



# San Diego Association of Governments

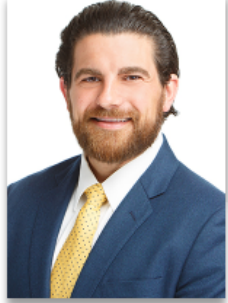
## Accounting and Finance Independent Assessment

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# Weaver Engagement Leadership Here Today

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# Introduction and Summary of Results

## San Diego Association of Governments – Accounting and Finance Independent Assessment

### Introduction

Weaver performed a comprehensive assessment of SANDAG’s Finance and Accounting Department’s current state to evaluate operating effectiveness, identify deficiencies, strengthen safeguards over assets, and assess coordination for effective reporting and communication to stakeholders. This involved assessing the in-scope process areas and core functions within the Finance and Accounting Department:

#### In-Scope Process Areas:



#### ➤ Review of Core Functions



The primary purpose of the assessment was to determine the current state of key organizational and operational functions and identify opportunities to improve departmental processes, procedures, and internal controls, strengthen safeguards, and provide timely, accurate reporting to management, the Board of Directors, auditors, and other key stakeholders. Underpinning the assessment was consideration for how the department is managing change associated with the transition to the Tyler Technologies Enterprise Resource Planning (ERP) System, as well as the pre-transition to a new back-office tolling system.

## San Diego Association of Governments – Accounting and Finance Independent Assessment

### Introduction

The evaluation also included an Organizational Structure & Skills Assessment (OSSA) to determine whether the current mix of roles, responsibilities, and skills effectively supports the agency's operational and financial requirements. The OSSA sought to identify opportunities to enhance effectiveness through alignment of duties, improved role clarity, and potential streamlining of responsibilities. Along with interviews and walkthroughs with key finance and accounting managers to understand roles and staff utilization, we reviewed organizational charts, job descriptions, role expectations, performance documentation, resumes, credentials, qualifications, experience, and tenure in current role.

#### **Procedures Performed:**

- Reviewed and analyzed policies, procedures, practices, and internal controls across in-scope functions, benchmarking them against industry best practices.
- Conducted interviews with multiple stakeholders (including multiple rounds of follow-up) across the Finance, Accounting, and related departments to gather perspectives and validate processes.
- Assessed technology use, including SANDAG's implementation of Tyler Technologies ERP System, IT General Controls, and its integration into departmental operations.
- Reviewed extensive evidence and documentation across in-scope departments and processes to corroborate observations and ensure a robust analysis.
- Analyzed service delivery of Finance Department functions and assessed collaboration within the Accounting and Finance departments, and with other SANDAG departments.
- Performed analysis over core Policies and Procedures against COSO Framework criteria for effective internal controls.
- Reviewed departmental structure and organization to evaluate efficiency and alignment with organizational needs.

**As a result of the assessment, we identified seven core themes for the current state, and 18 observations and associated recommendations categorized into four groups:**

- (1) Accounting and Finance,
- (2) Budgets, Grants, and Financial Planning;
- (3) Enterprise Resource Planning System and Change Management, and
- (4) Implementation Planning and Execution

## San Diego Association of Governments – Accounting and Finance Independent Assessment

### Results

The ultimate goal of the assessment was to provide a roadmap of actions to address the challenges identified within the current state and continue progress towards a more robust and effective finance and accounting function at SANDAG. There are seven core themes that once addressed, will accelerate SANDAG towards achieving a more effective future state supported by well-established processes and technology infrastructure.

- 1. Governance and Oversight:** Stronger governance and clear accountability are needed to improve financial stewardship, particularly in budget ownership, ERP implementation, and core accounting controls as identified in our review. Strengthening these areas will enhance oversight, ensure reliable reporting, and support continuous improvement.
- 2. Policies, Procedures, and Internal Controls:** Clear, consistently applied procedures are essential for a strong control environment. Standardizing account reconciliations, reimbursement processes, and ERP testing protocols will reduce current inconsistencies identified in our review, strengthen controls, and protect assets.
- 3. Technology and Systems integration:** SANDAG's updated ERP system offers a key opportunity to improve efficiency, but current gaps in validation, controls, and system integration have limited its impact. Strengthening requirements, configurations, and reporting capabilities will enhance performance, reduce manual workarounds, and provide more reliable information for decision-making.
- 4. Performance Measurement and Accountability:** Establishing clear performance metrics and follow-up protocols will strengthen accountability and improve financial management. To achieve this, SANDAG must address current gaps in budget oversight and ERP governance frameworks.
- 5. Training and Workforce Development:** Building a well-trained workforce is critical to improving efficiency, accuracy, and system adoption. Currently, Accounting, Finance, and Budget teams lack formal development, relying on ad hoc training with inconsistent ERP knowledge across departments.
- 6. Change Management and Communication:** Formalizing consistent change management and improving stakeholder communication will strengthen technology adoption, reduce disruptions, and enhance collaboration. Current gaps in managing and communicating ERP-related changes have led to delays, poor performance tracking, and confusion across teams.
- 7. Roles, Responsibilities, and Collaboration:** Clear roles and strong cross-department collaboration are essential for accurate financial management and operational success. Addressing current unclear responsibilities and improving coordination will reduce ad hoc practices and enhance accountability.

# Priority Actions and Roadmap



## San Diego Association of Governments – Accounting and Finance Independent Assessment

### Priority Actions

The full report provides both summarized and detailed conditions of the current state observations. A total of **48 recommended actions** provide a recommended roadmap to move SANDAG on the path forward to a more effective and robust future state at both the department level and overall governance of SANDAG in the areas of risk and change management. Below are the **top 10 priority actions** from the recommendations provided in the report.

- 1. Stand up a unified Internal Controls and Compliance framework.** Utilizing support and resources external from the organization, create and maintain an agency wide framework that defines key controls, owners, frequency, and monitoring across AP/AR, GL close, revenue and expense recognition, assets, project accounting, toll operations, and training.
- 2. Establish a true Technology and ERP Governance structure.** Stand up centralized IT/ERP governance led by a qualified CIO equivalent to oversee IT strategy, decision-making, issue escalation, and alignment between IT and business objectives across departments. For systems implementations, define outcome Key Performance Indicators(KPIs), such as uptime, adoption, and ROI, run a unified cross departmental milestone schedule, and maintain a risk register with ownership and escalation paths.
- 3. Raise expectations for management competencies associated with all three pillars of qualifications – Experience, Education, and Credentials.** Encourage and, where appropriate, require pursuit of relevant professional certifications for leadership and technical roles. Implement centralized tracking of training/credentials, role specific ERP training, and hands on exercise; and prioritize specialized, quality training for technical roles to reduce errors and risk associated with inherent technical accounting complexities.
- 4. Tighten system implementation quality gates—requirements traceability, testing, and go live criteria.** For future systems implementation and major module upgrades and updates, map requirements to test cases; formalize pre-go live validations, maintain sign off checklists and rationale for any exclusions; and document/validate all workarounds before deployment to improve the technology change management process.
- 5. Institutionalize key accounting reconciliations—policy, approved templates, and executive oversight.** Issue a reconciliation policy (accountability, frequency, documentation) that must be followed, use a version-controlled tracker and reconciliations for all accounts, and require quarterly management review with reporting to executives to prevent unresolved variances to linger, reporting errors, and close delays.
- 6. Increase centralization of invoice management and establish risk-based approvals.** Activate a centralized invoice receipt within the ERP, add risk/dollar tiered approvals, and capture invoice receipt and due dates in ERP to enforce 30-day payment expectations and strengthen vendor relations and compliance.

## San Diego Association of Governments – Accounting and Finance Independent Assessment

### Priority Actions

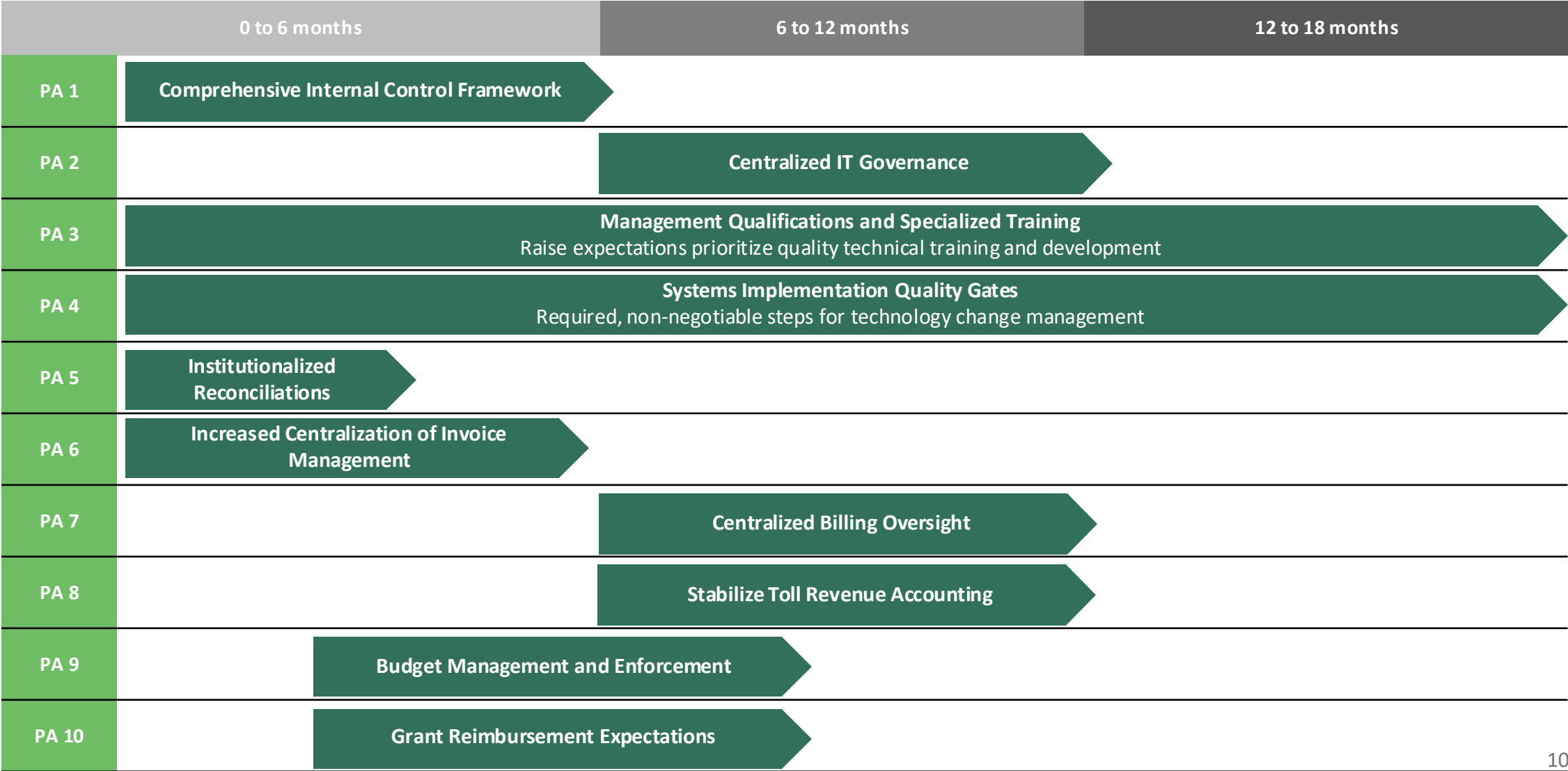
#### Priority Actions Continued:

7. **Establish centralized billing oversight across all funding sources.** Deploy a single, management reviewed mechanism consolidating cumulative billings (local/state/federal/TransNet) to provide real-time visibility into billing progress, key financial metrics, and compliance deadlines.
8. **Stabilize toll revenue accounting and reporting.** Remove single person reliance and manual workarounds between FASTLANE and ERP via documented reconciliations, secondary review, and a path to system integration/automation to improve accuracy and resilience.
9. **Clarify budget ownership and enforce continuous budget to actual monitoring.** Publish agency-wide budget process RACI expectations (responsible, accountable, consulted, informed); require monthly/quarterly budget to actual reporting for all projects with variance explanations and corrective actions; and run a mandatory mid-cycle review to curb overspending and delays.
10. **Increase grant reimbursement expectations— payment, controls, and visibility.** Align program guides to a 30-day payment expectation, track receipt dates, statuses, and delay reasons across grants, and report compliance to leadership to reduce noncompliance risk and strain on subrecipients.

# Recommended Roadmap



## Priority Actions (PA) – Recommended Roadmap



# Summary of Observations and Recommendations



## Observations Summary

### 1. System Limitations, Manual Workarounds & Reliance on Individuals

- FASTLANE and the ERP are not integrated, requiring manual reconciliations that are inconsistently performed, dependent on one staff member, and not supported by formal directives—creating a single point of reliance and elevating risk of errors or delays.
- Manual workarounds and limited FASTLANE reporting capabilities—combined with high turnover—slow revenue reconciliation, reduce accuracy, and weaken institutional oversight of toll operations.

### 2. Capital Asset Recordkeeping & Oversight

- Asset-tracking processes are reactive and rely on PMs/custodians to self-report changes or on automated notifications when staff leave SANDAG, delaying timely identification of transactions that impact asset values.
- Asset transactions are recorded in the ERP while supporting documentation is stored separately, requiring manual linkage that adds inefficiency and increases the risk of incomplete or inaccurate asset records.

### 3. Training Practices & Professional Credentialing

- Training, certification, and professional development tracking is informal and decentralized, relying on individual self-reporting and ad hoc manager oversight rather than a structured process.
- Limited emphasis on professional credentials—and low credential rates among leadership—hinders efforts to build and maintain strong technical capabilities in accounting and finance.

### 4. Invoice Management Procedures

- Decentralized, PM-driven invoice processing and no risk-based approval framework reduce oversight and increase risk of delayed or inaccurate payments.
- Undefined payment timelines and inconsistent tracking of receipt/due dates limit timely payments and compliance requirements.

### 5. Account Reconciliation Consistency & Timeliness

- Reconciliation practices are inconsistent, lack documentation, and are often delayed, reducing reliability of interim financial reporting.
- Staffing pressures and ERP transition challenges leave reconciling items and inactive accounts unresolved, leading to unadjusted balances.

### 6. Billing Oversight for Funding Sources

- Cumulative billings are tracked in individual spreadsheets without centralized monitoring or management review, increasing error risk.
- Annual and ad hoc reconciliations are not formalized, delaying the detection of billing errors or noncompliance.

## Recommendations Summary

### 1. Internal Control Framework

- Establish a centralized, agency-wide internal control framework covering all key accounting and finance processes, with defined controls, frequencies, roles, risks, and monitoring requirements.
- Assign ownership to senior management and the Director of Internal Controls; consider using qualified external advisors.

### 2. Professional Credentials & Training

- Encourage or require relevant certifications (CPA, CGFM, CMA) and update job descriptions to reflect credential expectations.
- Implement a centralized system to track training, certifications, and skill development.

### 3. Invoice Management Improvements

- Centralize invoice receipt through the ERP Vendor Module; reduce reliance on PMs and ensure complete tracking.
- Revise AP procedures to include risk-based approval thresholds, required payment timelines, and required capture of receipt/due dates.

### 4. Strengthen Reconciliation Policies & Oversight

- Implement a formal reconciliation policy defining frequency, roles, documentation standards, and escalation processes.
- Fully utilize a centralized reconciliation tracker, conduct quarterly management reviews, and adopt interim reporting checklists.

### 5. Billing Oversight for Funding Sources

- Develop a centralized billing tool for all funding sources with regular management review.
- Define required monthly/quarterly reconciliations of cumulative billings to agreements and ensure management approval.

### 6. Toll Operations Accounting Enhancements

- Formalize reconciliation procedures for FASTLANE-to-ERP data and reduce reliance on a single individual.
- Evaluate integration or automation solutions to eliminate manual workarounds, including compatibility assessments for future and planned upgrades.

### 7. Capital Asset Management Improvements

- Integrate the Capital Asset Module with Tyler Content Manager or adopt a centralized document-linked tracking system.
- Require quarterly or semi-annual reconciliations and verification of asset completeness, ownership, and economic events.

# Summary of Budgets, Grants, and Financial Planning Observations and Recommendations

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## Observations Summary

### 1. Timeliness of Grant Reimbursements

- Lack of documented timelines and inconsistent processing delays subrecipient reimbursements and may not meet CFR §200.305 requirements.
- Key dates and delay reasons are not consistently tracked, limiting accountability and oversight.

### 2. Grant-Specific Invoice Review

- Standardized invoice checklist does not address program-specific requirements, risking inconsistent review and missed ineligible costs.

### 3. Budget Monitoring Framework

- No consistent process for budget-to-actual monitoring; limited reporting and unclear accountability reduce visibility into project performance.
- Use of multiple, non-integrated systems creates inefficiencies and prevents comprehensive project-phase reporting.

### 4. Budget Update Ownership

- Roles for updating budgets between draft and final stages are unclear, relying heavily on PM self-reporting.
- No single source of accountability increases the risk of inaccurate final budget revisions.

### 5. Budget Training & Skills Development

- Budget training is informal and optional, resulting in inconsistent understanding of processes and ERP requirements.
  - Limited emphasis on specialized credentials (e.g., PMP) reduces consistency and effectiveness in budgeting practices.
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# Summary of Budgets, Grants, and Financial Planning Observations and Recommendations

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## Recommendations Summary

### 1. Clarify Budget Roles & Responsibilities

- Create a single agency-wide RACI defining responsibility, accountability, and communication for all budgeting steps, including budget changes made between draft and final stages.

### 2. Strengthen Budget Training & Skills

- Implement mandatory, role-specific budget training aligned with ERP requirements and promote relevant certifications (e.g., PMP) to strengthen budgeting expertise and enhance financial oversight.

### 3. Improve Grant Reimbursement Timeliness

- Update the Grant Distribution Program Guide to include a clear 30-day payment timeline and monitor compliance.
- Standardize tracking of key reimbursement data (receipt dates, status, delay reasons) to improve oversight.

### 4. Enhance Grant Invoice Review

- Develop program-specific invoice review checklists to ensure consistent evaluation against grant requirements.

### 5. Formalize Budget Monitoring Requirements

- Establish a policy defining frequency, scope, responsibilities, and escalation procedures for budget-to-actual monitoring.
- Require regular (monthly/quarterly) project reporting with PM variance explanations and leadership oversight.

### 6. Improve Budget Reporting Tools

- Conduct a user-needs assessment to prioritize ERP/BI report development, including standardized budget-to-actual reporting.

### 7. Implement Mid-Cycle Budget Review

- Require a mandatory mid-cycle review for all projects, with clear accountability assigned in the budgeting RACI.
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# Summary of Enterprise Resource Planning System and Change Management Observations and Recommendation

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## Observations Summary

### 1. ERP Governance & Strategy

- Phase 1 did not have unified governance, clear roles, and measurable objectives, reducing accountability and visibility into progress.
- Fragmented leadership and turnover led to poor documentation, unclear ownership, and weak strategic alignment.

### 2. Project Oversight & Execution

- Milestone tracking was decentralized and inconsistent, limiting visibility and leadership oversight.
- No standardized milestone prioritization methodology or shared repository, delaying risk identification and contributing to operational blind spots and system issues (e.g., budget roll-forward errors).

### 3. End-User Enablement & Support

- Training and materials were generic and not tailored to system configuration or user roles, limiting effective adoption.
- Post-go-live support was reactive and ad hoc, lacking structured workflows and root-cause analysis.

### 4. Risk & Requirements Validation

- Project risks and requirements were not formally reviewed, validated, or incorporated into planning or contracts.
  - Thousands of requirements were defined but not clearly integrated into system selection or vendor agreements.
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# Summary of Enterprise Resource Planning System and Change Management Observations and Recommendation

## Recommendations Summary

### 1. Strengthen IT Governance

- Establish a centralized IT governance structure led by a CIO-equivalent with clear oversight, escalation, and accountability.

### 2. Clarify Roles & Responsibilities

- Document task-level responsibilities for all implementation stakeholders and ensure consistent communication across departments.

### 3. Define Goals & Measure Outcomes

- Set outcome-based objectives (e.g., uptime, adoption, ROI) and track progress through KPIs for all major system phases.

### 4. Standardize Milestone & Risk Prioritization

- Create a risk-based methodology to rate milestones by risk and criticality and highlight critical-path activities (such as data migration and testing) for resource allocation and timely escalation.

### 5. Centralize Project Scheduling & Documentation

- Develop an agency-wide implementation schedule and a centralized repository for all project documentation to improve visibility and continuity.

### 6. Strengthen Configuration Validation & Testing

- Require formal validation of system configurations before go-live and use milestone-specific checklists and sign-offs to prevent errors.

### 7. Improve Training Materials & Delivery

- Assign ownership for developing role-based, system-specific training with structured approval workflows and hands-on exercises.

### 8. Establish Structured Post-Go-Live Support

- Implement a formal support framework with defined roles, escalation paths, response times, and processes for analyzing recurring issues.

### 9. Validate & Integrate Requirements

- Document and approve functional and technical requirements before vendor release, ensure key requirements are included in contracts, and retain evidence of system-selection assessments.

### 10. Implement Proactive Risk Management

- Create and maintain a comprehensive Risk Register with defined triggers, impacts, mitigations, and assigned ownership.

# Summary of ERP Implementation Planning and Execution Observations and Recommendations

## Observations Summary

### 1. Pre-Implementation Testing & Validation

- Testing was not fully aligned with functional requirements, limiting assurance that system needs were adequately validated.
- Gaps in test coverage and minimal review of reporting capabilities resulted in incomplete testing across business areas.

### 2. IT General Controls (ITGCs)

- Key ITGCs—such as access reviews and system safeguards—were not validated before go-live, reducing data security and control assurance.
- SOC reports and required CUECs were not reviewed or implemented, increasing risks to system reliability and financial reporting.

### 3. Go-Live Readiness & Assessment

- Go-live criteria were not fully validated against functional requirements, with incomplete documentation and unclear exclusions.
- Workarounds for unfinished tasks were inconsistently documented or tested, limiting confidence in post-launch performance.

## Recommendations Summary

### 1. Comprehensive Testing & Validation

- Map all test plans (data validation, end-to-end, UAT) to documented functional requirements to ensure full coverage and traceability.
- Include all critical business processes and reporting workflows; document rationale for any excluded items and assess downstream impacts.

### 2. Defined Testing Roles & Approval

- Clearly assign testing responsibilities across departments for numerical and non-numerical data.
- Require formal review and approval of test plans to confirm alignment with organizational needs.

### 3. IT General Controls (ITGCs)

- Maintain a comprehensive inventory of ITGCs (access, change management, monitoring, recovery) aligned with risk appetite.
- Review Tyler SOC reports, implement relevant CUECs, and ensure user access is reviewed and adjusted before go-live.

### 4. Go-Live Readiness & Workarounds

- Align each Go-Live checklist item with functional requirements and require written rationale for items marked “not applicable” or “in progress.”
- For incomplete functions, document and approve detailed workaround plans including testing, integration, and output validation.

# Questions

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