



## Message from the Independent Auditor

I am pleased to present the Office of the Independent Performance Auditor's (OIPA) Audit Plan for Fiscal Year 2024-25 (FY25) in accordance with California Assembly Bill 805 (AB 805) and SANDAG Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities. Board Policy No. 039, Section 6.4, states the independent performance auditor shall annually prepare an audit plan, based upon the results of the risk assessment, and conduct audits in accordance therewith.

To fulfill this mandate, OIPA conducts an annual risk assessment to inform the areas to be audited in the coming year. This process includes identifying, evaluating, and prioritizing key risks to develop an effective and impactful audit plan. The following pages go through the steps involved in the risk assessment process and conclude with the proposed Audit Plan for FY25.

Next year, the annual risk assessment process will be expanded to include an opportunity for all SANDAG project managers to have a risk interview with OIPA, surveys for broader staff and public involvement, and guiding the Executive Team and Directors through a focused risk assessment process to assist in identifying departmental risks.

I want to thank the Board of Directors and Audit Committee members who participated, and SANDAG's Executive Team and Department Directors for entrusting me with your concerns and sharing your ideas during this year's annual risk assessment process. The effectiveness of this process is dependent upon open and honest communication with key stakeholders in addition to the OIPA's analysis of the risks surrounding SANDAG.

Sincerely,



Courtney Ruby CPA, CFE  
Independent Performance Auditor

## Office of the Independent Performance Auditor

California Assembly Bill 805 (AB 805) enacted in January 2018 created the Office of the Independent Performance Auditor (OIPA) and the Audit Committee that appoints the Independent Performance Auditor (IPA), and to whom the IPA reports. SANDAG Board Policy No. 039 - Audit Policy Advisory Committee and Audit Activities specifies the functions of the Independent Performance Auditor and the SANDAG Audit Committee, which assists the Board in fulfilling its oversight responsibilities.

The OIPA serves as the SANDAG Board of Directors' oversight function that objectively evaluates and recommends improvements to SANDAG operations. The OIPA prioritizes its efforts through an annual objective risk assessment and by continually monitoring concerns and trends from the Whistleblower Hotline.

Per AB 805, the OIPA has the authority to conduct performance audits of all departments, offices, boards, activities, and programs of the consolidated agency.

The OIPA is also the official body of SANDAG to investigate allegations of potential fraud, waste, abuse, and gross mismanagement identified by SANDAG staff or other stakeholders.

The OIPA conducts performance audits in accordance with [Government Auditing Standards](#) (GAGAS) set by the Government Accountability Office under the U.S. Comptroller General.

## What the OIPA Produces

Most OIPA resources are dedicated to conducting performance audits to assess the economy, efficiency, effectiveness, equity, and compliance of programs and activities. Performance audits provide independent objective analysis to SANDAG's leadership and the public, and make recommendations to management, and those charged with governance and oversight, on how to improve services, reduce costs, and increase public accountability.

In addition to performance audits, the OIPA conducts:

- **Annual reports.** The OIPA prepares and issues annual reports to summarize audit and investigative activities performed by the OIPA. Additionally, an annual Corrective Action Plan is produced to track the implementation status of all OIPA recommendations.
- **Investigations.** The OIPA operates a Whistleblower Hotline to receive and investigate allegations of fraud, waste, abuse, and gross mismanagement, affecting or involving SANDAG resources, employees, officials, or contractors. Investigations are also initiated directly by the IPA, or upon request by the SANDAG Board of Directors and Audit Committee.
- **Corrective Action Plan follow-up reports.** The OIPA regularly reports on the status of recommendations from previous audits.
- **Special requests.** The OIPA, based upon available resources, may conduct special analyses and reviews requested from the SANDAG Board of Directors, Audit Committee or Management.

## Strategic Goals for Fiscal Year 2025

The strategic goals for the OIPA include those actions which will directly contribute to improving SANDAG by promoting efficiency and accountability throughout the Agency. These clearly defined goals incorporate planned audits, targeted risk management, timely recommendation follow-up, and the identification, reduction, and deterrence of fraud, waste, abuse, and gross mismanagement.

### Goal #1 – Policy, Process Improvements, and System Controls

- Conducts performance audits focused on high-risk areas where improvements will create needed organizational change and address systemic issues impacting operations.

### Goal #2 – Detection and Deterrence of Fraud, Waste and Abuse

- Perform timely investigations in the areas of fraud, waste, abuse, and gross mismanagement. Prioritize resources based upon potential impact to the organization, the public, and stakeholders.

### Goal #3 – Enhancement of the Whistleblower Hotline Program

- Educate all SANDAG employees and governing body on the OIPA's Whistleblower Hotline Program including Whistleblower protection from retaliation.
- Develop contractor outreach campaign.

### Goal #4 – Development and Monitoring of Corrective Action Plans

- Ensure OIPA's recommendations are clear, timely, and responsive, and implemented by management expeditiously.

## Performance Measures

These performance measures are designed to evaluate the IPA's effectiveness in meeting the legislated mandate, including producing quality impactful work; maintaining and developing a professional audit team; and conducting work independently while maintaining professional and respectful working relationships with auditees, management and the governing body.

IPA Performance Measure	Target
<p><b>PRODUCTIVITY / INCREASED WHISTLEBLOWER HOTLINE PROGRAM AWARENESS</b></p> <p>Audit/Investigation Reports per auditor</p> <p>Budgeted vs. Actual audit hours per engagement</p> <p>Increase Whistleblower Hotline reporting (cases received) over prior year</p> <p>Employee Whistleblower Hotline education and outreach events</p>	<p>1.5</p> <p>70%</p> <p>50%</p> <p>3</p>
<p><b>TRANSPARENCY AND ACCOUNTABILITY</b></p> <p>The status of Corrective Action Plans (CAP)s in response to the OIPA's audit findings and recommendations will be verified and reported to the Audit Committee on an annual basis. Periodic verbal updates will occur at the Audit Committee.</p> <p>The IPA will work with Management to maintain a summary of all SANDAG internal and external audit recommendations to be included in the annual CAP report.</p>	<p>100%</p> <p>100%</p>
<p><b>LEADERSHIP</b></p> <p>Percentage of strategic goals achieved</p> <p>Foster collaborative, respectful, and productive working relationships with auditee, SANDAG Board, Audit Committee, management, and staff.</p> <p><i>A 360-type performance review/survey will be conducted to include, at a minimum, auditees, management, governing body and staff of SANDAG, and may include external stakeholders. Survey tool will calculate % score.</i></p>	<p>90%</p> <p>75%</p>
<p><b>STAFF DEVELOPMENT</b></p> <p>Auditors will adhere to professional certification and licensing requirements, completing no less than 40 annual hours of continuing education.</p> <p>Increase specialized audit and investigations expertise within the OIPA. 50% of audit team to participate in specialized training in contracting and investigations.</p>	<p>100%</p> <p>50%</p>

## Risk Assessment Process

The risk assessment process is used to detect, evaluate, and prioritize prospective audits based on the level of risk presented to the organization. Identifying risks as potential barriers to achieving SANDAG's strategic goals and objectives will aid in narrowing the target of audits. Risk-based audit plans serve to direct limited auditing resources to perform evaluations of controls, ensure risks are managed to acceptable levels, and evaluate the success of individual departments, programs, and initiatives in meeting their goals and mandates.

## Prioritizing Performance Audits

The IPA must carefully consider many factors when deciding what audits to prioritize, and how to best use limited agency resources. To do this, the IPA must consider:

- **Board of Directors, Audit Committee Members, Department Directors, public, employee, and other stakeholder concerns.** The IPA prioritizes concerns raised by key stakeholders.
- **Existing or Emerging Risks.** The IPA plays a critical role in identifying ways SANDAG can effectively meet its mission and knowing the risks that impede success are critical. These include:

### External Risks

- *Political* - Alterations to financial projections due to unanticipated budgetary changes at the federal/state level.
- *Economic* – Impacts to budgets or services due to inflation, high interest rates, or increases in service demand.
- *Social* – Population trends (age distribution, income disparities) that may impact service demand and delivery.
- *Technological* – Ability to keep up with costs and security risks associated with rapidly changing adopted technology.
- *Legal/Compliance* – Changes to regulations via federal/state legislation, pending litigation, or accepted best practices.
- *Environmental* – Climate change, natural disasters, changes in resource consumption.

### Internal Risks

- *Capital* – Errors or malfeasance resulting in loss or theft of funds, equipment, property, or other assets.

- *People* – Inability to quickly hire qualified staff, poor management of existing personnel, high turnover.
- *Process* – Lack of adequate policies/procedures; resource inefficiency.
- *Technology* – Aging systems, lack of interfaces, etc.
- **Fiscal Impact.** SANDAG cannot deliver its multitude of regional programs and initiatives without sufficient financial resources. Accordingly, the IPA prioritizes audits which may identify ways to improve the agency's financial and/or budgetary position.
- **SANDAG Program and Resource Delivery.** The IPA prioritizes audits pertaining to core SANDAG responsibilities as a metropolitan planning organization, regional transportation and fund allocation agency, TransNet administrator, and regional toll authority. Factors that weigh heavily in the consideration of an audit may include:
  - Recent departmental changes, number of budgeted full-time equivalent employees, and/or high employee turnover.
  - Number and/or technological complexity of mission critical information system functions within a given department.
  - Past audit findings and recommendations.

In addition to the factors above, the IPA must consider:

- **Urgency.** Prioritize proposed audits that involve urgent matters over those that are less time sensitive.
- **Available Resources.** Consider the availability of OIPA resources, including staff capacity, qualifications, skills, and time needed to conduct proposed audits.
- **Duplication of Efforts.** Coordinate audit functions such that there is no duplication of effort between the audits undertaken by the OIPA and audits/assessments undertaken by other parties.

Lastly, the IPA is responsible for reviewing the annual audit plan each quarter to ensure performance measures, goals, and auditing/investigative activities are on track to meet the approved plan. When necessary, the IPA will propose audit plan revisions to the Audit Committee.

The flexibility of the audit planning process as designed also allows for unplanned engagements at the request of the IPA, Board of Directors, Audit Committee, and management, and in response to fraud, waste, abuse, and complaints of gross mismanagement.



## Fiscal Year 2025 Audit Plan

The Audit Plan includes projects already in process, and those that will begin in FY25, based on the above framework described in the “Prioritizing Performance Audits” section.

The number of planned audits is based on an assumed rate of 1.5 audits per auditor<sup>1</sup> per year, with an average of two auditors assigned to each audit.

### **Audits Currently in Process and Anticipated to Be Completed in FY25**

- HNTB: Evaluate if there was sufficient oversight over contractor and provided by contractor, and if SANDAG complies with established contracting requirements and models best practices

### **OIPA’s Required Annual Work to be Completed in FY25**

- *Annual Recommendation Follow-up (Status of Management’s Corrective Action Plans)*
- *Annual Investigations Report*
- *Annual Risk Assessment and Proposed Audit Plan*

### **Priority Audits/Reports to Launch in FY25**

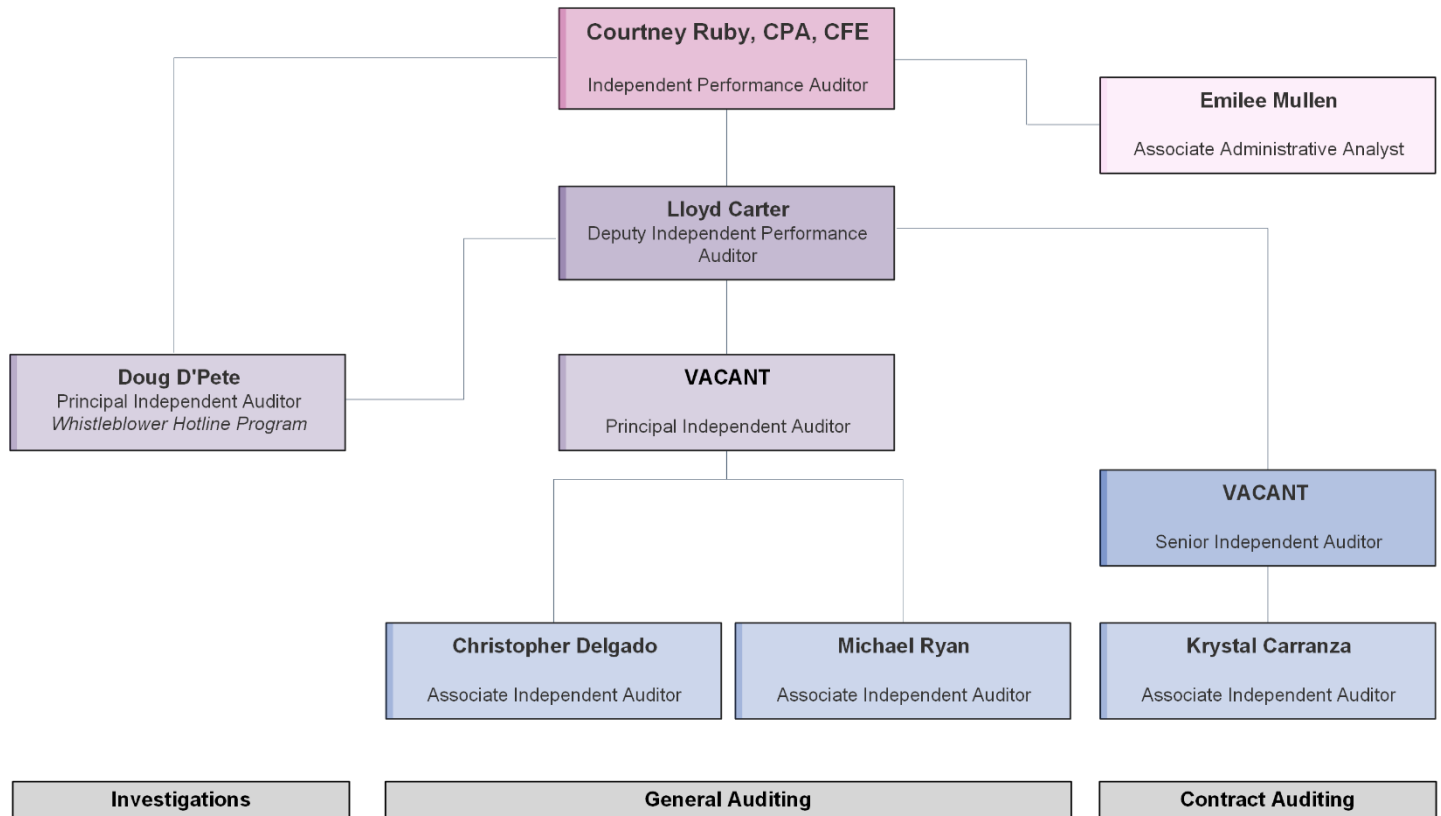
- *Independent Assessment of Finance Department (Contracted)*
- *Sole-Source Procurement Process*
- *Ethical Climate Survey*
- *Administration of Bike Program – EAP: Early Action Plan*
- *Talent Management – Workforce Planning and Succession Management*
- *Departmental Risk Assessment*
- *Project Management: Internal Projects and Capital Projects*
- *Anticipate Issuing Four (4) Investigation Reports*

There are more audit topics considered for the upcoming fiscal year than resources available. For a list of all audit topics considered see Appendix C: Potential Audit Topics Considered.

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<sup>1</sup> The FTE count included the following adjustments, both the IPA and Deputy IPA are counted as .5 due to supervisory and administrative responsibilities. In addition, the OIPA is recruiting for 2 new audit positions and these will be included as .5 FTE in this calculation to account for hiring lead time and productivity ramping up time.

## Appendix A: About OIPA



### Structure

- The Independent Performance Auditor (IPA) is appointed by the Audit Committee to a 3-year, renewable term subject to approval by the SANDAG Board of Directors and reports directly to the Audit Committee.
- Courtney Ruby was appointed IPA in November 2023.
- The OIPA currently has 9 FTE positions:
  - 6 Auditors
  - 1 Administrative position
  - 2 Auditor vacancies currently in recruitment<sup>2</sup>
- Staffing is expected to increase to **13 FTE positions by FY 2027**.

<sup>2</sup> Principal and Senior Independent Auditor positions have been advertised and are expected to be filled by late summer.

## **Responsibilities**

The OIPA serves as the SANDAG Board of Directors' oversight function that objectively evaluates and recommends improvements to SANDAG operations. OIPA prioritizes its efforts through an annual objective risk assessment and by continually monitoring concerns and trends from the Whistleblower Hotline.

The OIPA has the authority to conduct performance audits of all departments, offices, boards, activities, and programs of the consolidated agency.

The OIPA is also the official body of SANDAG to investigate allegations of potential fraud, waste, abuse, and gross mismanagement identified by SANDAG staff or other stakeholders.

## **Compliance with Government Auditing Standards (GAGAS)**

Audit organizations performing audits in accordance with GAGAS must have an external peer review performed by independent reviewers at least once every three years. This review determines whether the audit organization's internal quality control system is adequate, and whether its policies and procedures are complied with to provide reasonable assurance that it conforms with GAGAS.

The OIPA's last external peer review was issued on June 3, 2022. The scope of the review was July 1, 2020, through May 31, 2022. The OIPA received the highest rating of "Pass" with no deficiencies found in its system of quality control. The review found that the OIPA's quality control system was suitably designed and complied with to provide reasonable assurance of performing and reporting in conformity with GAGAS.



**SANDAG**

**OIPA**

Office of the Independent  
Performance Auditor

## Whistleblower Hotline

**Online**

[Complaint Form](#)

**Phone**

(619) 595-5386

**Email**

cruby.ipa.oipa@gmail.com

### Whistleblower Hotline Program

The OIPA investigates allegations of fraud, waste, abuse and gross mismanagement identified by agency staff or other stakeholders.

#### **Whistleblower complaints are reviewed to determine:**

- If they involve SANDAG property, infrastructure, employees, officials, contractors, or otherwise fall within the OIPA's jurisdiction.
- If they meet the criteria of fraud, waste, abuse or gross mismanagement.
- If the events in question occurred within the past year.
- If sufficient information was provided to initiate an investigation.
- If the events are currently being litigated

A whistleblower's personal information will remain confidential during and after the investigation to ensure their rights are protected; it will only be disclosed if necessary to appropriate government officials or law enforcement.

Whistleblowers may submit information anonymously and are protected from retaliation pursuant to California Labor Code Section 1102.5.

### Budget

OPIA expenses are allocated across projects in the Overall Work Program (OWP), regional operations and services, and capital budgets based on direct labor dollars charged to each project and funded accordingly.

#### FY 2025 Office of the Independent Performance Auditor

#### Budget<sup>3</sup>

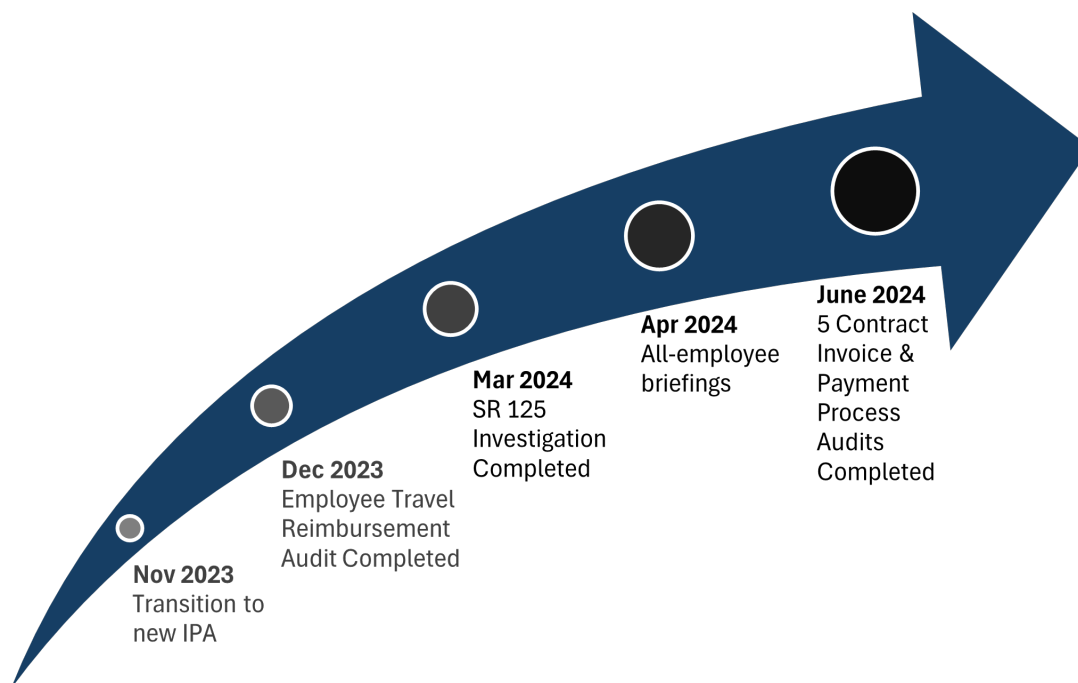
	FY 2023 Actual Budget	FY 2024 Budget	FY 2025 Budget	% of Non- Personnel Costs	Annual % Change
<b>Personnel</b>					
Salaries and Benefits	\$1,160,547	\$1,334,374	\$2,085,898	-	56.3%
<b>Subtotal Personnel</b>	<b>1,160,547</b>	<b>1,334,374</b>	<b>2,085,898</b>	-	<b>56.3%</b>
<b>Non-Personnel</b>					
Memberships and Publications	9,039	7,000	7,000	18.6%	0.0%
Training Program	700	30,600	30,600	81.4%	0.0%
<b>Subtotal Non-Personnel</b>	<b>\$9,739</b>	<b>\$37,600</b>	<b>\$37,600</b>	<b>100.0%</b>	<b>0.0%</b>
<b>Total Budget</b>	<b>1,170,286</b>	<b>1,371,974</b>	<b>2,123,498</b>		<b>54.8%</b>
Less: Items Funded with Other Sources	-	-	-	-	0.0%
<b>Indirect Costs to be Allocated</b>	<b>\$1,170,286</b>	<b>\$1,371,974</b>	<b>\$2,123,498</b>	-	<b>54.8%</b>

<sup>3</sup> Items Funded with Other Sources funded with Member Assessments, TransNet Administration, and TransNet/FasTrak® swap in FY 2021 and FY 2022. Beginning in FY 2023, indirect costs associated with OIPA are spread throughout the agency's projects.

## Appendix B: FY 2024 Accomplishments

In November 2023, the Office of the Independent Performance Auditor transitioned to the leadership of Independent Performance Auditor, Courtney Ruby.

- Investigation Report on SANDAG’s State Route 125 Toll Operations:
  - Investigation completed on accelerated, three-month timeline.
  - Identified Seven (7) findings including ETAN’s Fastlane financial reporting cannot be relied upon and the Finance department lacks adequate internal controls, including proper review and supervision, to ensure SR 125 financial information is accurately recorded and reported.



- Expansion of OIPA with an enhanced focus on the Whistleblower Program, continued focus on SANDAG contracting processes, and commitment to employee and stakeholder outreach.
  - Added Principal Independent Auditor, Senior Independent Auditor, and Associate Administrative Analyst positions.
  - Two (2) additional auditors received certification from the Association of Certified Fraud Examiners (ACFE).

- Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements for the Period of July 1, 2020, through May 31, 2023.
  - Two (2) findings and six (6) recommendations issued.
  - Management committed to standardizing request forms and ensuring guidelines for employee business travel were updated.
  
- Continuous Auditing Operational Process and System Control Review – Purchase Cards for the period of March 1, 2022, to April 22, 2023.
  - Two (2) findings and seven (7) recommendations issued.
  - Management committed to developing additional P-card training and reviews.
  
- Performance Audit of SANDAG’s Contracts Invoicing and Payment Process for the Audit Period of July 1, 2019, to June 30, 2023.
  - Invoices sampled from five (5) contractors previously identified in the Operational Process and System Control Review – Contracts and Procurement Audit Part I issued in October 2022.
  - Four (4) findings and seven (7) recommendations issued.
  - Many of the findings and recommendations aligned with those previously issued in the Contracts and Procurement Audit Parts I and II.

## Appendix C: Potential Audit Topics Considered

As noted above, the OIPA identifies more high-risk audit areas than we can conduct given limited resources. The following is the potential audit topics considered for the upcoming fiscal year from all sources, in no particular order, including those from internal reviews, risk assessment discussions, board requests, staff requests/concerns, continuing audits, and operational concerns submitted via the Whistleblower Hotline Program.

Staff Travel	I-5 / SR 78 Interchange Project
Records Management	Agencywide Risk Management
All Contracting Activities	Administrative Policies and Standard Operating Procedures
Organizational Coordination / Consistency / Standardization	Impacts of Budget Constraints
SANDAG's Mandated Responsibilities	Management Accountability
Board Governance Policies and Best Practices	HR Policies and Practices
Airport Transit Connections Project	SANDAG's Management Authority, Delegation and Escalation Procedures
IT Systems and Cybersecurity	Otay Mesa East Project
Project Funding Controls	Staffing Equity Analysis
Capital Projects: Technology and Resource Planning Tools	Capital Projects: Risk Management
Capital Projects: Inflationary Impacts	Office Move
Purchasing Card Practices	Tolling Operations
SR 125 Implementation	Office of General Counsel Organizational Structure in MPOs/COGs
Contract Monitoring: Performance and Funding	Cross-training
Contracting Best Practices	Agency Harassment, Discrimination, and Retaliation Investigation Practices
Staff Training, Professional Development and Certifications	Budget Process
Capital Projects: Delivery Performance	Agencywide Technology Assessment
Regional Housing Needs Allocation Methodology	Organizational Structure, Mandated Responsibility and Resource Allocation
Transportation Grant Selection Process	
Effectiveness of SANDAG's Outreach Strategies: Regional Plan, Transit Projects/Policy Work, and Community Involvement	