



OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR (OIPA)

Official body of SANDAG to investigate potential fraud, waste, and abuse.

The OIPA serves as the Board of Directors' oversight function that objectively evaluates and recommends improvements to SANDAG, including facilitating an objective risk assessment regularly. The OIPA's audit functions include timely reporting of significant issues to appropriate oversight authorities.

California Assembly Bill AB 805 required the creation of the Audit Committee and an independent performance auditor position.

SANDAG Board Policy No. 039 - Audit Policy Advisory Committee and Audit Activities specifies the functions of the Independent Performance Auditor (IPA) and the Audit Committee, which assists the Board in fulfilling its oversight responsibilities.

SANDAG Board Policy No. 041 - Internal Control Standards help prevent and detect potential fraud, waste, and abuse of public funds by guiding and encouraging agency management and staff to consider, implement, and monitor good system controls.

SANDAG

Fraud, Waste & Abuse

Any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct.

4 Categories of Improper Government Activity:

- (1) gross mismanagement,
- (2) significant waste of public funds,
- (3) abuse of authority, or
- (4) substantial and specific danger to public health and safety.

MARY KHOSHMAHRAB
MSBA, CFE, CPA

Independent Performance Auditor

mkh@sandag.org
619.595.5323

OIPA@sandag.org

Independent Performance Auditor Reportings

FY 2023 – Second Quarter

	Number of Reportings (Prior Year)	Number of Reportings (Current Year)	Closed	Open
--	-----------------------------------------	-------------------------------------------	--------	------

External Reportings

Fraud				
Gross Mismanagement				
Waste				
Abuse/Misuse	1	1	1	1
Substantial and Specific Danger to Public Health and Safety		1		1
Combination of Allegations	7		1	6
Subtotal External Investigations	8	2	2	8

Internal Reportings

Abuse of Authority		1		1
Unfair Treatment				
Misuse and Abuse		1		1
Employee Relations				
Overall Risk Lack of Control/Policy				
Theft of Time	1		1	
Combination of Allegations	2		2	
Subtotal Internal Investigations	3	2	3	2

Total Reports Received in Purview of the IPA	11	4	5	10
---------------------------------------------------------	-----------	----------	----------	-----------

Independent Performance Auditor's Past Audit Findings¹

CONTRACTS & PROCUREMENT AUDIT (PART I)

OCT 2022

Findings:

1. Inadequate Administrative Standard Operating Procedures (SOPs) for Contract Analysts and Project Managers
2. Insufficient Training of Contract Analysts and Project Managers and Insufficient Requirements to Qualify as a Project Manager
3. Itemized Breakdown of Work Performed Not Required for Invoice Payment
4. Inadequate Contract Management System (CMS) with Limited Capabilities and Usage and Inaccurate and Missing Information
5. Modifications of Details in Records of Negotiation (RONs)
6. Inadequate Documentation for Sole Source Transactions
7. Material Weaknesses with The Identification of On-Call and Sole Source Contracts and Amendments

PURCHASE CARD AUDIT

JAN 2022

Findings:

1. Inadequate Purchase Card Policies and Procedures and Lack of System Controls
2. The Procurement Card Policy Is Not Consistently Followed
3. Auditors Noted Improper, Questionable, and Unallowable Purchases
4. Purchases of Both Hardware and Software Using Purchase Cards

VENDOR AUDIT

SEPT 2021

Findings:

1. SANDAG's Segregation of Duties Matrix Lacks Controls and Is Not Being Followed
2. The Vendor Database Is Incomplete, Inaccurate, and Lacks Quality Controls
3. Accounts Payable Summations Do Not Have Enough Room to Fully Display Totals of \$1 Billion Or More

Cost of Internal Vs. External Audit Functions July 1, 2019 – June 30, 2022

	OIPA (Internal)	External
Expenditures	\$2,058,756	\$1,566,634
Number of Findings	24	16
Number of Recommendations	103	38
Cost per Finding	\$85,781	\$97,914
Amount per Recommendation	\$19,988	\$41,227



¹ Includes past audits issued by the current SANDAG IPA, Mary Khoshmashrab.

Benefits of an Internal Independent Audit Office

Association of Local Government Auditors (ALGA)

Guidance on Outsourcing and Co-Sourcing Audits

- Independent in-house auditors are **the most effective and efficient way** to deliver local government performance audit services, **independent from management**.
- In-house auditors are better positioned to **respond to requests more quickly from elected officials**, monitor policy implementation and program performance, **understand the organization's culture**, build trust with elected officials and management, and **monitor management's implementation of audit recommendations**.
- **Outsourcing removes key benefits** of an independent, in-house audit function **and poses significant risks** to the independence of the contracted auditors and credibility of their audits.

The Institute of Internal Auditors (IIA)

Internal Auditing: Adding Value Across the Board

- **An organization is best served by** a fully resourced and professionally competent **internal audit staff** that provides value-added services critical to efficient and effective organizational management.
- **Internal auditors are positioned to help protect the organization against risks**; provide consultation about how opportunities and vulnerabilities can be balanced; and make valuable recommendations for assessing and strengthening corporate governance. The internal auditors' broad understanding of an organization and its culture prepares them for **monitoring risks associated with systems deployments; restructuring; management estimates, budgets, and forecasts; and regulatory compliance**.

Deloitte

Internal Audit – Make it your strongest link

- Internal audit is a **valuable resource for management** due to its understanding of the organization and its culture, operations, and risk profile.
- Internal audit **focuses on all business risks**, provides assurance that internal controls in place are adequate to mitigate risks, and to ensure that organizational goals and objectives are met, as follows:
 - **Identifies controls and control deficiencies;**
 - **Identifies regulatory requirements and compliance therewith;**
 - **Provides recommendations on internal control and governance improvements;**
 - **Determines adherence with company policy and procedures; and**
 - **Assists with channeling effective solutions for controls improvement.**