



**SANDAG Organizational Structure  
The Office of the Independent Performance Auditor  
Summary of Analysis and Recommendations**

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The Office of the Independent Performance Auditor (OIPA) did not perform an audit or fiscal review, but rather a non-audit organizational analysis. The intent of this review was to analyze the organization's current structure and make recommendations regarding organizational effectiveness and efficiencies as well as overall system controls from an organization-wide perspective.

## **Section A – Purpose and Objective**

As part of the two-year audit plan, and as part of gaining an understanding of SANDAG's environment and addressing risk identified during the risk assessment process, the OIPA performed an analysis of SANDAG's organizational structure.

The Independent Performance Auditor's (IPA) objectives were to address some of the challenges that SANDAG experienced in the past regarding forecasting mistakes and timely reporting. Furthermore, the IPA aimed to provide recommendations that would bring about more transparency, accountability, effectiveness and efficiencies, and organizational controls; to help encourage an environment where Board members could be better educated on specific matters; and to provide more avenues for key staff to independently report. Specifically, the IPA's tasks were to:

- Assess the organization's ability to support its legislative purpose and strategic priorities; to accomplish and support the objectives of the Board of Directors while providing service to the public; and to encourage more transparency and gain public trust, while holding its management and staff accountable
- Clarify functional reporting roles within the organization
- Ensure sufficient reporting and system controls are in place
- Determine specific actions to improve the organizational effectiveness and general efficiencies,
- Identify where synergy can be gained and isolated grouping can be abolished, bringing more accountability among groups of individuals, and
- Consider and help SANDAG prepare for succession planning (by consideration of positions rather than the people in the positions)

## **Section B – Methodology**

Given the recent changes to the structure of the organization by management as well as the current contract with a strategic consultant, SANDAG has and may continue to make changes in their organizational structure. Given the ongoing review by SANDAG and the unknown outcomes and recommendations by the strategic consultant, the IPA will perform a limited review of the organizational structure based on the following key factors:

- Gaining understanding of SANDAG's past and current culture and control environment
- Review of SANDAG's past and current organizational structure including numerous changes that have, in the IPA's opinion, created even more of a hierarchical and layering of executive staff structure typically found in the public sector but often ineffective in successfully accomplishing objectives
- Consideration of past issues of untimely reporting of forecast revenues projected cost

- Consideration of effectiveness and efficiencies around resources and shared efforts
- SANDAG’s core resources and professional skillset and functionality
- Consideration of inherent risk factors, including unknown cost of the 5 Big Moves with little detail in the planning or cost and the 2021 Regional Plan, no key indicators or outcome-based performance measures for SANDAG as a whole, a fast-paced and dramatic change in direction, a newer Executive Director, and the past and recent changes in the organization’s culture
- Consideration of continued exposure to public value risk and past reputation risk that remains
- Comparison to other public agency structures
- Fiscal and operational reporting structure and control risk, and
- Risk associated with reporting of future forecasted revenue and cost projections.

The IPA’s methodology includes analyzing key areas within the organization while considering the defined key factors and risk identified above. Stages taken in the analysis included:

- Review of SANDAG’s current effectiveness of the organizational structure
- Review of areas where inefficiencies, control deficiencies, and functional incompatibility of resources may be present, and thus risk ineffectiveness within the organization
- Discussion with SANDAG executive management and staff
- Review of employee risk survey responses, and
- Reviewing and considering SANDAG’s current span of control that may create an environment that could prevent SANDAG from becoming a balanced organization where accountability can be clearly assigned, and continuity for succession planning purposes are realized.
- Comparison of similar organizations when available

Based on the outcome of the analysis, the IPA will provide recommendations for consideration by SANDAG management. The IPA will also submit the results to the Audit Committee. It should be noted that during the review of the organization, the IPA communicated recommendations with management, some of which have since been implemented. Where recommendations were implemented the IPA has made note of those actions.

### **Section C – Why Organizational Structure Change May Be Needed**

Organizations rely on the people, processes, and resources at their disposal to thrive. The larger the organization, the more in-sync each link in the chain needs to be for success. This need underscores the significance of effective organizational structures. Government entities rely on these and “systems thinking” (how different roles interact) to run smoothly and to meet their responsibilities to the public and other mandated services.

Government organizations typically take a reactive vs. proactive approach to change, perhaps becoming fixated on what is currently wrong and on the seemingly urgent complaints of frustrated staff, leaders, Board members, or the public. However, redesigns that merely address the immediate pain points often end up creating a new set of problems. Organizations should therefore be clear, at the outset, about what the redesign is intended to achieve and ensure that this aspiration is intimately linked to the organization’s strategy. Management should ask why

change is needed and define what the change will do to improve the organization, rather than just putting out a fire.

## **Section D – Things to Consider During an Organizational Structure Change**

One of the most common, and commonly ignored rules of organizational redesign is to focus on roles first, then on people. The temptation, however, is to work the other way around, selecting the knowingly obvious candidates for key positions before those positions are fully defined or properly and fairly advertised.

Competition for talent brings up anxiety and risk, creating a domino effect, with groups poaching from one another to fill newly created gaps. This is disruptive and distracting. A talent draft should rather include giving all unit's access to the same people, enabling teams to fill each level of the new organizational structure in an orderly and transparent way, so the most capable talent ends up in the most pivotal roles. This approach promotes both the perception and the possibility of fairness. Also, allowing external talent to compete brings both internal incentives to perform at their best, and the potential for adding new skills and/or mindset to an established culture.

Leaders should be mindful - Leaders must keep in mind that organizations are made up of collections of human beings, all with beliefs, emotions, hopes, and fears. Ignoring predictable, and sometimes irrational, reactions is certain to undermine an initiative in the long run. The first step is to identify negative mindsets and seek to change the way people think about how the organization works. Actions at this stage will likely include communicating a compelling reason for change, role modeling the new mindsets, putting in place mechanisms that reinforce the change and maintain its momentum, and building new employee skills and capabilities. An organization must be willing to change the culture not just the desk and bodies. Also, if a strategic review is in progress, it may be more beneficial to complete the process and gain results before making dramatic changes that leave staff feeling frustrated and distrustful of the process.

Leaders must communicate plans prior to making change, set and share short and long-term measures that will be gained with the planned changes, be mindful of sharing plans with individuals prior to sharing with most staff members, and more importantly, listen to staff and allow them to be heard.

Lastly, in the rush to implement a new organizational design, many leaders fall into the trap of going live without a plan to manage the risks. Every organizational redesign carries risks, such as interruptions to business continuity, employee defections, a lack of personnel engagement, and poor implementation. Entities can mitigate the damage by identifying important risks early on and monitoring them well after the redesign goes live. Tracking operational, financial, and commercial metrics during a design transition is helpful, as are "pulse checks" on employee reactions in critical parts of the company. Clear leadership accountability for developing and executing risk-mitigation plans is so important that this should be built into regular appraisals of managers.

## **Section E – Types of Organizational Structures**

### Types of Public Sector Organizations

In the United States, the public sector comprises federal, state and local governments, including bodies like homeland security, taxation agencies, the military, the Department of Health, public schools, corrections, cities, counties, and special districts.

### Structure of Public Administration vs. the Private Sector

The private sector comprises everyone not listed above, or businesses that are privately-owned and not controlled by the government. These organizations tend to have much more flexibility in the way they are structured. For example, a small business might have an extremely loose structure when it starts out, with people taking on multiple roles and job functions. The business is then free to add positions, managers, product groups and layers of responsibility as it grows.

Government agencies have far less freedom to add new functions, services, or job positions. Controls and separation must be present because these entities are created by legislation, which often specifies how the entity should be constituted and what it must do in order to change leadership teams or get a new job position approved. They are also built on legacy, having developed their organizational structure over many years. The use of public and taxpayer dollars come with legislative rules and regulations that must be followed.

### Hierarchical Structure

The structure of the many public sector is best described as a hierarchy. This type of structure resembles a pyramid, and for the most part, gets wider as you move down. This type of organization, whether public or private, is headed by a board of directors, a board of trustees or even a single director who could be an elected official. Below that are multiple layers of management – senior managers, middle managers and line managers, with instructions flowing downward and accountability flowing upward vertically through the chain.

Typically, roles are clearly defined within this structure, and everyone knows to whom they should report, which should help the agency be accountable for its decision making. This structure also allows people to focus on their area of specialty, as people with certain job functions are typically grouped together with other people who share the same area of expertise.

On the downside, horizontal communication between different divisions may be poor, as the system is built around a vertical chain of command. All these layers of bureaucracy can slow down decision making and create departmental silos that make it difficult for the agency to collaborate and adapt to change.

### Functional Structure (Bureaucratic)

The functional structure is commonly seen in organizations like legal firms. Functional structure is easily nested within the centralized system. It breaks up a company or organization into departments, such as sales or marketing. At its core, this structure is based on the function of employees and breaks them up accordingly.

Functional organizational structures allow new employees to get all the information that they need to perform their job function without confusion. There are many times that someone could start a job in a large office and not know to whom they report. Employees in this boat could struggle and quickly become disengaged due to a lack of structure. Instead, even if their manager isn't in the office when they start, these new employees are centered with others that share their skillset, profession, and similar job title and responsibilities. Once people know where they stand and their core job functions, they will feel secure in their job.

Another term called "Systems thinking" that goes well with the functional structure is a phrase that is becoming more and more popular as the business world evolves. Initially, the term was used strictly for technology professionals. Now, it is being used in almost every aspect of business, including organizational structure. To put it simply, systems thinking means that management is considering how all parts of a job interact. People who excel in systems thinking make excellent technicians because they can troubleshoot (meaning they can identify a problem within a system and work to solve it). Housing the same skillset into one division brings synergy, efficiencies, and effectiveness to an organization. The brainstorming that can take place is almost magical.

#### Divisional Structure (Multidivisional)

The divisional structure is similar to the functional one in that it breaks up the workforce based on a job or projects. Where the functional structure separates employees by their work, the divisional structure splits people on their projects, products, or clients. A good example would be found in a large law firm. There, everyone works in a discrete unit that handles a specific aspect of law.

#### Flatarchy Structure Basics

The flatarchy structure is a newer classification that has become popular with the rise of startups. It is also known as a flat hierarchy. This does not mean that the CEO is on the same level as the accountant, but it does mean that the culture is highly collaborative.

In these forms of structure, communication is vital. Because startups thrive on new ideas and a fast pace, the flat structure may work best thanks to its speed and efficiency.

#### Matrix Structure Basics

The least-used of the structure types, this style uses a matrix to assign employee responsibility. It is the least used because in practice, employees could each have multiple managers to whom they report. For example, a mail clerk might also be in a customer service role. This would not be recommended for a public sector organization.

### **Section F – Effective Organization Advantages**

#### Effectiveness of Organizational Structures

There are a few factors that can determine the effectiveness of an entity's organizational structure. The first and most obvious deals with information flow. Can all employees access the information they need to do their jobs and quickly find an internal hierarchy if they need it? If not, then there is a problem with the organizational structure.

One can look at organizational structure as a COBOL coding script. Within a coding script, if one semicolon is missing, it results in a thousand errors, which keeps the programmer's coding from successfully accomplishing the intended task. Bad communication in the public sector setting is very much the same as the missing semicolon. By communicating well, information flow is now possible, and the intended task can be successfully performed.

A strong organizational structure should be able to be presented visually as well. For example, a pyramid would have the Executive Director at the top and then work its way down to the base. It also provides a quick visual reminder to everyone that they are part of a whole, and while the lowest members may or may not be as irreplaceable, they are the base of your operations. However, in the public sector having a hierarchy that shows layers of executive staff, upper management, management, and lastly staff, the appearance is given of a top-heavy organization (or an upside-down pyramid), where there are less doers and more directors. This appearance can lead the public to believe the organization is not working efficiently and may be wasting taxpayer funds on the processes staff must work through instead of resources going directly to productive hours.

### Well-Conceived Structures

Well-conceived organizational structures provide security and transparency to employees. This fosters trust and understanding in staff. In addition, it enables staff to do work that they otherwise would need to bring to their manager. Cohesiveness and lack of confusion are the main advantages of a well-conceived organizational structure.

Security can go a long way in making even a lower level employee feel valued. It also functions as an invitation for employees to contact and collaborate with colleagues above their level because they have the information and the allowance to use it.

### Advantages and Benefits of a Functional Structure

Smooth operations are the natural outcome when a functional organizational structure is in place. If your employees do not need to spend their time hunting for email addresses and phone numbers, they have more time to devote to doing their primary job functions. Freeing up employee time in this way also provides a less stressful working environment and makes higher-ups less intimidating.

Functional structures bring about a skill-focused division of professionals that support the goals and objectives of the entire organization, while having their own similar sub-goals and objectives. Further, the leaders of functional division should have similar skillsets and be knowledgeable about the staff they lead. This is important for decision making at the executive level, as well as during staff development and performance evaluations.

## **Section G – Review Outcomes and IPA Recommendations**

An organization's structure is an important factor in how effectively it will operate. Some businesses are more suited to a hierarchical structure that adheres to rigid guidelines and procedures, while others benefit greatly from a structure that allows for free-flowing ideas and linear communication styles. The mechanistic organizational structure uses a top-down approach to management, while organic organizational structure uses a more flexible management style.



Based on the IPA's analysis, SANDAG faces potential downsides, as described in the previous section, by having a mechanistic type hierarchy structure. Though the most recent organizational structure remains similar, having the same number of layers, it has become somewhat widened; the organization has become top-heavier with more position within the layers, adding more chiefs now referred to as senior executive team, executive team – consisting of many newly promoted director I and director II positions, followed by managers, supervisors, principles or senior staff, and then employees. For an organization that employs fewer than 380 full-time and part-time staff, these layers may lead to an inefficient and ineffective organization with more leaders and directors than less direct working resources. This also leads to the need for more consultants and contracted workers, as projects would be at risk for delayed progress and budget overages. Currently SANDAG relies heavily on contracted work and use of consultants. Typically, the reliance on consultants and other contracted services lead to less retention of institutionalized skillset and knowledge, and can be more costly, including additional cost relating to bidding and ensuring adherence to required rules and regulations. Further, SANDAG gives up control over work product and cost, and the and increased risk of liability and other unforeseen obligations.

SANDAG has a wide range of public service responsibilities. SANDAG, probably more than most other government organizations, employees a variety of professionals consisting of Engineers, Economist, CPA's, MBA, Attorney's, Information Technology, Human Resources, Government and Legislative, Communications and Media, Toll Operations, Data Modeling, and Administrative professionals.

Based on the IPA's review of the organizational structure, listed below are areas that the IPA recommends be further considered by the Executive Director and strategic consultants to increase efficiencies in operations and to improve the organization's system of control.

The overall recommended structure is functional in nature. References follow each of the recommendation (R1-14) for change to provide other governments with similar perspectives.

#### R1- Office of the General Counsel

The General Counsel of a government organization that houses a governing body (the Board of Directors at SANDAG) would typically have the General Counsel that reports directly to the Board and functionally report to the Executive Director. This reporting structure ensures that there is minimum potential to impair counsel's ability to mitigate risk, provide guidance, and make recommendations that are in the best interest of both the Board and the organization. For these reasons, the IPA recommends that the Office of the General Counsel have a dotted (functional) line to the Executive Director and a solid (direct reporting) line to the Board of Directors.

**Organizational Impact:** Control

**Fiscal Impact:** None

**References:** Similar to SANDAG's Board structure, the County Counsel is the general civil law officer of the county and provides legal services to the Board of Supervisors, county and court officials, and other agencies and districts. The County Counsel is a statutory officer appointed by the Board of Supervisors and serves a four-year term in general law counties and without a term in some charter counties.

**Action taken by SANDAG Management:** On the January 2020 Organizational chart sent to all SANDAG employees, showed the GC reporting line as solid to the board, with a dotted line to the Executive Director (Attachment A). However, the Organizational Chart attached to the Executive Director's Response (Response- Att 2) was changed showing a dotted line to the board with a solid line to the Executive Director. Therefore, management has not implemented the IPA's recommendation.

## R2- Director of Economist and Forecaster

The position of the Economist is to forecast revenues and project cost associated with SANDAG's major programs.

The IPA is recommending that this office have a solid reporting (administrative/direct) line to the Executive Director with a dotted (functional) line to the Board of Directors (chair and vice chair).

The recommendation stems from the prior incidences of missed forecast and failure to timely identify and adjust for an error that had occurred years prior. For years the original forecast appeared aggressive. In 2016 when Measure A was placed on the ballot, SANDAG had forecasted an estimated revenue of \$18 billion, when in fact after the error was finally located and adjusted, the estimated revenues were less than \$9 billion. The error and correction occurred after the Measure was placed on the ballot, but the concerns around the aggressive forecast was present. Had the measure passed, the projects that were intended to be funded would have a revenue deficiency. Had the Director of Economist and Forecaster been able to converse directly with the Board (chair and vice chair) regarding the concerns around the seemingly aggressive forecast, and thus be given the ability to make recommendations, the matter may have never risen to the level it did. The end resulted in a loss of the Board's and public's trust, and SANDAG's reputation was damaged.

Another reason to support this type of reporting is one of a futuristic movement in government, to be more proactive versus reactive. SANDAG is a government agency that relies heavily on the forecasted revenues and projected cost. Major Capital Improvement Projects incur cost from the start, during phases of planning, environmental impact reviews, and finally construction. These projects can take years to complete and, in most cases, millions of dollars in funding and revenue obligations. The risk associated with forecasting and cost projects are inherently high. The risk associated with a failure to report due to perceived pressure from the position of the Executive Director or others within the organization due to the reporting structure, might prevent the Economist from reporting unforeseen issues, miscalculations, or other matters that may lead to the need for a forecast correction that would then prevent an overestimation of revenue or underestimation of cost due to an error or change in the economic environment. Failure to make such corrections could also put other funding at risk, such as federal and state matching funds.

By adding a dotted reporting line to the Board of Directors (chair and vice chair) it provides a perceived control that helps prevent potential risk of misreporting or failure to report. It also brings transparency and accountability to the position, and fosters trust for both the Board and the public that SANDAG is working to ensure past mistakes are prevented from occurring again and forecast adjustments can be made if necessary.

Another benefit is that the Director of Economist and Forecaster could help to educate the Board, by meeting with the chair and vice chair on a regular basis without violating the Brown Act. Matters that would provide valuable information around forecasts changes that occur every year

due to economic fluctuation or matters regarding forecasting decisions; when it is best to apply a conservative, moderate or aggressive approach to the forecast, and other relative information that could be provided to the chair and vice chair and help them to determine whether a full presentation to the board would be beneficial.

**Organizational Impact:** Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

**Action taken by SANDAG Management:** Management implemented the IPA's recommendation effective January 2020.

### R3- Assistant Executive Director of Finance

SANDAG relies on accurate and timely reporting of revenues and expenditures, independent management of revenue sources, grant management, and expenditures. The Assistant Executive Director of Finance has the responsibility to ensure the budget is properly prepared, funding use is appropriate, budgets are reasonable, and variances sufficiently supported. The Assistant Executive Director of Finance's other duties include tracking cash flow and financial planning, bond and investment management, analyzing the organizations financial strengths and weaknesses, and proposing corrective actions. Further, the Assistant Executive Director of Finance, similar to a treasurer, is responsible for managing the finance and accounting divisions, revenue and grants, as well as collection of revenues and accounts receivables.

SANDAG is an inherently risky organization that relies on revenue forecast and projected cost. Further the Assistant Executive Director of Finance is charged with ensuring system controls around fiscal and operational matters are strong, policies are current and followed, and management override is prevented. The Assistant Executive Director of Finance also has responsibility to ensure that funds budgeted and earmarked are not misused or comingled. That grants are properly tracked, and that cost areas reimbursed in the appropriate fiscal year. The Assistant Executive Director of Finance is the gatekeeper of all monies and expenditures from an oversight standpoint. Lastly, the Assistant Executive Director of Finance should have no perceived impairments or fear of reporting beyond the Executive Director if a fiscal or operational matter that puts the organization at risk.

According to Government Finance Officers Association (GFOA):

*CFO expected to be the chief enforcer of rules, requirements, and regulations; the technical expert on financial and budget practices and procedures; and the one who provides financial guidance to colleagues and policymakers. The CFO's overall mission is to maintain the organization's financial integrity while supporting the delivery of direct governmental services. The CFO must understand the principles of public service and the unique leadership requirements of working in the public sector. He or she must gain the trust of elected leaders and the community by promoting financial transparency along with ethical and reliable financial reporting. The CFO is broadly responsible for financial risk management, financial planning, record keeping, reporting, and related compliance.*

The Assistant Executive Director of Finance, similar to the Director of Economist and Forecaster should provide regular updates and educate the chair and vice chair and also meet when other matters arise that he or she deems important to share with the board chair and vice chair without

risk of a Brown Act violation. The chair and vice chair can then determine if a presentation to the full board would be necessary or beneficial.

The IPA is recommending that the Assistant Executive Director of Finance have a functional (dotted) reporting line to the Board of Directors (chair and vice chair) and a direct (solid) reporting line to the Executive Director.

**Organizational Impact:** Control, Compliance, Performance

**Fiscal Impact:** None

**References:** According to the California State Association of Counties – “In 54 of the 58 counties, the Controller which is equivalent to the Chief Financial Officer of an Organization is an independent, nonpartisan elected office established to provide various accounting and property tax administration services to the county government, special districts, schools and cities. The four counties with appointed officers are: 1) San Francisco, Controller appointed for eight years; 2) Santa Clara, appointed Director of Finance; 3) Los Angeles, appointed Auditor-Controller; and 4) San Diego, appointed Auditor and Controller.”

“The Controller is the chief fiscal officer of the county responsible for budget control, disbursements and receipts, and financial reporting. Also, the position may be combined with the treasurer-tax collector position, with the title Director of Finance.”

Further, like with other Joint Powers (Govt. Code Section 6500) and Special Districts governing code provides that the position of the Controller/Treasurer be appointed by and reportable to the governing board or in some cases with Special Districts, the County elected Auditor/Controller who works jointly with the organization’s governing board.

**Action taken by SANDAG Management:** Management implemented the IPA’s recommendation effective January 2020.

#### R4/5- Office of Risk Management and Equal Employment Opportunity

SANDAG’s current organizational structure houses the two key positions of Office of Risk Management and Equal Employment Opportunity under the Chief Operations Officer. Human Resources is also housed by and reports to the Chief Operations Officer.

Risk management is responsible for the identification, monitoring and mitigation of risk for SANDAG as an organization, for all offices, branches and divisions. This includes those housed under the Chief Operations Officer. For this reason, the risk manager should have a reporting structure that reports directly to the Executive Director where, similar to an auditor, more independence would exist allowing the risk manager to identify, monitor and mitigate risk without fear of retaliation. For a government agency – risk is inherent and a good risk management program that manages risk at the highest level and for the entire organization, lowers the liability around potential risk and risk impact. For this reason, the IPA recommends that the risk manager have a solid reporting line to the Executive Director who is the final decision maker for the organization and ultimately responsible for risk monitoring and mitigation.

Furthermore, the IPA recommends that SANDAG consider a Quality Control (QC) Risk Engineer that would be responsible for mitigating risk from a QC perspective around all design and construction projects that are planned and/or managed by SANDAG. Currently, there is a QC Risk Engineer that performs Federal Transit Administration (FTA) QC reviews around the Mid-Coast project however, QC reviews should be performed on all federally funded projects and other major funded projects, as federal grant requirements include a risk consideration and continuous monitoring component.

Additionally, SANDAG's Equal Employment Opportunity (EEO) Officer duties are currently housed in the same division as the Risk Manager and Human Resources. The Diversity and Equity (Duties including EEO matters) is also housed under the Chief Operations Officer in the Division of Organization Effectiveness. The EEO Officer function of an organization should be independent from the branch and division that houses human resources. The responsibilities for this position would include an independent review of decisions made by human resources when an employee does not agree with human resources action and seeks an unbiased review. The complaints and reviews may include various matters such as discrimination, harassment, grievance, or unfair treatment complaints against any level of SANDAG senior team, management, supervisors or by another employee. If the employee does not agree with the final decision made by human resources, the employee is entitled to have an independent EEO review performed. Having the EEO responsibilities housed under the same Chief or Director that houses human resources is conflicting and can create bias. Further as with the risk manager, the organization faces potential liability risk when the EEO Officer that staff would look to for final review of an unresolved matter, lacks independence.

The position that embodies these duties of the EEO generally have a solid reporting (direct) line to the Executive Director or CEO of an organization.

The IPA recommends that SANDAG consider forming the Office of Risk Management and Equal Employment Opportunity with staff that are currently holding these titles – Risk Manager, QC Risk Engineer, and Manager of Diversity and Equity.

**Organizational Impact:** Efficiencies, Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

**References:**

Risk Managers and QC Risk Engineer:

Researching government organizational charts was a challenge. Many local and state governments no longer provide a detailed organizational chart online. However, the following references exhibit the importance of having a risk manager report directly to the Executive Director or Chief Executive Officer.

According to PricewaterhouseCoopers authored by Kaan H. Aksel - Organizing a Financial Institution to Deliver Enterprise-Wide Risk Management (page 7 paragraph 3):

*The proposed model establishes a Chief Risk Officer with close reporting ties to the CFO, the CEO, and the Board—ties that structurally facilitate the risk officer's input into risk-related decisions. The CRO may chair or be a member of various risk governance and approval*

*committees, ranging from the assets and liabilities committee (ALCO) to the market risk, credit risk, and operational risk committees. Those who head the three major risk management disciplines report directly to the CRO. A multi-disciplinary approach is encouraged by dotted-line relationships to IT and to such control functions as Finance, Internal Audit, and Legal.*

[pwc.com.tr/en/assets/about/svcs/abas/frm/operationalrisk/articles/pwc\\_enterprisewiderisk.pdf](http://pwc.com.tr/en/assets/about/svcs/abas/frm/operationalrisk/articles/pwc_enterprisewiderisk.pdf)

According to McKinsey Working Papers on Risk, Number 28 - Strengthening risk management in the US public sector:

*The risk department should reside in a prominent place in the organization: the CRO should either be at the same level as the COO or CFO, or at most one level below, reporting to the CFO. Because the CRO will almost certainly be a political appointee, there should be a deputy CRO who is a career civil servant. That way, the agency will have a qualified lead risk manager to provide continuity in risk-management practices as well as risk-management support and guidance to new appointees.*

[mckinsey.com/~media/McKinsey/Business%20Functions/Risk/Our%20Insights/Strengthening%20risk%20management%20in%20the%20US%20public%20sector/Strengthening%20risk%20management%20in%20the%20US%20public%20sector.ashx](http://mckinsey.com/~media/McKinsey/Business%20Functions/Risk/Our%20Insights/Strengthening%20risk%20management%20in%20the%20US%20public%20sector/Strengthening%20risk%20management%20in%20the%20US%20public%20sector.ashx)

Orange County places risk management under the CFO which has also been recommended.

[ocgov.com/civicax/filebank/blobdload.aspx?BlobID=84452](http://ocgov.com/civicax/filebank/blobdload.aspx?BlobID=84452)

Equal Employment Opportunity Officer:

According to the US Dept of Equal Employment Opportunity Commission the EEO Officer should report directly to the head of the agency. Learn more at

[eeoc.gov/federal/directives/md715/section1.cfm](http://eeoc.gov/federal/directives/md715/section1.cfm).

Best practice - Government Code section 19795, subdivision (a), requires all state agencies to establish and administer an effective equal employment opportunity (EEO) program under the direction of an EEO Officer who is appointed by the director.

[calhr.ca.gov/PML%20Library/2013032.pdf](http://calhr.ca.gov/PML%20Library/2013032.pdf)

In regard to FTA grant funding--grantee or subrecipients--the FTA requires the following:

2.2.3 Designation of Personnel Responsibility - FTA C 4704.1A: "The designation of an agency's EEO Officer responsible for EEO Program management and oversight reflects the agency's EEO commitment. As such, FTA requires agencies to designate an executive as EEO Officer who will report to and is directly responsible to the agency's CEO/GM..."

For detailed information and requirements regarding EEO responsibility for entities that receive federal grant funds as a grantee or subgrantee additional information can be found at

[transit.dot.gov/sites/fta.dot.gov/files/docs/regulations-and-guidance/civil-rights-ada/56501/eo-circular-c-47041a.pdf](http://transit.dot.gov/sites/fta.dot.gov/files/docs/regulations-and-guidance/civil-rights-ada/56501/eo-circular-c-47041a.pdf).

The California Energy Commission organizational chart displays the recommended position of the EEO Office, at [energy.ca.gov/sites/default/files/2019-11/California Energy Commission Org Chart.pdf](http://energy.ca.gov/sites/default/files/2019-11/California%20Energy%20Commission%20Org%20Chart.pdf).

**Action taken by SANDAG Management:** No action has been taken by SANDAG Management.

### R6- Information Technology

Currently there are a couple of main areas within the organization where information technology is housed. Most information technology services are housed under the Chief Operations Officer, along with other administrative related divisions and offices such as human resources, communications, office support, marketing, data processing, etc. An additional parcel includes ARJIS, which consists of the criminal data and is housed under the Capital Programs & Regional Services Branch as a single division. Additionally, there may be information technology staff that are embedded throughout the various other branches and divisions. In most government organizations that deal with large sums of data and information technology on the same scale as SANDAG, houses their information technology as an independent branch.

The field of data and information technology is specialized and have a variety of specialists and skill set that includes, programmers, technicians, software development, information security, etc. Accountability, security, and independence around this area should be present and prioritized in any government organization, as the liabilities and risk around matters such as data breaches can be damaging both in cost caused by lawsuits and public perception/trust damage to an organization. Additionally, having a Chief Operations Officer (COO) that does not have sufficient information technology skillset, knowledge, or experience in this field making decisions, developing staff, performing performance evaluations on professionals that are skilled, can be problematic – including impacts on professional morale, staff development, accountability, security, and impact on final decision making by someone that does not have the skillset that may be required. Lastly, various areas within the information technology arena were identified as a risk that should be considered and mitigated as part of the risk assessment process. Further discussion with various staff resulted in a determination that SANDAG lags in information technology, and that there are legitimate concerns around data safeguarding.

The IPA recommends that all matters involving information technology and criminal data (specifically ARJIS) be moved into one branch at the direction of a Assistant Executive Director of Technology that has the skillset and qualifications to manage a variety of information technology staff, make informed decisions, and has the ability to identify, mitigate, and monitor risk for SANDAG where information technology and data management are concerned.

**Organizational Impact:** Efficiencies, Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

#### **References:**

In an article written by Christophe Veltsos - *Where the CISO Should Sit on the Security Org Chart and Why It Matters*, January 9, 2018, which states, "In the latest edition of its '[Global State of Information Security Survey](#),' PricewaterhouseCoopers (PwC) found that 40 percent of CISOs, chief security officers (CSOs) or other equivalent information security executives report to CEOs, while 27 percent report to board directors, 24 percent report to a chief information officers (CIO), 17 percent report to a CSO and 15 percent report to a chief privacy officer (CPO). Since PwC's numbers add up to more than 100 percent and the actual survey questions aren't provided, these numbers likely include dotted lines of reporting in addition to direct reports."

The trend continues to move to the Chief Information System Officer (CISO) reporting to a level equal to or higher than the Executive Director of an organization.

#### Public Utilities Commission Organizational Structure

[cpuc.ca.gov/uploadedFiles/CPUC\\_Website/Content/About\\_Us/Organization/Structure/Org\\_Charts/Exec%20org%20chart%205-30-19.pdf](http://cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/About_Us/Organization/Structure/Org_Charts/Exec%20org%20chart%205-30-19.pdf)

CALTRANS reporting structure shows the Deputy Director of Information Technology reporting directly to the Director and Chief Deputy Director of the organization. [dot.ca.gov/about-caltrans/departmental-organizational-chart](http://dot.ca.gov/about-caltrans/departmental-organizational-chart)

The California Energy Commission organizational chart displays the position of the Information and Technology Branch reporting directly to the Chief Deputy Director.

[energy.ca.gov/sites/default/files/2019-11/California\\_Energy\\_Commission\\_Org\\_Chart.pdf](http://energy.ca.gov/sites/default/files/2019-11/California_Energy_Commission_Org_Chart.pdf)

#### R7- Clerk of the Board

The Clerk of the Board generally performs complex and responsible legislative and administrative clerical/secretarial work in connection with the activities of one or more advisory committees of the Board of Directors and performs other duties assigned. The essential functions of this job include: reviewing agenda packages for accuracy and completeness; organizing and preparing agenda for committee meetings; preparing legal notices and official advertising; attending committee meetings, taking notes and preparing minutes; preparing reports related to committee actions; organizing and updating official board files; conducting research and responding to requests from the public and other departments; and performing data entry and database maintenance.

SANDAG is a rather large agency with many Board and committee meetings. The Clerk of the Board often works closely with Board and committee members as well as with the Executive Director and Executive Management. Generally, when a government entity has a governing body, the Clerk of the Board reports functionally to the Board and administratively, or as a direct report, to the Executive Director or Chief Executive Officer.

#### R8- Government and Legislative Relations

Government and legislative relations deal with how an organization interacts with other government, with governmental regulators, and the legislative and regulatory arms of government and works closely and often jointly at the same time with members of the Board and the Executive Director.

#### R9- Strategic Communications

Communications deal with how an organization interacts with the public and works closely and often jointly at the same time with members of the Board and the Executive Director. Further, the three offices often work together with matters around public perceptions and associated risk as it relates to SANDAG as well as with bodies of the Board and the Executive Director.

The IPA is recommending for more efficiencies and effectiveness within the organization that the three areas join, creating the Offices of the Clerk of the Board, Government and Legislation



Relations and Strategic Communications, with a direct reporting line to the Executive Director. This will encourage a synergy between the three groups and benefit SANDAG.

**Organizational Impact:** Efficiencies and Effectiveness

**Fiscal Impact:** None

**References:**

Public Utilities Commission Organizational Structure  
[cpuc.ca.gov/uploadedFiles/CPUC\\_Website/Content/About\\_Us/Organization/Structure/Org\\_Charts/Exec%20org%20chart%205-30-19.pdf](http://cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/About_Us/Organization/Structure/Org_Charts/Exec%20org%20chart%205-30-19.pdf)

The California Energy Commission organizational chart displays the offices reporting directly to and/or above the Executive Director. [energy.ca.gov/sites/default/files/2019-11/California Energy Commission Org Chart.pdf](http://energy.ca.gov/sites/default/files/2019-11/California_Energy_Commission_Org_Chart.pdf)

**Action taken by SANDAG Management:** Based on the most updated organization chart published January of 2020, Government Relations directly reports to the Executive Director; however, no other actions have been taken by SANDAG Management regarding the additional recommended changes for this category.

R10/11- Office of Revenue and Grants Management

SANDAG's funding sources are widespread, consisting of various federal competitive, formula, and block grants, various transportation type federal funding, a variety of state funding sources, local, tax revenues, other revenues and fees. Additionally, SANDAG is not only a receiver of grant funds, but also a grantor of various grants. The grants applications and awards are numerous and are managed in various manners, including within each of the divisions rather than as a grant office that houses a wealth of experienced grant professionals such as grant writers and monitors that can synergize and work effectively and efficiency for all departments and division within SANDAG, while tracking grant detail, which is currently is not consistently tracked within each of the departments, by grant, grant type, or in totality for SANDAG as an organization.

The other portion of this office should consist of revenue management. The primary role of an office of revenue is to maximize the revenue generating opportunity for revenue both in the public and private sector. SANDAG would benefit by having an office with staff that specializes in revenue generation. Responsibilities would include compiling and analyzing data to make decisions around public and private partnerships, keeping up with market changes and identify trends for revenue generating and researching opportunities around private contributions, and shared services and bonding options. Additionally, this office could also incorporate staff that are responsible for revenue recovery and collection with good controls and proper segregation of duties.

SANDAG in the past, has not met its projected revenue matching ratios. This office would support these efforts that could potentially bring much needed revenue into the organization. Also, keeping revenue and grant generating staff housed under one branch would bring about more controls and limit potential liability around grant or other revenue commitments and obligations that SANDAG management is unaware of and cannot meet in regard to Federal OMB rules and regulations.

The IPA recommends that all funding related responsibilities be housed under the Assistant Executive Director of Finance.

**Organizational Impact:** Efficiencies, Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

**References:** Various California State and Local Governments (e.g. Energy Commission, County of Yolo, County of San Diego, etc.)

**Action taken by SANDAG Management:** Though Grants is now housed with Contracts under the direction of the Executive Director of Finance, for greater efficiencies and control, the IPA recommends that all aspects of grants (applications, distribution, oversight including monitoring and tracking), in addition to a revenue opportunity position be housed as one office. Currently, various offices within SANDAG perform a variety of these responsibilities.

#### R12/13- Records Management and Public Records Request

A compliant productive records management program is necessary for organizations to proactively and progressively manage all data, media and information. As the number of laws and severity of punishment governing records management continues to increase, it becomes even more paramount that organizations follow best practices for proper records management. Organizations need to demonstrate “good faith” intentions to follow these best practices consistently and accurately. An organization with a solid foundation of proven successful records management practices will:

- Preserve the right information for the correct length of time
- Meet legal requirements faster and more cost effectively
- Control and manage records management storage and destruction fees
- Demonstrate proven practices of good faith through consistent implementation
- Archive vital information for business continuity and disaster recovery
- Provide information in a timely and efficient manner regardless of urgency of request
- Use technology to manage and improve program
- Integrate policies and procedures throughout organization
- Establish ownership and accountability of records management program
- Arrange for continuous training and communication throughout the organization
- Project an image of good faith, responsiveness and consistency
- Review, audit, and improve program continuously

These features must all exist as part of a compliant records management program. Independently, each represents a good practice; as a unit, they serve as a solid foundation of best practices for records management.

Based on various discussion with staff and responses on the risk assessment survey, SANDAG currently has electronic records saved in multiple locations, including SharePoint 2010 (OASIS), Office 365, website content management, M: drive, individual C: drives, and H: drives. There are many different versions of the same document stored in numerous locations. There should be sufficient time dedicated to sorting out the electronic files and creating a standardized electronic filing system and a records management policy, as well as sorting out and reviewing any hardcopy documents that are stored at an offsite location incurring storage cost for documents that should have been destroyed years ago. SANDAG currently have 2,500+ containers of hard copy records in off-site storage. Holding electronic or hardcopy documents beyond what SANDAG is legally required to also puts SANDAG at unnecessary risk for Public Records Request (PRR) matters that could unfold.

The IPA recommends that there be a full-time records management position for this task and with an additional administrative or paralegal position to manage PRR. Currently, the paygrade performing this task is at the pay scale of an Attorney yet performing this task at this pay scale is not cost effective for SANDAG or an efficient use of resources. The IPA recommends that these positions are housed under the Chief Operations Officer's Branch that houses other administrative and operational support type offices.

**Organizational Impact:** Control, Compliance, Performance

**Fiscal Impact:** Reduction in cost

**Action taken by SANDAG Management:** No action has been taken by SANDAG Management.

#### R14- Movement from "Chief's" to "Assistant Executive Director's"

The IPA recommends that SANDAG Management consider moving away from the wording of "Chief" to a more appropriate wording of "Assistant Executive Director" for each of the positions currently held with the title of Chief as well as the additional recommended position of the Assistant Executive Director of Technology.

### **Section H – Summary of Recommendations**

Applying the methodology noted above in consideration of bringing more efficiencies, effectiveness, and systemwide control to SANDAG's organizational structure, the OIPA developed and provided 14 recommendations. OIPA's recommendations draw upon input from and dialogue with stakeholders across SANDAG's organization and research around various types of organizational structure. The recommendations fall into three broad categories:

- Strategic focus - Uniting SANDAG's similar professions and/or tasks of common strategic priorities
- Role clarity - Providing clear expectations about responsibilities for SANDAG's major role players where impact/results or lack thereof could have significant success and/or risk of failure to SANDAG
- General Administration organizational design - Structuring administrative type support to better support individuals within SANDAG, provide more independence where needed, bring

stronger system control, and better deploy resources in areas that are most important for SANDAG as a whole

Critical enablers such as strong relationships, trust, and good communication that are essential to support necessary changes are present at SANDAG and with these recommended changes could further engrain these traits into SANDAG. Sections A through F help to support why the recommendations would benefit SANDAG and Section G provides the detail to support the categories that could help further support and bring more success to SANDAG.

### **Section I – Organizational Chart**

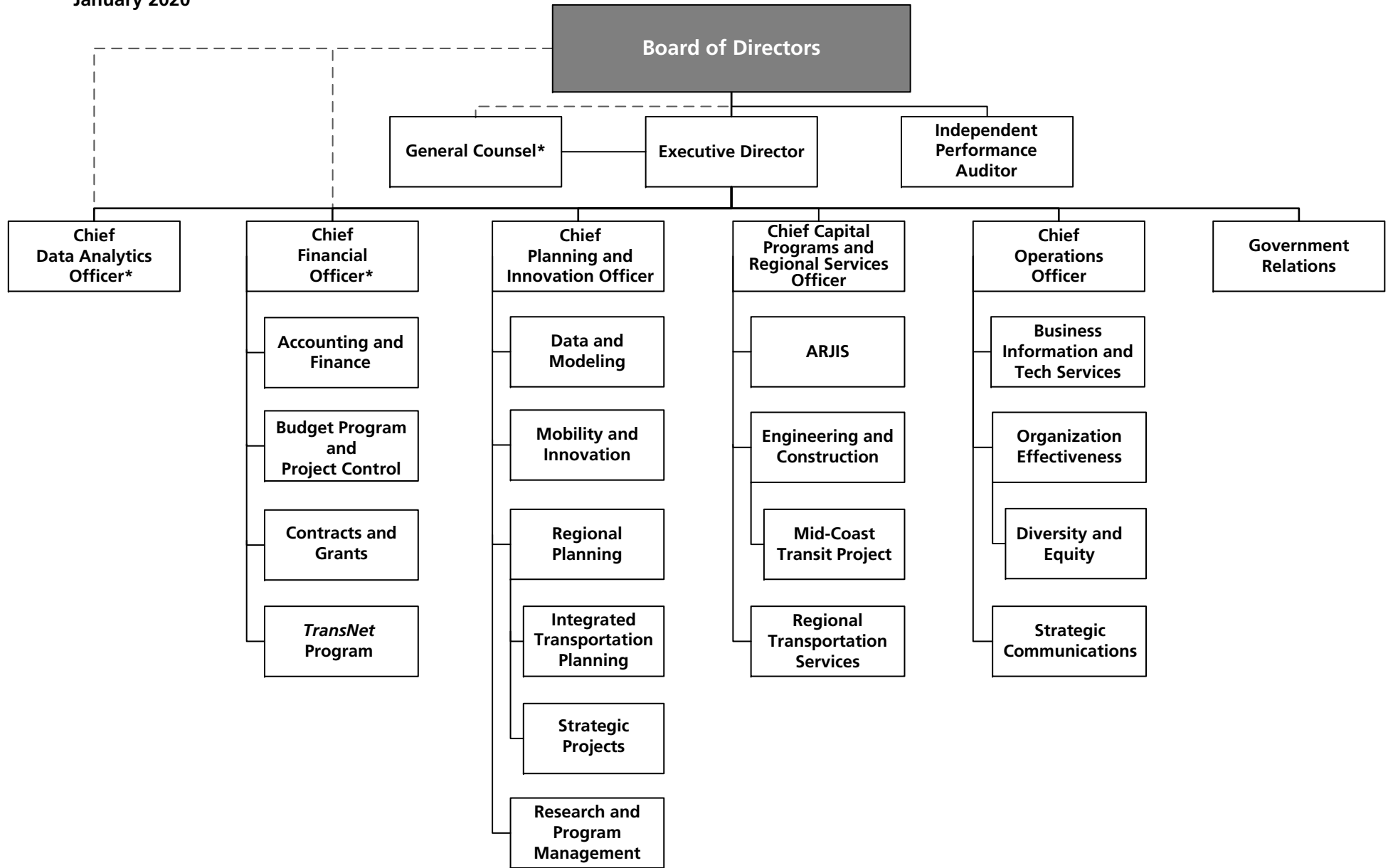
Attachment A – SANDAG Current Organizational Chart as of January 2020

Attachment B – OIPA’s Proposed Organizational Chart for SANDAG



# Organization Chart

January 2020



\* The General Counsel, Chief Data Analytics Officer and the Chief Financial Officer have dotted line reporting to the Board of Directors.