

**SANDAG**

**OIPA**

Office of the Independent  
Performance Auditor

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# Annual Work Plan and Risk Assessment



**Fiscal Years 2027 and 2028**

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## Message from the Independent Performance Auditor

I am pleased to present the Office of the Independent Performance Auditor's (OIPA) proposed Work Plan for Fiscal Year 2027 (FY 2027) and preliminary Work Plan for FY 2028 in accordance with California Assembly Bill 805 (AB 805) and San Diego Association of Governments (SANDAG) Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities (Board Policy No. 039) to the Audit Committee for approval.

The annual work plan is based upon a comprehensive risk assessment process designed to identify and prioritize areas to audit that pose the greatest risk to SANDAG achieving its mission. The risks facing SANDAG are complex because SANDAG is an expansive governmental agency, with a multitude of significant responsibilities, operating in a challenging economic and technological environment.

This year a survey of SANDAG's leadership and employees and the public was conducted as part of the risk assessment process. As you will see in the pages that follow, alignment exists between SANDAG's leadership, employees, the public and OIPA on audit priorities. OIPA's proposed plan, while ambitious, is necessary to ensure the appropriate level of organizational oversight.

Going forward, I recommend the development of a two-year work plan based upon a comprehensive risk assessment process that occurred this year. To streamline the risk assessment process and allow OIPA's team to devote more time to conducting audits rather than performing annual assessments, I recommend OIPA adopt a two-year planning cycle. Under this approach, I would develop a two-year work plan based on a comprehensive risk assessment conducted during even-numbered years, consistent with the detailed process completed this year.

In odd-numbered years, I would perform a more limited risk assessment to update the upcoming work plan (currently the preliminary Work Plan for FY 2028). This interim assessment would focus on soliciting and evaluating Agency leadership's concerns, as well as identifying and incorporating emerging risks that warrant immediate inclusion in the work plan based on their level of significance.

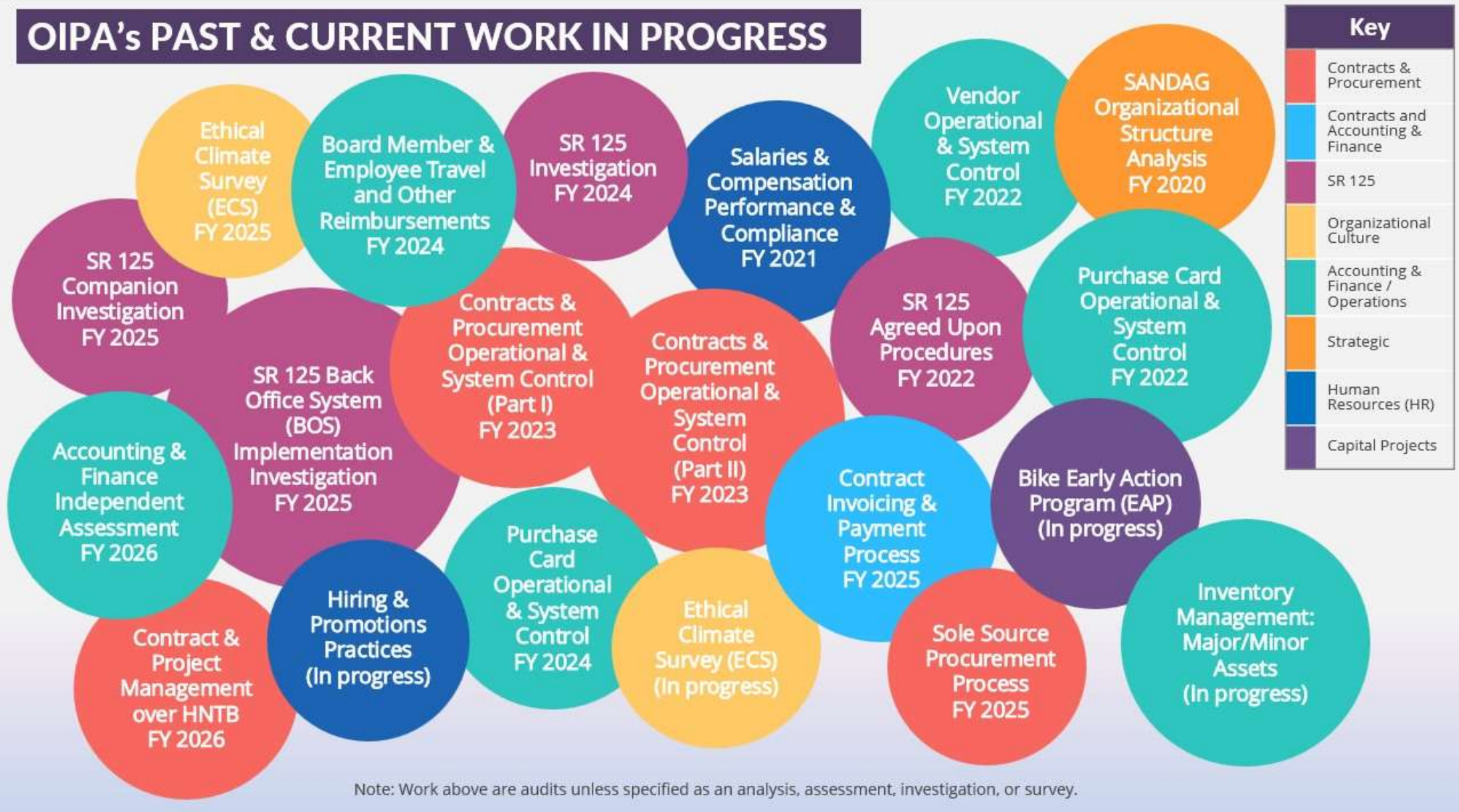
I want to thank the Board of Directors (Board), Audit Committee members, SANDAG's Executive Team, Department Directors, employees, and the public for entrusting me with your concerns and sharing your ideas during this year's annual risk assessment process. The effectiveness of this process is dependent upon open and honest communication with everyone.

Sincerely,



Courtney Ruby CPA, CFE  
Independent Performance Auditor

**OIPA's PAST & CURRENT WORK IN PROGRESS**



# RISK ASSESSMENT RESULTS

## Contracts & Procurement

- Review Improvements to Sole Source Process<sup>3</sup>
- Department structure, capacity, and timeliness of workflow<sup>1</sup>
- All Contracting Activities<sup>2</sup>
- Contracting Monitoring: Performance and Funding<sup>2</sup>

## Mega Projects

- Otay Mesa East (OME) Project Delivery<sup>2</sup>

## Governance

- Board Governance Policies and Best Practices<sup>2</sup>
- Effectiveness and Inclusion of Policy Advisory Committees (PACS)<sup>2</sup>
- Agency Governance<sup>4</sup>

**Note:** Aspects of governance will be addressed in the ERM audit.

## Capital Projects

- Assessment of Planned Capital Project Delivery / Outcomes<sup>2</sup>
- General Management<sup>4</sup>

## Agency Risk Management

- Third Party Risk<sup>4</sup>
- Enterprise Risk Management (ERM)<sup>2</sup>
- Artificial Intelligence (AI) Policies & Procedures<sup>3</sup>

## Accounting & Finance

- See IPA's recommendations for Management<sup>4</sup> on page 6

## Financial Planning, Budgets and Grants

- Impacts of Budget Constraints<sup>1</sup>
- Grants Management<sup>4</sup>
- Uncertainty of Fed Funds<sup>1</sup>
- Adequacy of Admin Overhead<sup>1</sup>

## Human Resources

- Retention Strategies<sup>1</sup>
- Organizational Assessment of Roles, Responsibilities, Competencies, and Capacity<sup>1</sup>
- Succession Planning<sup>3</sup>
- HR Policies and Practices<sup>3</sup>
- Training, Professional Development and Certifications<sup>3</sup>
- Staffing Analysis<sup>3</sup>

**Note:** Due to number of areas identified, risk procedures will be applied to determine best area to audit in FY 2028. Additionally, Management currently conducting assessment and results will be considered as part of this process.

## Strategic Planning

- Organizational Strategic Planning<sup>3</sup>
- Organizational Structure, Systems Integrations, and Resource Allocation<sup>3</sup>
- Agencywide Work Distribution<sup>3</sup>

**Note:** Aspects of strategic planning will be addressed in the ERM audit.

## Tolling Operations

- SR125 Back Office System (BOS) Change Management<sup>3</sup>
- General Tolling Operations<sup>1</sup>

**Note:** Management currently conducting an assessment. IPA will consider if further work is warranted in FY 2028.

## Regional Concerns

- Regional Housing Needs Allocation (RHNA)<sup>2</sup>
- Project Prioritization and Evaluation<sup>4</sup>

**Note:** Aspects of project prioritization and evaluation will be addressed in Capital Project Delivery audit.

## Operations

- IT Security Review<sup>4</sup>
- Transparent Decision-making Processes, Goals, Objectives, and Priorities<sup>3</sup>
- Administrative Policies and Standard Operating Procedures (SOPs)<sup>3</sup>
- Knowledge Transfer Protocols<sup>3</sup>

### KEY

Proposed for FY27

Proposed for FY28

**Risk Ranking** (Top = risk selected by 15% or more of survey respondents):

<sup>1</sup> Risk ranked Top by both leadership and employees

<sup>2</sup> Risk ranked Top by leadership only

<sup>3</sup> Risk ranked Top by employees only

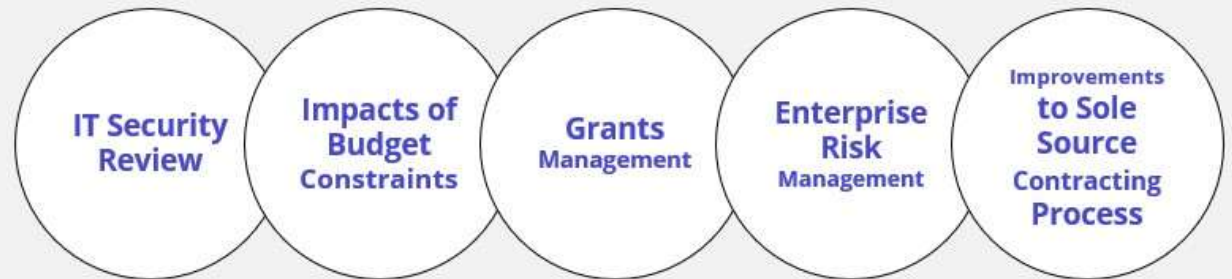
<sup>4</sup> Risk ranked Top by IPA

<sup>5</sup> Risk carried over from prior year work plan

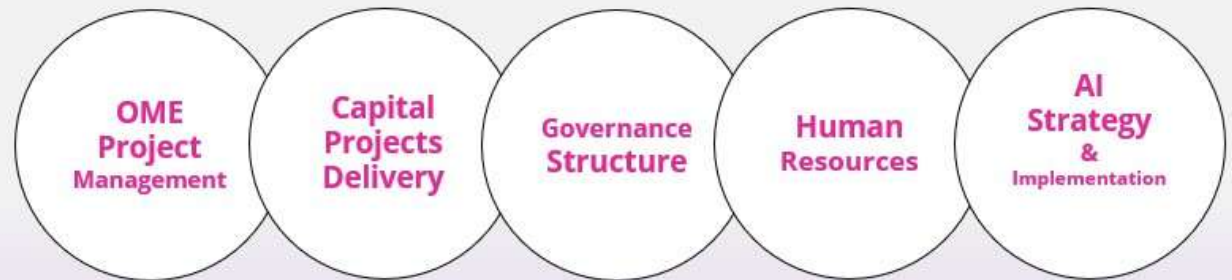
Note: The IPA's overall risk assessment is in agreement with all risk areas included above.

OIPA's PROPOSED  
WORK PLANS<sup>6</sup>

FY 2027 Proposed Work Plan



FY 2028 Preliminary Work Plan



<sup>6</sup>The IPA evaluates whether to perform work in-house, contract, or both based on available resources and expertise required. Accordingly, contract funds are included in OIPA's annual budget. If needed, additional fund requests are presented to the Audit Committee/Board of Directors for approval.

More...

### OIPA's Continuous Activities



### OIPA's Recommendations for Management<sup>7</sup>

- **Prioritize implementation of the accounting and finance recommendations in OIPA's Accounting and Finance Independent Assessment.**
- **Take immediate action to engage a qualified CPA firm to assist SANDAG's Accounting & Finance team in preparing for the Annual Comprehensive Financial Report Audit and related reporting obligations.**

<sup>7</sup> OIPA requests Management provide a formal corrective action plan in response to these recommendations no later than June 30th. Implementation progress will be reported in OIPA's quarterly CAP update.

## OIPA's Continuous Activities

### Corrective Action Plans (CAPs) Review

OIPA continuously evaluates the Agency's implementation of audit recommendations. This is a critical and necessary activity to ensure the positive impacts of OIPA's oversight work are realized. Quarterly reports are presented to the Audit Committee reflecting the Agency's progress implementing CAPs. Timely implementation of CAPs is necessary to improve Agency operations as there is a reverberating effect in the Agency when critical operational deficiencies persist.

### Whistleblower Hotline Program

OIPA maintains a Whistleblower Hotline Program to receive tips from whistleblowers. OIPA evaluates all submitted tips to determine if they warrant an investigation and initiates investigations when appropriate.

### Annual and Quarterly Reporting

OIPA produces or maintains the following:

- Annual Audit and Investigation Recommendation and CAP Status Report
- Annual Investigations Report
- Annual Work Plan and Risk Assessment
- Annual External Recommendation Compilation
- Quarterly CAP Updates
- Quarterly updates to OIPA's Audit Recommendation Dashboard ([SANDAG.org/OIPA](https://SANDAG.org/OIPA))

### Outreach

OIPA conducts regular outreach to SANDAG employees:

- Let's Talk Ethics (LTE) Quarterly Series
- Regular Whistleblower Hotline Program communications
- Annual Whistleblower Hotline Awareness Survey

### Other Activities

OIPA engages in various professional activities to improve OIPA's operations including participating in the local and national government performance auditing community through professional memberships, sponsored continuing education events, and strong peer relationships.

*Update: Last year's Work Plan included the creation of a Third-Party Integrity Unit (TPIU) to assess third-party risk. Over the past year, OIPA has conducted research and concluded the most effective course of action is to evaluate the Agency's third-party risk assessment processes as part of the proposed Enterprise Risk Management Audit in FY 2027. Once the audit is complete, a comprehensive picture of the Agency's third-party risk assessment processes will be identified and next steps, including OIPA's role, can be best defined.*

## **IPA's Recommendations for Management**

Due to the importance of accurate and timely financial reporting, the IPA recommends Management immediately address the accounting and finance recommendations from OIPA's Accounting and Finance Independent Assessment, and bolster Agency resources to ensure the timely and accurate completion of the Annual Comprehensive Financial Report and related reporting obligations.

**OIPA Work Schedule**



**OIPA Work Schedule**

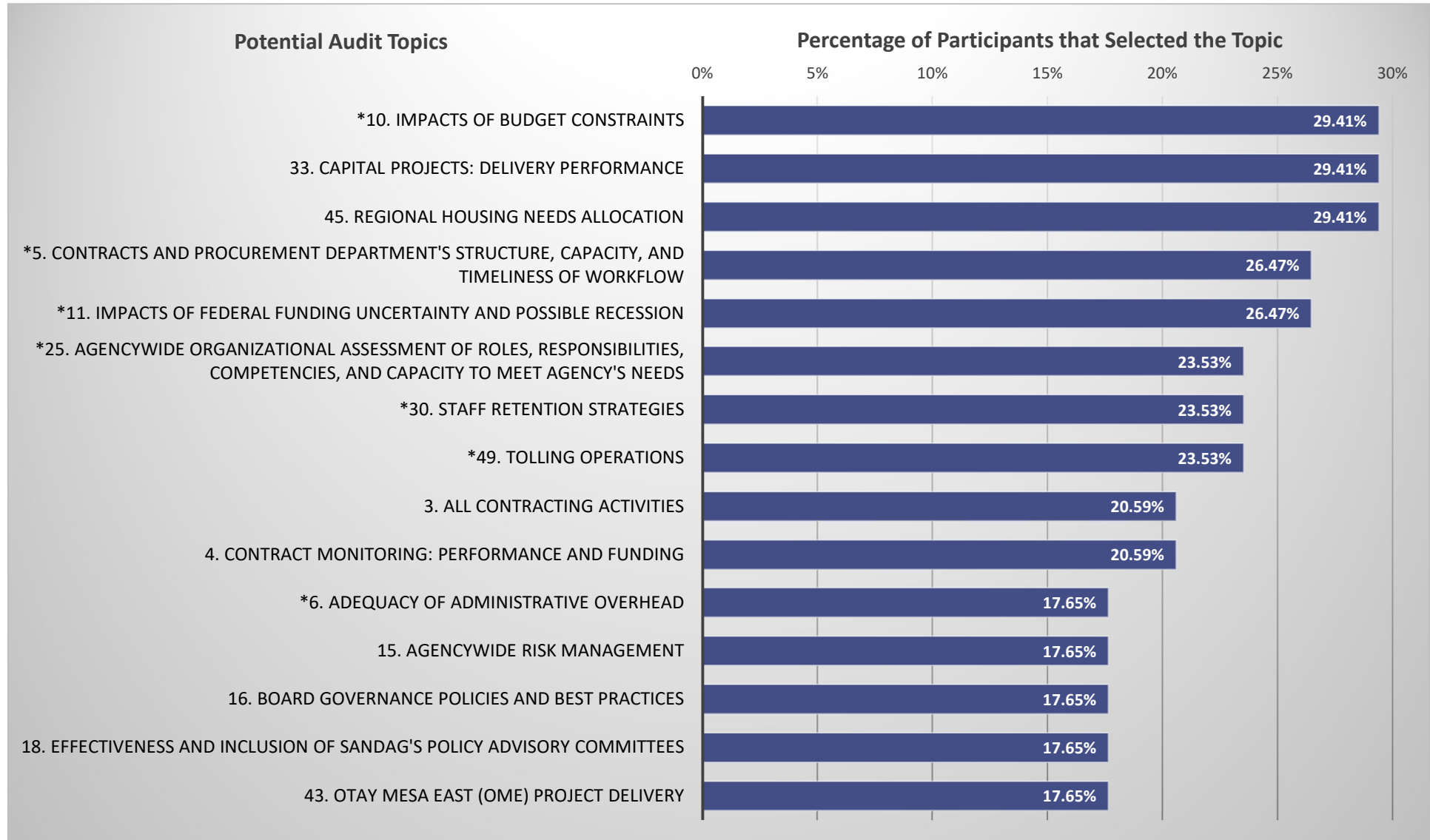


## Appendix A: Annual Risk Assessment Survey Results

OIPA initiated our annual risk assessment process in March 2026. As part of the assessment, OIPA released a survey to solicit thoughts and concerns on current projects, programs, activities, and overall operations within SANDAG. There were three separate surveys, with the same core questions, distributed to: 1) leadership, consisting of the Board of Directors, Audit Committee members, and SANDAG Executive Team – Directors and above; 2) all SANDAG employees (below Director level); and 3) the public.

As part of the survey, participants were presented with 56 potential audit topics identified through prior risk assessments (see Appendix B) and asked to select up to 10 areas they considered to be the highest priorities or top concerns. The results from leadership and employees are presented on the following pages. Although the public response rate was low, the comments received were considered as part of the overall risk assessment process.

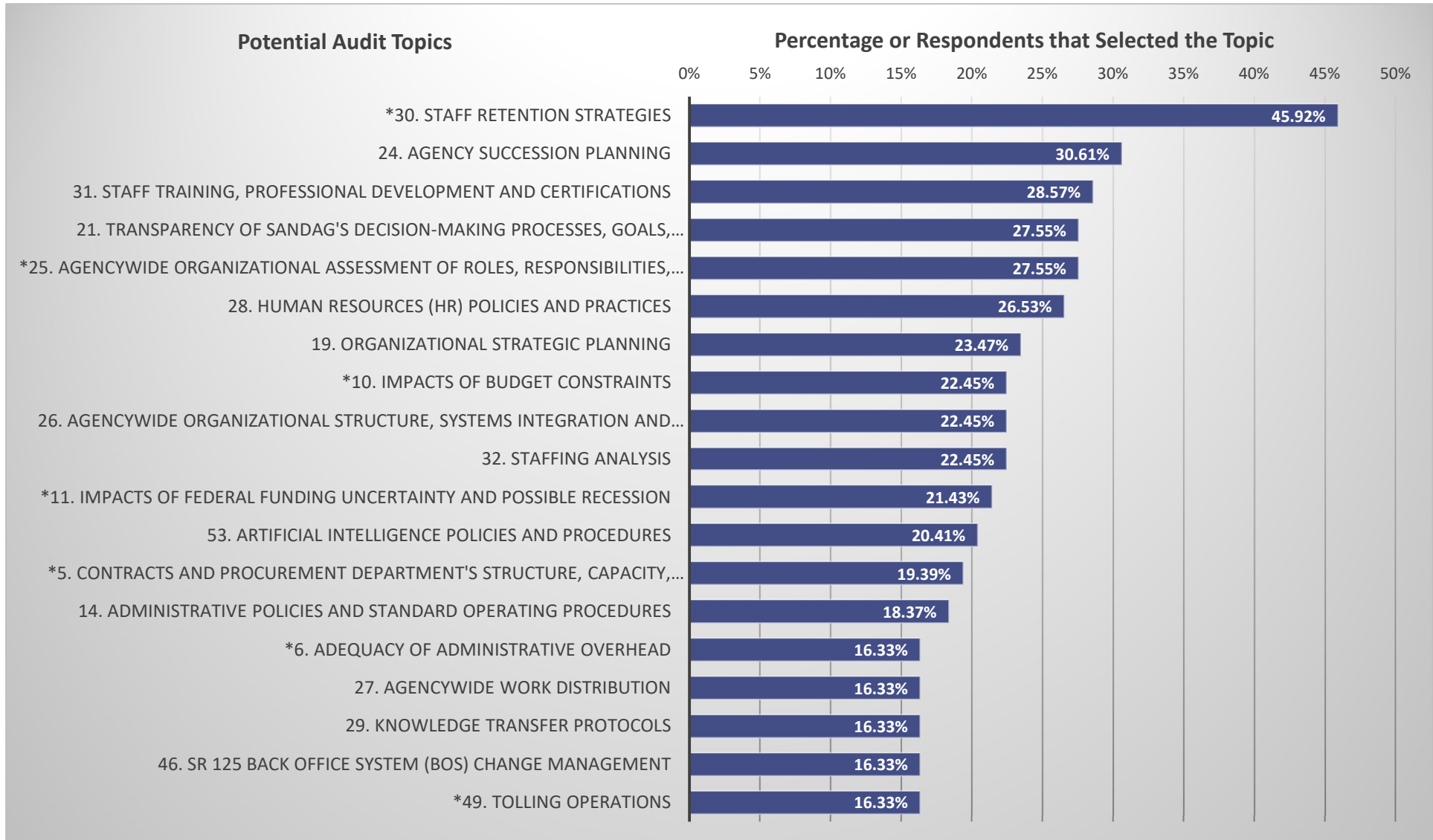
## Leadership's Top Areas of Concern



Note: OIPA received 34 leadership responses

\* Both leadership and employees identified this topic as a top area of concern

## Employees' Top Areas of Concern



Note: OIPA received 98 employee responses

\* Both leadership and employees identified this topic as a top area of concern

## Appendix B: Topics Considered in Annual Risk Assessment Survey

The following are potential audit topics identified in previous risk assessments. This year, the topics were included in the annual risk assessment survey, and participants were asked to select up to 10 areas they considered to be their top concerns.



**COMPLIANCE:**

- 1. Otoy Mesa East (OME) Regulatory Compliance
- 2. SANDAG's Mandated Responsibilities

**CONTRACTS & PROCUREMENT:**

- 3. All Contracting Activities
- 4. Contract Monitoring: Performance and Funding
- 5. Contracts and Procurement Department's Structure, Capacity, and Timeliness of Workflow

**FINANCIAL MANAGEMENT:**

- 6. Adequacy of Administrative Overhead
- 7. Agency Receivables
- 8. Cost Allocation Plan
- 9. Financial Impact of Unfunded Legal Liabilities (Non-Project Related)
- 10. Impacts of Budget Constraints
- 11. Impacts of Federal Funding Uncertainty and Possible Recession
- 12. Long-Term Revenue Planning
- 13. SANDAG Financial Reserves Policies

**GOVERNANCE & OVERSIGHT:**

- 14. Administrative Policies and Standard Operating Procedures
- 15. Agencywide Risk Management
- 16. Board Governance Policies and Best Practices

- 17. Compliance with Standard Operating Procedures
- 18. Effectiveness and Inclusion of SANDAG's Policy Advisory Committees
- 19. Organizational Strategic Planning
- 20. SANDAG's Self-Insurance Policy
- 21. Transparency of SANDAG's Decision-making Processes, Goals, Objectives, and Priorities

**GRANT MANAGEMENT:**

- 22. Grant Funding Strategies to Mitigate Potential Impacts of Federal Funding
- 23. Oversight and Monitoring of Grants

**ORGANIZATIONAL CAPACITY:**

- 24. Agency Succession Planning
- 25. Agencywide Organizational Assessment of Roles, Responsibilities, Competencies, and Capacity to Meet Agency's Needs
- 26. Agencywide Organizational Structure, Systems Integration, and Resource Allocation
- 27. Agencywide Work Distribution
- 28. Human Resources (HR) Policies and Practices
- 29. Knowledge Transfer Protocols
- 30. Staff Retention Strategies
- 31. Staff Training, Professional Development, and Certifications
- 32. Staffing Analysis

**PROGRAM & PROJECT DELIVERY:**

- 33. Capital Projects: Delivery Performance
- 34. Capital Projects: Inflationary Impacts

- 35. Capital Projects: Monitoring
- 36. Capital Projects: Risk Management
- 37. Capital Projects: Structure, Capacity, and Resource Allocation
- 38. Capital Projects: Technology and Resource Planning Tools
- 39. Construction Costs Analysis
- 40. Highway/Road Repairs
- 41. I-5/SR 78 Interchange Project
- 42. Managed Lanes Utilization
- 43. Otoy Mesa East (OME) Project Delivery
- 44. Project Funding Controls
- 45. Housing Needs Allocation
- 46. SR 125 Back Office System (BOS) Change Management
- 47. SR 125 Debt Management
- 48. SR 125 Project Oversight of BOS Vendors
- 49. Tolling Operations
- 50. Train Ridership

**TECHNOLOGIES & SYSTEMS:**

- 51. Adopted Technology Standards
- 52. Agencywide Technology Assessment
- 53. Artificial Intelligence Policies and Procedures
- 54. Information Technology Systems and Cybersecurity
- 55. Personal Identifying Information Security Protocols
- 56. Process Improvement Evaluation of Key Manual Processes to Automate

## Appendix C: New Topics Captured in Annual Risk Assessment Comments

The annual risk assessment process identified new topics for OIPA to consider. These topics are listed alphabetically for presentation purposes only.

<b>Adequacy of Key Performance Indicators (KPIs)</b>	<b>Budget Development, Tracking, Compliance, and Adequacy</b>	<b>Oversight of Third-Party Contracts</b>
<b>Adequacy of Public Records Management</b>	<b>Capital Projects: Design Risk</b>	<b>Performance of Enterprise Resource Planning (ERP) System (integrated functions: i.e., accounting, finance, HR, procurement, etc.)</b>
<b>Agency Centralized Decision Making</b>	<b>Disaster Recovery Planning</b>	<b>Project Management: Role, Responsibilities and Performance Accountability</b>
<b>Agency’s Employee Satisfaction Survey</b>	<b>Employee Performance Management Process</b>	<b>Public Meeting Agenda Management</b>
<b>Agencywide Organizational Change Management Framework</b>	<b>LOSSAN Realignment</b>	<b>Regional Plan: Impacts of Changing Priorities and/or Funding</b>
<b>Alternative Delivery Methods</b>	<b>Managed Lanes Compliance</b>	<b>Reliance on Third Parties</b>
<b>Alternative Financing Strategies including Public Private Partnerships</b>	<b>Managed Lanes Operations</b>	<b>Route 94 Expansion Project Funding</b>
<b>Bikeway Path Delays: Bayshore</b>	<b>Opportunities for Staff Advancement</b>	<b>Smart Growth Incentive Program Grant Program Award Process</b>
<b>Bikeway Project Delays: Border to Bayshore</b>	<b>Otay Mesa East (OME) Plan of Finance</b>	<b>Transparency of Project Labor Agreements and Community Benefits Agreements</b>
<b>Board and Agency Policy Development and Implementation</b>	<b>Otay Mesa East (OME) Toll Revenue Management</b>	<b>Year-End Financial Reporting Process</b>

## Appendix D: Overview of Comprehensive 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 evaluate internal controls, determine if 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, Management, employee, public, 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 achieve the Agency's mission, and in understanding the risks that can impede success. These include:

#### External and Internal Risks

- *Political* – Adjustments 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, such as age distribution and income disparities, that may influence service demand and the delivery of services.

- *Technological* – Ability to keep up with costs and security risks associated with rapidly changing 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.
- *People* – Inability to quickly hire qualified staff, poor management of existing personnel, high turnover.
- *Process* – Lack of adequate policies/procedures, resource inefficiency.
- *Information Systems/IT Infrastructure* – 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, unforeseen budget constraints, scheduling or resource challenges of partner agencies, legislation changes, and supply chain issues.
  - 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 involving urgent matters over those that are less time sensitive.
- **Available Resources.** Consider the availability of resources, both internally (OIPA) and externally (contracted professional services) needed to complete audit work.
- **Duplication of Efforts.** Coordinate audit functions so there is no duplication of effort between the audits undertaken by OIPA and audits/assessments undertaken by other parties.

Lastly, the IPA is responsible for reviewing the Annual Work 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 revisions to the Annual Work Plan 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, Audit Committee, and Management.

## Appendix E: About the Office of the Independent Performance Auditor (OIPA)

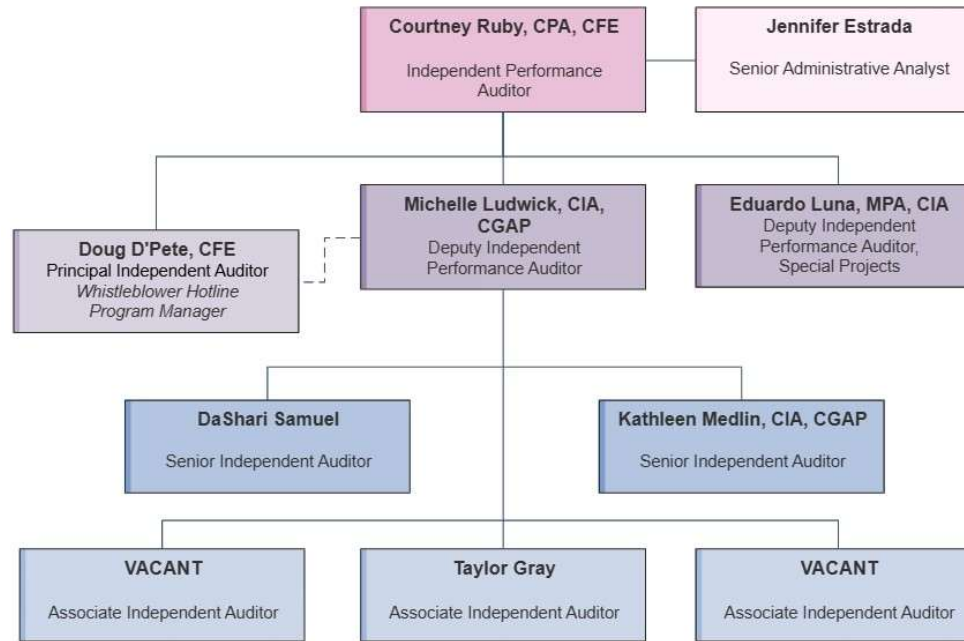
California Assembly Bill 805 (AB 805) enacted in January 2018 created OIPA and the Audit Committee. Per AB 805 OIPA serves as the SANDAG Board's oversight function to objectively evaluate and recommend improvements to SANDAG operations. OIPA has the authority to conduct performance audits of all departments, offices, boards, activities, and programs of SANDAG.

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

OIPA prioritizes its efforts through a risk assessment process and by continually monitoring concerns and trends from the Whistleblower Hotline, observations, and direct stakeholder engagement.

The Audit Committee is responsible for appointing the IPA and serves as the body to whom the IPA reports. Board Policy No. 039 specifies the functions of the IPA and the Audit Committee to assist the Board in fulfilling its oversight responsibilities.

**Organizational Structure**



- The IPA is appointed by the Audit Committee to a three-year, renewable term subject to approval by the Board of Directors. The IPA reports directly to the Audit Committee.
- Courtney Ruby was appointed IPA in November 2023.
- OIPA currently has 10 FTE positions:
  - 7 Auditor positions
  - 1 Administrative position
  - 2 Auditor vacancies currently in recruitment<sup>8</sup>
- Staffing is expected to increase to **12 FTE positions by FY 2028**.

<sup>8</sup> Associate Independent Auditor positions have been advertised and are expected to be filled by early fall 2026.

**Budget**

**FY 2027 Office of the Independent Performance Auditor Budget**

**Expenses**

<b>Expense</b>	<b>FY 2026 Budget</b>	<b>FY 2027 Budget</b>
Salaries, Benefits	\$2,229,650	\$2,277,899
Other Direct Costs	\$233,906	\$259,557
<b>Total</b>	<b>\$2,463,556</b>	<b>\$2,537,456</b>

**Other Direct Costs**

<b>Account Title/Purpose</b>	<b>FY 2026 Budget</b>	<b>FY 2027 Budget</b>
Memberships and Publications	\$1,690	\$2,895
Contracted Services	\$174,316	\$175,162
IT Software License	\$21,500	\$51,500
Travel	\$16,000	\$15,000
Training Program	\$20,400	\$15,000
<b>Total Other Direct Costs</b>	<b>\$233,906</b>	<b>\$259,557</b>