



Procedures for Commutating Office of the Independent Performance Auditor Reports and Website Posting

Purpose

These procedures reflect and document the report writing process, identifies GAGAS standards related to reporting for audits, and documents the Office of the Independent Performance Auditor (OIPA) procedures related to developing and issuing an audit report. The reporting standards for audits relate to the form of the report, contents, and issuance and distribution.

The primary purpose of this publication is to establish protocols for distributing final reports issued by OIPA to the Audit committee, the Board of Directors, and for posting reports to the OIPA's public website.

The secondary purpose of this publication is to establish protocols for providing updates and reporting on ongoing complaints and finalized investigations that resulted from complaints filed by way of the OIPA Fraud, Waste and Abuse website, to the Audit Committee, the Board of Directors, and for posting to the OIPA's public website.

The third and final purpose of this publication is to establish protocols for providing updates and follow-up status reports of Corrective Action Plans (CAP's) resulting from external audits performed on SANDAG programs, staff or contracted services of which SANDAG has responsibility.

1. Background – Understanding the Audit Process and Reporting Standards

1.1 Report processing: The report process begins at the end of field work, after auditors have completed all the audit steps in the field work audit program and developed preliminary findings.

Steps for Report Process

Principal Auditor creates document frame/report outline

Report draft meeting is held. Principal Auditor develops draft report

Audit team members review draft report

IPA reviews and approves draft report

Draft audit report is issued to management

Exit Conference is held, and additional considerations may occur, and report adjusted

Final draft report is issued to management

Management submits written response to audit report (mgmt. generally has one week to respond)

Final report is issued with management and Independent Performance Auditor (IPA's) responses.

- 1.2 Reporting Standards and Report Format: Auditing standards require that auditors must issue audit reports communicating the results of each completed audit. The standards provide auditors flexibility in determining reporting format. Auditors should use a form of the audit report that is appropriate for its intended use and is in writing or in some other retrievable form. For example, auditors may present audit reports using electronic media that are retrievable by report users and the audit organization. The users' needs will influence the form of the audit report. Different forms of audit reports include written reports, letters, briefing slides, or other presentation materials. The IPA and Principal Auditors will decide on the most appropriate report format.
- 1.3 Audit Report Purpose: The purposes of audit reports are to (1) communicate the results of audits to those charged with governance, the appropriate officials of the audited entity, and the appropriate oversight officials; (2) make the results less susceptible to misunderstanding; (3) make the results available to the public, as applicable; and (4) facilitate follow-up to determine whether appropriate corrective actions have been taken.
- 1.4 Audit Report Content: Auditors should prepare audit reports that contain (1) the objectives, scope, and methodology of the audit; (2) the audit results, including findings, conclusions, and recommendations, as appropriate; (3) a statement about the auditors' compliance with GAGAS; (4) a summary of the views of responsible officials; and (5) if applicable, the nature of any confidential or sensitive information omitted. The Audit Standards Plan will document compliance with these provisions. The published report should generally include an executive summary, mission statement describing the purpose and authority of the office, title page, table of contents, introductory material, background, findings, recommendations, notes, appendixes, and responses of the Executive Director or SANDAG management.
- 1.5 Reporting Views of Responsible Officials: Audit standards require that we include the views of responsible officials of the audited entity and the corrective actions they plan to take. Providing a draft report with findings for review and comment by responsible officials of the audited entity and others helps the auditors develop a report that is fair, complete, and objective. Obtaining the comments in writing is preferred, but oral comments are acceptable. When auditors receive written comments from the responsible officials, they should include in their report a copy of the officials' written comments, or a summary of the comments received.

Obtaining oral comments may be appropriate when, for example, there is a reporting date critical to meeting a user's needs; auditors have worked closely with the responsible officials throughout the conduct of the work and the parties are familiar with the findings and issues addressed in the draft report; or the auditors do not expect major disagreements with the findings, conclusions, and recommendations in the draft report, or major controversies with regard to issues discussed in the draft report. Auditors should also include in the report an evaluation of the comments, as appropriate.

In cases in which the audited entity provides technical comments in addition to its written or oral comments on the report, auditors may disclose in the report that such comments were received. When the audited entity's comments are inconsistent or in conflict with the findings, conclusions, or recommendations in the draft report, or when planned corrective actions do not adequately address the auditors' recommendations, the auditors should evaluate the validity of the audited entity's comments. If the auditors disagree with the comments, they should explain in the report their reasons for disagreement. Conversely, the auditors should modify their report as necessary if they find the comments valid and supported with sufficient, appropriate evidence.

If the audited entity refuses to provide comments or is unable to provide comments within a reasonable period of time, the auditors may issue the report without receiving comments from the audited entity. In such cases, the auditors should indicate in the report that the audited entity did not provide comments.

1.6 Outside Reporting of matters relating to Fraud, illegal acts, violations of contract provisions and grant agreements: When management fails to act regarding the reporting of fraud, illegal acts, violations of contract provisions and grant agreements, OIPA has an obligation to report to parties outside the audited entity. The standards require outside reporting in the following two circumstances:

1.6.1 When entity management fails to satisfy legal or regulatory requirements to report such information to external parties specified in law or regulation, auditors should first communicate the failure to report such information to those charged with governance. If the audited entity still does not report this information to the specified external parties as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the information directly to the specified external parties.

1.6.2 When entity management fails to take timely and appropriate steps to respond to known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse that (1) is significant to the findings and conclusions, and (2) involves funding received directly or indirectly from a government agency, auditors should first report management's failure to take timely and appropriate steps to those charged with governance. If the audited entity still does not take timely and appropriate steps as soon as practicable after the auditors' communication with those charged with governance, then the auditors should report the entity's failure to take timely and appropriate steps directly to the funding agency.

1.7 Member Briefing – Draft Report:

At the time the draft report is issued to SANDAG Management for a response, the IPA will brief, on an individual basis, members of the Committee for understanding.

In order to ensure that there are no Brown Act violations, and that the Auditor's Independence is not impaired, at no point will there be joint, or group discussions nor will the draft report findings be removed or materially changed as a result of those discussions.

1.8 Report Distribution: Auditing standards require that OIPA distribute audit reports to those charged with governance, to the appropriate officials of the audited entity, and to the appropriate oversight bodies or organizations requiring or arranging for the audits. As appropriate, auditors should also distribute copies of the reports to other officials who have legal oversight authority or who may be responsible for acting on audit findings and recommendations, and to others authorized to receive such reports. Further, all reports will be made available to the public by posting them on the OIPA website link: <https://www.sandag.org/index.asp?fuseaction=oipa.home> except when certain information may be classified or otherwise prohibited from general disclosure.

2. Distribution of Audit Reports

2.1 Audit Committee: Once the audit report is issued as final, the report and responses from both the Executive Directors and the IPA will be ajenized for the Audit Committee meeting immediately following the month the report was finalized. The Audit Committee will be asked to discuss with a possible action to be taken.

2.2 OIPA Public Website: Once the Audit Committee agenda is publicly posted, the IPA will post the finalized report to the OIPA website.

2.3 Board of Directors: Once the final report is discussed at the Audit Committee, the final report will be ajenized for a subsequent, as soon as practical, Board of Directors meeting, subject to the agenda setting authority set for in Board Policy 001. The Audit Committee will determine the action in which they are recommending that the Board of Directors take (consent, discuss with

possible action or informational).

3. Reporting of Fraud, Waste and Abuse Complaints

3.1 Updating the Audit Committee on new and ongoing investigations: The IPA will provide monthly updates, along with other OIPA activity, as part of the "Update on the Office of the Independent Performance Auditor Activities" during the monthly Audit Committee meetings that are publicly held.

3.2 Annual Summary of Fraud, Waste, and Abuse for ongoing and final investigation results: At the first Audit Committee meeting of each fiscal year, the IPA will provide a report summarizing the prior fiscal year's open, ongoing and closed complaints filed with the OIPA. The summary will include the general nature of each complaint, the final determination if the investigation has been completed (founded or unfounded), and the IPA recommendation.

3.3 Report distribution of finalized report:

3.3.1 Audit Committee: Once the finalized investigation report is issued as final, the report and any responses from both the Executive Directors and the IPA will be azenized for the Audit Committee meeting immediately following the month the report was finalized. The Audit Committee will be asked to discuss with a possible action to be taken (if any).

3.3.2 OIPA Public Website: Once the Audit Committee agenda is publicly posted, the IPA will post the finalized report to the OIPA website.

3.3.3 Board of Directors: Once the finalized investigation report is discussed at the Audit Committee meeting, the final report will be azenized for a subsequent, as soon as practical, subject to the agenda setting authority set for in Board Policy 001. The Audit Committee will determine the action in which they are recommending that the Board of Directors take (consent, discuss with possible action or informational).

The IPA will maintain the appropriate level of confidentiality regarding all complaints. Any reports issued to the public will not include any confidential information that cannot be disclosed, such as personnel issues or other matters that the IPA determines should remain confidential due to the nature of the matter. The IPA, where necessary, will seek legal and other professional guidance such as law enforcement, state or federal oversight agencies, and or other regulating entities, etc., to determine the level of confidentiality required.

4. Reporting of Corrective Action Plans (CAPs) Implementation Status

4.1 Audit Committee: At the first Audit Committee meeting of each fiscal year, the IPA will azenize a report summarizing the prior five fiscal year's open, ongoing and implemented Corrective Action Plans and other audit recommendations resulting from external audits performed on SANDAG programs, staff or contracted services of which SANDAG has responsibility. The summarized report will include the report issue date, report title, issue, recommendation or actions, planned date of implementation, responsible SANDAG staff, department and if the recommendation is repeated over more than one fiscal year. The Audit Committee will be asked to discuss with a possible action.

4.2 OIPA Public Website: Once the Audit Committee agenda is publicly posted, the IPA will post the report summarizing the corrective action plan status to the OIPA website.

4.3 Board of Directors: Once the report summarizing the corrective actions and status is discussed at the Audit Committee meeting, the summary report will be azenized for a subsequent, as soon as practical, subject to the agenda setting authority set for in Board Policy 001. The Audit Committee will determine the action in which they are recommending that the Board of Directors take (consent, discuss with possible action or informational).

5. Audit Committee Actions – Post Audit Report Presentation Process

5.1 The AC docketing and public posting will be consistent with the above stated processes.

- 5.2 The IPA will present a summary of funding and recommendations based on the final audit report.
- 5.3 Management will have the opportunity to comment and provide a response.
- 5.4 After the AC Q&A and discussion, the Committee will vote.

- 5.4.1 Voting Options:

- 5.4.1.1 Accept the report, findings and recommendations and request that Management prepare a Corrective Action Plan (CAP).
- 5.4.1.2 Accept the report and findings but with requested modification to or comment on specific recommendations and request that Management prepare a Corrective Action Plan (CAP).

The outcome of the vote and comments, if any, will be presented to the SANDAG Board of Directors at its next meeting.

in case the vote is not unanimous, those in the minority will be given an opportunity to have included in the report to the Board brief explanation of their dissent.

Approved: 7/24/2020
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