Executive Committee Agenda

Please Note Meeting Date and Time

Friday, September 6, 2019
8:30 to 9 a.m.
SANDAG, 7th Floor Conference Room
401 B Street, 7th Floor
San Diego

Agenda Highlights

• Amendments to Board Policy No. 039: Audit Policy Advisory Committee and Audit Procedures

• Proposed Board Policy No. 041: Internal Control Standards

• Proposed Board Policy No. 042: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse

Please silence all electronic devices during the meeting

You can listen to the Executive Committee meeting by visiting our website at sandag.org

Mission Statement

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; makes strategic plans; obtains and allocates resources; plans, engineers, and builds public transit; and provides information on a broad range of topics pertinent to the region’s quality of life.
Welcome to SANDAG. Members of the public may speak to the Executive Committee (Committee) on any item at the time the Committee is considering the item. Please complete a Request to Comment form located at the Clerk desk. Members of the public may address the Committee on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Public speakers are limited to three minutes or less per person. The Committee may take action on any item appearing on the agenda.

Both agenda and non-agenda comments should be sent to the Clerk of the Committee via clerk@sandag.org. Please include the meeting date, agenda item, your name, and your organization. Any comments, handouts, presentations, or other materials from the public intended for distribution at the meeting should be received by the Clerk no later than 5 p.m. two working days prior to the meeting. All public comments and materials received by the deadline become part of the official public record and will be provided to the members for their review at the meeting.

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Executive Committee  
Friday, September 6, 2019

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<tr>
<th>Item No.</th>
<th>Recommendation</th>
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<tbody>
<tr>
<td>+1.</td>
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</tr>
<tr>
<td>Approval of Meeting Minutes</td>
<td>Approve</td>
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<tr>
<td>The Executive Committee is asked to approve the minutes from its July 12, 2019, meeting.</td>
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</table>

2. Public Comments/Communications/Member Comments

Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Executive Committee on any issue within the jurisdiction of the Committee that is not on this agenda. Other public comments will be heard during the items under the heading “Reports.” Anyone desiring to speak shall reserve time by completing a “Request to Speak” form and giving it to the Clerk prior to speaking. Public speakers should notify the Clerk if they have a handout for distribution to Committee members. Public speakers are limited to three minutes or less per person. Committee members also may provide information and announcements under this agenda item.

3. Executive Director's Report

Hasan Ikhrata, SANDAG

An update on key programs, projects, and agency initiatives including San Diego Forward: The 2021 Regional Plan and the Airport Connectivity Subcommittee will be provided.

Reports

+4. Review of Draft Board Agendas

Victoria Stackwick, SANDAG

The Executive Committee is asked to approve the draft agenda for the September 27, 2019, Board Business meeting. A verbal update on the October 11, 2019, Board Policy meeting will be provided.

+5 Proposed Amendments to Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities

John Kirk, SANDAG

The Executive Committee is asked to recommend that the Board of Directors approve the proposed amendments to Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities.
+6. **Proposed Board Policy No. 041: Internal Control Standards**  
*Mary Khoshmashrab, Independent Performance Auditor*

The Executive Committee is asked to recommend that the Board of Directors approve proposed Board Policy No. 041: Internal Control Standards.

+7. **Proposed Board Policy No. 042: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse**  
*Mary Khoshmashrab, Independent Performance Auditor*

The Executive Committee is asked to recommend that the Board of Directors approve proposed Board Policy No. 042: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse.

8. **Legislative Status Report**  
*Victoria Stackwick and Robyn Wapner, SANDAG*

Periodic status reports on legislative activities are reported to the Executive Committee throughout the year. A summary of the various federal and state activities will be presented.

9. **Continued Public Comments**

If the five-speaker limit for public comments was exceeded at the beginning of this agenda, other public comments will be taken at this time. Subjects of previous agenda items may not again be addressed under public comment.

10. **Upcoming Meetings**  
*Information*

The next meeting of the Executive Committee is scheduled for Friday, October 11, 2019, at 9 a.m.

11. **Adjournment**
+ next to an agenda item indicates an attachment
July 12, 2019, Executive Committee Meeting Minutes

Chair Steve Vaus (North County Inland) called the meeting of the Executive Committee to order at 8:30 a.m.

1. Approval of Meeting Minutes (Approve)

*Action:* Upon a motion by Mayor Bill Wells (East County), and a second by Council President Georgette Gomez (City of San Diego), the Executive Committee approved the minutes from its June 14, 2019, meeting. Yes: Chair Vaus, Vice Chair Catherine Blakespear (North County Coastal), Mayor Wells, and Council President Gomez. No: None. Abstain: None. Absent: County of San Diego and South County.

2. Public Comments/Communications/Member Comments (Information)

None.

3. Executive Director’s Report (Discussion)

Hasan Ikhrata, Executive Director, presented an update on key programs, projects, and agency initiatives, including San Diego Forward: The 2021 Regional Plan and the Airport Connectivity Subcommittee.

Consent


The Executive Committee was asked to approve the submission of the proposed project to the Federal Highway Administration Advanced Transportation and Congestion Management Technologies Deployment Grant Program.

*Action:* Upon a motion by Mayor Wells, and a second by Vice Chair Blakespear, the Executive Committee approved Consent Item No. 4. Yes: Chair Vaus, Vice Chair Blakespear, Mayor Wells, and Council President Gomez. No: None. Abstain: None. Absent: County of San Diego and South County.

Reports

5. Review of Draft Board Agendas (Approve)

Victoria Stackwick, Principal Legislative Analyst, presented the draft Board Business meeting agenda for July 26, 2019, and a verbal update on the August 9, 2019, Board Policy meeting.

*Action:* Upon a motion by Council President Gomez, and a second by Vice Chair Blakespear, the Executive Committee approved the Board Business meeting agenda for July 26, 2019, and cancelled the August 9, 2019, Board Policy meeting. Yes: Chair Vaus, Vice Chair Blakespear, Mayor Wells, and Council President Gomez. No: None. Abstain: None. Absent: County of San Diego and South County.

April Petonak, Associate Regional Planner, presented the item.

Action: Upon a motion by Council President Gomez, and a second by Vice Chair Blakespear, the Executive Committee recommended that the Board of Directors approve the proposed amendments to the FY 2020 Program Budget, accepting $1,625,502 in Caltrans Transportation Planning Grant funding, and approved an amendment to Overall Work Program Element No. 3101500 (Airport Connectivity Planning), returning $380,000 to the SANDAG Contingency reserve. Yes: Chair Vaus, Vice Chair Blakespear, Mayor Wells, Council President Gomez, and Supervisor Jim Desmond (County of San Diego). No: None. Abstain: None. Absent: South County.

7. Legislative Status Report (Information)

Robyn Wapner, Senior Legislative Analyst, and Laurie Gartrell, Associate Regional Planner, presented the update on federal and state legislative and policy activities.

Action: Information only.

8. Continued Public Comments

None.

9. Upcoming Meetings

The next meeting of the Executive Committee is scheduled for Friday, August 9, 2019, at 9 a.m.

10. Adjournment

Chair Vaus adjourned the meeting at 8:51 a.m.
Confirmed Attendance at SANDAG Executive Committee Meeting

July 12, 2019

<table>
<thead>
<tr>
<th>Jurisdiction</th>
<th>Name</th>
<th>Member/Alternate</th>
<th>Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>North County Inland</td>
<td>Steve Vaus, Chair</td>
<td>Primary</td>
<td>Yes</td>
</tr>
<tr>
<td></td>
<td>Rebecca Jones</td>
<td>Alternate</td>
<td>Yes</td>
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<tr>
<td>North County Coastal</td>
<td>Catherine Blakespear, Vice Chair</td>
<td>Primary</td>
<td>Yes</td>
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<td></td>
<td>David Zito</td>
<td>Alternate</td>
<td>Yes</td>
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<tr>
<td>South County</td>
<td>Mary Salas</td>
<td>Primary</td>
<td>No</td>
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<td></td>
<td>Serge Dedina</td>
<td>Alternate</td>
<td>No</td>
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<tr>
<td>East County</td>
<td>Bill Wells</td>
<td>Primary</td>
<td>Yes</td>
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<td></td>
<td>John Minto</td>
<td>Alternate</td>
<td>Yes</td>
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<tr>
<td>City of San Diego</td>
<td>Georgette Gomez</td>
<td>Primary</td>
<td>Yes</td>
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<td></td>
<td>Barbara Bry</td>
<td>Alternate</td>
<td>No</td>
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<td></td>
<td>Monica Montgomery</td>
<td>Alternate</td>
<td>No</td>
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<tr>
<td>County of San Diego</td>
<td>Jim Desmond</td>
<td>Primary</td>
<td>Yes</td>
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<td></td>
<td>Kristin Gaspar</td>
<td>Alternate</td>
<td>No</td>
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</table>
September 27, 2019, Draft Board Business Agenda

<table>
<thead>
<tr>
<th>Item No.</th>
<th>Recommendation</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>+1.</td>
<td>Approve</td>
<td>Approval of Meeting Minutes&lt;br&gt;The Board of Directors is asked to approve the minutes from its September 6, 2019, Special meeting.</td>
</tr>
<tr>
<td>2.</td>
<td></td>
<td>Public Comments/Communications/Member Comments&lt;br&gt;Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Board on any issue within the jurisdiction of SANDAG that is not on this agenda. Other public comments will be heard during the items under the heading “Reports.” Anyone desiring to speak shall reserve time by completing a “Request to Speak” form and giving it to the Clerk of the Board prior to speaking. Public speakers should notify the Clerk of the Board if they have a handout for distribution to Board members. Public speakers are limited to three minutes or less per person. Board members also may provide information and announcements under this agenda item.</td>
</tr>
<tr>
<td>3.</td>
<td>Information</td>
<td>Policy Advisory Committee Chairs' Report&lt;br&gt;Policy Advisory Committee Chairs will provide updates on key committee activities.</td>
</tr>
<tr>
<td>4.</td>
<td>Discussion</td>
<td>Executive Director’s Report&lt;br&gt;Hasan Ikhrata&lt;br&gt;An update on key programs, projects, and agency initiatives including San Diego Forward: The 2021 Regional Plan and the Airport Connectivity Subcommittee will be provided.</td>
</tr>
<tr>
<td>+5.</td>
<td>Information</td>
<td>Chair’s Report&lt;br&gt;2019 iCommute Diamond Award Recipients&lt;br&gt;The Board of Directors is asked to recognize the recipients of the 2019 iCommute Diamond Awards for their commitment to sustainable transportation choices that reduce regional traffic congestion and greenhouse gas emissions.</td>
</tr>
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</table>
Consent

+6. Approval of Proposed Solicitations and Contract Awards
   Julie Wiley, SANDAG
   The Board of Directors is asked to review and approve the proposed solicitations and contract awards.
   +6A. Solicitations
   +6B. Contract Awards

+7. Policy Advisory Committee Actions
   Tessa Lero, SANDAG
   The Board of Directors is asked to ratify the actions taken by the Policy Advisory Committees since the last Board Business meeting.

+8. Proposed FY 2020 Program Budget Amendment:
    State Route 125/905 Southbound to Westbound Connector
    Mario Orso, Caltrans
    The Transportation Committee recommends that the Board of Directors approve an amendment to the FY 2020 Program Budget, accepting $1.708 million in Trade Corridor Improvement Funds for the State Route 125/905 Southbound to Westbound Connector project (Capital Improvement Program project No. 1390506).

+9. Proposed FY 2020 Program Budget Amendment:
    Northbound Border Wait Time Data Collection System for the San Ysidro and Otay Mesa Ports of Entry
    Mario Orso, Caltrans
    The Transportation Committee recommends that the Board of Directors approve an amendment to the FY 2020 Program Budget, accepting $1 million in Coordinated Border Infrastructure funding for the Northbound Border Wait Time Data Collection System (Capital Improvement Program project No. 1201101).
+10. Proposed FY 2020 Program Budget Amendments: Del Mar Bluffs

Bruce Smith, SANDAG

Approve

+10A. Del Mar Bluffs V

The Transportation Committee recommends that the Board of Directors approve an amendment to the FY 2020 Program Budget to:

1. create a new Capital Improvement Program (CIP) project to establish the Del Mar Bluffs Stabilization V project (CIP project No. 1147100);
2. approve the authorizing resolution for grant funds from the California Natural Resource Agency; and
3. accept $6.007 million in funding from the California Natural Resource Agency General Fund Grant (GF1925-0) to fund bluff stabilization measures.

+10B. Del Mar Bluffs IV

The Transportation Committee recommends that the Board of Directors approve an amendment to the FY 2020 Program Budget to accept $2.534 million in supplemental State Transportation Improvement Program funding from Caltrans, pending California Transportation Commission action, to fully fund construction of the project (Capital Improvement Program project No. 1146100).

+11. Proposed Amendments to Board Policy No. 039: Audit Policy

Advisory Committee and Audit Procedures

John Kirk, SANDAG

Approve

The Audit and Executive Committees recommend that the Board of Directors approve the proposed amendments to Board Policy No. 039: Audit Policy Advisory Committee and Audit Procedures.

+12. Proposed Board Policy No. 041: Internal Control Standards

Mary Khoshmashrab, Independent Performance Auditor

Approve

The Audit and Executive Committees recommend that the Board of Directors approve Board Policy No. 41: Internal Control Standards.

+13. Proposed Board Policy No. 042: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse

Mary Khoshmashrab, Independent Performance Auditor

Approve

The Audit and Executive Committees recommend that the Board of Directors approve Board Policy No. 42: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse.
<table>
<thead>
<tr>
<th>+14.</th>
<th>FY 2020 State of Good Repair Claims</th>
<th>Adopt</th>
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<tbody>
<tr>
<td>Michelle Smith, SANDAG</td>
<td>The Transportation Committee recommends that the Board of Directors adopt Resolution No. 2020-04, approving the FY 2020 State of Good Repair claims for North County Transit District.</td>
<td></td>
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<thead>
<tr>
<th>+15.</th>
<th>Quarterly Progress Report on Transportation Projects through June 2019*</th>
<th>Information</th>
</tr>
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<tbody>
<tr>
<td>Michelle Smith, SANDAG</td>
<td>This quarterly report provides an update on the current status of major projects in the 2018 Regional Transportation Improvement Program.</td>
<td></td>
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<thead>
<tr>
<th>+16.</th>
<th>Executive Director Delegated Actions*</th>
<th>Information</th>
</tr>
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<tbody>
<tr>
<td>André Douzdjian, SANDAG</td>
<td>In accordance with various SANDAG Board Policies, this report summarizes certain delegated actions taken by the Executive Director since the last Board Business meeting.</td>
<td></td>
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<table>
<thead>
<tr>
<th>+17.</th>
<th>Meetings and Events Attended on Behalf of SANDAG</th>
<th>Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tessa Lero, SANDAG</td>
<td>Board members will provide brief reports on external meetings and events attended on behalf of SANDAG since the last Board Business meeting.</td>
<td></td>
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**Reports**

<table>
<thead>
<tr>
<th>+18.</th>
<th>Airport Connectivity Concepts and Evaluation Criteria</th>
<th>Approve</th>
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<tbody>
<tr>
<td>Coleen Clementson and Jennifer Williamson, SANDAG</td>
<td>The Airport Connectivity Subcommittee recommends that the Board of Directors approve the proposed conceptual transportation solutions for improved transit and road connectivity for further study and environmental analysis.</td>
<td></td>
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<thead>
<tr>
<th>+19.</th>
<th>Proposed FY 2020 Program Budget Amendment: Capital Improvement Program*</th>
<th>Approve</th>
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<tbody>
<tr>
<td>José Nuncio, SANDAG</td>
<td>The Board of Directors is asked to approve an amendment to the FY 2020 Program Budget, adding $593.4 million for regional projects and programs.</td>
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<thead>
<tr>
<th>+20.</th>
<th>Proposed FY 2020 Program Budget Amendment: Regional Plan</th>
<th>Approve</th>
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<tbody>
<tr>
<td>Coleen Clementson, André Douzdjian, Ray Major, and Ray Traynor, SANDAG</td>
<td>The Board of Directors is asked to approve a budget amendment, swapping $8.5 million of TransNet funds with I-15 FasTrak® funds for additional work needed for the Regional Plan, Big Data, and technology improvements.</td>
<td></td>
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</tbody>
</table>
21. Quarterly Finance Report and Annual Interest Rate Swap Evaluation through June 30, 2019*  
**André Douzdjian and Ray Major, SANDAG**

A report on various finance-related items, including a quarterly report of investments that includes all money under the direction or care of SANDAG and an annual report and evaluation of all outstanding interest rate swaps, will be presented.

22. Continued Public Comments

If the five-speaker limit for public comments was exceeded at the beginning of this agenda, other public comments will be taken at this time. Subjects of previous agenda items may not again be addressed under public comment.

23. Upcoming Meetings

The next Board Policy meeting is scheduled for Friday, October 11, 2019, at 10 a.m. The next Board Business meeting is scheduled for Friday, October 25, 2019, at 9 a.m.

24. Adjournment

* + next to an agenda item indicates an attachment

* next to an agenda item indicates that the Board of Directors also is acting as the San Diego County Regional Transportation Commission for that item
Proposed Amendments to Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities

Overview

Board Policy No. 039, initially approved by the Board of Directors in December 2017, provides guidance on the roles and responsibilities of the Audit Policy Advisory Committee and the Independent Performance Auditor (IPA).

Over the past year, the Audit Committee has established a regular meeting schedule, and the Office of the IPA has been filled. The proposed amendments to Board Policy No. 039 are based on input from both the IPA and members of the Audit Committee and are intended to clarify the roles and responsibilities of both the Audit Committee and the IPA, as well as establish best practices for audit activities at SANDAG.

Key Considerations

The proposed amendments to Board Policy No. 039 are reflected in redline format in Attachment 1 and summarized below. The Audit Committee considered these proposed amendments at its July and August meetings, and unanimously recommends their approval.

Section 3.1.10: Reflects the intention that the IPA establish consistent communication with members of the Audit Committee.

Section 6: Underscores the independence of the IPA from SANDAG internal management and reflects the functional role of the IPA, in conjunction with the Audit Committee, as providing oversight of agency operations and programs on behalf of the Board of Directors.

Sections 6.2 and 6.3: Reflects the risk-based approach that will form the basis for the IPA’s audit plan and work activities. As reflected, this would allow the Audit Committee and the Board of Directors to initially identify the risk factors that are most important, with the IPA’s audit plan and audit activities subsequently based upon those factors.

Section 6.5: Identifies the scope of the IPA’s assessments in conducting audits and provide expectations and uniformity in the conduct of audits.

The remaining proposed amendments provide clarity on communicating the results of audit activities to the Audit Committee and the Board of Directors, as well as prescribe processes to respond to audit findings.

Next Steps

Pending approval by the Executive Committee, the Board of Directors is scheduled to consider the proposed amendments to Board Policy No. 039 at its September 27, 2019, meeting.

Action: Recommend
The Executive Committee is asked to recommend that the Board of Directors approve the proposed amendments to Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities.

Fiscal Impact: None

Schedule/Scope Impact:
The proposed amendments to Board Policy No. 039 would take effect upon approval by the Board of Directors and clarify the roles and responsibilities of both the Audit Committee and the Independent Performance Auditor, as well as establish best practices for audit activities at SANDAG.
Audit Policy Advisory Committee and Audit Activities

1. Purpose

The purpose of this policy is to specify the functions of the Audit Committee and the SANDAG Independent Performance Auditor.

2. Governance and Role of the Audit Committee

2.1 The Audit Committee shall be overseen by the SANDAG Board of Directors and shall govern itself in accordance with Public Utilities Code Sections 132351.4 and 132354.1, and the policies and procedures applicable to all SANDAG Policy Advisory Committees.

2.2 Membership of the Audit Committee shall be as set forth in Board Policy No. 002:

2.3 Policy Advisory Committee Membership. The Audit Committee shall consist of five voting members with two members of the Board of Directors and three members of the public, all of which shall be appointed by the Board of Directors. Due to the qualification requirements and selection process described in this policy, Audit Committee members and alternates shall be selected according to the processes below.

2.4 The Chair of the Board will select which members of the Audit Committee will hold the Chair and Vice Chair positions on the Audit Committee every two years or whenever a position is vacant.

2.5 The role of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities and provide a forum for pursuing the opportunities for improvements in operations, financial reporting and internal controls identified through the agency’s audit products.

3. Authority of the Audit Committee

3.1 The Audit Committee may hear items within the subject areas of audits, internal controls and investigations into fraud, waste, or impropriety, and may be asked to provide actions or recommendations on other matters within the Audit Committee’s purview. The responsibilities of the Audit Committee include:

3.1.1 Recommend to the Board which firm to contract with to conduct the annual financial statement audits and oversee the conduct of such audits.

3.1.2 Meet with management and the independent performance auditor to review and discuss SANDAG’s annual financial statement audits, internal control reports and other audits performed by external auditors.

3.1.3 Review and oversee the implementation of corrective action to address noted audit deficiencies.

3.1.4 Based on the Board’s direction regarding whether to hire an individual or firm, recommend to the Board which individual or firm to hire to carry out independent performance auditor responsibilities.
3.1.5 Recommend to the Board the annual compensation of the independent performance auditor.

3.1.6 Oversee the work of the independent performance auditor in preparing and issuing audit and investigative reports and other audit, review or attest activities.

3.1.7 Approve the annual audit plan after discussion with the independent performance auditor, pursuant to Public Utilities Code Section 132354.1(b), and make recommendations to the Board regarding the budget needed to carry out the annual audit plan of the independent performance auditor.

3.1.8 Monitor the implementation of the annual audit plan and provide an annual report to the Board.

3.1.9 Monitor the implementation of corrective action identified in audit and investigative reports and inform the Board when corrective action is insufficient or untimely.

3.1.10 Independently communicate with the IPA consistent with the limitations set forth in the Brown Act.

3.1.11 Conduct the independent performance auditor’s annual performance evaluation against performance measures established and adopted by the Audit Committee.

3.1.12 Vote on whether to remove the independent performance auditor for cause including, but not limited to incompetence, dishonesty, unethical behavior, violation of state or federal laws, or failure to maintain required professional certifications; such removal being subject to an approving vote by two-thirds of the Audit Committee and the Board.

3.1.13 Recommend internal control guidelines to be adopted by the Board to prevent and detect financial errors and fraud based on the internal control guidelines developed by the State Controller pursuant to Government Code Section 12422.5 and the standards adopted by the American Institute of Certified Public Accountants.

4. Selection of Audit Committee Members

4.1 The Board members serving on the Audit Committee shall be appointed by the Board using the procedures in this subsection 4.1.

4.1.1 The two Board members and any Board member alternates serving on the Audit Committee shall be recommended for appointment by the Chair of the Board. The Chair of the Board shall select Board members to recommend to the Board based on the following criteria:

4.1.1.1 The Board member shall have served on the Board for at least three years;

4.1.1.2 The Board member shall have a basic understanding of the role of the Audit Committee; and

4.1.1.3 The Board member shall express a willingness to work through the Audit Committee to pursue opportunities for improvements in operations, financial reporting, and internal controls identified through the agency’s audit products.

4.1.2 The Board members recommended by the Chair of the Board shall be subject to approval by a majority vote of the Board.
Audit Committee members shall serve until their successors are appointed. In the event that the Board member who has been appointed to serve on the Audit Committee is no longer a primary or alternate member of the Board of Directors, the position shall be considered vacant. If and when vacancies in the voting membership of the Audit Committee occur, the same selection process as outlined above shall be followed to select a replacement.

Board members appointed to the Audit Committee shall serve a term of two years. At the completion of a term, eligible incumbent members will need to apply for reappointment for another term. In no case shall any member serve more than five years on the Audit Committee.

The public members serving on the Audit Committee shall be appointed by the Board using the procedures in this Subsection 4.2.

Whenever there is a vacancy for a public member seat on the Audit Committee, application forms will be made available on the SANDAG website for persons interested in applying for an Audit Committee position. Applications shall be due within 30 days after the application forms are posted. Only candidates who submit an application by the deadline will be considered.

Applicants shall possess the independence, experience, and technical expertise necessary to carry out the duties of the Audit Committee. This expertise includes, but is not limited to, knowledge of accounting, auditing, and financial reporting. The minimum professional standards for public members shall include at least ten years of experience as a certified public accountant or as a certified internal auditor, or ten years of other professional accounting, financial, or legal experience in audit management.

The candidates shall be recommended by a majority vote of a screening committee composed of a member of the Board selected by the Chair of the Board, the chief financial officer or finance director of a SANDAG member agency, and at least one outside financial expert appointed by the other two members of the screening committee and confirmed by the Board. Persons serving on the screening committee shall sign a declaration establishing that they do not have a conflict of interest.

The screening committee may interview one or more of the candidates. The screening committee shall submit its recommended nominee(s) for the position(s). The screening committee also may nominate alternates from among the applicants.

In the event that the screening committee is unable to recommend any of the applicants for any or all positions, or an insufficient number of applications have been received, the screening committee may recommend a supplemental process, subject to Board approval. The constraints set forth in the normal nomination process shall not be mandated to apply to the supplemental process.

The public members nominated by the screening committee shall be subject to approval by a majority vote of the Board.

Audit Committee members shall serve until their successors are appointed. If and when vacancies in the voting membership of the Audit Committee occur, the same selection process as outlined above shall be followed to select a replacement to fill the remainder of the term.
Public members appointed to the Audit Committee shall serve a term of two years. At
the completion of a term, eligible incumbent members will need to apply for
reappointment for another term. In no case shall any member serve more than five years
on the Audit Committee.

5. Selection of Independent Performance Auditor

5.1 The independent performance auditor shall serve a two-year term and shall be selected by the
Board on the basis of qualifications and experience, which include, but are not limited to:

5.1.1 At least ten years of experience performing audits under Government Audit Standards;
5.1.2 At least five years of management experience;
5.1.3 A Bachelors or higher degree in business, public administration, finance, accounting or a
related field; and
5.1.4 Possession of a Certified Public Accountant or Certified Internal Auditor license or
certificate.

6. Scope of Authority and Responsibilities of Independent Performance Auditor

6.1 The independent performance auditor shall report to the Audit Committee and shall be
independent of SANDAG’s internal management and administration, except that SANDAG’s
Director of Finance role shall maintain administrative oversight of the IPA’s monthly timesheets
and tracking of annual leave.

6.2 The objective of the IPA is to serve as the Board of Directors oversight function that objectively
evaluates and recommends improvements to SANDAG including prioritizing its efforts by
continuously facilitating an objective risk assessment. The Independent Performance Auditor’s
audit functions are designed to include timely reporting of significant issues to appropriate
oversight authorities.

6.3 The IPA may facilitate and conduct a risk assessment process to assist management to logically
identify key risks within SANDAG and its components and shall annually present and discuss risk
with the Committee to receive input and feedback. As part of the aforementioned process, the
IPA shall receive input from SANDAG’s executive management and staff, the Committee, and the
Board of Directors as to the risk factors that the Committee deems most important to SANDAG.

6.4 Based upon the results of the risk assessment, the independent performance auditor and
shall annually prepare an audit plan and conduct audits in accordance therewith. The independent
performance auditor shall have authority to conduct, or to cause to be conducted, including
performance audits of all SANDAG departments, offices, boards, activities, agencies, and
programs and perform those other duties as may be required by the Board or as provided by the
California Constitution and general laws of the state.

6.5 The IPA will oversee and conduct independent examinations, including audits, of SANDAG
programs, functions, operations, or management systems and procedures. In performing such
audits, the IPA will independently and objectively assess whether:

6.5.1 Activities and programs being implemented have been authorized by the appropriate
governing laws or codes, state or local law, or applicable federal law or regulations.
6.5.2 Activities and programs are in compliance, properly conducted, and funds expended in
accordance with the applicable laws.
6.5.3 The departments, divisions, or agencies are acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, equitably, and effectively, and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation.

6.5.4 The entity, programs, activities, functions, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices.

6.5.5 The desired result or benefits are being achieved.

6.5.6 Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of revenues and other resources.

6.5.7 Management has established adequate operating and administrative procedures and practices, fiscal and accounting systems, and an adequate system of controls or internal management controls.

6.5.8 Indications of fraud, abuse, waste, misappropriation, or illegal acts are valid and need further investigation.

6.6 The IPA may also perform external reviews of contracts or service programs of entities that are awarded funds overseen by SANDAG.

6.7 The independent performance auditor shall from time to time advise the Audit Committee on existing and evolving governance practices that may be best suited for SANDAG.

6.8 The independent performance auditor shall follow the most recent version of Generally Accepted Government Auditing Standards as published by the United States Government Accountability Office.

6.16.9 The Committee shall approve the processes pertaining to follow-up audit procedures, if appropriate. The IPA shall have procedures in place to track, monitor, and evaluate the status of identified control issues with a tracking mechanism and with consideration to the risk of each issue and the cost and benefit of various audit procedure alternatives.

All officers and employees of SANDAG shall furnish to the independent performance auditor unrestricted access to employees, information, and records, including electronic data, within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts, and methods of business required to conduct an audit or otherwise perform audit duties. It is also the duty of any consolidated agency officer, employee, or agent to fully cooperate with the auditor, and to make full disclosure of all pertinent information, with the exception of information that is protected by law from disclosure.

6.10 The IPA shall hold data and information obtained during the course of its audit activities with due care and the appropriate level of confidentiality. Unless otherwise mandated by law, the IPA shall have authority to grant, limit, and restrict access to work papers and records.

6.11 The IPA shall communicate results of its work and otherwise known issues to management and the Committee. The IPA shall form and report appropriate opinions based on audit evidence. Management shall provide responses to issues in a prompt and efficient manner. Written reports may be distributed to the Committee, SANDAG's Management, and if appropriate for reports containing significant issues or when there is a disagreement with management other than minor in nature, to the Board of Directors. The IPA shall provide summary information to the Committee pertaining to issues resulting from audit procedures as well as known issues outside of the audit scope of review. Additionally, the IPA shall provide the Committee with an annual
assessment as to the effectiveness of management’s attention to resolving identified control issues.

6.26.12 The independent performance auditor shall prepare a proposed budget and submit it to the Audit Committee for a recommendation to the Board of Directors for its approval 180 days prior to the beginning of each fiscal year or as otherwise requested by the Director of Finance.

6.36.13 The independent performance auditor shall have the power to appoint, employ, and remove assistants, employees, and personnel as deemed necessary for the efficient and effective administration of the affairs of the independent performance auditor. The independent performance auditor may prescribe the duties, scope of authority, and qualifications of employees and consultants overseen by the independent performance auditor. The independent performance auditor’s authority shall be subject to the annual audit plan and the budget approved by the Board, SANDAG rules and policies related to the management and hiring of SANDAG employees and consultants, and the scope of the independent performance auditor’s purview as determined by the Board.

6.46.14 The independent performance auditor may investigate any material claim of financial fraud, waste, or impropriety within SANDAG and for that purpose may summon any officer, agent, or employee of the consolidated agency, any claimant, or other person, and examine him or her upon oath or affirmation relative thereto. The independent performance auditor will conduct investigations generally following the procedures recommended by the Association of Certified Fraud Examiners’ Fraud Examiners Manual for any allegations of financial fraud, waste or impropriety. Prior to questioning any person under oath, the independent performance auditor shall advise the members of the Audit Committee of that intention, seek legal counsel from the Office of General Counsel or outside counsel under contract to SANDAG regarding the relevant legal issues, and document the reasons why the questioning must be done under oath instead of by some other form of affirmation.

6.56.15 The independent performance auditor shall coordinate audit functions such that there is no duplication of effort between the audits undertaken by the independent performance auditor and audits undertaken by the Independent Taxpayer Oversight Committee.

6.66.16 Pursuant to Government Code section 8546.7, when the amount of a contract will exceed $10,000, SANDAG and the State Auditor, at the request of SANDAG or as part of any audit of SANDAG, have authority to examine and audit a contracting party for a period of three years after SANDAG’s final payment on the contract, whether or not audit language is included in the contract document. As an additional measure, all SANDAG contracts with consultants, vendors, or agencies in excess of $25,000 in aggregate within a fiscal year, which call for a contracting party to provide goods or services to SANDAG over a period of time, will be prepared with an adequate audit provision to allow the independent performance auditor access to the entity’s records needed to verify compliance with the terms specified in the contract. The intent of this provision is to put parties contracting with SANDAG on notice that the independent performance auditor will have the right to audit both the party’s accounting methods and performance on such contracts. All SANDAG contracts with consultants, vendors, or agencies will be prepared with an adequate audit provision to allow the independent performance auditor access to the entity’s records needed to verify compliance with the terms specified in the contract.

6.76.17 Results of all audits and reports shall be made available to the public in accordance with the requirements of the California Public Records Act (Chapter 3.5 (commencing with Section 6250) of Division 7 of the Title 1 of the Government Code). Final versions of formal reports also shall be posted on the SANDAG website.
6.86.18 All materials or services needed by the independent performance auditor shall be procured using an open and competitive basis with solicitation of proposals from the widest possible number of qualified firms as prescribed by SANDAG’s procedures for procurement. The scope of work of all such consultant work shall be subject to approval by the independent performance auditor prior to any such solicitation.

Adopted: December 2017
Amended: January 2019
Amended: ________ 2019
Proposed Board Policy No. 041: Internal Control Standards

Overview

The Audit Committee recommends that SANDAG adopt proposed Board Policy No. 041 in accordance with the Committee on Sponsoring Organization (COSO) Framework of 2013 that applies the COSO Framework to the agency environment.

Board Policy No. 041 meets the requirements of the State Controller's guidelines and is intended to 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.

Key Considerations

Board Policy No. 039: Audit Policy Advisory Committee and Audit Procedures, Section 3.1.12, states the Audit Committee shall recommend internal control guidelines be adopted by the Board of Directors to prevent and detect financial errors and fraud. Board Policy No. 041 is based on the internal control guidelines developed by the State Controller pursuant to Government Code Section 12422.5, and the standards adopted by the American Institute of Certified Public Accountants.

Next Steps

The Audit Committee recommended approval by the Board of Directors. Pending recommendation by the Executive Committee, Board Policy No. 041 is scheduled for review by the Board of Directors at its September 27, 2019, meeting.

Mary Khoshmashrab, Independent Performance Auditor

Key Staff Contact: Mary Khoshmashrab, (619) 595-5323, mary.khoshmashrab@sandag.org

Attachment:

1. Proposed Board Policy No. 041: Internal Control Standards

Action: Recommend

The Executive Committee is asked to recommend that the Board of Directors approve proposed Board Policy No. 041: Internal Control Standards.

Fiscal Impact:
None

Schedule/Scope Impact:
None
Internal Control Standards

Purpose

This policy reflects and conforms to the Internal Control – Integrated Framework (2013) issued by the Committee on Sponsoring Organization of the Treadway Commission (COSO).

Internal control is a process, effected by the Board of Directors, management, and other personnel, designed to provide reasonable assurance of financial accountability.

The San Diego Association of Governments (SANDAG) management team and staff are responsible for fostering adequate internal controls to achieve accountability; the SANDAG Independent Performance Auditor shall issue and maintain Internal Control Standards for SANDAG application.

The primary purpose of this publication is to establish internal control standards for SANDAG management and staff that are governed by the Board of Directors.

The secondary purpose is to provide the tools for working business partners such as contractors to establish and maintain good internal controls.

These standards will be revised from time to time to reflect changes in the SANDAG control environment.

1. Public Accountability

1.1 The Board of Directors is accountable to their constituents, state officials, and the public at large in conducting the affairs of SANDAG. SANDAG executive management including appointed positions also are accountable to the public.

1.2 These levels of accountability contain four basic elements, which form the essence of public accountability:

   1.2.1 Effectiveness: achieving SANDAG goals
   1.2.2 Efficiency: making optimal use of scarce resources
   1.2.3 Compliance: observing restrictions on the use of resources and complying with mandates and other legal requirements
   1.2.4 Reporting: periodically demonstrating accountability for the stewardship of resources placed in their care.

1.3 SANDAG executive management and staff are responsible for maintaining sufficient internal controls to obtain reasonable assurance that SANDAG goals are achieved efficiently and in compliance with laws. Reasonable assurance of public accountability is achieved by maintaining strong internal controls within the organization, at least equivalent to the Internal Control Standards issued by the Independent Performance Auditor.

1.4 This publication prescribes standards of internal control that conform to the Internal Control – Integrated Framework (2013) issued by the Committee on Sponsoring Organization of the Treadway Commission (COSO) that help to achieve adequate public accountability.
1.5 The publication also recommends methods to develop and maintain the optimum level of internal control.

<table>
<thead>
<tr>
<th>Public Accountability</th>
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<tbody>
<tr>
<td>Effectiveness and Efficiency of Operations</td>
</tr>
<tr>
<td>Compliance with applicable Laws and Regulations</td>
</tr>
<tr>
<td>Reliability of Financial and Non-Financial Reporting</td>
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</table>

2. Responsibilities

2.1 The Board of Directors, executive management, and department directors are primarily responsible for establishing and maintaining the necessary internal control to ensure adequate public accountability.

2.2 The SANDAG Independent Performance Auditor and Internal Auditor are responsible for providing expert advice to management. The SANDAG auditors shall regularly monitor compliance with the Internal Control Standards, assess the risk of insufficient accountability organizational wide, and make recommendations for improvements.

2.3 The Board of Directors has the ultimate responsibility for public accountability, and thus, the ultimate responsibility for ensuring that there is adequate internal control to achieve accountability.

2.4 Other advisors such as the independent auditors and other expert consultants can assist management and the Board in discharging their responsibilities.

3. Internal Control

3.1 Internal Control is broadly defined as a process effected by an entity's directors, managers, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

3.1.1 Effectiveness and efficiency of operations
3.1.2 Reliability of financial and performance reporting
3.1.3 Compliance with applicable laws and regulations

3.2 Why is Internal Control Important? Internal control helps management achieve the mission of the organization and prevent or detect improper activities. The cost of fraud cannot always be measured in dollars. Improper activities erode public confidence in the government.

3.2.1 Internal control is a process. It is a means to an end, not an end in itself.
3.2.2 Internal control is not merely documented by policy manuals and forms. Rather, it is put in by people at every level of an organization.
3.2.3 Internal control can provide only reasonable assurance, not absolute assurance, to an entity’s management and board.
3.2.4 Internal control is geared to the achievement of objectives in one or more separate but overlapping categories.
4. Internal Control – Local Government

4.1 As a result of the passing of Assembly Bill 1248 (Garcia) (AB 1248), The State Controller has issued Internal Control guidelines that are applicable to local government. “AB 1248 is a bill that is designed to strengthen public confidence in that layer of government that most frequently touches their lives – local government.” Internal control standards include separation of powers between budgeting and check-writing, avoiding potential conflicts of interest in hiring or contracting, and other measures designed to protect the integrity of a local government’s finances. The State Controller guidelines that are applicable to local government can be found at https://www.sco.ca.gov/Files-AUD/2015_internal_control_guidelines.pdf. The COSO Framework 2013 Internal Control Standards are consistent with the State Controller’s guidelines.

4.2 What Internal Control Can Do:

4.2.1 Help achieve performance goals and objectives
4.2.2 Help prevent loss of resources
4.2.3 Help ensure reliable reporting
4.2.4 Help ensure compliance with laws and regulations

4.3 What Internal Control Cannot Do:

4.3.1 Internal Controls can only help an entity achieve its goals and objectives
4.3.2 They cannot change inherently poor management or shifts in government policy
4.3.3 They cannot provide absolute assurance, only reasonable assurance
4.3.4 They cannot prevent simple errors or mistakes
4.3.5 They can be circumvented

5. Standards of Internal Control

5.1 The following **five elements** of control standards and **17 principles** shall be considered and adopted by all SANDAG management and staff around SANDAG operations.

5.2 **Control Environment** – This refers to the general environment in which employees carry out their responsibilities. It includes the ethical values set by management, management operating philosophy and style, the organizational culture and structure. The tone set at the top pervades all other activities in the organization.

The following **five principles** shall be considered:

5.2.1 The organization demonstrates a commitment to integrity and ethical values.
5.2.2 The Board of Directors demonstrate independence from management and exercise oversight of the development and performance of internal control.
5.2.3 Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives.
5.2.4 The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives.
5.2.5 The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives.

5.3 **Risk Assessment** – This refers to the process of identifying and analyzing the potential risks associated with the achievement of management objectives.
The following four principles shall be considered:

5.3.1 The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives.

5.3.2 The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed.

5.3.3 The organization considers the potential for fraud in assessing risks to the achievement of objectives.

5.3.4 The organization identifies and assesses changes that could significantly impact the system of internal control.

5.4 **Control Activities** – These refer to the policies and procedures that management has established to mitigate the effect of the risks identified. These policies and procedures include performance measurements, benchmarks, authorizations, restrictions on access to assets and records, reviews, reconciliations, verifications, and segregation of incompatible duties.

The following three principles shall be considered:

5.4.1 The organization selects and develops control activities that contribute to the mitigation of risk to the achievement of objectives to acceptable levels.

5.4.2 The organization selects and develops general control activities over technology to support the achievement of objectives.

5.4.3 The organization deploys control activities through policies that establish what is expected and written procedures that put policies into place according to the business environment.

5.5 **Information and Communication** – Relevant information about the organization and its operation should be identified, captured and communicated to appropriate personnel to ensure that they carry out their responsibilities effectively. This is done through meetings, memoranda, policies and procedures manuals and management reports.

The following three principles shall be considered:

5.5.1 The organization obtains or generates and uses relevant, quality information to support the functioning of internal controls.

5.5.2 The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control.

5.5.3 The organization communicates with external parties regarding matters affecting the function of internal control.

5.6 **Monitoring** – The functioning of internal control should be monitored to ensure its effectiveness over time. This is accomplished through: (1) ongoing monitoring activities such as regular review of exception reports or continual quality assurance programs, or (2) periodic evaluations such as risk and control assessment, and management audits.

The following two principles shall be considered:

5.6.1 The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning.

5.6.2 The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including board of directors and executive management, as appropriate.
5.7 The next five charts provide a point of focus (drill down) that supports each principle and are intended to provide helpful guidance to assist management in designing, implementing and conducting internal control, and in assessing whether relevant principles are present and functioning in their environment.

5.8 While the framework defines 77 points of focus, it does not require separate evaluations of whether all 77 are in place. It is up to management to identify and consider if these or other characteristics are important in their organization.

5.9 It is important to emphasize that the COSO Framework does not prescribe controls to be selected, developed, and deployed for effective internal control. An organization’s selection of controls to effect relevant principles and associated control elements (components) is a function of management judgment based on factors unique to the entity. Further, the points of focus are to help management consider how the principle can be successful and that the component is addressed in an organization’s system of control.

5.10 Understanding and considering how controls developed and implemented by management may affect multiple principles can provide persuasive evidence supporting management’s assessment of whether components and relevant principles are present and functioning.

5.11 The COSO Framework 2013 describes the role of controls in an environment to effect principles not which controls are to be selected.

5.12 The following chart provide examples of how various controls developed and implemented by management can address more than one control component and impact the success or failure of a principle underscored within a single control component.

<table>
<thead>
<tr>
<th>Component</th>
<th>Principle</th>
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<tbody>
<tr>
<td>Internal Control Components Impacted</td>
<td></td>
</tr>
<tr>
<td>Control Environment</td>
<td></td>
</tr>
<tr>
<td>Information &amp; Communication</td>
<td></td>
</tr>
<tr>
<td>Monitoring Activities</td>
<td></td>
</tr>
</tbody>
</table>

6. **Getting Started – Gaining an Understanding**

6.1 The Management should consider internal controls in context. An entity’s size, organization culture, nature of business, diversity of operations, methods of processing and maintaining information, and applicable legal and regulatory requirements should be considered.

6.2 Management should understand that controls should be designed to be an integral part of all processes. Controls are not isolated management tools. The controls should integrate performance measure activities with other improvement efforts. Controls are part of a cycle ingrained in each of the business processes; planning, budgeting, management, accounting, and auditing.

6.3 Controls consideration should include a review of manual and automated systems and assure controls are developed to assure safeguarding of resources to prevent and detect waste, loss, misuse and misappropriation.
6.4 Controls should be effective and efficient. The cost of the control should not be more than the benefit derived.

6.5 To get started management should encourage a culture that includes the following traits (refer to the control environment component, principles, and points of focus).

- Set an ethical tone at the top
- Promote strong and effective controls
- Establish a whistleblower policy that is consistent with SANDAG culture
- Prevent reprisals against whistleblowers
- Provide ethics and fraud training
- Implement a confidential tip hotline or drop box that is investigated by the SANDAG Independent Performance Auditor who reports outside the organization’s management structure
- Create a culture of doing the right thing

6.6 Management should implement the following steps to perform a review, assess risk, develop, implement or improve the organization’s strong system of control, and process for ongoing monitoring within their organization.

- Organize the process (risk assessment component)
- Segment your department (risk assessment component)
- Conduct a risk assessment (risk assessment component)
- Develop a control plan (control activity component)
- Conduct the review (control activity component)
- Take corrective action (control activity, information & communication component)
- Track corrections (monitoring activity component)
- Report the results (information and communication component)
- Performs ongoing monitoring (monitoring activity component)

7. Assessing Risk

7.1 The method to assess the effect of such risk factors involves five steps:

7.1.1 Identify the operational processes and their component steps.
7.1.2 Determine what can go wrong (risk exposures) in each step of the processes.
7.1.3 Estimate the likelihood of the threats materializing.
7.1.4 Estimate the magnitude of each threat.
7.1.5 Determine the materiality of the risk exposures based on their likelihood and potential effect (low, medium, high).

7.2 On an as-needed basis, SANDAG auditors will facilitate an organizational wide risk assessment. However, SANDAG management and staff should perform a risk assessment on an as-needed basis at the department, division, or program specific level.

7.3 The assessment should consider the principles and points of focus identified in the risk assessment component identified in this document.

7.4 The risk assessment process should be well documented and retained in accordance with the SANDAG record retention policy.

7.5 The department’s management and staff should consider the elements of risk appetite.
• Acceptable balance of growth, risk and return
• Related to overall strategy
• Guides resource allocation
• Incorporates the concept of risk tolerance
• Type of events – economic, natural environment, political, social, technological, personal
• Management decisions- infrastructure, personnel, process, technology
• Consider both past and future
• Consider events from top-down and bottom-up
• Determine major sources of risk- inherent risk, control risk, detection risk

7.6 SANDAG management and staff should decide how to address risk, mitigate risk, and document the risk assessment process. The next step after assessing risk is to design controls to mitigate it.

8. Designing Internal Control

8.1 The purpose of an internal control is to reduce the risk exposures that threaten public accountability to a reasonable level (refer to the control activity and information and communication component in this document).

8.2 There are four steps for designing an effective and efficient internal control:

8.2.1 Understand the risk to be mitigated: specifically, the cause of the threat should be identified, and the materiality of the threat should be estimated.

8.2.2 Identify the activity (i.e., the control) which would reduce the risk to an acceptable level. This activity should eliminate or nullify the cause of the threat.

8.2.3 Estimate the cost of implementing and maintaining the control and ensure that it does not outweigh the expected benefit.

8.2.4 Establish that activity as an internal control: the control should be described in sufficient detail (who, what, when) to allow its implementation.

9. Implementing Internal Control

9.1 Once an internal control has been designed it should be implemented through two mechanisms (refer to the control activity, information and communication, and monitoring activity component in this document).

9.1.1 Communication: The control should be documented and communicated to all employees and managers concerned. Typically, the responsible manager informs employees of the new control via a memorandum and the control is incorporated into a formal document such as a policy and procedure manual.

Any subsequent modification to the control should be similarly communicated to staff.

Internal control fails most often when the proper information is not communicated to the appropriate personnel.

9.1.2 Monitoring: Internal control deteriorates over time if not properly maintained. Therefore, management should periodically check the functioning of internal control through various actions such as:

• Continual monitoring through a quality assurance unit.
• Periodic "check-up" of the internal control structure through a self-assessment process.
• Focused reviews of specific operational areas through management audit.
The involvement of top-level management in internal control matters is crucial to the effectiveness of the internal control. Management involvement sets the tone at the top and determines whether the control environment is conducive to the effective functioning of the internal control.

10. Evaluating Internal Control

10.1 An internal control may be well designed and properly installed initially but may lose its effectiveness and efficiency with time due to changes in the environment. Therefore, periodic check-ups are necessary to keep the internal control fine-tuned.

10.2 The best time to check up on internal control is when everything seems to run smoothly. The worst time is during or after a crisis. A crisis tends to distort normal perspective and the ensuing reaction will often result in the installation of inefficient controls (refer to the control activity and monitoring activity component in this document).

10.3 Four aspects of internal control should be assessed:

10.3.1 Is it valid, that is, would it reduce the risk identified?

10.3.2 Is it established, that is, is it established as a formal activity by management?

10.3.3 Is it effective, that is, has it been operating as intended?

10.3.4 Is it efficient, that is, does the risk reduction provided by the control justify the cost of maintaining the control?

10.4 The answers to these questions should be based on:

10.4.1 Examination of current and past records

10.4.2 Observation of activities

10.4.3 Interviews with knowledgeable and reliable personnel

10.5 A negative answer does not always mean that the control activity fails or should be modified; there may be other compensating factors that work to shore up the apparently deficient control.

10.6 The assessment can be done for specific controls or through the use of generic questionnaires.

11. Improving Internal Control

11.1 The next step after evaluating internal control is to find ways to improve it.

11.1.1 If the control was not valid, then it should be redesigned.

11.1.2 If the control was not properly established, then it should be re-communicated to the proper parties.

11.1.3 If the control was not effective, that is, was not operating as intended then the cause should be identified and eliminated.

11.1.4 If the control was not efficient then it should be modified to ensure that the benefit outweigh the cost.

11.2 Control activities are often interrelated and the combined effect of a group of control activities may be greater than the sum of the effects. Because of this synergy, optimum improvement often requires considering groups of controls rather than single control activities.

11.3 Therefore, the best way to improve internal control after an evaluation is to develop a plan for improvement that packages the modified and new controls into congruent groups of activities, rather than trying to fix each internal control separately.

11.4 If you have any questions or would like additional guidance please contact the SANDAG Independent Performance Auditor or the Internal Auditor.
11.5 The following five charts will provide SANDAG management and staff with a useful visual tool and quick reference guide to the framework.

<table>
<thead>
<tr>
<th>Control Environment</th>
<th>Principles</th>
<th>Points of Focus</th>
</tr>
</thead>
</table>
|                     | 1. The organization demonstrates a commitment to integrity and ethical values.| • Sets the tone at the top  
• Establishes standards of conduct  
• Evaluates adherence to standards of conduct  
• Addresses deviations in a timely manner |
|                     | 2. The board of directors demonstrates independence from management and exercises oversight of the development and performance of internal control. | • Establishes oversight responsibilities  
• Applies relevant expertise  
• Operates independently  
• Provides oversight for the system of internal control |
|                     | 3. Management establishes, with board oversight, structures, reporting lines, and appropriate authorities and responsibilities in the pursuit of objectives. | • Considers all structures of the entity  
• Establishes reporting lines  
• Defines, assigns, and limits authorities and responsibilities |
|                     | 4. The organization demonstrates a commitment to attract, develop, and retain competent individuals in alignment with objectives. | • Establishes policies and practices  
• Evaluates competence and addresses shortcomings  
• Attracts, develops, and retains individuals  
• Plans and prepares for succession |
|                     | 5. The organization holds individuals accountable for their internal control responsibilities in the pursuit of objectives. | • Enforces accountability through structures, authorities, and responsibilities  
• Establishes performance measures, incentives, and rewards  
Evaluates performance measures, incentives, and rewards for ongoing relevance  
• Considers excessive pressures  
• Evaluates performance and rewards or disciplines individuals |
<table>
<thead>
<tr>
<th>Principles</th>
<th>Objectives</th>
<th>Points of Focus</th>
</tr>
</thead>
</table>
| 6. The organization specifies objectives with sufficient clarity to enable the identification and assessment of risks relating to objectives. | Operations Objectives | • Reflects management’s choices  
• Considers tolerances for risk  
• Includes operations and financial performance goals  
• Forms a basis for committing of resources  
External Financial Reporting Objectives | • Complies with applicable accounting standards  
• Considers materiality  
• Reflects entity activities  
External Non-Financial Reporting Objectives | • Complies with externally established standards and frameworks  
• Considers the required level of precision  
• Reflects entity activities  
Internal Reporting Objectives | • Reflects management’s choices  
• Considers the required level of precision  
• Reflects entity activities  
Compliance Objectives | • Reflects external laws and regulations  
• Considers tolerances for risk |
| 7. The organization identifies risks to the achievement of its objectives across the entity and analyzes risks as a basis for determining how the risks should be managed. | | • Includes entity, subsidiary, division, operating unit, and functional levels  
• Analyzes internal and external factors  
• Involves appropriate levels of management  
• Estimates significance of risks identified  
• Determines how to respond to risks  
| 8. The organization considers the potential for fraud in assessing risks to the achievement of objectives. | | • Considers various types of fraud  
• Assesses incentive and pressures  
• Assesses opportunities  
• Assesses attitudes and rationalizations  
| 9. The organization identifies and assesses changes that could significantly impact the system of internal control. | | • Assesses changes in the external environment  
• Assesses changes in the business model  
• Assesses changes in leadership |
<table>
<thead>
<tr>
<th>Control Activities</th>
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</thead>
<tbody>
<tr>
<td><strong>Principles</strong></td>
</tr>
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</table>
| 10. The organization selects and develops control activities that contribute to the mitigation of risks to the achievement of objectives to acceptable levels. | - Integrates with risk assessment  
- Considers entity-specific factors  
- Determines relevant business processes  
- Evaluates a mix of control activity types  
- Considers at what level activities are applied  
- Addresses segregation of duties |

| 11. The organization selects and develops general control activities over technology to support the achievement of objectives. | - Determines dependency between the use of technology in business process and technology general controls  
- Establishes relevant technology infrastructure control activities  
- Establishes relevant security management process control activities  
- Establishes relevant technology acquisition, development, and maintenance process control activities |

| 12. The organization deploys control activities through policies that establish what is expected and procedures that put policies into action. | - Establishes policies and procedures to support deployment of management’s directives  
- Establishes responsibility and accountability for executing policies and procedures  
- Performs in a timely manner  
- Takes corrective action  
- Performs using competent personnel  
- Reassesses policies and procedures |
### Information and Communication

<table>
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<tr>
<th>Principles</th>
<th>Points of focus</th>
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| 13. The organization obtains or generates and uses relevant, quality information to support the functioning of internal control. | • Identifies information requirements  
• Captures internal and external sources of data  
• Processes relevant data into information  
• Maintains quality throughout processing  
• Considers costs and benefits |
| 14. The organization internally communicates information, including objectives and responsibilities for internal control, necessary to support the functioning of internal control. | • Communicates internal control information  
• Communicates with the board of directors  
• Provides separate communication lines  
• Selects relevant method of communication |
| 15. The organization communicates with external parties regarding matters affecting the functioning of internal control. | • Communicates to external parties  
• Enables Inbound Communications  
• Communicates with the board of directors  
• Provides separate communication lines  
• Selects relevant method of communication |

### Monitoring Activities

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<th>Principles</th>
<th>Points of focus</th>
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| 16. The organization selects, develops, and performs ongoing and/or separate evaluations to ascertain whether the components of internal control are present and functioning. | • Considers a mix of ongoing and separate evaluations  
• Considers rate of change  
• Establishes baseline understanding  
• Uses knowledgeable personnel  
• Integrates with business processes  
• Adjusts scope and frequency  
• Objectively evaluates |
| 17. The organization evaluates and communicates internal control deficiencies in a timely manner to those parties responsible for taking corrective action, including senior management and the board of directors, as appropriate. | • Assesses results  
• Communicates deficiencies  
• Monitors corrective actions |

Adopted: [Date]  
Amended: [Date]
Proposed Board Policy No. 042: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse

Overview
The Office of the Independent Performance Auditor is the official body of the agency to investigate allegations of potential fraud, waste, and abuse identified by agency staff or other stakeholders. Once the investigation into the allegations has been conducted, the Independent Performance Auditor advises the Audit Policy Advisory Committee and the Office of General Counsel on whether improper activities occurred.

Key Considerations
Board Policy No. 039: Audit Policy Advisory Committee and Audit Procedures, Section 2.4, states that the role of the Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities and provide a forum for pursuing opportunities for improvements in operations, financial reporting, and internal controls identified through the agency’s audit products.

Further, Section 3.1 states the Audit Committee may hear items within the subject areas of audits; internal controls; and investigations into fraud, waste, or impropriety; and may be asked to provide actions or recommendations on other matters within its purview.

The proposed Board Policy No. 042: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse, and included website posting document support the intention of the Audit Committee oversight role. The website posting document provides information on employee rights under the Whistleblower Act, various paths to report inappropriate activity, and an independent avenue for reporting potential fraud, waste, and abuse.

The proposed Board Policy No. 042 and website posting document would further exhibit the proactive approach of the agency, and the commitment to taxpayers regarding accountability and transparency.

Next Steps
The Audit Committee recommended approval by the Board of Directors. Pending recommendation by the Executive Committee, Board Policy No. 042 is scheduled for review by the Board of Directors at its September 27, 2019, meeting.

Mary Khoshmashrab, Independent Performance Auditor
Key Staff Contact: Mary Khoshmashrab, (619) 595-5323, mary.khoshmashrab@sandag.org
Attachments: 1. Proposed Board Policy No. 042: Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse
2. Proposed Whistleblower Website Posting Document
Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse

Purpose

It is the San Diego Association of Governments’ (SANDAG) policy to encourage employees, contracted parties, members of the public, or any other stakeholder to notify an appropriate government or law enforcement agency, person with authority over the employee, or another employee with authority to investigate, when they have reason to believe their employer, another employee, or affiliated entity of SANDAG is abusing, misusing, misappropriating or committing fraud using local, state or federal resources.

For purposes of this document, “fraud, waste, or abuse” means 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.

Background

The SANDAG Office of the Independent Performance Auditor, herein referred to as “OIPA,” is the official body of SANDAG to investigate allegations of potential fraud, waste, and abuse identified by SANDAG staff or other stakeholders. Once the investigation into the allegations has been conducted the OIPA advises the Audit Committee, the Office of the General Counsel or outside counsel under contract with SANDAG on whether improper activities occurred.

Specific procedures have been adopted for the express purpose of filing and investigating complaints alleging improper activities. These procedures do not supersede, replace or serve as an alternative to procedures under SANDAG’s Employee Manual or other Federal or State rules and regulations.

An employee, contracted parties, member of the public, or other stakeholders of SANDAG can file a complaint with OIPA alleging improper activities. A member of the public or other stakeholders are encouraged to file as soon as the complainant had knowledge of the alleged improper activity. An employee or applicant for employment that is subject to Government Code Section 53297 shall have the right to file a complaint within 60 days of the date of the act or event which is subject of the complaint. Prior to filing a written complaint, the employee shall first make a good faith effort to exhaust all available administrative remedies.

An employee’s name and other personal information may remain confidential during and after the investigation to ensure your rights are protected, and will only be disclosed if determined necessary, and only to an appropriate government official, or law enforcement agency that are required to be involved in the investigation or thereafter to remedy the matter.
1. Information

Any reprisal action taken against SANDAG employees, applicants or witnesses, because of the filing of a complaint, is strictly prohibited under Government Code Section 53297.

2. Whistleblowers are Protected

2.1 Pursuant to California Labor Code Section 1102.5, employees are entitled to certain protections. “Employee” means any person employed by an employer, private or public, including, but not limited to, individuals employed by the state or any subdivision thereof, any county, city, city and county, including any charter city or county, and any school district, community college district, municipal or public corporation, political subdivision, or the University of California. [California Labor Code Section 1106]

2.2 A “whistleblower” is an employee who discloses information to a government or law enforcement agency, person with authority over the employee, or to another employee with authority to investigate, discover, or correct the violation or noncompliance, or who provides information to or testifies before a public body conducting an investigation, hearing or inquiry, where the employee has reasonable cause to believe that the information discloses:

2.2.1 A violation of a state or federal statute,

2.2.2 A violation or noncompliance with a local, state or federal rule or regulation, or

2.2.3 With reference to employee safety or health, unsafe working conditions or work practices in the employee’s employment or place of employment.

2.3 A whistleblower can also be an employee who refuses to participate in an activity that would result in a violation of a state or federal statute, or a violation of or noncompliance with a local, state or federal rule or regulation.

2.4 Protections Afforded to Whistleblowers

2.4.1 An employer may not make, adopt, or enforce any rule, regulation, or policy preventing an employee from being a whistleblower.

2.4.2 An employer may not retaliate against an employee who is a whistleblower.

2.4.3 An employer may not retaliate against an employee for refusing to participate in an activity that would result in a violation of a state or federal statute, or a violation or noncompliance with a state or federal rule or regulation.

2.4.4 An employer may not retaliate against an employee for having exercised his or her rights as a whistleblower in any former employment.

2.5 Under California Labor Code Section 1102.5, if an employer retaliates against a whistleblower, the employer may be required to reinstate the employee’s employment and work benefits, pay lost wages, and take other steps necessary to comply with the law.

3. How to Report Improper Acts to the State Government

If you have information regarding possible violations of state or federal statutes, rules, or regulations, or violations of fiduciary responsibility by a corporation or limited liability company to its shareholders, investors, or employees, call the California State Attorney General’s Whistleblower Hotline at 1 (800) 952-5225. The Attorney General will refer your call to the appropriate government authority for review and possible investigation.
4. Procedures

Please complete the form below, to the best of your knowledge, provide any evidence that might help support the allegation, and submit it to the address provided or via email. For a member of the public or other stakeholders of SANDAG, if you prefer to remain anonymous your name and signature, address, and other personal information is not required to be completed.

4.1 To report fraud, waste, or abuse to SANDAG OIPA there are three options:

4.1.1 Call Independent Performance Auditor, Mary Khoshmashrab, MSBA, CPA at (619) 595-5323

4.1.2 Complete the SANDAG Complaint Form and hand deliver, email or mail to the address provided below

SANDAG
Attn: CONFIDENTIAL – Office of the Independent Performance Auditor
401 B Street, Suite 800
San Diego, CA 92101

4.1.3 Confidential email to OIPA@sandag.org

5. Instructions for Completing the Complaint Form

Please describe, under each appropriate category, the improper SANDAG activity which is the subject of this complaint. Please be clear and specific, as to the facts, only as they relate to the improper activity.

5.1 Improper Activity means any activity, or act by a SANDAG department, officer (elected or appointed) or employee relating to the performance of official SANDAG business, duties and responsibilities.

5.2 There are four categories that constitute improper activity

5.2.1 gross mismanagement

5.2.2 significant waste of public funds

5.2.3 abuse of authority

5.2.4 substantial and specific danger to public health and safety

5.3 Gross Mismanagement means the failure to exercise even a substandard level of performance relating to the management of SANDAG programs, activities, functions, services and responsibilities.

5.4 Abuse of Authority means the willful exercise of authority for improper or wrongful purpose.

5.5 Your complaint must be a true and accurate account to the best of your knowledge, and you must sign under penalty of perjury (unless filing anonymously).

5.6 Once OIPA has reviewed and accepted your complaint, it will be investigated by the auditor(s). If you move or change your phone number, remember to inform OIPA of the change. If you have questions, please call Mary Khoshmashrab at (619) 595-5323.
San Diego Association of Governments Complaint Form

Complainant: ________________________________________________________________
Work Address: ________________________________________________________________

City: ___________________ State: ___________ Zip Code: __________________________
Telephone: Home: ___________________ Business: ____________________________

**If you are a member of the public or other stakeholders of SANDAG filing anonymously, the above information is not required**

Allegations of Improper Activity
List each allegation under the appropriate category. If you need more space, please attach additional sheets.

**Gross Mismanagement**
Date you had knowledge of allegation: Date: __________________

Allegation:
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________

Facts:
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
__________________________________________________________________________
**Significant Waste of Funds**

Date you had knowledge of allegation:  
Date: _______________________

Allegation:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Facts:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

**Abuse of Authority**

Date you had knowledge of allegation:  
Date: _______________________

Allegation:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________

Facts:

________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
________________________________________________________________________
Substantial and Specific Danger to Public Health and Safety

Date you had knowledge of allegation: Date: ________________

Allegation:
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________

Facts:
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________
_____________________________________________________________________________________________________

Witness(es):
Please provide the name, address, and phone number for each witness. Attach additional sheets if needed.

Name: __________________________________________________________
Address: ______________________________________________________________________________________________
City: ________________ State: ____________ Zip Code: ________________
Telephone: Home: ____________________________ Business: ____________________________

Name: __________________________________________________________
Address: ______________________________________________________________________________________________
City: ________________ State: ____________ Zip Code: ________________
Telephone: Home: ____________________________ Business: ____________________________
Please describe (if any) the remedies taken by you to resolve/inform/report the allegations of improper activity.

Please give dates and names

________________________________________

________________________________________

________________________________________

________________________________________

Sworn Statement of Complainant:

I hereby certify, under penalty of perjury as provided by law, that the statements herein are true.

Print Name: ____________________________________________

Signature: ____________________________________________

Date: __________________________

**If you are a member of the public filing anonymously or other stakeholders of SANDAG no name or signature is required**

Thank you for your diligence and commitment in helping ensure that public funded agencies are being held accountable.

Adopted: [Date]
Amended: [Date]
Proposed Report Fraud, Waste, and Abuse of Public Funds or Assets

About Fraud, Waste, and Abuse of Public Funds or Assets

For purposes of this document, “fraud, waste, or abuse” means 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.

Per the Board of Directors approved Office of the Independent Performance Audit Charter, the Independent Performance Auditor, herein referred to as IPA, is the official body of SANDAG to investigate allegations of potential fraud, waste, and abuse identified by staff or other stakeholders. Once the investigation into the allegations has been conducted, the IPA advises the Audit Committee, the Office of the General Counsel or outside counsel under contract with SANDAG on whether or not improper activities occurred.

An employee, contracted parties, member of the public, or other stakeholders of SANDAG can file a complaint with OIPA alleging improper activities. A member of the public or other stakeholders are encouraged to file as soon as the complainant had knowledge of the alleged improper activity. An employee or applicant for employment that is subject to Government Code Section 53297 shall have the right to file a complaint within 60 days of the date of the act or event which is subject of the complaint. Prior to filing a written complaint, the employee shall first make a good faith effort to exhaust all available administrative remedies.

An employee’s name and other personal information may remain confidential during and after the investigation to ensure your rights are protected, and will only be disclosed if determined necessary, and only to an appropriate government official, or law enforcement agency that are required to be involved in the investigation or thereafter to remedy the matter. Should a member of the public or other stakeholders of SANDAG prefer to remain anonymous please complete the form below (excluding your name and other contact information) to the best of your knowledge, provide any evidence that might help support the allegation, and submit it to the address provided.

Any reprisal action taken against SANDAG employees, applicants or witnesses, because of the filing of a complaint, is strictly prohibited under Government Code Section 53297.

Please describe, under each appropriate category, the improper activity which is the subject of this complaint. Please be clear and specific, as to the facts, only as they relate to the improper SANDAG related government activity.

Improper SANDAG Government Activity means any activity, or act by an executive management, director, department, officer (elected or appointed) or employee relating to the performance of official SANDAG business, duties and responsibilities.

There are four categories that constitute 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.

**Gross Mismanagement** means the failure to exercise even a substandard level of performance relating to the management of projects, programs, activities, functions, services and responsibilities.

**Abuse of Authority** means the willful exercise of authority for improper or wrongful purpose.

Please clink on link below to view SANDAG policy and complete the complaint form for submittal.
Once the IPA has reviewed and accepted your complaint, it will be investigated by the IPA. If you move or change your phone number, remember to inform the IPA of the change. If you have questions, please call the IPA at (619) 595-5323 or send a confidential email to OIPA@sandag.org.

RETURN THE COMPLAINT FORM TO:
SANDAG
Attention: CONFIDENTIAL- Office of the Independent Performance Auditor
401 B Street, Suite 800
San Diego, CA 92101

WHISTLEBLOWERS ARE PROTECTED

Pursuant to California Labor Code Section 1102.5, employees are entitled to certain protections. “Employee” means any person employed by an employer, private or public, including, but not limited to, individuals employed by the state or any subdivision thereof, any county, city, city and county, including any charter city or county, and any school district, community college district, municipal or public corporation, political subdivision, or the University of California. [California Labor Code Section 1106]

What is a whistleblower?

A “whistleblower” is an employee who discloses information to a government or law enforcement agency, person with authority over the employee, or to another employee with authority to investigate, discover, or correct the violation or noncompliance, or who provides information to or testifies before a public body conducting an investigation, hearing or inquiry, where the employee has reasonable cause to believe that the information discloses:

1. A violation of a state or federal statute,

2. A violation or noncompliance with a local, state or federal rule or regulation, or

3. With reference to employee safety or health, unsafe working conditions or work practices in the employee’s employment or place of employment.

A whistleblower can also be an employee who refuses to participate in an activity that would result in a violation of a state or federal statute, or a violation of or noncompliance with a local, state or federal rule or regulation.

What protections are afforded to whistleblowers?

1. An employer may not make, adopt, or enforce any rule, regulation, or policy preventing an employee from being a whistleblower.

2. An employer may not retaliate against an employee who is a whistleblower.

3. An employer may not retaliate against an employee for refusing to participate in an activity that would result in a violation of a state or federal statute, or a violation or noncompliance with a state or federal rule or regulation.

4. An employer may not retaliate against an employee for having exercised his or her rights as a whistleblower in any former employment.

Under California Labor Code Section 1102.5, if an employer retaliates against a whistleblower, the employer may be required to reinstate the employee’s employment and work benefits, pay lost wages, and take other steps necessary to comply with the law.
How to report improper acts with the State of California

If you have information regarding possible violations of state or federal statutes, rules, or regulations, or violations of fiduciary responsibility by a corporation or limited liability company to its shareholders, investors, or employees, call the California State Attorney General’s Whistleblower Hotline at 1 800-952-5225. The Attorney General will refer your call to the appropriate government authority for review and possible investigation.