San Diego Association of Governments

Office of the Independent Performance Auditor

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Independent Performance Auditor

ANNUAL AUDIT PLAN
For the period of
July 1, 2021 to June 30, 2022

I. FY 2019-2020 and 2020-2021 STRATEGIC GOALS AND ACTIVITIES

Strategy

To continue ensuring the Office of Independent Performance Auditor's (OIPA) plan is successful, it must be strategically designed. The plan for fiscal year 2122 has been updated and continues to consist of defined strategic goals that encompass OIPA's planned activities and/or tasks. To ensure the plan is properly designed, OIPA provides actions steps or tasks to help ensure and support a plan that results in success and contributes to SANDAG becoming a more efficient and effective agency. The OIPA's defined goals represent our contribution to SANDAG's success in accomplishing their overall defined strategic goals (defined in the table below) that supports their mission and vision. The OIPA's goals focus on end-result based outcomes for the agency while supporting how the OIPA achieves success. The OIPA's defined activities and task consist of tasks or actions to be taken to accomplish the defined goals (shown on the next page). These tasks or actions are the "how to" and "end-result to be produced" and supports the OIPA in meeting and successfully accomplishing the activities, tasks, and ultimately, the intended goal. The goal achievement indicator consists of the output or the end-result or product of the completed goal and provides the percentage of completion. This will help further measure the OIPA's performance by activity and/or overall goal to assist in further planning or the need to reassess the OIPA's defined goals. The percentage of completion is measured from the start of an activity or goal to status date provided.

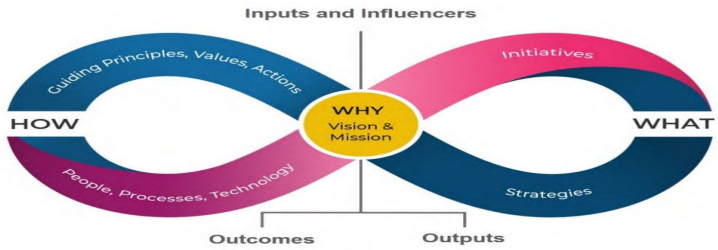
SANDAG's Vision and Mission

Our Vision: *Pursuing a brighter future for all*

Our Mission: *We are the regional agency that connects people, places, and innovative ideas by implementing solutions with our unique and diverse communities.*

SANDAG's FY 2021-22 Strategic Goals and Areas of Emphasis

The infinity loop is the strategic planning framework SANDAG is using to show the connection between the **Why, How, and What** of the agency's work program. The comprehensive FY 2022 Budget provides resources for the 'What' of SANDAG's work.



Five **Initiatives** will drive improvements to the capacity and overall performance of the agency. Six **Strategies** reflect the agency's current responsibilities and commitments – the programs, projects, and services that SANDAG will undertake in the year ahead.

Initiatives	Strategies
• Advance equity and inclusion	• Use data and analytics to support innovation and inform decision-making
• Enhance organization culture	• Plan for a vibrant future
• Improve digital capabilities	• Bring plans and projects to life
• Become a data-driven organization	• Operate programs and services
• Pursue funding sources	• Engage with the communities we serve
	• Provide outstanding business advisory services

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On a semiannual basis the IPA provides the Audit Committee with an update based on these defined goals, changes, accomplishments, and outputs of end results or outcomes. Further, the Audit Committee has set defined performance measure goals (shown in the next section) that the IPA will be evaluated that have also been incorporated into the Audit Plan document.

OIPA's Goals & Benefits Derived	OIPA'S Strategic Goals (End result successes for SANDAG)	Priority	Achievement Indicator (Result or Product Outcomes)	Percent of Completion	Aligns to SANDAG's 2021-22 Strategic Goals
OIPA Goal-01 **Assessment and Understanding Control Environment**	**Understand SANDAG's Board and/or Committee Members' perspective regarding risk concerns:** **Activity/Task 1**- Meet with Audit Committee and Board Members to discuss risk themes and sore spots. **Activity/Task 2**- Document and analyze risk consideration identified by members and incorporate into the audit plan. **Activity/Task 3** – Review SANDAG's organizational structure to identify areas of audit risk to determine if the structure is in conflict with best practices and good system controls (e.g. IA, Director of Finance (CFO), and Chief Counsel). **Activity/Task 4** – Review SANDAG's defined Strategic Goals and Areas of Emphasis to determine if there is alignment with SANDAG's legislative purpose, defined vision and mission and if SANDAG has included and has actions steps that embraces the idea of enhanced transparency and contributions to public value and what the Board envisions.	1	Risk Questionnaire and documented discussions. OIPA's Annual Audit Plan.	80%	Yes
OIPA Goal – 02 **Risk, Mitigation, and Monitoring**	**Management is more aware of business and fraud risks and associated controls. The Board is informed, and the results will frame the annual audit plan and support management in continuous monitoring of risk while increasing public value:** **Activity/Task 1**- Meeting with the Executive Director and Senior Leadership to discuss risk and how OIPA can best provide benefit from an audit perspective. Based on these discussions incorporate factors into the audit plan. **Activity/Task 2 -** Review SANDAG's risk survey report that was prepared and completed in December of 2020 and consider the higher risk areas identified to ensure that these areas are considered within the annual audit plan.	1	IPA- Outreach to SANDAG Staff and Board Members on System Controls and Organizational Risk SANDAG Organizational Wide Risk Assessment Report dated Dec 2020 Prepared Audit Plan and discussion documentation	80%	Yes

OIPA Goal – 03 **Public Value and Transparency**	**Management supports public transparency by maintaining a Website on Reporting of Fraud Waste and Abuse of public funds and OIPA's website for reporting– thus adding public value:** **Activity/Task 1**- Ensure that OIPA's website is reviewed and maintained with updated information and reports. **Activity/Task 2**- Ensure that the public website for Reporting of Fraud, Waste and Abuse is maintained and provides sufficient information on reporting. **Activity/Task 3**- Track and investigate matters reported and report results annually to the Audit Committee and the Board.	**1**	Public Website/Board Policy 42. Documented with matter and conclusion by way of an annual summary report and incident reports. ongoing	**0%**	**Yes**
OIPA Goal – 04 **Opportunity**	**SANDAG consistently seeks revenue generating opportunity while ensuring proper tracking, documentation and linkage between SANDAG departments exists.** **Activity/Task 1**- Meet with finance staff to gain an understanding of revenue generating opportunity. **Activity/Task 2**- Meet with Contracts and Grant Manager to review avenues to ensure that grant opportunities are being captured. **Activity/Task 3-**Meet with project staff to ensure proper tracking, system controls, and proper documentation is kept. **Activity/Task 4**- Review processes and communication links and meet with SANDAG risk manager to help support a plan that would ensure that synergy is occurring between SANDAG departments that would help to ensure revenue opportunities, liabilities and commitments, and timelines to capture revenues and grant opportunities timely.	**2**	Summary of matters and recommendations for improvements document	**0%**	**Yes**
OIPA Goal – 05 **Effectiveness and Efficiencies**	**SANDAG's Budget process is effective, efficient and transparent.** **Activity/Task 1**- Meet with Budget staff to gain and understating of the budget process. Review the budget process, budget documents and methodology to ensure best practices including timely reviews, adjustments and amendments occur. Review system interfacing between financial system and project tracking system. Confirm and test accuracy of reconciliations are being performed between the two systems. (Note: a budget process and system control review are included in the audit plan). Base on the review, make recommendations to improve efficiencies, controls and transparency.	**1**	Report of Budget Processes and IC Review scheduled this audit plan.	**0%**	**Yes**

OIPA Goal – 06 **Operational Continuity**	**SANDAG Succession planning document are sufficient, relevant and updated to consider 3 to 5 years retirement plans:** **Activity/Task 1**- Review succession plan (if available) to gain perspective. **Activity/Task 2**- Meet with executive staff to discuss succession planning. **Activity/Task 3**- Meet with Human Resources to determine if estimated retirements have been considered. **Activity/Task 4**- Review duty statements and desk procedures available. Document outcomes and make recommendations. **Activity/Task 5**- Review high risk position to ensure there is cross training and job sharing sufficient enough to ensure that key positions are not set-up for single points of failure (one staff member holding all the key functions) and that safeguards are in place. **Activity/Task 6**- Review staff development and incentive opportunities to ensure there is support for upward mobility including professional certification programs.	**2**	Summary of matters and recommendations for improvements	**20%**	**Yes**
OIPA Goal – 07 **Risk Mitigation and Effectiveness and Efficiencies**	**Activity/Task 1**- Review SANDAG's disaster recovery and continuity practices and policies to determine sufficiency and risk are mitigated. Work with SANDAG management to support necessary changes.	**4**	Report - summary of results and recommendation	**0%**	**Yes**
OIPA Goal – 08 **Effectiveness and Efficiencies**	**SANDAG creates performance measures (PM) that are relevant, and end-result based. PM's are meaningful, measurable and comparable. PM's are developed and meet the requirements of federal grant programs. PM's are monitored, and successes and results are reported to the Board:** **Activity/Task 1**- Meet with Directors of planning and projects to determine if performance measures are developed prior to the start of each project and that the measures are end results based, tracked, and measurements are meaningful and useful. **Activity/Task 2-** On a sample bases, review performance measures to determine if measures are tracked and outcomes reached have been documented to determine the percentage of success.	**3**	Document summary of matters and identified risk. Note: The audit plan includes a review of PM's. A final report will be drafted. Document results and outcomes. Document results and recommendations	**0%**	**Yes**

II. PERFORMANCE MEASURES FOR FY 2021-2022

The OIPA's performance measures for FY 2021-2022 are aligned with SANDAG Strategic Goals (SSG) and Areas of Emphasis as well as performance measures that were developed and approved by the Audit Committee and will be used during the IPA's performance review (IPA). Lastly, the OIPA measures which adhere to professional auditing standards (PAS) and staff development goals (SDG).

The IPA's Performance Measure Goals	*PM No.*	*Type*	*Alignment*	*On Target*	*Exceeds*
CPE- Professional Continued Education (IPA) 100% of auditors adhere to professional certificate/licensing requirements and competency needs every two years and at least 40 hours by December 31, 2021.	**1**	Quality/ Teamwork	PAS/SDG/ IPA	90%	100%
Percentage of planned engagements vs. number of engagements conducted Ensure auditor utilization performance meets industry standards, with audit utilization being measured by the number of planned audits divided by the number of audits conducted.	**2**	Outcome/ Leadership	SSG/PAS/ SDG/IPA	80%	85%
Budgeted *vs.* actual audit hours per engagement (OIPA) Complete audits in an efficient and effective manner, measured by the number of hours budgeted per audit vs actual hours expended per audit.	**3**	Outcome/ Leadership	SSG/PAS/ SDG/IPA	80%	85%
Percentage of OIPA's key goals achieved. In preparation of the annual audit plan, the IPA offers and provides support that includes an annual risk discussion with the governing board, the audit committee, and executive team as part of consideration of risk. The IPA offers and supports providing training and outreach to SANDAG staff and Board members by way of classes and guidance on areas of system controls, best practices, and risk consideration.	**4**	Outcome/ Operational	SSG/SDG/ IPA	70% participation	80% participation
Public Transparency and Accountability The IPA ensures that OIPA will work with Management to maintain an ongoing summary of all internal and external audits that are performed on SANDAG and the status of all Corrective Action Plans (CAPs). Additionally, the IPA will ensure that all CAPs relating to audits performed by OIPA are reviewed and tested and that results are reported on a quarterly basis to the Audit Committee on posted to the OIPA website on an annual basis. Fraud, Waste, Abuse – The IPA ensures that the OIPA will provide an annual written report to the Audit Committee, Board, and post to website of the all incidents reported via the Fraud, Waste, and Abuse website. Further, the IPA will agenize, on a quarterly basis, an update to the Audit Committee. The IPA ensures that there will be no intentional failures to post and there would be no public posting of disclosures by the IPA of information that is required, under law, to be kept confidential.	**5**	Quality/ Operational/ Communication	SSG/IPA	100%	100%
Communication and Relationship Development Maintain and further develop, working relationships with management, while maintaining independence, so that the Office of the Independent Performance Auditor is viewed as a value-added part of the organization. The IPA will undergo an independent - 360 type performance review/survey. Participants will include professional peers, Board, Audit Committee Members, management and staff of SANDAG. Based on an evaluation similar to the IPA's previous review performed by an independent consultant. The IPA ensures that an "Action Plan" will be prepared and publicly posted that addresses any need for improvements that were identified as a result of the review/survey.	**6**	Outcome/ Communication	SSG/IPA	Not less than satisfactory or 70%.	Exceeds 80%

III. AUDIT PLAN FOR FY2122 (the period of July 1, 2021 through June 30, 2022)

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

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

The first two-year plan consisted primarily of learning and gaining an understanding of the environment, reviewing, and assessing areas of risk, performing an organizational wide risk assessment, performing a high priority audit and other requested reviews. Furthermore, the first year's resources were consumed with setting up necessary housekeeping requirements to ensure adherence to professional standards such as the engagement manual, budgets, staffing needs, communications practices, the creation of Board Policy 41 and 42, and hiring staff. The first year also included setting up the OIPA's website for greater transparency and reporting ability for members of the public, and other tasks such as strategic and succession planning.

The IPA presents the following FY2122 plan for Audit Committee approval. The plan consists of two parts. The first part is achieved with efforts by the IPA and is linked to the defined goals and performance measures to ensure accountability and success regarding the daily, weekly, monthly, and annual operations of the OIPA. The next part involves the use of direct audit resources and will focus on engagement objectives that include operational processes and system control reviews and other engagement types. In addition to these planned engagements, the OIPA may accept unplanned engagements at the request of SANDAG's Board, Audit Committee, and Executive Director, and in response to Fraud, Waste, and Abuse complaints. The requests are made to the IPA and brought to the Audit Committee for consideration and adjustment of hours to the budget audit plan.

IPA Operational Activity/Task	Est. Start Date	Goal and PM	Actual Hours	Impact
Audit Committee	**Monthly**	**Goal – 1,2,3 PM No. 4 ,5,6**		**Compliance/Operational/ Transparency**
OIPA staff and Executive meetings	**Weekly**	**Goal – 1.2.3. PM No. - 6**		**Operational**
Board and PAC meetings	**Monthly**	**Goal – 1,2,3 PM No. - 6**		**Compliance/Operational**
Planning Annual Auditor Training	**September**	**Goal – 6 PM No. – 1,4,6**		**Compliance/Staff Development/Quality**
Annual Review of Professional Standards and Update to Engagement Manual and OIPA Policies and Procedures	**August**	**Goal – 6 PM No. – 3, 4**		**Compliance/Quality**
Review of OIPA Website, update information, reports, dashboard, and policies and procedures, etc.	**Aug/Sept**	**Goal – 3 PM No. – 4,5,6**		**Operational/Transparency**
Prepare update report on Fraud, Waste and Abuse to the AC	**Quarterly**	**Goal – 3 PM No. – 5,6**		**Transparency**

OIPA staff performance reviews	**Quarterly**	**PM No. – 1,2,3,4**		**Operational/Staff Development**
Review, testing and reporting of Corrective Action Plans (CAPs) resulting from OIPA audits.	**Quarterly**	**Goal – 2, 3** **PM No. - 5**		**Compliance/Transparency**
Training and Outreach to Board members and SANDAG Management and Staff. Planned training (development of class and providing the training): 1. Good systems of Internal Control 2. How to organize and properly document projects and task (hard copy folders and electronically) 3. Designing effective, meaningful, and end result-based performance measures. 4. Developing a well written desk procedure, cross training, and understanding of policies vs procedures.	**Oct, Dec, March, June**	**Goal – 2** **PM No. -6**		**Quality/Staff Development**
Review and update audit plan to ensure performance measures and goals are on track and to make necessary revisions.	**Quarterly**	**PM No. – 1,2,3,4,5**		**Compliance/Operational/ Quality**
Review and update Smartsheet reports and tracking sheets.	**Quarterly**	**PM No. -1,2,3,4**		**Operational**
Annual Budget Planning	**April/May**	**PM No. – 1,2,3**		**Compliance/Operational**
Prepare for OIPA's first professional Peer Review.	**May, June, July**	**PM No. – 4,5,6**		**Compliance/Operational/ Quality**
Audit Risk Discussion with Board Members and Executive staff for FY22/23 Audit Plan	**April and May**	**Goal – 2** **PM No. - 6**		**Compliance/Operational**
Prepare Annual Audit Plan	**May, June**	**PM No. – 1,2,3,4,5,6**		**Compliance/Operational**
Prepare Year End Reports to the AC	**May, June**	**Goal – 3** **PM No. – 5,6**		**Operational/Transparency**
Attend required CPE training and ensure CPE hours for IPA and Staff are captured.	**Ongoing**	**PM No. - 1**		**Compliance/Operational**
Investigate reported Fraud, Waste and Abuse complaints	**Ongoing**	**Goal – 3** **PM No. – 4,5,6**		**Operational/Transparency**
Support OIPA staff, workpapers reviews, coaching, training and development, and engagement support	**Ongoing**	**PM No. – 3,4,5,6**		**Compliance/Operational**
Other Admin and outreach duties as requested.	**Ongoing**	**Goal – 1- 8** **PM No. – 5,6**		**Operational/Quality**

Engagement ID Number and Priority	*Audit Plan for FY2122 July 1, 2021 to June 30, 2022*	Est. Start Date	Carry Forward	Budgeted Hours	Actual Hours	Engagement Type
Board Requested **ID 2022-01BR**	SR125 Review – Notes ICRP will not be audited during this review. The ICRP applied is assumed and accepted.	**July**	**Yes**	**200**		**Board Requested**
P1 **ID 2022-02**	Operational – Process and System Control Review – Vendor Review	**July**	**Yes**	**400**		**Compliance, Performance and Control**
P1 **ID 2022-03**	Operational – Process and System Control Review – Purchase Cards	**Aug**	**No**	**500**		**Compliance, Performance and Control**
P1 **ID 2022-04**	Operational – Process and System Control Review – Accounts Payable, Encumbrances and Expenditures Approval Process	**Sept/Oct**	**No**	**400**		**Compliance, Performance and Control**
P1 **ID 2022-05**	Operational – Process and System Control Review – Contracts and Procurement Review	**Jan/Feb**	**No**	**800**		**Compliance, Performance and Control**
P2 **ID 2022-06**	Operational – Process and System Control Review – Budget Process	**May/June**	**No**	**600**		**Compliance, Performance and Control**
P3 **ID 2022-07**	Operational – Process and System Control Review – Travel Policy and Expenditure Review	**May/June**	**No**	**300**		**Compliance, Performance and Control**
P4 **ID 2022-08**	Operational – Process and System Control Review of major and minor equipment (inventory, placement and location, ownership rights, etc.)	**June**	**No**	**194**		**Control**
P5	Operational – Process and System Control Review Quality Assurance Review Process	**(No Resources)**	**No**	**100 of 500**		**Compliance, Performance and Control**
P6	Performance Measures Review – continuous auditing	**(No Resources)**	**No**	**400**		**Compliance and Performance**

P7	Project tracking process and test of accuracy review – continuous auditing	**(No Resources)**	**No**	**300**		**Compliance, Performance and Control**
P8	Review of sub recipients monitoring relating to federal funds or pass through funds. Review of compliance with OMB federal grant regs- continuous auditing	**(No Resources)**	**No**	**300**		**Compliance and Performance**
P9	ICRP – overhead rate calculation (verification of charges, duplicate charges, and charges to federal and state funded contracts) charges.	**(No Resources)**	**No**	**1200**		**Compliance**
Total Direct and Review Hours Budgeted				**6,094**		
Total Available				**3,494**		
Over/Short				**(2,600)**		

IV. AUDIT RESOURCES

Current Available Resources and budgeted expenses:

- Independent Performance Auditor: 1.0 FTE plus equipment
- Principal Management Internal Auditor (PMIA): 2.0 FTE (1 position filled as of Aug 3)
- Student Auditor internship 2.0 (20 to 29 hours per week for each intern. Estimated hiring Aug/Sept)
- Auditor I – newly funded position (est. Aug 2021)
- Auditor training, professional dues, and licenses

Current Resources Absorbed by SANDAG as part of Overhead:

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

Current Resources Direct Audit and Non-Audit Hours Available (July 1, 2021 to June 30, 2022)

2,452 hours of direct audit and review hours for the period.

Annual Allocation of Auditor Hours

Position	Current Annual Productive Hours FTE	OIPA Strategic Goals/Indirect Audit Hours (Annual)	Direct Audit and Review Hours (Annual)	CPE Required training (Annual)	*Admin Hours (Annual)
IPA	**1760**	**(900)**		**(40)**	**(820)**
IMPA	**1760**	**(150)**	**(1270)**	**(40)**	**(300)**
IMPA	**1532***	**(150)**	**(1042)**	**(40)**	**(300)**

Auditor I	**1532***	**(50)**	**(1182)**	**(40)**	**(300)**
Available Hours			**3,494**		

- **Admin hours – Agenda Setting, Clerking, SANDAG required training, AC, and other committee meetings, employee events, all hands-on meetings, timesheets, etc. = 300 annually**
- **Annual Productive Hours (2060 less time off – 300 holidays, PTO, other leave) = 1760 per FTE (Full-Time-Equivalent).**
- ***1532 (1760-228.33 (hours expired for July)). The position has been filled with a start date of Aug.**
- **Indirect Audit Hours = Supervisory, workpaper review (first and second level), staff development, QC, etc.**
- **IPA = Independent Performance Auditor**
- **IMPA = Principal Management Internal Auditor**

V. ADOPTION, APPROVALS, AND ACCEPTANCE

AC Approved: June 23, 2021
Revised July 7, 2021- To add additional audit hours
BOD Ratified: July 9, 2021