all such consultant work shall be subject to approval by the independent performance auditor prior to any such solicitation.

Adopted: December 2017

Amended: January 2019

Amended: September 2019

Amended: 2023

January 5, 2024

Administrative and Audit Staffing Needs

Overview

The Office of the Independent Performance Auditor (OIPA) identified a need for administrative support in performing professional, analytical, and administrative duties. This position would perform administrative duties currently being performed by Associate level and Principal level audit staff and it would also address unmet analytical and programmatic needs critical to the OIPA's ability to maximize productivity and organizational impact. The need for administrative support was previously discussed by the Audit Committee on October 13, 2023, and received support. The request is expanded to include analytical and programmatic support.

Action: Discussion/Possible Action

The Audit Committee is asked to discuss the need for administrative and audit staff to support the Office of the Independent Performance Auditor.

Fiscal Impact:

\$126,333 for annual salary and benefits for budgeting purposes. Associate Administrative Analyst salary range is \$65,793-\$101,979.

Schedule/Scope Impact:

FY 2024 forward.

Key Considerations

All administrative duties in the OIPA are currently being performed by an Associate level auditor and a Principal level auditor including capturing meeting minutes, agenda setting for the Audit Committee, Board of Directors meetings, meeting coordination, calendar setting, report template development, proofreading, and editing, as well as other administrative duties.

The audit staff is currently limited to five full-time personnel in addition to the appointed Independent Performance Auditor (IPA). Providing an administrative support staff person would reduce the costs of performing administrative duties and allow professional audit staff to appropriately focus on audit, investigative, and assessment work, thus increasing the OIPA's technical capacity.

Additionally, there are significant unmet needs occurring in the OIPA that a professional, administrative, and analytical position would be able to effectively address, thus increasing productivity, capacity, accessibility, and organizational impact. A critical component of an effective audit function is effective report writing and presentation. This position would be responsible for report processing, including the creation and maintenance of standardized reports and communication templates. Currently, audit staff is performing these functions and reassigning these responsibilities would increase the OIPA's audit capacity. Another critical component is the audit recommendation follow-up process, referred to in SANDAG as the "Corrective Action Plan" or CAP. This position would work with the IPA to design and implement a recommendation dashboard that would include all audit and investigation recommendations and would be updated regularly to reflect management's progress on outstanding recommendations. While the OIPA does not currently have an online dashboard, audit staff are currently responsible for tracking management's progress on audit recommendations, and reassigning this responsibility would increase the OIPA's audit capacity. This position would also work with the IPA on solicitations, such as the Request for Proposal (RFP) for independent legal counsel, corresponding administrative management of the contract, the development and execution of an outreach strategy for the OIPA's Whistleblower Program to ensure employees are knowledgeable about the program, how to submit a Whistleblower Report, and the protections afforded to Whistleblowers. Other duties assigned would include records management, updating the OIPA's policies and procedures annually, and various administrative and analytical projects to assist in the efficiency of the OIPA's operations.

The need for the position is immediate and is considered a confidential position, which requires an individual who is independent in both fact and appearance from SANDAG management.

The Audit Committee is asked to discuss the need for a full-time administrative and analytical position dedicated to the OIPA and make any recommendations needed to the BOD to authorize recruitment and funding needed to accommodate this position.

Next Steps

If agreed upon, the Audit Committee recommends the Board to proceed with a recruitment and identification of funding for this position. If approved by the Board, OIPA will work with Human Resources to ensure that the job description advertised specifies the needs of the OIPA and addresses the need for maintaining confidentiality and avoiding any conflicts of interest.

Courtney Ruby, Independent Performance Auditor

Key Staff Contact: Courtney Ruby, (619) 595-5323, courtney.ruby@sandag.org

Attachment: 1. Classification Specification for Associate Administrative Analyst

ASSOCIATE ADMINISTRATIVE ANALYST for the Office of the Independent Performance Auditor

Under general supervision the Associate Administrative Analyst will perform and coordinate professional, analytical, and administrative duties to support SANDAG Office of the Independent Performance Auditor's programs including audit services, the Whistleblower Program, and executive management; oversee assigned administrative processes, procedures, and programs; and provide technical and professional assistance to senior level staff. The Associate Administrative Analyst may exercise technical and functional lead supervision over lower-level staff.

Examples of Essential Duties

Duties may include, but are not limited to, the following examples. The order may not represent the relative importance of duties assigned to an individual employee.

- Perform and coordinate professional, analytical, and administrative duties in support of assigned program areas.
- Develop project plans, Requests for Proposals (RFPs), scopes of work, project deliverables, budgets, and schedules; participate in the selection of consultants/contractors/vendors; administer contracts; review the work of project consultants/contractors/vendors; ensure projects progress on schedule, within the approved budget, and at a consistently high level of quality.
- Participate in meetings with committees, outside agencies, and organizations, and/or community groups.
- Prepare and present written, oral, and visual reports to the Board of Directors, Policy Advisory and stakeholder committees, outside agencies, and organizations, and/or community groups.
- Participate in the development of complex, comprehensive manuals for assigned programs; develop and present training sessions.
- Update and maintain database applications for assigned program area.
- Assist with the development and implementation of new or revised programs, policies, procedures, and methods of operation in support of assigned program areas; assist with recommending and implementing enhancements to ensure effective systems and services are in place.
- Collect, compile, and analyze information from various sources on a variety of topics projects and activities in support of assigned program areas; prepare technical records and reports to interpret and present data.
- Coordinate assigned program area activities with other departments; provide

information and assistance regarding programs and projects; receive and respond to routine concerns and questions.

- Provide assistance to senior level staff and executives.
- Perform related duties and responsibilities as assigned.

Examples of Essential Qualifications

Administrative Analyst I and II

Knowledge of:

- Research and reporting methods, techniques, and procedures.
- The structure and content of the English language, including the meaning and spelling of words, rules of composition, and grammar.
- Modern equipment and communication tools used for business functions and program, project, and task coordination.
- Computers and software programs (e.g. Microsoft software packages) to conduct research, assess information, and/or prepare documentation.
- Safe driving principles and practices.

Ability to:

- Perform professional, analytical, and administrative work.
- Work in a fast-paced, professional office environment, and balance multiple projects and deadlines.
- Communicate clearly and concisely, both orally and in writing, using appropriate English grammar and syntax.
- Prepare clear and concise correspondence and reports.
- Establish and maintain cooperative working relationships with those contacted in the course of business, including other employees, managers and executives, vendors, consultants, contractors, and the public.
- Effectively use computer systems, applications, and modern business equipment to perform a variety of work tasks.
- Safely operate a motor vehicle.

Associate Administrative Analyst

In addition to the qualifications for Administrative Analyst I and II:

Knowledge of:

- Principles and practices of business/office services and executive office management. .
- Organizational and management practices as applied to the analysis, evaluation, development, and implementation of programs, policies, and procedures.
- General project and contract management principles and concepts.
- Various methods and techniques to reach mutually agreeable solutions and outcomes.

Ability to:

- Perform the full range of responsible and difficult professional, analytical, and administrative work involving the use of independent judgment and personal initiative.
- Assist in the development and maintenance of a program including policies, operating procedures, and implementation guidelines.
- Plan, organize, and carry out assigned work with minimal supervision and direction.
- Interpret and apply federal, state, and local policies, procedures, laws, regulations, and administrative and departmental policies and procedures.

Minimum Qualifications:

Any equivalent combination of experience and education that would provide the required knowledge and abilities is qualifying. A typical way to obtain the required knowledge and abilities would be:

Experience:

Associate Administrative Analyst

Three or more years of increasingly responsible, professional program administration experience in areas such as business/office services, executive office management, or project and contract management; two or more years of experience equivalent to an Administrative Analyst II.

Education:

A Bachelor's degree from an accredited college or university, with major course work in public administration, business administration, or a related field. A Master's degree is desirable.

License or Certification:

Possession of an appropriate, valid driver's license.

ADA Special Requirements:

The essential duties for this classification are performed in the work environment described below and require the following physical and mental abilities:

The standard office position requires an employee to access their work location, attend meetings, use computerized workstations, and lift paperwork and light-weight equipment or resources (less than 20 pounds). Typically, an employee will need to walk, stand, sit, use a keyboard, see, hear, bend, lift, and twist. The employee obtains information from oral instructions, conversations, written reports, email, the Internet, and professional publications, and will process and analyze the information obtained. The employee will provide information orally or in writing, and work on numerous concurrent projects and tasks under deadlines. Typically, an employee will need to mentally process and analyze complex information, compose complex responses, interact with others, and present information and reports.

January 5, 2024

Proposed Revisions to Audit Plan

Overview

In accordance with Assembly Bill 805 (Gonzalez, 2017) and SANDAG Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities (Board Policy No. 039), Section 3.1.7, the Independent Performance Auditor (IPA) has prepared for discussion and approval the proposed Revised Office of the Independent Performance Auditor (OIPA) Annual Audit Plan (Plan) for the period of July 1, 2023, through June 30, 2024.

Action: Recommend

The Independent Performance Auditor will propose revisions to the FY 2024 Audit Plan to support audit investigation needs.

Fiscal Impact:

Potential Fund Recovery.

Schedule/Scope Impact:

None.

Key Considerations

The IPA is responsible for reviewing the audit plan quarterly to ensure performance measures, goals, and auditing/investigative activities are on track to meet the approved plan. When necessary, the IPA will propose audit plan revisions to the Audit Committee. The IPA is proposing revisions to the Audit Plan for FY 2023-2024 to increase hours for the contracts and procurement invoicing and payments audit series of ten contractors, while also reducing the number of contractors to be audited in FY 2023-2024 to five contractors. Additionally, investigation hours are being increased due to the State Route 125 (SR 125) investigation initiated in December 2023. The proposed revisions to the Audit Plan for FY 2023-2024 are taken into consideration by the current status of audits and investigations in progress, planned audit and investigative work yet to be initiated, and corrections to previous hours available for audits and investigations.

The flexibility of the audit planning process as designed allows for unplanned engagements at the request of the IPA, Board of Directors, Audit Committee, and Executive Director, and in response to fraud, waste, abuse, and mismanagement complaints. The proposed revision to the audit plan incorporates the resources needed for the SR 125 investigation initiated in December at the request of the IPA, Board, and Audit Committee.

Additionally, the IPA proposes replacing the current OIPA's Goal-03 with a new goal to prioritize investigating areas of potential fraud, waste, abuse, and mismanagement. An effective Whistleblower Program deters instances of fraud, waste, abuse, and mismanagement, and reduces losses to an organization through early detection. While the OIPA has always performed investigations, it is the intent of the IPA to increase employee awareness of the OIPA's Whistleblower Program. To meet this goal, the OIPA will perform timely investigations in the areas of fraud, waste, abuse, and mismanagement; prioritize resources based upon potential impact to the organization, public, and stakeholders; and place an emphasis on educating SANDAG employees on the OIPA's Whistleblower Program, including Whistleblower protection from retaliation. The proposed goal replaces the original goal to provide guidance and suggested best practices regarding hiring and staff retention. While important, this work can be incorporated into future audits when the annual risk assessment process identifies hiring and staff retention as a priority audit area.

Next Steps

The recommended Revised Annual Audit Plan for FY 2023-2024 will go to the Board in January for Board consideration and adoption. Once the revised plan is adopted, the plan will be posted to the OIPA website.

Courtney Ruby, Independent Performance Auditor

Key Staff Contact: Courtney Ruby, (619) 595-5323, courtney.ruby@sandag.org

Attachments:

1. Revised OIPA Annual Audit Plan FY 2023-2024 with Redline Changes
2. Revised OIPA Annual Audit Plan FY 2023-2024 Final



San Diego Association of Governments

Office of the Independent Performance Auditor

Courtney Ruby, CPA, CFE
Independent Performance Auditor

ANNUAL AUDIT PLAN
REVISED January 5, 2024
For the period of
July 1, 2023 to June 30, 2024

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR
AUDIT PLAN
FOR THE PERIOD OF July 1, 2023 THROUGH JUNE 30, 2024**

I. STRATEGIC GOALS AND ACTIVITIES

Strategy

To ensure that the Office of Independent Performance Auditor's (OIPA) plan is successful, it must be strategically designed and agile. The plan for fiscal year 2023-24 has been updated and continues to consist of defined goals that encompass OIPA's planned audits based on OIPA's overall stated actions. To ensure the plan is properly designed, OIPA includes actions to help ensure and support a plan that results in success, can be nimble, and contributes to SANDAG becoming a more efficient and effective agency. The OIPA's goals focus on end-result based outcomes for the agency while supporting how the OIPA achieves success. The OIPA's goals and actions are prioritized and shown in the following table.

| OIPA's Goals & Benefits Derived | Priority | OIPA's Goals | Actions |
|--|----------|---|--|
| OIPA Goal -01 Efficiencies and Effectiveness | 1 | Continue to work directly with SANDAG's CEO, Deputy CEOs to identify areas where improvement is needed regarding policies, procedures, and system controls. This will help the organization to become more effective and efficient with their resources. | Perform audits and reviews on a continuous basis around areas of p-card and reimbursement transactions, contracts and procurement, and other audits that will bring improvements to the agency. |
| OIPA Goal – 02 Efficiencies and Effectiveness Good System of Controls | 2 | Work directly with the Director of Technology on the development of the agencywide ERP system. | Engage and provide guidance to management and staff regarding system controls that should exist within an automated system to ensure that controls are built into the system vs manual controls. Work closely with the Director of technology to ensure that the new ERP system has good system controls while developing workflows. Further, to help ensure that contractors charged with system implementation that includes budget, accounting, and contracts are timely with their tasks, actions, and commitment and staying within the budget and scope of the project according to the agreement/contract. And, where there are delays, ensure that management is addressing and documenting deficiencies and holding the contractor accountable. |
| OIPA Goal— 03 Opportunity and Success of the Agency Mission and Objectives | 2 | The IPA will work with management to provide guidance to help them develop and maintain processes and procedures that help to support best practices to retain qualified talent and that helps to bring an environment that encourages and motivates SANDAG employees while keeping within in the guidelines that govern public agencies. | The IPA will continuously work to provide guidance and suggested public agency best practices regarding hiring and retaining talent and motivating staff while ensuring guidelines are followed, proper documentation is maintained, and equality among employees is consistently applied and is properly supported and justified. |
| OIPA Goal - 03 Deterrence and Detection of Fraud, Waste, Abuse, and Mis- | 1 | <u>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. An effective Whistleblower program deters instances of fraud, waste, abuse and mismanagement, and reduces losses to an organization through early detection.</u> | <u>Perform timely investigations in the areas of fraud, waste, abuse and mismanagement. Prioritize resources based upon potential impact to the organization, public and stakeholders. Place an emphasis on educating SANDAG employees on the IPA's Whistleblower program including Whistleblower protection from retaliation.</u> |

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| | | | |
|--|-----------|---|---|
| managemen t | | | |
| OIPA Goal – 045 Efficiencies and Effectiveness Good System Controls and Transparency and Accountability | 23 | The IPA and OIPA staff will work to ensure that the Corrective Actions Plans that are approved by the Board are implemented and within the stated dates. The OIPA will ensure that CAP actions are being followed and adhered to . | The OIPA auditors will incorporate substantive and dual testing into the audits and review perform ances ed to ensure that management and staff are following updated policies and procedures. |

II. PERFORMANCE MEASURES FOR FY 2023-2024

The OIPA's performance measures for FY 2023-2024 are aligned with SANDAG Strategic Initiatives (SSI) that were previously set and were developed and approved by the Audit Committee. Further, these performance measures will be used during the review of the IPA's annual performance review (IPA). Lastly, the OIPA measures ~~were~~are designed to ensure adherence~~s~~ to professional auditing standards (PAS) and in consideration of staff development goals (SDG).

| The IPA's Performance Measure Goals | PM No. | Type | Alignment | On Target | Exceeds |
|--|---------------|---|---------------------|---------------------------|--------------------------|
| CPE- Professional Continued Education (IPA) 100% of auditors adhere to professional certificate/licensing requirements and competency needs every two years and at least 40 hours annually by December 31, 2021 . | 1 | Quality/ Teamwork | PAS/SDI/ IPA | 90% | 100% |
| Percentage of planned engagements vs. number of engagements conducted. 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. | 2 | Outcome/ Leadership | SSI/PAS/ SDI/IPA | 80% | 85% |
| Budgeted vs. actual audit hours per engagement (OIPA) Complete audits in an efficient and effective manner, measured by the number of hours budgeted per audit vs actual hours expended per audit. | 3 | Outcome/ Leadership | SSI/PAS/ SDG/IPA | 70 80 % | 80 5 % |
| Percentage of OIPA's key goals achieved. 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. | 4 | Outcome/ Operational | SSI/SDG/ IPA | 70% participation | 80% participation |
| Public Transparency and Accountability 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 | 5 | Quality/ Operational/ Communication | SSI/IPA | 100% | 100% |

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR
AUDIT PLAN
FOR THE PERIOD OF July 1, 2023 THROUGH JUNE 30, 2024**

| | | | | | |
|---|---|---------------------------|---------|------------------------------------|-------------|
| <p>basis.</p> <p>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.</p> <p>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.</p> | | | | | |
| <p>Communication and Relationship Development</p> <p>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.</p> | 6 | Outcome/ Communication | SSI/IPA | Not less than satisfactory or 70%. | Exceeds 80% |

III. AUDIT PLAN FOR FY 2023-24

The OIPA's Audit Plan (plan) includes goals and actions (identified above) in addition to audits, reviews, and other engagement types (defined below). The plan is a tool used to document planned assessments, audits, reviews, and other engagements that are performed by the OIPA to help carry out and fulfill Assembly Bill 805 (Gonzalez, 2017) and Board Policy No. 039. The OIPA auditors are SANDAG's first line of defense against external audits performed by state and federal auditors and can help prevent and detect issues prior to external reviews that can result in unnecessary negative findings. The OIPA will work with SANDAG's external auditors to help ensure there is no duplication of work and that the work performed by the Independent Performance Auditor's (IPA) staff compliments and brings value, accountability, and transparency to SANDAG.

The plan is risk-based and designed to perform engagements that help to identify areas of improvements, provides guidance and support to SANDAG employees, and helps to ensure ~~that~~ there are good system ~~of~~ internal controls, and ~~that~~ processes and procedures are operating effectively and efficiently. Additionally, the plan accounts for the OIPA's responsibility regarding the detection and prevention of fraud, waste, ~~and~~ abuse, ~~and mismanagement~~ mismanagemnt around SANDAG's departments, programs, and major projects, while supporting a proactive attitude and a more responsible government agency. Lastly, the plan is agile ~~which will allow~~ ing for the auditors to provide resources that are flexible and nimble ~~that will to~~ benefit the organization.

The IPA presents the following FY2023-24 revised audit plan for Audit Committee approval. The plan consists of two parts. The first part is achieved ~~with~~ efforts by the IPA and is linked to the defined goals and performance measures to ensure accountability, ~~and~~ success and supports to the annual operations of the OIPA. The next part involves the use of direct audit and investigative resources and ~~will~~ focus on engagement objectives that includes operational processes, ~~and~~ system of internal control reviews and other engagement types. In addition to these planned engagements, the OIPA may accept unplanned engagements at the request of SANDAG's Board, Audit Committee, and Executive Director, and in response to Fraud, Waste, ~~and~~ Abuse, ~~and Mismanagement~~ complaints; these types of requests are made to the IPA and brought to the Audit Committee for consideration and adjustment of hours to the budgeted audit plan.

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR
AUDIT PLAN
FOR THE PERIOD OF July 1, 2023 THROUGH JUNE 30, 2024**

A. Part I – Defined Goals and Performance Measures

| IPA Operational Activity/Task | Est. Date or Time Commitments | Impact |
|--|----------------------------------|---|
| Audit Committee | Monthly | Compliance/Operational/ Transparency |
| OIPA staff and Executive meetings | Weekly | Operational |
| Board and PAC meetings | Monthly | Compliance/Operational |
| Planning Annual Auditor Training | September | Compliance/Staff Development/Quality |
| Annual Review of Professional Standards and Update to Engagement Manual and OIPA Policies and Procedures | August | Compliance/Quality |
| Review of OIPA Website, update information, reports, dashboard, and policies and procedures, etc. | Aug/Sept | Operational/Transparency |
| Prepare update report on Fraud, Waste and Abuse, and Mismanagement to the AC | Quarterly Annually | Transparency |
| OIPA staff performance reviews | Annually | Operational/Staff Development |
| Review, testing, and reporting of Corrective Action Plans (CAPs) resulting from OIPA audits. | Quarterly | Compliance/Transparency |
| Review and update audit plan to ensure performance measures and goals are on track and to make necessary revisions. | Quarterly | Compliance/Operational/ Quality |
| Review and update Smartsheet reports and tracking sheets. | Quarterly | Operational |
| Annual Budget Planning | April/May/June | Compliance/Operational |
| Audit Risk Discussion with Board Members and Executive staff for FY22/23 Audit Plan | April and May | Compliance/Operational |
| Prepare Annual Audit Plan | May, June | Compliance/Operational |
| Prepare Year End Reports to the AC | May, June | Operational/Transparency |
| Attend required CPE training and ensured that CPE hours for IPA and Staff are captured. | Varies | Compliance/Operational |
| Investigate reported Fraud, Waste and Abuse complaints | Varies by caseload and complaint | Operational/Transparency |
| Support OIPA staff, audit and investigation planning, finding development, report writing, workpapers review as neededs, coaching, training and development, and engagement support | Ongoing | Compliance/Operational |
| Other Admin and outreach duties as requested. | Ongoing | Operational/Quality |
| Public Policy Committee (PAC) Member Selection Review Process | October | Compliance/Transparency |

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
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B. Part II – Planned Audits and Reviews

| <i>Engagement ID Number and Priority</i> | <i>OIPA's Annual Audit Plan July 1, 2023 to June 30, 2024</i> | <i>Est. Start Date</i> | <i>Carry Forward</i> | <i>Budgeted Hours</i> |
|---|---|------------------------|----------------------|-----------------------------|
| P1 ID CON2024-01 to 12 | Contracts and Procurement – Invoicing and Payments only. Part I and Part II Contractors (top 10 <u>5</u> identified in Part I tables plus those in Part II. (2018 to current period) | July | Yes | 2980 <u>3600</u> |
| P1 ID TIME2024-01 to 3 | Employee Timekeeping and PTO accrual. (Prior 3-year period) | Aug | No | 300 |
| P2 ID PC2024-01 to 5 | Continuous Auditing Operational Process and System Control Review – Purchase Cards | Aug | No | 600 <u>400</u> |
| P3 ID TRV/REIMB2024-01 to 5 | Continuous Auditing Operational Process and System Control Review – Travel and other Reimbursements | Sept | No | 300 <u>500</u> |
| P4 ID CON2024-01 to 5 | Continuous Auditing Operational Process and System Control Review – Contracts and Procurement | July | No | 200 |
| P4 ID ERP2024 (Non-Audit Services) | Work with Mgmt. and IT on ERP system controls as necessary | Various | No | 300 |
| P4 IDCAP2024 (Non-Audit Services) | Work with Mgmt. and support and review CAP for Contracts and Procurement and other open CAP's as necessary | Quarterly | Yes | 200 |
| Special Request and Investigations 2024-01 | Audits or reviews at the request of the Board, AC or Management | Open | No | 100 <u>1800</u> |
| Total Hours Budgeted | | | | |
| Total Available Hours Budgeted | | | | 4980 <u>7300</u> |

IV. AUDIT RESOURCES

Current Available Resources and budgeted expenses:

- Independent Performance Auditor: 1.0 FTE plus equipment
- Principal Management Internal Auditor - 2.0 FTE plus equipment
- Auditor I/II – ~~32.0~~ FTE plus equipment
- Student Auditor internship 2.0 (20 to 29 hours per week for each intern)
- Auditor training, professional dues, and licenses
- Independent legal counsel as needed for IPA and AC

Current Resources Absorbed by SANDAG as part of Overhead:

- SANDAG Legal Staff Support
- SANDAG Data Production Support
- Equipment and office space for the OIPAPMIA
- ~~Equipment and cubical space for interns.~~

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR
AUDIT PLAN
FOR THE PERIOD OF July 1, 2023 THROUGH JUNE 30, 2024**

Current Resources Direct Audit and Non-Audit Hours Available (July 1, 2023 to June 30, 2024)

8,800 total hours of direct, indirect, and other productive hours for the fiscal year period.

Annual Allocation of Auditor Hours

| Position | Current Annual Productive Hours FTE | OIPA Strategic Goals/Indirect Audit Hours (Annual), and Investigations | Direct Audit and Review Hours (Available) | CPE Required training. (Annual) | *Admin Hours (Annual) |
|------------------|-------------------------------------|--|---|---------------------------------|-----------------------------------|
| IPA | 1,760 | (1,120) | - | (40) | (600) |
| IMPA | 1,760 | (300) | (1,120) | (40) | (300) |
| IMPA | 1,760 | (200) (800) | (1,120) (620) | (40) | (300) |
| Associate | 1,760 | (100) | (1,320) | (40) | (300) |
| <u>Associate</u> | <u>1,760</u> | <u>(300)</u> | <u>(1,120)</u> | <u>(40)</u> | <u>(300)</u> |
| Associate | 1,760 | (100) | (1,320) | (40) | (300) |
| Available Hours | 8,800 <u>10,560</u> | (1820) <u>(2,720)</u> | (4,980) <u>(5,500)</u> | (400) <u>(240)</u> | (1,800) <u>(2,100)</u> |

- ❖ Admin hours – Agenda Setting, Clerking, SANDAG required training, AC, and other committee meetings, employee events, all hands-on meetings, timesheets, etc. = 300 annually
- ❖ Annual Productive Hours (2060 less time off – 300 holidays, PTO, other leave) = 1760 per FTE (Full-Time-Equivalent)
- ❖ Indirect Audit Hours = Supervisory, workpaper review (first and second level), staff development, QC, etc.
- ❖ IPA = Independent Performance Auditor

V. ADOPTION, APPROVALS, AND ACCEPTANCE

AC Approved:

BOD Accepted:



San Diego Association of Governments

Office of the Independent Performance Auditor

Courtney Ruby, CPA, CFE
Independent Performance Auditor

ANNUAL AUDIT PLAN
REVISED January 5, 2024
For the period of
July 1, 2023 to June 30, 2024

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR
AUDIT PLAN
FOR THE PERIOD OF July 1, 2023 THROUGH JUNE 30, 2024**

I. STRATEGIC GOALS AND ACTIVITIES

Strategy

To ensure that the Office of Independent Performance Auditor's (OIPA) plan is successful, it must be strategically designed and agile. The plan for fiscal year 2023-24 has been updated and continues to consist of defined goals that encompass OIPA's planned audits based on OIPA's overall stated actions. To ensure the plan is properly designed, OIPA includes actions to help ensure and support a plan that results in success, can be nimble, and contributes to SANDAG becoming a more efficient and effective agency. The OIPA's goals focus on end-result based outcomes for the agency while supporting how the OIPA achieves success. The OIPA's goals and actions are prioritized and shown in the following table.

| OIPA's Goals & Benefits Derived | Priority | OIPA's Goals | Actions |
|---|----------|--|--|
| OIPA Goal -01 Efficiencies and Effectiveness | 1 | Continue to work directly with SANDAG's CEO, Deputy CEOs to identify areas where improvement is needed regarding policies, procedures, and system controls. This will help the organization to become more effective and efficient with their resources. | Perform audits and reviews on a continuous basis around areas of p-card and reimbursement transactions, contracts and procurement, and other audits that will bring improvements to the agency. |
| OIPA Goal - 02 Efficiencies and Effectiveness Good System of Controls | 2 | Work directly with the Director of Technology on the development of the agencywide ERP system. | Engage and provide guidance to management and staff regarding system controls that should exist within an automated system to ensure that controls are built into the system vs manual controls. Work closely with the Director of technology to ensure that the new ERP system has good system controls while developing workflows. Further, to help ensure that contractors charged with system implementation that includes budget, accounting, and contracts are timely with their tasks, actions, and commitment and staying within the budget and scope of the project according to the agreement/contract. And, where there are delays, ensure that management is addressing and documenting deficiencies and holding the contractor accountable. |
| OIPA Goal -03 Deterrence and Detection of Fraud, Waste, Abuse, and Mismanagement | 1 | 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. An effective Whistleblower program deters instances of fraud, waste, abuse and mismanagement, and reduces losses to an organization through early detection. | Perform timely investigations in the areas of fraud, waste, abuse and mismanagement. Prioritize resources based upon potential impact to the organization, public and stakeholders. Place an emphasis on educating SANDAG employees on the IPA's Whistleblower program including Whistleblower protection from retaliation. |
| OIPA Goal - 04 Efficiencies and Effectiveness Good System Controls and Transparency and Accountability | 2 | The IPA and OIPA staff will work to ensure that the Corrective Actions Plans that are approved by the Board are implemented and within the stated dates. The OIPA will ensure that CAP actions are being followed and adhered. | The OIPA auditors will incorporate substantive and dual testing into the audits and review performances to ensure that management and staff are following updated policies and procedures. |

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II. PERFORMANCE MEASURES FOR FY 2023-2024

The OIPA's performance measures for FY 2023-2024 are aligned with SANDAG Strategic Initiatives (SSI) that were previously set and were developed and approved by the Audit Committee. Further, these performance measures will be used during the review of the IPA's annual performance review (IPA). Lastly, the OIPA measures are designed to ensure adherences to professional auditing standards (PAS) and in consideration of staff development goals (SDG).

| The IPA's Performance Measure Goals | PM No. | Type | Alignment | On Target | Exceeds |
|---|---------------|---|---------------------|--|----------------------|
| CPE- Professional Continued Education (IPA) 100% of auditors adhere to professional certificate/licensing requirements and competency needs every two years and at least 40 hours annually. | 1 | Quality/ Teamwork | PAS/SDI/ IPA | 90% | 100% |
| Percentage of planned engagements vs. number of engagements conducted. 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. | 2 | Outcome/ Leadership | SSI/PAS/ SDI/IPA | 80% | 85% |
| Budgeted vs. actual audit hours per engagement (OIPA) Complete audits in an efficient and effective manner, measured by the number of hours budgeted per audit vs actual hours expended per audit. | 3 | Outcome/ Leadership | SSI/PAS/ SDG/IPA | 70% | 80% |
| Percentage of OIPA's key goals achieved. 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. | 4 | Outcome/ Operational | SSI/SDG/ IPA | 70% participation | 80% participation |
| Public Transparency and Accountability 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. | 5 | Quality/ Operational/ Communication | SSI/IPA | 100% | 100% |
| Communication and Relationship Development 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. | 6 | Outcome/ Communication | SSI/IPA | Not less than satisfactory or 70%. | Exceeds 80% |

III. AUDIT PLAN FOR FY 2023-24

The OIPA's Audit Plan (plan) includes goals and actions (identified above) in addition to audits, reviews, and other engagement types (defined below). The plan is a tool used to document planned assessments, audits, reviews, and other engagements that are performed by the OIPA to help carry out and fulfill Assembly Bill 805 (Gonzalez, 2017) and Board Policy No. 039. The OIPA auditors are SANDAG's first line of defense against external audits performed by state and federal auditors and can help prevent and detect issues prior to external reviews that can result in unnecessary negative findings. The OIPA will work with SANDAG's external auditors to help ensure there is no duplication of work and that the work performed by the Independent Performance Auditor's (IPA) staff compliments and brings value, accountability, and transparency to SANDAG.

The plan is risk-based and designed to perform engagements that help to identify areas of improvements, provides guidance and support to SANDAG employees, and helps to ensure there are good system of internal controls, and processes and procedures are operating effectively and efficiently. Additionally, the plan accounts for the OIPA's responsibility regarding the detection and prevention of fraud, waste, abuse, and mismanagement around SANDAG's departments, programs, and major projects, while supporting a proactive attitude and a more responsible government agency. Lastly, the plan is agile allowing auditors to provide resources that are flexible and nimble to benefit the organization.

The IPA presents the following FY2023-24 revised audit plan for Audit Committee approval. The plan consists of two parts. The first part is achieved efforts by the IPA and is linked to the defined goals and performance measures to ensure accountability, success and supports to the annual operations of the OIPA. The next part involves the use of direct audit and investigative resources and focus on engagement objectives that includes operational processes, system of internal control reviews and other engagement types. In addition to these planned engagements, the OIPA may accept unplanned engagements at the request of SANDAG's Board, Audit Committee, and Executive Director, and in response to Fraud, Waste, Abuse, and Mismanagement complaints; these types of requests are made to the IPA and brought to the Audit Committee for consideration and adjustment of hours to the budgeted audit plan.

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR
AUDIT PLAN
FOR THE PERIOD OF July 1, 2023 THROUGH JUNE 30, 2024**

A. Part I – Defined Goals and Performance Measures

| IPA Operational Activity/Task | Est. Date or Time Commitments | Impact |
|--|---|---|
| Audit Committee | Monthly | Compliance/Operational/ Transparency |
| OIPA staff and Executive meetings | Weekly | Operational |
| Board and PAC meetings | Monthly | Compliance/Operational |
| Planning Annual Auditor Training | September | Compliance/Staff Development/Quality |
| Annual Review of Professional Standards and Update to Engagement Manual and OIPA Policies and Procedures | August | Compliance/Quality |
| Review of OIPA Website, update information, reports, dashboard, and policies and procedures, etc. | Aug/Sept | Operational/Transparency |
| Prepare update report on Fraud, Waste Abuse, and Mismanagement to the AC | Annually | Transparency |
| OIPA staff performance reviews | Annually | Operational/Staff Development |
| Review, testing, and reporting of Corrective Action Plans (CAPs) resulting from OIPA audits. | Quarterly | Compliance/Transparency |
| Review and update audit plan to ensure performance measures and goals are on track and to make necessary revisions. | Quarterly | Compliance/Operational/ Quality |
| Review and update Smartsheet reports and tracking sheets. | Quarterly | Operational |
| Annual Budget Planning | April/May/June | Compliance/Operational |
| Audit Risk Discussion with Board Members and Executive staff for Audit Plan | April and May | Compliance/Operational |
| Prepare Annual Audit Plan | May, June | Compliance/Operational |
| Prepare Year End Reports to the AC | May, June | Operational/Transparency |
| Attend required CPE training and ensured that CPE hours for IPA and Staff are captured. | Varies | Compliance/Operational |
| Investigate reported Fraud, Waste and Abuse complaints | Varies by caseload and complaint | Operational/Transparency |
| Support OIPA staff, audit and investigation planning, finding development, report writing, workpapers review as needed, coaching, training and development, and engagement support | Ongoing | Compliance/Operational |
| Other Admin and outreach duties as requested. | Ongoing | Operational/Quality |
| Public Policy Committee (PAC) Member Selection Review Process | October | Compliance/Transparency |

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B. Part II – Planned Audits and Reviews

| Engagement ID Number and Priority | OIPA's Annual Audit Plan July 1, 2023 to June 30, 2024 | Est. Start Date | Carry Forward | Budgeted Hours |
|---|--|------------------------|----------------------|-----------------------|
| P1 ID CON2024-01 to 12 | Contracts and Procurement – Invoicing and Payments only. Part I and Part II Contractors (top 5 identified in Part I tables plus those in Part II. (2018 to current period) | July | Yes | 3600 |
| P1 ID TIME2024-01 to 3 | Employee Timekeeping and PTO accrual. (Prior 3-year period) | Aug | No | 300 |
| P2 ID PC2024-01 to 5 | Continuous Auditing Operational Process and System Control Review – Purchase Cards | Aug | No | 400 |
| P3 ID TRV/REIMB2024-01 to 5 | Continuous Auditing Operational Process and System Control Review – Travel and other Reimbursements | Sept | No | 500 |
| P4 ID CON2024-01 to 5 | Continuous Auditing Operational Process and System Control Review – Contracts and Procurement | July | No | 200 |
| P4 ID ERP2024 (Non-Audit Services) | Work with Mgmt. and IT on ERP system controls as necessary | Various | No | 300 |
| P4 IDCAP2024 (Non-Audit Services) | Work with Mgmt. and support and review CAP for Contracts and Procurement and other open CAP's as necessary | Quarterly | Yes | 200 |
| Special Request and Investigations 2024-01 | Audits or reviews at the request of the Board, AC or Management | Open | No | 1800 |
| | | | | |
| Total Hours Budgeted | | | | 7300 |

IV. AUDIT RESOURCES

Current Available Resources and budgeted expenses:

- Independent Performance Auditor: 1.0 FTE plus equipment
- Principal Management Internal Auditor - 2.0 FTE plus equipment
- Auditor I/II – 3.0 FTE plus equipment
- Student Auditor internship 2.0 (20 to 29 hours per week for each intern)
- Auditor training, professional dues, and licenses
- Independent legal counsel as needed for IPA and AC

Current Resources Absorbed by SANDAG as part of Overhead:

- SANDAG Legal Staff Support
- SANDAG Data Production Support
- Equipment and office space for the OIPA

Current Resources Direct Audit and Non-Audit Hours Available (July 1, 2023 to June 30, 2024)

8,800 total hours of direct, indirect, and other productive hours for the fiscal year period.

**SAN DIEGO ASSOCIATION OF GOVERNMENTS
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AUDIT PLAN
FOR THE PERIOD OF July 1, 2023 THROUGH JUNE 30, 2024**

Annual Allocation of Auditor Hours

| Position | Current Annual Productive Hours FTE | OIPA Strategic Goals/Indirect Audit Hours (Annual), and Investigations | Direct Audit and Review Hours (Available) | CPE Required training. (Annual) | *Admin Hours (Annual) |
|-----------------|-------------------------------------|--|---|---------------------------------|-----------------------|
| IPA | 1,760 | (1,120) | - | (40) | (600) |
| IMPA | 1,760 | (300) | (1,120) | (40) | (300) |
| IMPA | 1,760 | (800) | (620) | (40) | (300) |
| Associate | 1,760 | (100) | (1,320) | (40) | (300) |
| Associate | 1,760 | (300) | (1,120) | (40) | (300) |
| Associate | 1,760 | (100) | (1,320) | (40) | (300) |
| Available Hours | 10,560 | (2,720) | (5,500) | (240) | (2,100) |

- ❖ Admin hours – Agenda Setting, Clerking, SANDAG required training, AC, and other committee meetings, employee events, all hands-on meetings, timesheets, etc. = 300 annually
- ❖ Annual Productive Hours (2060 less time off – 300 holidays, PTO, other leave) = 1760 per FTE (Full-Time-Equivalent)
- ❖ Indirect Audit Hours = Supervisory, workpaper review (first and second level), staff development, QC, etc.
- ❖ IPA = Independent Performance Auditor

V. ADOPTION, APPROVALS, AND ACCEPTANCE

AC Approved:
BOD Accepted: