Audit Committee Agenda

Friday, February 28, 2020
12:30 to 2:30 p.m.
SANDAG, 7th Floor Conference Room
401 B Street, 7th Floor
San Diego

Agenda Highlights

- Office of the Independent Performance Auditor Request for Additional Audit Resources – Proposed FY 2021 Budget and Revised Audit Plan

- Office of the Independent Performance Auditor Report on Organizational Analysis of SANDAG

- Proposed Revisions to SANDAG Board Policy No. 039

Please silence all electronic devices during the meeting

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Audit Committee
Friday, February 28, 2020

Item No. Action

+1. Approval of Meeting Minutes
   The Audit Committee is asked to approve the minutes from its January 24, 2020, meeting.
   Approve

2. Public Comments/Communications/Member Comments
   Members of the public shall have the opportunity to address the Audit Committee on any issue within the jurisdiction of SANDAG that is not on this agenda. Anyone desiring to speak shall reserve time by completing a Request to Comment form and giving it to the Clerk prior to speaking. Public speakers should notify the Clerk if they have a handout for distribution to Audit Committee members. Public speakers are limited to three minutes or less per person. Audit 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 project will be presented.
   Discussion

4. Update on Office of the Independent Performance Auditor Activities
   Mary Khoshmashrab, Independent Performance Auditor
   An update on the Office of Independent Auditor’s activities and other information-sharing events will be presented.
   Discussion

Reports

+5. Office of the Independent Performance Auditor Request for Additional Audit Resources – Proposed FY 2021 Budget and Revised Audit Plan
   Mary Khoshmashrab, Independent Performance Auditor
   The Audit Committee is asked to:
   1. Provide feedback on the analysis of audit resources and the revised audit plan and consider its approval; and
   2. Review the proposed Office of the Independent Auditor FY 2021 Budget and recommend its approval by the Board of Directors.
   Discussion/Possible Action

   Mary Khoshmashrab, Independent Performance Auditor
   The Audit Committee is asked to discuss the organizational analysis and recommend that the report be forwarded to the Board of Directors for information.
   Discussion/Possible Action
7. **Proposed Revisions to SANDAG Board Policy No. 039**  
*Amberlynn Griffin, SANDAG*

The Audit Committee is asked to recommend to the Executive Committee proposed revisions to Board Policy No. 039.

8. **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.

9. **Upcoming Meetings**

The next Audit Committee meeting is scheduled for Friday, March 27, 2020, at 12:30 p.m.

10. **Adjournment**

+ next to an item indicates an attachment
January 24, 2020, Audit Committee Meeting Minutes

Vice Chair Bill Wells (Board Member) called the meeting of the Audit Committee to order at 12:31 p.m.

1. Approval of Meeting Minutes (Approve)

Action: Upon a motion by Robert Monson (Public Member), and a second by Stewart Halpern (Public Member), the Audit Committee approved the minutes from its November 8, 2019, meeting. Yes: Vice Chair Wells, Stewart Halpern, and Robert Monson. No: None. Abstain: None. Absent: Chair Bill Baber (Board Member) and Paul Dostart (Public Member).

2. Public Comments/Communications/Member Comments

Kathryn Rhodes, member of the public, spoke regarding the audit complaint she submitted regarding the airport and requested her complaint be reopened.

Clive Richard, member of the public, spoke regarding support for the Audit Committee.

Reports

3. Executive Director’s Report (Discussion)

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

Action: Discussion only.

4. Update on the Office of the Independent Performance Auditor Activities (Discussion)

Independent Performance Auditor Mary Khoshmashrab provided an opportunity for her staff to introduce themselves and then presented an update on the Office of the Independent Performance Auditor’s activities and other information-sharing events.

Action: Discussion only.


Mary Khoshmashrab presented the item.

Action: Upon a motion by Vice Chair Wells, and a second by Stewart Halpern, the Audit Committee recommended that the Board of Directors approve a FY 2020 Budget amendment to transfer the Internal Audit positions to the Office of the Independent Performance Auditor. Yes: Vice Chair Wells, Stewart Halpern, and Robert Monson. No: None. Abstain: None. Absent: Chair Baber and Paul Dostart.

6. Audit Committee Membership Selection Procedures (Discussion/Possible Action)

The Audit Committee was asked to discuss the procedures for selection of Audit Committee members and suggest proposed revisions to Board Policy No. 039 for consideration by the Board of Directors.

Deputy Legal Counsel Amberlynn Griffin presented the item.

Vice Chair Wells directed staff to draft revisions to Board Policy 039 as per the Audit Committee’s direction and bring back for further action.
7. Continued Public Comments
None.

8. Upcoming Meetings
The next Audit Committee meeting is scheduled for Friday, February 28, 2020, at 12:30 p.m.

9. Adjournment
Vice Chair Wells adjourned the meeting at 1:40 p.m.
Confirmed Attendance at SANDAG Audit Committee Meeting

January 24, 2020

<table>
<thead>
<tr>
<th>Jurisdiction/Organization</th>
<th>Name</th>
<th>Member/Alternate</th>
<th>Attended</th>
</tr>
</thead>
<tbody>
<tr>
<td>Board Member</td>
<td>Bill Baber (Chair)</td>
<td>Member</td>
<td>No</td>
</tr>
<tr>
<td>Board Member</td>
<td>Bill Wells (Vice Chair)</td>
<td>Alternate</td>
<td>Yes</td>
</tr>
<tr>
<td>Public Member</td>
<td>Robert Monson</td>
<td>Primary</td>
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</tr>
<tr>
<td>Public Member</td>
<td>Paul Dostart</td>
<td>Primary</td>
<td>No</td>
</tr>
<tr>
<td>Public Member</td>
<td>Stewart Halpern</td>
<td>Primary</td>
<td>Yes</td>
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Office of the Independent Performance Auditor Request for Additional Audit Resources – Proposed FY 2021 Budget and Revised Audit Plan

Overview
In accordance with Assembly Bill 805 (Gonzalez, 2017) and Board Policy No. 039, Section 3.1.7, the Independent Performance Auditor (IPA) has prepared for discussion and approval the revised Office of the Independent Performance Auditor (OIPA) Two-Year Business and Audit Plan (Plan) for the period of March 1, 2020 through June 30, 2021, which is required under professional standards. Furthermore, in accordance with Board Policy No. 039, Section 6.3, the IPA has prepared the proposed OIPA FY 2021 Budget for the Audit Committee to review and recommend its approval to the Board of Directors. The IPA preformed an analysis of dollar oversight per auditor responsibility that supports the request for additional audit resources included in the FY 2021 proposed budget.

Key Considerations
The proposed OIPA FY 2021 Budget is based on an in-depth analysis of dollar oversight responsibility per auditor, using other local governments that are similar in size and/or dollars, and comparing key components such as the operational budget, dollar amount and number of CIP projects, and contracted/consulting services. The analysis supports the request for additional auditing resources and administrative support.

The proposed OIPA FY 2021 Budget provides the necessary resources to perform the activities in the revised audit plan, such as funding additional staffing resources (including two entry level auditor positions, two associate level auditor positions, and one administrative staff support), additional training and development needs, and $100,000 of allocated funds to obtain a data penetration consultant that will perform a review across SANDAG critical data while providing training to OIPA auditors.

The IPA’s objectives are to continue to address past challenges that SANDAG experienced regarding forecasting mistakes and timely reporting. The IPA also aims to provide reviews around operations, compliance, system controls, data, and budgetary expense and project reviews, and to provide recommendations that would bring about more transparency, accountability, effectiveness and efficiencies, and organizational controls. The IPA will work to encourage an environment where Board members can be better educated on specific matters and provide more avenues for key staff to independently report. The IPA is providing to the Audit Committee the results of the analysis, the revised audit plan, and the proposed OIPA FY 2021 Budget, and is prepared to discuss and answer questions.
Next Steps

Pending the Audit Committee recommendation of approval of the OIPA FY 2021 Budget, the Board is expected to consider this item in March of 2020. Pending approval of the revised Two-Year Business and Audit Plan, the Plan will be enacted and revised as priorities arise. The Audit Committee will continue to be informed of any revisions.

Mary Khoshmashrab, Independent Performance Auditor

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

Attachments:
1. Report – Audit Staff Analysis and Proposed Organization Chart and OIPA FY 2021 Budget
2. OIPA Proposed Revised Audit Plan – March 1, 2020, through June 30, 2021
Office of the
Independent Performance Auditor
Audit Staff Analysis
and
Proposed Organization Chart
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Background

The SANDAG Office of the Independent Performance Auditor (OIPA) is the official body of SANDAG to investigate allegations of potential fraud, waste, and abuse identified by SANDAG staff or other stakeholders.

The OIPA serves as the SANDAG 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 OIPA’s audit functions are designed to include timely reporting of significant issues to appropriate oversight authorities.

History

Since inception in 1980 (forty-years), SANDAG has not had enough internal auditors (1.5 FTE’s) for the organization to ensure a sufficient system of controls and adhere to applicable laws, rules, regulations and policies. SANDAG’s previous auditor reported directly to management and the audit plan was approved by management. Consequently, the skeletal staff had no independence and no ability to report risk to the Board. There was not an Audit Committee to submit audit findings that reached beyond management.

To put matters into perspective, internal audit is critical for in-depth monitoring and assuring that all of business assets have been properly secured and safeguarded from threats; unlike external auditors that often look for specific compliance and limited reviews, internal audit has the ability to look at the organization holistically and from the inside out. It is also important for verifying that your business processes reflect your documented policies and procedure.

An internal audit staff assists management and stakeholders by identifying and prioritizing risks through a systematic risk assessment. A risk assessment can help to identify any gaps in the environment and allow for a remediation plan to take place. The internal audit staff can help to track and document any changes that have been made to the environment and ensure the mitigation of any found risks. Internal audit is beneficial because it improves the control environment of the organization by assessing efficiency and operating effectiveness. Finally, internal audit helps to ensure compliance with relevant laws and regulations. It provides management and Board members a peace of mind and helps prepare for external audit.

For the reasons mentioned and more, having an independent fully functioning internal audit is an important and worthwhile activity for an organization. Regarding government entries, there are governing codes that place requirements of public organizations to have an internal audit function. Internal auditing standards places emphasis on the need for the internal auditor to be independent from the management they audit and that there be an outward reporting authority that can ensure findings are addressed. For SANDAG, until recently (September 2019), a fully functioning internal audit did not exist.

The last professional peer review performed under the Generally Accepted Government Auditing Standards identified that of the 24 projects performed over a three-year period, only seven were identified as audits; 17 were identified as non-audit services. The impact of performing more non-audit services than audits is that the risk increases as fewer reviews involving operations and contracted services are performed and gives an appearance of impairment of an auditor’s independence.
Like other local government entities, external audits are performed. However, the purpose of an external audit is to ensure compliance around a specific regulation or a set of criteria. Though some testing is performed from a general standpoint, the procedures do not provide sufficient audit coverage compared to an internal audit perspective on over an organization’s performance, compliance, operations and overall system controls.

SANDAG is an inherently risky organization with a regional reaching impact. Prior to 2018, SANDAG had no risk manager or risk management and mitigation program, and this role is still being developed today.

The SANDAG Criminal Justice Research Division is an essential source of information for local communities on public safety and public health, crime data, and crime-reduction strategies being implemented countywide. Criminal and other data managed by SANDAG has not been audited on a continuous basis. A data penetration team would be necessary to ensure that the data has strong controls and that the internal auditors are trained to perform reviews on a continuous monitoring basis.

In 2017, public trust was harmed as a result of misstated forecasts and cost projections. This trust has not been fully restored still today.

SANDAG has numerous Capital Improvement Projects with a mix of Federal, State and public taxpayer funding. Many of these projects have gone over budget and most have not been audited from an internal audit perspective, and only on a sample basis on specific programs, by external auditors. Audits of these projects should be performed timely and adequately. This would help identify if costs are appropriate, scope is within that agreed upon in contracts, and budget overages in time and dollars are supported and sufficiently justified.

In September 2019, SANDAG’s Internal Audit was moved under the OIPA without moving the budgeted position (1 FTE). In January 2020, the Audit Committee recommended that the Board now move the vacant budgeted resources that was allocated to Internal Audits, to the OIPA. The position of the Principal Internal Management Auditor recently became vacant and will be filled as soon as the Board approves the movement of the funds at the February 28, 2020, Board meeting.

Based on the above considerations, the OIPA, having gained a greater understanding of the organization and the areas of risk and other factors identified, performed an analysis, with the results being used to support the need for additional staffing for the Office.

Though the analysis supports the additional staff requested, ultimately the decision to find funding and to fund the positions will be with the Board. However, emphasizing facts for both the decision to support and fund the positions as well as risk in not funding the positions should be mentioned.

In additional to the areas mentioned above, the risk associated with not funding the additional positions include increased risks from current and future continued growth of Capital Improvement Projects, risk associated with additional construction and consultant contracts, and other unknown cost that can occur due to lagging detail associated with moving the forward the Regional Plan, the Five Big Moves, and Grand Central Stations, etc.

The benefits that would be realized from sufficiently funding SANDAG’s audit function is cost savings associated with more effective and efficient operations and cost recovery resulting from
audits and continuous monitoring of construction and consulting contracts and other use of public funds.

**Methodology**

Compared to other California local governmental agencies, SANDAG has far more dollars to provide dollar oversight responsibility per auditor (known as DORPA) than any other entity in the sample. Dollar oversight responsibility per auditor is defined as the agency budget divided by the number of paid employees with some form of auditor in their title or classification (not including the chief auditor unless they were the only auditor).

Besides SANDAG, staff looked at the counties of Sacramento, San Diego, and Santa Clara; the cities of San Diego, San Francisco, and San Jose; the Port of San Diego; and lastly the Southern California Association of Governments (SCAG). Agency budgets for each fiscal year are public records and all were published on their websites. Staff used their respective comprehensive FY 2019-20 budgets (except for SCAG, as their comprehensive budget for FY 2019-20 is not readily available, therefore their FY 2018-19 budget was applied).

Staff also separately measured each agencies capital improvement project budget to differentiate auditor oversight for both total agency budget and exclusively capital improvement project (CIP) budget. The rationale for this is because there is a lot of interagency variation in the relative size of the CIP budget compared to the total budget\(^1\).

Even though budget information is readily available, other than the city of San Jose who posted their employee directory on their website, the number of paid auditors is not easily accessible. To gather this information, contacted various agencies. The reported number of auditors is from the responses received.

*Graph A (Shown in Dollars)*

Applying the data received, staff found the amount of dollar responsibility per auditor. Graph A below shows dollar oversight responsibility per auditor in terms of both the total agency budget as well as exclusively the CIP budget and confirms that SANDAG has the largest dollar oversight per auditor of the total budget in our sample by a considerable margin.

When looking at only San Diego agencies, staff found that SANDAG has more than $109 million oversight responsibility per auditor than the County of San Diego, nearly 3.75 times more than the city of San Diego, and nearly 19 times more than the Port of San Diego.

When looking at dollar oversight responsibility per auditor of the CIP budget, SANDAG has approximately 2.5 times more dollar oversight responsibility per auditor than the next highest agency in the sample, which is Sacramento County. Compared to other San Diego agencies, SANDAG has approximately 91 times more dollar oversight responsibility per auditor than the Port of San Diego, 42 times more than the County of San Diego, and 13 times more than the City of San Diego.

\(^1\) For example, SANDAG allocates 68.3% of its total budget to capital projects while SCAG only allocates 0.8% of its budget to capital projects and debt service combined.
Graph A
Graph B (Shown in Projects)

Staff then looked at each agencies’ budgets to determine the number of funded CIPs projects each agency has. Graph B below shows how many projects each auditor within an agency would have oversight responsibility for. For example, SANDAG has 122 CIPs identified and currently has two auditors. This equates to each auditor having oversight responsibility for 61 projects. To bring more perspective, each auditor has approximately 1420 direct audit and non-audit hours per year.

Graph B below shows two clear outliers, SANDAG and the city of San Jose. A steep drop to the County of Sacramento followed by another steep drop to the four other agencies. Despite the City of San Jose having a higher number of auditors per oversight responsibly by project than SANDAG, the average cost of each SANDAG CIP is over five times the amount of the average cost of each San Jose CIP. This equates to SANDAG having a more dollar oversight responsibility per auditor than San Jose (Graph A).

Graph B

<table>
<thead>
<tr>
<th>Agency</th>
<th>CIPs Projects per Auditor</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANDAG</td>
<td>61.00</td>
</tr>
<tr>
<td>County of SD</td>
<td>14.18</td>
</tr>
<tr>
<td>Sacramento County</td>
<td>34.50</td>
</tr>
<tr>
<td>City of San Francisco</td>
<td>6.91</td>
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<tr>
<td>City of San Jose</td>
<td>78.14</td>
</tr>
<tr>
<td>City of SD</td>
<td>15.85</td>
</tr>
<tr>
<td>County of Santa Clara</td>
<td>6.76</td>
</tr>
</tbody>
</table>

SCAG and the Port of San Diego total number of CIPs projects were not readily available.
Graph C (Shown in Dollars per Project)

Graph C below shows the average dollar cost per CIP project by agency. Based on the data, SANDAG has the highest average cost per CIP project by more than $2 million. The combination of Graph B and Graph C show that SANDAG auditors are responsible for overseeing both a relatively large number of projects and relatively larger cost per projects as well.

![Graph C]

Using the dollar responsibility per auditor statistics shown in graph A, staff was able to calculate how many additional auditors SANDAG would need to hire to have the same level of CIP dollar oversight responsibility per auditor as other agencies given SANDAG’s budget; OIPA staff refers “on par” as being near equal with other agencies in terms of audit resources. For example, given SANDAG’s CIP budget of $925.7 million, for SANDAG to have the same CIP dollar responsibility per auditor as the City of San Diego, SANDAG would need to employ a total of 26 auditors on staff or an additional 24.

<table>
<thead>
<tr>
<th>Agency</th>
<th>Dollars per CIP</th>
</tr>
</thead>
<tbody>
<tr>
<td>SANDAG</td>
<td>$7,587,926.23</td>
</tr>
<tr>
<td>County of SD</td>
<td>$779,057.16</td>
</tr>
<tr>
<td>Sacramento County</td>
<td>$5,447,085.12</td>
</tr>
<tr>
<td>City of San Francisco</td>
<td>$1,903,441.57</td>
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<tr>
<td>City of San Jose</td>
<td>$1,389,564.67</td>
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<tr>
<td>City of SD</td>
<td>$2,242,309.64</td>
</tr>
<tr>
<td>County of Santa Clara</td>
<td>$697,485.21</td>
</tr>
</tbody>
</table>

3 Multiplying the results from Graph B and Graph C will also give the CIP dollar responsibility per auditor found in Graph A.
Graph D

Graph D below shows how many total auditors SANDAG would need to employ to be on par with other agencies’ CIP dollar oversight responsibility per auditor\(^4\). The results show that SANDAG auditors would need to have 26 auditors on staff to be on par with the City of San Diego’s CIP dollar responsibility per auditor, 84 to be on par with the County of San Diego, and 182 to be on par with the Port of San Diego.

![Graph D](image)

Graph E (Shown in Dollars)

Graph E below shows how many total auditors SANDAG would have to hire to be on par with other agencies’ dollar oversight responsibility per auditor in terms of the total budget. The stark change in results, particularly the change in the County of San Diego going from 84 total auditors to match CIP dollar oversight responsibility per auditor to just over 2 for the total budget, is due to the fact that SANDAG’s CIP budget is a disproportionately large section of the total budget compared to other agencies\(^5\). It should be noted that Capital Improvement Projects are inherently riskier for an organization than internal operations.

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\(^4\) SCAG is excluded from Graph D as the number of additional auditors SANDAG would need to be on par with SCAG’s oversight per auditor in terms of the CIP budget is over 1300.

\(^5\) SANDAG’s CIP budget accounts for 68.3% of the total budget while the County of San Diego’s budget only accounts for 1.9% of their total budget.
Looking internally, Graph F below shows the current SANDAG budget divided by sections within the organization. The data used is located in the budget summary found in section 1-19 of the SANDAG Final Program Budget for FY 2020. This section shows how much the auditing budget accounts for in relation to the total budget. The analysis shows that the current audit budget of $708,427 accounts for one-half of one-tenth of 1% of the total SANDAG budget.

6 Capital Projects is the sum of the SANDAG and Caltrans and Other Local Agencies and is also found in section 9 of the budget.
Graph G below shows the proposed auditing budget compared to the other sectors of the budget similar to graph F. The proposed auditing budget of $1,381,877 would raise the portion of the SANDAG budget allocated to auditing services to 0.11% (using this fiscal year’s budget of just over $1.355 billion as reference).
Moreover, when comparing the current audit budget to SANDAG’s salaries and benefits, Graph H below shows the current auditing budget only accounts for 1.18% of the total salaries and benefits of SANDAG.
Graph I below show that the proposed auditing budget would only raise it to 2.89% of the total salaries and benefits of SANDAG\(^7\).

**Graph I**

![Pie chart showing proposed auditing budget compared to non-auditing salaries and benefits.](image)

Lastly, OIPA staff uses data to show how much each agency values their auditors. For example, the County of San Diego would have about $56 million more dollars oversight responsibility per auditor if they had 10 auditors instead of 11. This means that the County of San Diego believes that the cost of the 11th auditor is equal to the benefit that auditor brings: the $56 million dollar decrease in dollar oversight responsibility per auditor for the other auditors\(^8\). Another way to explain it is as follows:

- SANDAG currently has two auditors, each auditor is responsible for auditing half the $1.35 billion budget; if a third auditor was hired, each auditor would be responsible for a third of the total budget. The two previous auditors’ dollar oversight responsibility goes from $677 million per auditor, to $451 million since the third auditor now has their third to oversee. This pattern is calculated using data calculations and therefore is consistent across all organizations, the only thing that will change is the values of the decrease in responsibility since every organizations’ total budgets are different.

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\(^7\) Attached at the end is the proposed 2021 audit staffing needs

\(^8\) This is a labor economics where that wages equal to the marginal product of labor or the additional benefit each individual worker brings to an organization.
For example, if SANDAG had eight auditors and wanted a ninth similar to the County of Sacramento, dollar oversight responsibility per auditor would decrease from $169 million to $150 million which is a $19 million decrease in oversight responsibility per auditor as opposed to the approximately $64 million decrease if compared to the County of Sacramento. However, the sixth auditor SANDAG hired would be the first time the decrease in dollar responsibility per auditor would fall below the $64 million to approximately $45 million.

Graph J

Graph J below show SANDAG’s marginal decrease in dollar oversight responsibility per auditor curve compared to other agencies brought upon their last hire, and how many auditors SANDAG would need to match that amount.

The following list below show the number of auditors SANDAG would need to employ to have a similar final marginal decrease in dollar oversight responsibility per auditor as other organizations.

Number of Auditors SANDAG would have to employ to be on par with the following org.:

- County of San Diego: 6
- City of San Diego: 13
- Port of San Diego: 15
- County of Sacramento: 6
- City of San Francisco: 12
- City of San Jose: 8
- County of Santa Clara: 21
- SCAG: undefined

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9 The values in the list are equal to the x-axis values in Graph J
10 The process of finding each agency’s final marginal decrease is: marginal decrease = dollar responsibility per auditor – (total budget/(auditors – 1)); and since SCAG has only one auditor, there is a division of zero.
Conclusion

Currently, the OIPA has the following previously funded positions. Based on the results of the analysis, the OIPA is lacking sufficient audit resources to lower SANDAG’s audit risk.

- (1) Independent Performance Auditor (Admin, Leadership, Risk Facilitations, QC, and Training and Development responsibilities)
- (2) Principal Management Internal Auditor
- (2) Audit Interns
- Other cost associated with training and development, professional dues, travel and licensing.

**Total Cost Currently Funded $708,427**

Based on the results provided above, the Office of the Independent Performance Auditor requests additional audit resources in the form of the following positions:

- (2) Associate Management Internal Auditors
- (2) Management Internal Auditor (entry level audit position)
- (1) Administrative Support
- Other cost associated with training and development, professional dues, travel and licensing.
• A one-time Contract amount not to exceed $100,000 for a data penetration consultant and to provide training to audit staff on continuous monitoring of SANDAG data banks.

Proposed Increased Cost unfunded $573,450
(Proposed funding source - increased membership fees or redirected SANDAG funds).

Proposed Increased One-time Contracted Services Cost – Data Penetration Team $100,000
(Proposed funding source - SANDAG funding)

Additional increase requested FY2021 $673,450

If approved, the OIPA would be sufficiently staffed, recognizing that even after the additional resources, OIPA would continue to fall below the average coverage of dollar oversight responsibility per auditor. If approved, the OIPA would be staffed as follows:

• (1) Independent Performance Auditor (Admin, Leadership, Risk Facilitations, QC, and Training and Development responsibilities)
• (2) Principal Management Internal Auditor
• (2) Associate Management Internal Auditors
• (2) Management Internal Auditor (entry level audit position)
• (1) Administrative Support
• (2) Audit Interns
• Other cost associated with training and development, professional dues, travel and licensing.

Total OIPA Annual Budget (if approved including one-time contract) FY2021 $1,381,877

Attachment A - Current Office of the Independent Performance Auditor
Attachment B - Proposed Office of the Independent Performance Auditor
Attachment C - OIPA Proposed Positions (increase) for FY2021 Budget
Attachment A

CURRENT - The Office of the Independent Performance Auditor Organizational Chart

Board of Directors
Audit Committee

Independent Performance Auditor (IPA)
Mary Khoshmashrabi, MSBA, CPA

Principal Management Internal Auditor (Division of Oversight and Review)
Lloyd Carter

Audit Intern
Ronald Ong

Principal Management Internal Auditor (Division of Internal Audit) (Vacant)

Audit Intern
Michael Ryan

The IPA is appointed for a 2 year – renewable term, reports directly to the Chair of the Audit Committee. The Audit Committee is made up of 5 members.
Attachment B

PROPOSED - The Office of the Independent Performance Auditor Organizational Chart

Board of Directors
Audit Committee

Independent Performance Auditor (IPA)
Mary Khoshmashrab, MSBA, CPA

Principal Management Internal Auditor
(Division of Oversight and Review)
Lloyd Carter

Admin Support

Principal Management Internal Auditor
(Division of Internal Audit)
(Vacant)

Associate Auditor
(Vacant)

Associate Auditor
(Vacant)

Audit Intern
Ronald Ong

Associate Auditor
(Vacant)

Audit Intern
Michael Ryan

The IPA is appointed for a 2-year renewable term, reports directly to the Chair of the Audit Committee. The Audit Committee is made up of 5 members.
Attachment C

OIPA Proposed Positions (increase) for FY2021 Budget

**Associate Management Internal Auditor (2 FTEs)**
Position Classification Number: 16  
FY 2020 Annual Salary Range: $57,989 to $89,883

Under general supervision, this position will perform and coordinate professional, analytical, and administrative audit functions including administrative, financial, operational, and management audits and reviews of SANDAG activities and programs; and provide technical and professional assistance to senior level staff.

FY 2021 Estimated Salary and Benefit Costs (12 months) per position $108,700  
**Total Proposed Budget for two positions** $217,400

**Management Internal Auditor I (2 FTEs)**
Position Classification Number: 12  
FY 2020 Annual Salary Range: $47,708 to $73,947

Under direct supervision, this position will perform and coordinate professional, analytical, and administrative audit functions including administrative, financial, operational, and management audits and reviews of SANDAG activities and programs; and provide technical and professional assistance to senior level staff.

FY 2021 Estimated Salary and Benefit Costs (12 months) per position $89,400  
**Total Proposed Budget for two positions** $178,800

**Administrative Office Specialist (1 FTE)**
Position Classification Number: 9  
FY 2020 Annual Salary Range: $41,212 to $63,878

Under general supervision, the Administrative Office Specialist will perform a wide variety of responsible administrative and secretarial duties in support of a Department Director; provide assistance with special projects; and provide administrative and para-professional assistance to senior level staff.

FY 2021 Estimated Salary and Benefit Costs (12 months) per position $77,250  
**Total Proposed Budget for one position** $77,250

**Required annual auditor training, professional dues, and licensing and related travel $100,000**

Data Penetration Consultant (one year only) $100,000.
Total OPIA Proposed Increased Resource Needs for FY 2021 is $673,450 ($100,000 one-year only).

The OIPA is seeking that the Audit Committee recommend to the Board for its approval this proposed budget.

Total OIPA Annual Budget (if approved including one-time contract) FY2021 $1,381,877

MANAGEMENT INTERNAL AUDITOR I/II (2FTE)  
ASSOCIATE MANAGEMENT INTERNAL AUDITOR (2FTE)

Definition

Under direct supervision (Management Internal Auditor I and II) or general supervision (Associate Management Internal Auditor), these positions will perform and coordinate professional, analytical, and administrative audit functions including administrative, financial, operational, and management audits and reviews of SANDAG activities and programs; and provide technical and professional assistance to senior level staff.

Distinguishing Characteristics

Management Internal Auditor I and II

These are the entry (I) and experienced (II) levels of the classification series and provide a bridge to the Associate level. Positions at the I and II levels usually perform many of the duties required of the Associate level position but are not expected to function at the same skill level and usually exercise less independent discretion and judgment in matters related to work procedures and methods. Work usually is supervised while in progress and fits an established structure or pattern. Exceptions or changes in procedures are explained in detail as they arise.

Associate Management Internal Auditor

This is the journey level of the professional classification series. Positions at the Associate level are distinguished from the I and II levels by the performance of the full range of job responsibilities, including project management, working independently, and exercising judgment and initiative. Positions at the Associate level receive only occasional instruction or assistance as new or unusual situations arise and are fully aware of the operating procedures and policies of the work unit.
Flexibly Staffed Positions

Positions in this class series are flexibly staffed. At the entry (I) level, employees may have only limited or no directly related work experience. Positions at the II level normally are filled by advancement from the I level, requiring one year of experience and successful performance. Positions at the Associate level normally are filled by advancement from the II level, requiring three years of experience and successful performance. When filled from the outside, the employee is required to have prior related experience that meets the qualification standards for the II and Associate levels.

Supervision Received

Receives direct supervision or general supervision from a supervisor or manager.

Supervision Exercised

Management Internal Auditor I and II

The Management Internal Auditor I and II exercise no supervision.

Associate Management Internal Auditor

The Associate Management Internal Auditor may exercise technical and functional lead supervision over lower level staff.

Examples of Essential Duties

Duties may include, but are not limited to, the following examples. The order may not represent the relative importance of duties assigned to an individual employee.

- Perform professional, analytical, and administrative duties for assigned Internal Audit activities and operations.
- Develop project plans, Requests for Proposals (RFPs), scopes of work, project deliverables, budgets, and schedules; participate in the selection of consultants/contractors/vendors; administer contracts; review the work of project consultants/contractors/vendors; ensure projects progress on schedule, within the approved budget, and at a consistently high level of quality.
- Participate in meetings with committees, outside agencies and organizations, and/or community groups.
- Prepare and present written, oral, and visual reports to the Board of Directors, Policy Advisory and stakeholder committees, outside agencies and organizations, and/or community groups.
• Coordinate and prepare a variety of administrative, operational, financial, performance, and management studies and audits of SANDAG activities, functions, services, and programs; plan, organize, monitor, and evaluate work performed by consultants.

• Obtains, analyzes, and appraises data as a basis for evaluating operations and/or internal controls; forms an objective opinion on the adequacy and effectiveness of audited activities.

• Conduct preliminary reviews of laws, policies, best practices, regulations, contracts, and previous audit reports; perform interviews of appropriate officials, representatives, and experts in the field of study; make observations of operations and activities in the field.

• Assist with pre-award evaluations of consultant cost proposals, reviews of indirect/overhead cost rate audits, interim and final contract cost audits, and close-outs for compliance with funding agency requirements.

• Participate in identifying potential performance audit areas and periodic performance audit planning meetings.

• Draft reports that summarize analyses of management issues, discuss agency vulnerabilities, and recommend solutions to issues or problems identified in the course of an audit.

• Assist with the development and implementation of new or revised internal audit programs, policies, procedures, and methods of operation; assist with recommending and implementing enhancements to ensure effective systems and services are in place.

• Collect, compile, and analyze information from various sources on a variety of topics related to internal audit programs, services, and activities; prepare technical records and reports to interpret and present data.

• Participate in Office of the Independent Performance Auditor activities with other departments provide information and assistance regarding internal audit programs and services receive and respond to routine concerns and questions.

• Provide assistance to senior level staff and executives.

• Perform related duties and responsibilities, as assigned.

Examples of Essential Qualifications
Management Internal Auditor I and II

Knowledge of:

• Typical services, activities, and operations of a governmental internal audit program.

• Basic principles, practices, and methods of organizational analysis, including program evaluation, operational auditing, financial auditing, cost-benefit analysis, operational analysis, and organizational development.

• Sources of information related to a broad range of internal audit programs, services, and functions.
Basic financial/statistical/comparative analyses and the tools, techniques, formulas, and software used for analysis and data management.

Research and reporting methods, techniques, and procedures.

The structure and content of the English language including the meaning and spelling of words, rules of composition, and grammar.

Modern equipment and communication tools used for business functions and program, project, and task coordination.

Computers and software programs (e.g. Microsoft software packages) to conduct research, assess information, and/or prepare documentation.

Safe driving principles and practices.

Ability to:

- Perform professional, analytical, and administrative work.
- Learn principles, practices, methods, and procedures for governmental internal audit programs, services, and activities.
- Learn SANDAG's organization structure, department functions, and agency responsibilities.
- Learn how to perform various types of audits, including performing statistical, financial, and other mathematical analyses.
- Learn to exercise judgment in determining materiality of audit results.
- Understand the consequences of audit results and the impact of the audit report.
- Learn to prepare clear and concise correspondence and reports on a variety of internal audits.
- Learn to interpret and explain internal audit policies, procedures, and processes to employees, managers, and other seeking assistance.
- Work in a fast-paced, professional office environment and balance multiple projects and deadlines.
- Communicate clearly and concisely, both orally and in writing, using appropriate English grammar and syntax.
- Prepare clear and concise correspondence and reports.
- Establish and maintain cooperative working relationships with those contacted in the course of business including other employees, managers and executives, vendors, consultants, contractors, and the public.
- Effectively use computer systems, applications, and modern business equipment to perform a variety of work tasks.
- Safely operate a motor vehicle.

Associate Management Internal Auditor
In addition to the qualifications for Management Internal Auditor I and II:

**Knowledge of:**
- Federal, state, and local laws, codes, and regulations related to conducting internal audits.
- Standards for the Professional Practice of Internal Auditing, the Government Auditing Standards, and Code of Ethics developed by the Institute of Internal Auditors.
- Principles, practices, methods, and procedures used for governmental internal audits.
- Sources of federal, state, and local funding used for SANDAG programs.
- General project management principles and concepts.
- Various methods and techniques to reach mutually agreeable solutions and outcomes.

**Ability to:**
- Perform the full range of responsible and difficult professional, analytical, and administrative work using independent judgment and personal initiative.
- Plan, organize, and carry out assigned work with minimal supervision and direction.
- Apply the Standards for the Professional Practice of Internal Auditing, the Government Auditing Standards, and Code of Ethics developed by the Institute of Internal Auditors.
- Interpret and apply the policies, procedures, laws, codes, and regulations pertaining to internal audit programs and functions.
- Analyze problems, identify alternative solutions, project consequences of proposed actions, and implement recommendations in support of internal audit program goals.
- Research, analyze, and evaluate internal audit programs, policies, and procedures.
- Perform financial analysis and auditing.

**Minimum Qualifications:**

Any equivalent combination of experience and education that would provide the required knowledge and abilities is qualifying. A typical way to obtain the required knowledge and abilities would be:

**Experience:**
- Management Internal Auditor I
  
  One year of related experience is desirable.
- Management Internal Auditor II
  
  One year of increasingly responsible, professional auditing experience equivalent to a Management Internal Auditor I.
Associate Management Internal Auditor

Three years of increasingly responsible, professional accounting experience; two years of experience equivalent to a Management Internal Auditor II.

Education:

A Bachelor's degree from an accredited college or university, with major course work in business, public administration, finance, accounting, or a related field. A Master’s degree is desirable.

License or Certification:

Possession of an appropriate, valid driver's license.

ADA Special Requirements:

The essential duties for this classification are performed in the work environment described below and require the following physical and mental abilities:

The standard office position requires an employee to access their work location, attend meetings, use computerized workstations, and lift paperwork and light-weight equipment or resources (less than 20 pounds). Typically, an employee will need to walk, stand, sit, use a keyboard, see, hear, bend, lift, and twist. The employee obtains information from oral instructions, conversations, written reports, email, the Internet, and professional publications, and will process and analyze the information obtained. The employee may need to provide information orally or in writing, and work on numerous concurrent projects and tasks under deadlines.

Effective Date: January 2020

ADMINISTRATIVE OFFICE SPECIALIST (1FTE)

Definition

Under general supervision, the Administrative Office Specialist will perform a wide variety of responsible administrative and secretarial duties in support of a Division or Department Director; provide assistance with special projects; and provide administrative and para-professional assistance to senior level staff.

Supervision Received

Receives general supervision from a Division or Department Director, or Senior Administrative Analyst.
Supervision Exercised

The Administrative Office Specialist may exercise technical and functional lead supervision over lower level staff.

Examples of Essential Duties

*Duties may include, but are not limited to, the following examples. The order may not represent the relative importance of duties assigned to an individual employee.*

- Perform clerical and administrative duties in support of Department projects and activities.
- Provide administrative, secretarial, and technical support to a Division or Department Director, or Senior Administrative Analyst.
- Schedule appointments, coordinate meetings, and maintain the calendar for the Division or Department Director; maintain a calendar of activities, meetings, and events for staff.
- Coordinate with the Division/Department Director and other staff to prepare, review, and distribute agendas, reports, and related materials for multiple committee meetings.
- Serve as Clerk at a variety of committee meetings, record and prepare meeting minutes and actions for distribution.
- Serve as liaison between the Director and department staff, other departments, and agencies.
- Assist with the coordination of travel requests and travel expense reports for the Department Director and staff.
- Accurately prepare correspondence, memos, notices, reports and bulletins from rough draft, verbal instruction, or audio recordings; independently compose routine correspondence as needed; proofread and edit prepared documents for grammar, spelling, and punctuation.
- Respond to telephone calls, provide requested information or transfer call to appropriate employee, take messages from callers and forward to employees.
- Receive and review mail for the Division/Department Director, and route to appropriate employees for information or action.
- May assist with the administrative duties associated with grant applications and administration.
- Provide support and backup to the agency’s Executive Assistant/Clerk of the Board and other administrative staff as needed.
- Research, collect, and compile information from various sources for a variety of division and/or department activities; assist with interpreting and analyzing data and preparing technical records, reports, and summaries.
- Assist with the development of new or revised division and department systems, procedures, and methods of operation; assist with recommending and implementing enhancements to ensure effective systems and services are in place.
- Participate in division and department activities with other departments; provide information and assistance regarding division and/or department programs, services, and activities; respond to questions and concerns; provide assistance to help resolve problems.
- Participate in meetings with co-workers, and internal/external customers.
• Maintain a variety of hard copy and/or electronic documents and records.
• Provide assistance to co-workers, as well as senior and executive staff.
• Perform related duties and responsibilities as assigned.

WhenAssigned to Business Services:

• Assist with the coordination of office space planning and employee office moves.
• Provide administrative support for building evacuation and related safety programs and procedures.
• Coordinate various suite maintenance services and repairs with building management and outside vendors including HVAC, minor construction, cleaning services, telephone lines, and intra office moves.
• Coordinate various office set-up activities including telephone service and furniture acquisition.

Examples of Essential Qualifications

Knowledge of:
• Advanced word processing functions, including text editing, formatting, merge, print, and sort features.
• Regulatory requirements regarding proper documentation of meeting minutes and edits to agendas or reports for public meetings.
• SANDAG policies and procedures, including standard report formats and filing systems. Modern office organization principles, practices, and procedures, including hard copy and electronic record keeping methods, scheduling, effective work tracking methods, and business letter writing.
• Basic mathematical concepts.
• Research and reporting methods, techniques, and procedures.
• Principles and practices of effective customer service.
• The structure and content of the English language including the meaning and spelling of words, rules of composition, and grammar.
• Modern equipment and communication tools used for business functions and program, project, and task coordination.
• Computers and software programs (e.g. Microsoft software packages) to conduct research, assess information, and/or prepare documentation.
• Safe driving principles and practices.

Ability to:
• Perform clerical and administrative work.
• Provide administrative support services for executive staff.
• Schedule and coordinate appointments/meetings with numerous attendees, and maintain a calendar of activities, meetings, and events.
- Understand appointment priorities and negotiate requests for time.
- Transcribe meeting information into official minutes for public distribution
- Compose correspondence, prepare documents and make arrangements from brief instructions.
- Organize, research, and maintain complex and confidential office files.
- Organize the flow of a wide range of varied administrative support functions and develop effective procedures.
- Exercise independent judgment in determining the appropriate routing and level of reference appropriate for a variety of phone, in-person, and written contacts.
- Understand the organization and operation of SANDAG and of outside agencies as necessary to assume assigned responsibilities.
- Interpret and apply administrative policies and procedures.
- Maintain confidentiality of privileged or sensitive information.
- Compile and categorize data and information in order to determine the relationship of the data with reference to established criteria/standards.
- Read, understand, interpret, and explain services, policies, procedures, and technical terminology related to Division/Department programs, services, and activities, and apply them to specific situations.
- Anticipate and diagnose problems, identify possible solutions, and resolve the problem or recommend the most appropriate solution.
- Work in a fast-paced, professional office environment and prioritize a wide range of duties with varying time requirements to ensure timely completion.
- Communicate clearly and concisely, both orally and in writing, using appropriate English grammar and syntax.
- Compose technical reports, summaries, and written materials.
- Update and maintain a variety of hard copy and/or electronic records.
- Establish and maintain cooperative working relationships with those contacted in the course of business including other employees, managers and executives, vendors, consultants, contractors, and the public.
- Effectively use computer systems, applications, and modern business equipment to perform a variety of work tasks.
- Safely operate a motor vehicle.

**Minimum Qualifications:**

*Any equivalent combination of experience and education that would provide the required knowledge and abilities is qualifying. A typical way to obtain the required knowledge and abilities would be:*
Experience:

Five years of increasingly responsible administrative support or secretarial experience.

Education:

Equivalent to a high school diploma supplemented by specialized secretarial training or college level course work in business or a related field.

License or Certification:

Possession of an appropriate, valid driver’s license.

Certification as a Notary Public is desirable.

ADA Special Requirements:

The essential duties for this classification are performed in the work environment described below and require the following physical and mental abilities:

The standard office position requires an employee to access their work location, attend meetings, use computerized workstations, and lift paperwork and light-weight equipment or resources (less than 20 pounds). Typically, an employee will need to walk, stand, sit, use a keyboard, see, hear, bend, lift, and twist. The employee obtains information from oral instructions, conversations, written reports, email, the Internet, and professional publications, and will process and analyze the information obtained. The employee will provide information orally or in writing, and work on numerous concurrent projects and tasks under deadlines. Typically, an employee will need to mentally process and analyze complex information, compose complex responses, interact with others, and present information and reports.

Effective Date: November 2015

Revision Date: July 2016
San Diego Association of Governments

Office of the Independent Performance Auditor

Mary Khoshmashrab, MSBA, CPA
Independent Performance Auditor

REVISED AUDIT PLAN

For the period of
March 1, 2020 to June 30, 2021
I. FY 2019-2020 and 2020-2021 STRATEGIC GOALS AND ACTIVITIES

**Strategy**
To ensure the OIPA’s plan is successful, it must be strategically designed. The revised plan continues to consist of generalized strategic goals that encompass OIPA’s planned activities and or tasks. A plan without purposeful action steps is a poorly designed plan with a high probability for failure. The goals represent the OIPA’s contribution to SANDAG success in accomplishing their overall defined strategic goals, as defined in the table below, that support their mission and vision. Goals are the end results of what OIPA plans to achieve in order to be successful. The OIPA’s defined activities and task consist of steps and or actions to be taken to accomplish the defined goals, which are shown in the following matrix. Steps and actions are the “how to” and “end-result to be produced” and supports the OIPA in meeting and successfully accomplishing the activities, tasks, and ultimately, the intended goal. The goal achievement indicator consists of the output or the end-result or product of the completed goal and provides the percentage of completion. This will help further measure the OIPA’s performance by activity and or overall goal and assist in further planning or the need to reassess the OIPA’s defined goals. The percentage of completion is measured from the start of an activity or goal to status date provided. The IPA will review the goals on a quarterly basis and update the Committee on any changes, accomplishments, end results, and percentages complete by goal.

<table>
<thead>
<tr>
<th>SANDAG’s FY 2020 Strategic Goals and Areas of Emphasis</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Strategic Goals are long-term agency wide goals that remain relatively unchanged on an annual basis. The Areas of Emphasis—designed to support the Strategic Goals—are updated each year to highlight structural changes or particular areas of focus for the coming year.</td>
</tr>
</tbody>
</table>

**Strategic Goals**

1. **Implement the visions of San Diego Forward: The Regional Plan and the TransNet Ordinance** - with the goal of optimizing the efficient movement of people and goods, contributing to a healthy and sustainable region, promoting public safety, increasing housing choices, supporting a vibrant economy, and helping to protect and improve the quality of life for everyone in the region.

2. **Improve mobility by providing more transportation choices and efficiency** - through implementation of San Diego Forward: The Regional Plan (2015 Regional Plan), including improvements that provide congestion relief, public transportation, goods movement, Transportation Demand Management (TDM), innovation through emerging technologies, regional operations, and active transportation.

3. **Enhance organizational effectiveness both internally and externally** through continuous improvements, technological solutions, employee engagement, fiscal discipline, effective communications, and partnerships with local, state, and federal agencies.

4. **Pursue new funding and innovative solutions to fiscal, economic, and environmental challenges and opportunities.**

*Source: Draft FY 2020 program budget – March 8, 2019*
<table>
<thead>
<tr>
<th>OIPA’s Goals &amp; Benefits Derived</th>
<th>OIPA’S Strategic Goals</th>
<th>Priority</th>
<th>Achievement Indicator (Result or Product Outcomes)</th>
<th>Percent of Completion</th>
<th>Aligns to SANDAG’s 2020 Strategic Goal No.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OIPA Goal-01</strong></td>
<td>Understand SANDAG’s Board and/or Committee Members’ perspective regarding risk concerns:</td>
<td>1</td>
<td>Risk Questionnaire and documented discussion</td>
<td>80%</td>
<td>Goals 1-4</td>
</tr>
<tr>
<td>Assessment and Understanding Control Environment</td>
<td>Activity/Task 1 - Meet with Audit Committee and Board Members to discuss risk themes and sore spots.</td>
<td></td>
<td>Identified risk and analysis to incorporate into audit planning</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Activity/Task 2 - Document and analyze risk consideration identified by members and incorporate factors into risk assessment for audit planning purposes.</td>
<td></td>
<td>Organizational Analysis Report that provides recommendations for structural changes based on best practices and good system controls as benchmarks</td>
<td>100%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Activity/Task 3 – Review SANDAG’s organizational structure to identify areas of audit risk to determine if the structure is in conflict with best practices and good system controls (e.g. IA, Director of Finance (CFO), and Chief Counsel).</td>
<td></td>
<td>Summary of analysis</td>
<td>10%</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Activity/Task 4 – Review SANDAG’s defined Strategic Goals and Areas of Emphasis to determine if there is alignment with SANDAG’s legislative purpose, defined vision and mission and if SANDAG has included and has actions steps that embraces the idea of enhanced transparency and contributions to public value and what the Board envisions.</td>
<td></td>
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</tr>
<tr>
<td><strong>IPA Goal – 02</strong></td>
<td>Management is more aware of business and fraud risks and associated controls. The Board is informed, and the results will frame the two-year audit plan and support management in continuous monitoring of risk while increasing public value:</td>
<td>1</td>
<td>Documented discussions and summary of matters</td>
<td></td>
<td>Goals 1-4</td>
</tr>
<tr>
<td>Risk, Mitigation, and Monitoring</td>
<td>Activity/Task 1- Gain an understanding of the environment.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Meet with each Department Director, department managers, and project managers of major programs to gain an understanding of programs, processes and functions.</td>
<td></td>
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<tr>
<td></td>
<td>• Include a review of bond measures and funds planned to payback principal and interest that may be at risk of being pulled back from Federal Admin vs. California (political risk) e.g. funds were pulled from high-speed rail, and a request that Ca payback ARRA (American Recovery and Reinvestment Act) funds, grant funds form DOT and other rail funds. The commitment of any federal funds relating to bond funding or other</td>
<td></td>
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</tr>
</tbody>
</table>
**OIPA Goal – 02 (continued)**  
**Risk, Mitigation and Monitoring**

<table>
<thead>
<tr>
<th>Activity/Task</th>
<th>Description</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2</td>
<td>Document information obtained during discussions. Incorporate areas of identified risk and develop an online risk survey that considers each of the COSO ERM’s Risk themes and SANDAG’s control environment.</td>
<td>100%</td>
</tr>
<tr>
<td>3</td>
<td>Select a sample (randomly and judgmentally) of key management and staff from all levels and perspectives that represent each department/program to participate in the risk assessment process.</td>
<td>100%</td>
</tr>
<tr>
<td>4</td>
<td>Offer and provide risk consideration training classes to selected participants that supports completion of a fruitful risk survey.</td>
<td>100%</td>
</tr>
<tr>
<td>5</td>
<td>Analyze the results of the risk surveys and generate a risk assessment report to be shared with Management and the Board and Committees.</td>
<td>100%</td>
</tr>
<tr>
<td>6</td>
<td>Develop a risk assessment matrix (heat mapping) applying the results of the risk assessment surveys that are identified by department/program with identified risk themes and subthemes, including budget risk, and attach an assigned risk score for each theme and subtheme (1/green/low, 2/yellow/moderate, and 3/red/high risk).</td>
<td>10%</td>
</tr>
<tr>
<td>7</td>
<td>Identify external audits and oversight bodies that perform on a continuous basis reviews; determine the responsibilities for the OIPA (ensure that there are no duplication of efforts). Review SANDAG’s internal and external audit reports and Corrective Action Plans (CAPs) to gain understanding of identified risk, weaknesses, strengths and successes. Review CAPs to determine SANDAG’s commitment to improvement. Incorporate consideration of audit reviews into risk matrix.</td>
<td>10%</td>
</tr>
<tr>
<td>8</td>
<td>Review SANDAG’s long-term written transportation plan and the 5 Big Moves vision, as developed, identify and track milestones and performance measures, budgets, projects, etc. (Note: continuous monitoring and review will be designed around this task as part of the audit plan to ensure there is sufficient and ongoing mitigation – associated risk is high).</td>
<td>10%</td>
</tr>
<tr>
<td>9</td>
<td>Review SANDAG’s budget and any deficits over major projects and funding to determine how SANDAG plans to move forward to balance funds available</td>
<td>10%</td>
</tr>
</tbody>
</table>

**Summary of Report and Analysis**

- Risk Survey
- Document Selection
- Training material and other documentation
- Risk Matrix
- Report - summarizing audits performed and CAP status to report to the AC on an annual basis.
- Report and analysis of potential risk of unknown risk factors and other risk associated with the vision.
- Report – summary of results and recommendations
### OIPA Goal – 02 (continued)

#### Risk, Mitigation and Monitoring

vs. project planned. Continuous monitoring from an audit perspective will be included as an ongoing task as part of the IPA's audit plan. Incorporate consideration of audit reviews into risk matrix.

**Activity/Task 10** - Review SANDAG’s risk survey’s, organizational structure, material programs, projects, and plans to determine the level and risk potential for fraud, waste, misuse or abuse.

**Activity/Task 11** - Review the Transnet for gaps and plan of Excellence for 35 actions items that have been completed and determine the benefit gained, risk remaining, areas not addressed, etc.

Note: Once the risk matrix is developed, this living document will be maintained by management who will be responsible for continuous monitoring and mitigation of risk. The SANDAG Risk Matrix will provide SANDAG with an overall risk score, and identify areas by department, program, or function, and within a risk theme a risk score of low/moderate/high risk. The matrix will further provide management with guidance and focus for risk mitigation consideration.

Through continuous monitoring management should add, delete, increase or lower risk scores within a given program or function. The live document should be available on a share drive for continuous updating and can be used by the Executive Director as a tool in the decision-making process. If maintained and updated on a continuous basis, at a glance, the document will help to identify risk scores and hot spots by department, programs, or functions, as well as the overall risk score for SANDAG.

For greater transparency the SANDAG Risk Matrix can be shared with the Board and the public as part of SANDAG's effort to encourage and support a greater public value. The decision to make the risk matrix available to the public will be determined by the Executive Director.

### OIPA Goal – 03

#### Public Value and Transparency

SANDAG supports public transparency by maintaining a Website on Reporting of Fraud Waste and Abuse of public funds and OIPA's website for reporting - thus adding public value:

**Activity/Task 1** - Develop a Policy on Reporting of Fraud, Waste and Abuse that includes reporting procedures and a reporting form that is consistent with the Ca Attorney General’s requirements.

<table>
<thead>
<tr>
<th>Goal 3</th>
<th>1</th>
<th>Board Policy - 042</th>
<th>100%</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>AC and BOD approved policy</td>
<td></td>
</tr>
</tbody>
</table>

---

**Report – Summary of risk and recommendations regarding fraud risk.**

**Report – summary of findings and recommendations.**
### OIPA Goal – 03 (continued)

**Public Value and Transparency**

<table>
<thead>
<tr>
<th>Activity/Task 2</th>
<th>Present to the Audit Committee, Executive Committee and Board for approval and adoption.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity/Task 3</td>
<td>Design and Develop a public website for Reporting of Fraud, Waste and Abuse.</td>
</tr>
<tr>
<td>Activity/Task 4</td>
<td>Track and investigate matters reported to determine</td>
</tr>
</tbody>
</table>

**Board approved document**

**Public Website**

**Documented with matter and conclusion - ongoing**

| 100% |

### OIPA Goal – 04

**Opportunity**

<table>
<thead>
<tr>
<th>SANDAG consistently seeks revenue generating opportunities and captures revenue timely:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity/Task 1 - Meet with finance staff to gain an understanding of revenue generating opportunity.</td>
</tr>
<tr>
<td>Activity/Task 2 - Review avenues to ensure that grant opportunities are being captured.</td>
</tr>
<tr>
<td>Activity/Task 3 - review timelines to ensure revenue is captured timely.</td>
</tr>
</tbody>
</table>

**Summary of matters and recommendations for improvements**

| 20% |

### OIPA Goal – 05

**Effectiveness and Efficiencies**

<table>
<thead>
<tr>
<th>SANDAG’s Budget process is effective, efficient and transparent.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity/Task 1 - Meet with Budget staff to gain and understanding of the budget process. Review the budget process, budget documents and methodology to ensure best practices including timely reviews, adjustments and amendments occur. Review system interfacing between financial system and project tracking system. Confirm and test accuracy of reconciliations are being performed between the two systems. Make recommendations to Management to improve efficiencies and transparency</td>
</tr>
</tbody>
</table>

**Summary of matters and recommendations for improvements**

| 10% |

### OIPA Goal – 06

**Operational Continuity**

<table>
<thead>
<tr>
<th>SANDAG Succession planning document are sufficient, relevant and updated to consider 3 to 5 years retirement plans:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity/Task 1 - Review succession plan (if available) to gain perspective.</td>
</tr>
<tr>
<td>Activity/Task 2 - Meet with executive staff to discuss succession planning.</td>
</tr>
<tr>
<td>Activity/Task 3 - Meet with Human Resources to determine if estimated retirements have been considered.</td>
</tr>
<tr>
<td>Activity/Task 4 - Review duty statements and desk procedures available. Document outcomes and make recommendations.</td>
</tr>
<tr>
<td>Activity/Task 5 - Review high risk position to ensure there is cross training and job sharing sufficient enough to ensure that key positions are not set-up for single points of failure (one staff member holding</td>
</tr>
</tbody>
</table>

**Summary of matters and recommendations for improvements**

| 10% |

**Goals 1-4**
<table>
<thead>
<tr>
<th>OIPA Goal – 06 (continued)</th>
<th>Operational Continuity</th>
<th>all the key functions) and that safeguards are in place.</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity/Task 6- Review staff development and incentive opportunities to ensure there is support for upward mobility including professional certification programs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity/Task 7- Review policy and test adherence regarding timelines around SANDAG staff’s annual performance reviews, staff development and other employee incentive/enrichment programs.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OIPA Goal – 07</td>
<td>Inefficiencies and compliance</td>
<td>SANDAG’s use of staffing resources are fully realized to ensure that the organization is operating effectively and efficiently for optimal use of public funds and resources:</td>
<td>3</td>
<td>Summary of matters and recommendations for improvements</td>
</tr>
<tr>
<td>Activity/Task 1 – review of positions and qualifications.</td>
<td></td>
<td></td>
<td>Goal 3</td>
<td></td>
</tr>
<tr>
<td>Activity/Task 2 – Review of duties for efficiencies.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Activity/Task 3- Review the use of resources around committees and department and program retreats. Review areas that have duplicate information sharing and over reviewing of efforts (e.g. setting an agenda).</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Activity/Task 4 – perform procedures that would identify conflict of interest and nepotism within the organization.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>OIPA Goal – 08</td>
<td>Operational Continuity and Adherence to Governing Authorities</td>
<td>SANDAG’s Policies and Procedures are updated and relevant to date with applicable State and Federal regulations, rules, and governing codes:</td>
<td>3</td>
<td>Summary of matters and recommendations for improvements</td>
</tr>
<tr>
<td>Activity/Task 1- Review policies and procedures organizational wide to determine if documents are current, relevant and sufficient policies and procedures and that laws, rules, and regulations are properly referenced and adhered to within the procedures referenced.</td>
<td></td>
<td></td>
<td>Goals 1-4</td>
<td></td>
</tr>
<tr>
<td>Activity/Task 2- Review on a sample basis policies and procedures to determine if management and staff are adhering to the document.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Activity/Task 3- Meet with staff to determine if desk procedures and day to day duties are consistent and follow the documented policies and procedures and crossing training is being provided to help in supporting succession planning.</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>OIPA Goal – 08 (continued)</td>
<td>Activity/Task 4</td>
<td>3</td>
<td>Goal 3</td>
<td></td>
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<tr>
<td>---------------------------</td>
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<td></td>
</tr>
<tr>
<td>Risk Mitigation and Effectiveness and Efficiencies</td>
<td>Activity/Task 4: review of policies that are floating the internal and external storages and websites that are outdated or inconsistent.</td>
<td>100%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>

**OIPA Goal – 09**

SANDAG’S Record Retention Schedule is consistently adhered to and followed by all management and staff:

PRR resources are tracked, and cost/benefit analysis preformed for use of resources vs. software.

Management ensures that all State and Federal requirements for record retention are consistent with SANDAG’s policy.

Central locations for all final documents – drafts are maintained on a nonshared drive and deleted once finalized. Final documents are stored on a central share drive. Duplicate documents are not stored.

SANDAG’s Disaster Recovery Policy is updated and shared in a central location.

**Activity/Task 1:** Review SANDAG’s record retention schedule and policy for reasonableness, process of destruction, and for adherence to State and Federal retention requirements.

**Activity/Task 2:** Review cost/benefit analysis of resources of attorney’s time consumed to search and prepare a PRR vs. cost and efficiencies of software.

**Activity/Task 3:** Review SANDAG’s external website for outdated and or inconsistent information.

**Activity/Task 4:** Review of duplicate documents that are floating the websites and internal and external storages that are drafts, duplicate file names, and live in more than one place. The idea is to have documents in final products in one central location both for internal documents and external to the public. Review of outdated or inconsistent information among different documents with similar information. (e.g. Department Summaries). Checking for risk of over information located in more than one place and on more than one document. Consider the cost of upkeep and risk of inconsistent or outdated information. In a PRRA request this can be both time consuming and costly, and present a risk of proving inconsistent or outdated information.

**Reviewed and recommendations provided**

**Reviewed and recommendation provided**
<table>
<thead>
<tr>
<th>OIPA Goal – 09 (continued)</th>
<th>Activity/Task 5</th>
<th>Report - summary of results and recommendation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Risk Mitigation and Effectiveness and Efficiencies</td>
<td>Review SANDAG’s disaster recovery practices and policies to determine sufficiency and risk are mitigated.</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OIPA Goal – 10</th>
<th>SANDAG creates performance measures (PM) that are relevant, and end-result based. PM’s are meaningful, measurable and comparable. PM’s are developed and meet the requirements of federal grant programs. PM’s are monitored, and successes and results are reported to the Board:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Effectiveness and Efficiencies</td>
<td>Project Budgeting: Projects are budgeted and tracked on an ongoing basis. Budget adjustments are documented and properly justified and approved by Management. Material budget overages are reported to Executive Management and the Board.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Activity/Task 1</th>
<th>Meet with Directors of planning and projects to determine if performance measures are developed prior to the start of each project and that the measures are end results based, tracked, and measurements are meaningful and useful.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Activity/Task 2</td>
<td>On a sample bases, review performance measures to determine if measures are tracked and outcomes reached have been documented to determine the percentage of success.</td>
</tr>
<tr>
<td>Activity/Task 3</td>
<td>Review on a sample basis federal grant funded projects to determine if staff are meeting the grant requirements around risk consideration, performance measures, and evidence of continuous monitoring.</td>
</tr>
</tbody>
</table>

II. PERFORMANCE MEASURES FOR FY 2019-2020 AND 2020-2021

The OIPA’s performance measures for FY 2019-2020 and 2020-2021 remain the same and are aligned with SANDAG Strategic Goals (SSG) and Areas of Emphasis as well as performance measures that will help OIPA measure adhere to professional auditing standards (PAS) and staff development goals (SDG).
### III. AUDIT PLAN FOR FY March 1, 2020- June 30, 2021

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

The OIPA’s audit plan is designed to perform assessments and engagements that assess risk and risk mitigation, make SANDAG’s processes and procedures more effective and efficient, help to detect and prevent fraud, waste, misuse, and abuse around SANDAG’s departments, programs, and major projects, while supporting a proactive attitude and a more responsible government.

The first year’s plan consisted primarily of learning and gaining an understanding of the environment, reviewing and assessing areas of risk such as high profile or politically sensitive projects and plans, high dollar investment, high risk of estimated cost and or projected revenues, and unstable funding sources. Additionally, the first year’s resources were consumed with setting up necessary housekeeping requirements to ensure adherence to professional standards such as the engagement manual, budgets, staffing needs, communications practices, and reporting styles. The first year also included setting up OIPA’s website for greater transparency and reporting ability for members of the public, and other tasks such as strategic and succession planning. For the remaining period of this revised plan, March 1, 2020 through June 30, 2021, the IPA’s hours will be used to complete the remaining objectives and perform procedures that will result in an organizational wide risk assessment report and risk matrix, completing OIPA strategic goals as defined above, developing and supporting audit staff, reviewing auditor work product and quality controls standards as required under GAGAS, providing training and guidance over areas of risk, and recommendations on improvements to ensure strong system controls.

The revised plan is based on the FY2021 proposed budget that includes additional staffing resources needed for an organization SANDAG’s size and for the amount of capital improvement projects both in dollar and number of projects that have not been sufficiently audited since the inception of SANDAG due to a lack of audit staff and the internal audit’s placement within the organization.

The IPA presents the following revised plan for Audit Committee approval. OIPA staff will focus on audit and review
objectives prioritized based on gaining an understanding of the SANDAG’s control environment, initial results gained from the risk surveys, and other risk factors identified over the last 10 months. In addition to the planned engagements, OIPA may accept unplanned reviews at the request of SANDAG’s Board, Audit Committee, and/or Executive Director, and respond to OIPA’s Fraud, Waste, and Abuse complaints.

<table>
<thead>
<tr>
<th>Engagement ID Number</th>
<th>Revised Audit Plan for FY2020/21</th>
<th>Est. Start Date</th>
<th>Carry Forward</th>
<th>Budgeted Hours Revised</th>
<th>Actual Hours</th>
<th>Engagement Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>2020-1</td>
<td>OIPA Goal 1 and 2 – Understanding SANDAG’s environment and the facilitation, risk training (to the Board, Mgmt., and staff), development of risk survey, analysis and development of an organizational wide risk and fraud risk assessment and heatmapping matrix. As part of gaining an understanding of the CE and assessing risk, the IPA will look at the organizational structure to determine if efficiencies and effectiveness and good controls can be improved. Prepare an organizational wide risk report and heat map matrix. Attend meetings, work with SANDAG staff and other committees to learn various perspectives and meet with other external auditors to determine objectives, and risk identified. Offer and provide risk consideration training and agenda packaging to the Board and Management (Agenda packaging: provide members with decision making support with summarized point/fact sheets, that provide board members with the issue, associated risk, current mitigation, possible actions steps, impact and occurrence of risk, residual risk, and action options).</td>
<td>May 2019</td>
<td>Yes</td>
<td>150 (IPA)</td>
<td>Facilitation and Assessment of AR, FR and Management Risk.</td>
<td></td>
</tr>
<tr>
<td>2020-2</td>
<td>OIPA Goal 3 – Develop, design and establish the OIPA’s website and sub-site for reporting of Fraud, Waste and Abuse. Ensure it adheres to the recently adopted Board Policy on Reporting of Fraud, Waste and Abuse.</td>
<td>Sept 2019</td>
<td>complete</td>
<td>Compliance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2020-3</td>
<td>OIPA Goal 4 – Review of revenue (tracking, collecting, and reporting) and revenue generating activity, including a review of AR’s. Review of SANDAG’s established practices on revenue seeking opportunities.</td>
<td>Oct 2020</td>
<td>No</td>
<td>75 (IPA)</td>
<td>Compliance and Performance</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>OIPA Goal</td>
<td>Description</td>
<td>Month</td>
<td>Status</td>
<td>No.</td>
<td>Department</td>
</tr>
<tr>
<td>-------</td>
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</tr>
<tr>
<td>2020-4</td>
<td>OIPA Goal 5 – Review of SANDAG’s fiscal and operational budget processes for efficiencies and effectiveness. Review timelines, documentation process and consideration factors involved in preparation of annual and mid-year budget review, and review processes and practices of budget approvals for initial and budget increases. Review reporting practices to the Board for material changes and budget overages. Review processes in place to help prevent future budget overages for departments that are consistently over or under budget.</td>
<td>Sept 2020</td>
<td>No</td>
<td>100 (IPA)</td>
<td>Compliance and Performance</td>
<td></td>
</tr>
<tr>
<td>2020-5</td>
<td>OIPA Goal 6 – Review of SANDAG Succession planning documents to determine if plans are sufficient, relevant and updated to consider 3 to 5 years retirement plans.</td>
<td>May 2020</td>
<td>No</td>
<td>80 (IPA)</td>
<td>Compliance and Performance</td>
<td></td>
</tr>
<tr>
<td>2020-6</td>
<td>OIPA Goal 7 – Perform a review of SANDAG’s use of staffing resources to determine to ensure that the organization is operating effectively and efficiently for optimal use of public funds and resources.</td>
<td>Feb 2020</td>
<td>No</td>
<td>100 (IPA)</td>
<td>Performance</td>
<td></td>
</tr>
<tr>
<td>2020-7</td>
<td>OIPA Goal 8 – Perform a review of SANDAG’s Policies and Procedures are updated and relevant to date with applicable State and Federal regulations, rules, and governing codes.</td>
<td>March 2020</td>
<td>No</td>
<td>80 (IPA)</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>2020-8</td>
<td>OIPA Goal 9 – Review of Record Retention Policy, Disaster Recovery Plan, and use of attorney resources vs. software for PRRA request process to determine if applicable laws, rules, and regs are followed, and the cost benefit of staff resources vs. software cost.</td>
<td>March 2020</td>
<td>No</td>
<td>50 (IPA)</td>
<td>Compliance and Performance</td>
<td></td>
</tr>
<tr>
<td>2020-9</td>
<td>OIPA Goal 10 – Review of SANDAG’s performance measures on projects such as the five big moves, and other major projects, to ensure that there are measurable outcomes and outputs. continuous auditing.</td>
<td>May 2020</td>
<td>No</td>
<td>100 (IPA)</td>
<td>Compliance and Performance</td>
<td></td>
</tr>
<tr>
<td>2020-9.1</td>
<td>Review of Data Assumptions with 5 Big Moves – Review the assumptions applied to ensure assumptions a fair, unbiased and balanced approach that would allow the board to make decision knowing various outcomes and perspectives. Development of OIPA Engagement Manual – adhere to best practices and GAGAS (QC, CPE, Monitoring (internal and external review), etc.). Development of OIPA’s fiscal budget, duty statement, succession planning and strategy document. Also develop as statement of independence for each engagement and annually.</td>
<td>May 2020</td>
<td>No</td>
<td>(IPA)</td>
<td>Compliance</td>
<td></td>
</tr>
<tr>
<td>2020-10</td>
<td></td>
<td>July 2019</td>
<td>Complete</td>
<td></td>
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</tbody>
</table>
**2020-11**

Bring IA office to the OIPA and hire additional staff to ensure sufficient audit resources and coverage for the organization.

Review Transnet Audits to ensure no duplications of efforts and that gaps are identified and considered as potential areas of review.

Review of open Corrective Plans around critical points identified by external auditors and internal auditors (e.g. ITOC and RTA’s).

<table>
<thead>
<tr>
<th>Sept 2019</th>
<th>No</th>
<th>Complete</th>
</tr>
</thead>
<tbody>
<tr>
<td>Feb 2020</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total IPA Hours Strategic Goals, and Indirect Audit Hours: 735

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<table>
<thead>
<tr>
<th>Engagement ID Number and Priority</th>
<th>Revised Audit Plan for FY2020/21 March 1, 2020 to June 30, 2021</th>
<th>Est. Start Date</th>
<th>Carry Forward</th>
<th>Budgeted Hours Revised</th>
<th>Actual Hours</th>
<th>Engagement Type</th>
</tr>
</thead>
<tbody>
<tr>
<td>P1 ID 2021-01</td>
<td>IT Review of SANDAG’s criminal justice and toll operations database for good system and cyber controls audit and continuous auditing.</td>
<td>CA No</td>
<td>1000</td>
<td>Compliance, Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P2 ID 2021-02 ID 2021-02.1 ID 2021-02.2 ID 2021-02.3</td>
<td>Contract and procurement review – continuous auditing.</td>
<td>CA No</td>
<td>1000</td>
<td>Compliance, Performance and Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P2 ID 2021-03 ID 2021-03.1</td>
<td>Capital Improvement Reviews – continuous auditing</td>
<td>CA No</td>
<td>1270</td>
<td>Compliance, Performance and Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P2 ID 2021-04</td>
<td>Form 700 and conflict of interest audit (operational and public value risk).</td>
<td>No</td>
<td>180</td>
<td>Compliance, Controls</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P2 ID 2021-05 ID 2021-05.1 ID 2021-05.2 ID 2021-05.3 ID 2021-05.4 ID 2021-05.5</td>
<td>Operational – System Control Review – continuous auditing of processes and system controls over A/P, Payroll, A/R, Budgeting, Expenditures approval processes, etc.</td>
<td>CA No</td>
<td>1000</td>
<td>Compliance, Performance and Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P3 ID 2021-06</td>
<td>Employee Compensation Review</td>
<td>No</td>
<td>280</td>
<td>Compliance, Performance and Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P3 ID 2021-07 ID 2021-07.1 ID 2021-07.2</td>
<td>Purchase Card Review – continuous auditing</td>
<td>CA No</td>
<td>650</td>
<td>Compliance and Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P3 ID 2021-08 ID 2021-08.1</td>
<td>Performance Measures Review – continuous auditing</td>
<td>CA No</td>
<td>200</td>
<td>Compliance and Performance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P3 ID 2021-09 ID 2021-09.1</td>
<td>Project tracking process and test of accuracy review – continuous auditing</td>
<td>CA No</td>
<td>280</td>
<td>Compliance, Performance and Control</td>
<td></td>
<td></td>
</tr>
<tr>
<td>P3 ID 2021-10</td>
<td>Review SANDAG’s use of consultant’s vs staff (cost benefit analysis).</td>
<td>July 2020 No</td>
<td>320</td>
<td>Compliance, Performance and Control</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### IV. AUDIT RESOURCES

**Current Available Resources and budgeted expenses:**
- Independent Performance Auditor: 1.0 FTE plus equipment
- Principal Management Internal Auditor (PMIA): 2.0 FTE
- Student Auditor internship 2.0 (20 to 24 hours per week for each intern)
- Auditor training, professional dues, and licenses

**Current Resources Absorbed by SANDAG as part of Overhead:**
- SANDAG Legal Staff Support
- SANDAG Data Production Support
- Equipment and office space for the PMIA
- Equipment and cubical space for interns

| P3 | ID 2021-11 | Review of sub recipients monitoring relating to federal funds or pass through funds. Review of compliance with OMB federal grant regs- continuous auditing | CA | No | 320 | Compliance and Performance |
| P4 | ID 2021-12 | Review of major and minor equipment (inventory, placement and location, ownership rights, etc.) | No | 600 | Control |
| P5 | ID 2021-13 | For all internal and external audits performed in FY2019/20, compile and review prior year Corrective Action Plans (CAPs). On an annual basis follow-up with SANDAG staff to determine the status of the CAPs. Report status annually to the Audit Committee. | CA | No | 180 | Compliance, Performance and Control |
| P5 | ID 2021-14 | Travel Expense Review - pending policy change | No | 300 | Compliance and Control |
| P6 | ID 2021-15 | ICRP – overhead rate calculation (verification of charges, duplicate charges, and charges to federal and state funded contracts) charges. | No | 200 | Compliance |
| P6 | ID 2021-16 | Review of off- and on-site employee retreats and event spending- continuous auditing (adhere to state, fed, local and internal policy. | CA | No | 120 | Compliance and Control |
| P7 | ID 2021-17 | Audit resources for non-audit services, special request, BOD, AC or ED directed reviews. Fraud, Waste, and Abuse Hotline, etc. | No | 403 | Fiscal, Compliance, Performance, Operational, Fraud, Waste, and Abuse |
| **Total Budgeted** | | | | 8,303 |
| **Total Available** | | | | 8,303 |
| **Over/Short** | | | | |
| | | Auditor’s required training (40 CPE Hrs. Annually @7) | FY2021 | 280 |

*CA = Continuous Auditing due to inherent risk.*
Current Resources Direct Audit and Non-Audit Hours Available (March 1, 2020 to June 30, 2021)
3653.28 hours of direct audit and non-audit hours for the remaining period. (2740 Current Direct Audit and Non-Audit Hours Annually divided by 12 months = 228.33 per month x 16 remaining months).

FY 2021 Proposed Additional Resources and budgeted expenses:
- Associate Management Internal Auditor: 2.0 FTE ($217,400)
- Management Internal (Auditor I/II): 2.0 FTE ($178,800)
- Administrative Support: 1.0 FTE ($77,250)
- Auditor training, professional dues, and licenses, and related travel annually @ 7 auditors 2 interns 1 admin $100,000
- One-time request for data penetration consultant $100,000

Proposed Resources Direct Audit and Non-Audit Hours Available (If Approved) (March 1, 2020 to June 30, 2021)
8303.28 hours of direct and indirect audit hours for the remaining period.((2740 Current Direct Audit and Non-Audit Hours Annually divided by 12 months = 228.33 per month X 16 remaining months = 3653.28) Plus (5580 Proposed Additional Direct Audit and Non-Audit Hours (if approved) divided by 12 months = 465 per month X 10 months (assume hiring date of Sept 2020) = 4650))

Annual Allocation of Auditor Hours (if positions are approved)

<table>
<thead>
<tr>
<th>Position</th>
<th>Current FTE (Annual)</th>
<th>Proposed FTE (Annual)</th>
<th>OIPA Strategic Goals/Indirect Audit Hours (Annual)</th>
<th>Direct Audit and Non-Audit Hours (Annual)</th>
<th>CPE Required training (Annual)</th>
<th>*Admin Hours (Annual)</th>
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<tbody>
<tr>
<td>IPA</td>
<td>1760</td>
<td>(735)</td>
<td>(200)</td>
<td>(40)</td>
<td>(785)</td>
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<td>(150)</td>
<td>(1270)</td>
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<tr>
<td>IMPA External</td>
<td>1760</td>
<td>(150)</td>
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<tr>
<td>AMA</td>
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<tr>
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<td>(1370)</td>
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<tr>
<td>Auditor I/II</td>
<td>1760</td>
<td>(1420)</td>
<td>(40)</td>
<td>(300)</td>
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<td>Auditor I/II</td>
<td>1760</td>
<td>(1420)</td>
<td>(40)</td>
<td>(300)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Currently Available Hours 2740 (annual)

Proposed Available Hours 5580 (annual)

Total Available Hours if Approved 8320 (annual)
Admin hours – Agenda Setting, Clerking, SANDAG required training, CPE required training, AC, and other committee meetings, employee events, all hands-on meetings, timesheets, etc. = 300 annually

Annual Productive Hours (less time off – holidays, annual, other leave) = 1760 per FTE (Full-Time-Equivalent).

Indirect Audit Hours = Supervisory, workpaper review (first and second level), staff development, QC, etc.

IPA = Independent Performance Auditor

IMPA = Principal Management Internal Auditor

AMA = Associate Management Auditor

Auditor I/II

V. ADOPTION, APPROVALS, AND ACCEPTANCE

Frist Audit Plan - Adopted and Approved by Audit Committee on August 9, 2019
Revised Audit Plan - Adopted and Approved by the Audit Committee on ---------------
February 28, 2020

Office of the Independent Performance Auditor Report on Organizational Analysis of SANDAG

**Overview**

As part of the two-year audit plan, and in order to gain understanding of the SANDAG environment while also addressing risk identified during the risk assessment process, the Office of the Independent Performance Auditor (OIPA), performed an analysis of SANDAG organizational structure.

**Key Considerations**

The Independent Performance Auditor’s (IPA’s) objectives were to address some of the challenges that SANDAG experienced in the past regarding forecasting mistakes and timely reporting. Furthermore, the IPA aims to provide recommendations around organizational structure that would bring about more transparency, accountability, effectiveness and efficiencies, and organizational controls. The IPA will work to help encourage an environment where members of the Board of Directors can be better educated on specific matters, and provide more avenues for key staff to independently report. The IPA is providing the results of the analysis to the Audit Committee and is prepared to discuss and answer questions.

**Next Steps**

At the recommendation of the Audit Committee, this report will be provided to the Board for information at its March 2020 meeting.

**Mary Khoshmashrab, Independent Performance Auditor**

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

Attachment:
1. Office of Independent Performance Auditor Organizational Analysis of SANDAG
2. Attachment A – SANDAG’s Current Org Chart as of Jan 2020
3. Attachment B – OIPA’s Proposed Organizational Chart for SANDAG
4. Memo and Management Response to OIPA Review of Organizational Structure

**Action:** Discussion/Possible Action

The Audit Committee is asked to discuss the analysis and recommend that the report be forwarded to the Board of Directors for information.

**Fiscal Impact:**
None

**Schedule/Scope Impact:**

FY 2021
SANDAG Organizational Structure
The Office of the Independent Performance Auditor
Summary of Analysis and Recommendations
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The Office of the Independent Performance Auditor (OIPA) did not perform an audit or fiscal review, but rather a non-audit organizational analysis. The intent of this review was to analyze the organization’s current structure and make recommendations regarding organizational effectiveness and efficiencies as well as overall system controls from an organization-wide perspective.

Section A – Purpose and Objective

As part of the two-year audit plan, and as part of gaining an understanding of SANDAG’s environment and addressing risk identified during the risk assessment process, the OIPA performed an analysis of SANDAG’s organizational structure.

The Independent Performance Auditor’s (IPA) objectives were to address some of the challenges that SANDAG experienced in the past regarding forecasting mistakes and timely reporting. Furthermore, the IPA aimed to provide recommendations that would bring about more transparency, accountability, effectiveness and efficiencies, and organizational controls; to help encourage an environment where Board members could be better educated on specific matters; and to provide more avenues for key staff to independently report. Specifically, the IPA’s tasks were to:

- Assess the organization’s ability to support its legislative purpose and strategic priorities; to accomplish and support the objectives of the Board of Directors while providing service to the public; and to encourage more transparency and gain public trust, while holding its management and staff accountable
- Clarify functional reporting roles within the organization
- Ensure sufficient reporting and system controls are in place
- Determine specific actions to improve the organizational effectiveness and general efficiencies,
- Identify where synergy can be gained and isolated grouping can be abolished, bringing more accountability among groups of individuals, and
- Consider and help SANDAG prepare for succession planning (by consideration of positions rather than the people in the positions)

Section B – Methodology

Given the recent changes to the structure of the organization by management as well as the current contract with a strategic consultant, SANDAG has and may continue to make changes in their organizational structure. Given the ongoing review by SANDAG and the unknown outcomes and recommendations by the strategic consultant, the IPA will perform a limited review of the organizational structure based on the following key factors:

- Gaining understanding of SANDAG’s past and current culture and control environment
- Review of SANDAG’s past and current organizational structure including numerous changes that have, in the IPA’s opinion, created even more of a hierarchical and layering of executive staff structure typically found in the public sector but often ineffective in successfully accomplishing objectives
- Consideration of past issues of untimely reporting of forecast revenues projected cost
• Consideration of effectiveness and efficiencies around resources and shared efforts
• SANDAG’s core resources and professional skillset and functionality
• Consideration of inherent risk factors, including unknown cost of the 5 Big Moves with little
detail in the planning or cost and the 2021 Regional Plan, no key indicators or outcome-based
performance measures for SANDAG as a whole, a fast-paced and dramatic change in direction, a
newer Executive Director, and the past and recent changes in the organization’s culture
• Consideration of continued exposure to public value risk and past reputation risk that remains
• Comparison to other public agency structures
• Fiscal and operational reporting structure and control risk, and
• Risk associated with reporting of future forecasted revenue and cost projections.

The IPA’s methodology includes analyzing key areas within the organization while considering the
defined key factors and risk identified above. Stages taken in the analysis included:
• Review of SANDAG’s current effectiveness of the organizational structure
• Review of areas where inefficiencies, control deficiencies, and functional incompatibility of
resources may be present, and thus risk ineffectiveness within the organization
• Discussion with SANDAG executive management and staff
• Review of employee risk survey responses, and
• Reviewing and considering SANDAG’s current span of control that may create an environment
that could prevent SANDAG from becoming a balanced organization where accountability can
be clearly assigned, and continuity for succession planning purposes are realized.
• Comparison of similar organizations when available

Based on the outcome of the analysis, the IPA will provide recommendations for consideration by
SANDAG management. The IPA will also submit the results to the Audit Committee. It should be
noted that during the review of the organization, the IPA communicated recommendations with
management, some of which have since been implemented. Where recommendations were
implemented the IPA has made note of those actions.

Section C – Why Organizational Structure Change May Be Needed

Organizations rely on the people, processes, and resources at their disposal to thrive. The larger
the organization, the more in-sync each link in the chain needs to be for success. This need
underscores the significance of effective organizational structures. Government entities rely on
these and “systems thinking” (how different roles interact) to run smoothly and to meet their
responsibilities to the public and other mandated services.

Government organizations typically take a reactive vs. proactive approach to change, perhaps
becoming fixated on what is currently wrong and on the seemingly urgent complaints of
frustrated staff, leaders, Board members, or the public. However, redesigns that merely address the
immediate pain points often end up creating a new set of problems. Organizations should
therefore be clear, at the outset, about what the redesign is intended to achieve and ensure that
this aspiration is intimately linked to the organization’s strategy. Management should ask why
change is needed and define what the change will do to improve the organization, rather than just putting out a fire.

Section D – Things to Consider During an Organizational Structure Change

One of the most common, and commonly ignored rules of organizational redesign is to focus on roles first, then on people. The temptation, however, is to work the other way around, selecting the knowingly obvious candidates for key positions before those positions are fully defined or properly and fairly advertised.

Competition for talent brings up anxiety and risk, creating a domino effect, with groups poaching from one another to fill newly created gaps. This is disruptive and distracting. A talent draft should rather include giving all unit’s access to the same people, enabling teams to fill each level of the new organizational structure in an orderly and transparent way, so the most capable talent ends up in the most pivotal roles. This approach promotes both the perception and the possibility of fairness. Also, allowing external talent to compete brings both internal incentives to perform at their best, and the potential for adding new skills and/or mindset to an established culture.

Leaders should be mindful - Leaders must keep in mind that organizations are made up of collections of human beings, all with beliefs, emotions, hopes, and fears. Ignoring predictable, and sometimes irrational, reactions is certain to undermine an initiative in the long run. The first step is to identify negative mindsets and seek to change the way people think about how the organization works. Actions at this stage will likely include communicating a compelling reason for change, role modeling the new mindsets, putting in place mechanisms that reinforce the change and maintain its momentum, and building new employee skills and capabilities. An organization must be willing to change the culture not just the desk and bodies. Also, if a strategic review is in progress, it may be more beneficial to complete the process and gain results before making dramatic changes that leave staff feeling frustrated and distrustful of the process.

Leaders must communicate plans prior to making change, set and share short and long-term measures that will be gained with the planned changes, be mindful of sharing plans with individuals prior to sharing with most staff members, and more importantly, listen to staff and allow them to be heard.

Lastly, in the rush to implement a new organizational design, many leaders fall into the trap of going live without a plan to manage the risks. Every organizational redesign carries risks, such as interruptions to business continuity, employee defections, a lack of personnel engagement, and poor implementation. Entities can mitigate the damage by identifying important risks early on and monitoring them well after the redesign goes live. Tracking operational, financial, and commercial metrics during a design transition is helpful, as are “pulse checks” on employee reactions in critical parts of the company. Clear leadership accountability for developing and executing risk-mitigation plans is so important that this should be built into regular appraisals of managers.
Section E – Types of Organizational Structures

Types of Public Sector Organizations

In the United States, the public sector comprises federal, state and local governments, including bodies like homeland security, taxation agencies, the military, the Department of Health, public schools, corrections, cities, counties, and special districts.

Structure of Public Administration vs. the Private Sector

The private sector comprises everyone not listed above, or businesses that are privately-owned and not controlled by the government. These organizations tend to have much more flexibility in the way they are structured. For example, a small business might have an extremely loose structure when it starts out, with people taking on multiple roles and job functions. The business is then free to add positions, managers, product groups and layers of responsibility as it grows.

Government agencies have far less freedom to add new functions, services, or job positions. Controls and separation must be present because these entities are created by legislation, which often specifies how the entity should be constituted and what it must do in order to change leadership teams or get a new job position approved. They are also built on legacy, having developed their organizational structure over many years. The use of public and taxpayer dollars come with legislative rules and regulations that must be followed.

Hierarchical Structure

The structure of the many public sector is best described as a hierarchy. This type of structure resembles a pyramid, and for the most part, gets wider as you move down. This type of organization, whether public or private, is headed by a board of directors, a board of trustees or even a single director who could be an elected official. Below that are multiple layers of management – senior managers, middle managers and line managers, with instructions flowing downward and accountability flowing upward vertically through the chain.

Typically, roles are clearly defined within this structure, and everyone knows to whom they should report, which should help the agency be accountable for its decision making. This structure also allows people to focus on their area of specialty, as people with certain job functions are typically grouped together with other people who share the same area of expertise.

On the downside, horizontal communication between different divisions may be poor, as the system is built around a vertical chain of command. All these layers of bureaucracy can slow down decision making and create departmental silos that make it difficult for the agency to collaborate and adapt to change.

Functional Structure (Bureaucratic)

The functional structure is commonly seen in organizations like legal firms. Functional structure is easily nested within the centralized system. It breaks up a company or organization into departments, such as sales or marketing. At its core, this structure is based on the function of employees and breaks them up accordingly.
Functional organizational structures allow new employees to get all the information that they need to perform their job function without confusion. There are many times that someone could start a job in a large office and not know to whom they report. Employees in this boat could struggle and quickly become disengaged due to a lack of structure. Instead, even if their manager isn’t in the office when they start, these new employees are centered with others that share their skillset, profession, and similar job title and responsibilities. Once people know where they stand and their core job functions, they will feel secure in their job.

Another term called “Systems thinking” that goes well with the functional structure is a phrase that is becoming more and more popular as the business world evolves. Initially, the term was used strictly for technology professionals. Now, it is being used in almost every aspect of business, including organizational structure. To put it simply, systems thinking means that management is considering how all parts of a job interact. People who excel in systems thinking make excellent technicians because they can troubleshoot (meaning they can identify a problem within a system and work to solve it). Housing the same skillset into one division brings synergy, efficiencies, and effectiveness to an organization. The brainstorming that can take place is almost magical.

**Divisional Structure (Multidivisional)**

The divisional structure is similar to the functional one in that it breaks up the workforce based on a job or projects. Where the functional structure separates employees by their work, the divisional structure splits people on their projects, products, or clients. A good example would be found in a large law firm. There, everyone works in a discrete unit that handles a specific aspect of law.

**Flatarchy Structure Basics**

The flatarchy structure is a newer classification that has become popular with the rise of startups. It is also known as a flat hierarchy. This does not mean that the CEO is on the same level as the accountant, but it does mean that the culture is highly collaborative.

In these forms of structure, communication is vital. Because startups thrive on new ideas and a fast pace, the flat structure may work best thanks to its speed and efficiency.

**Matrix Structure Basics**

The least-used of the structure types, this style uses a matrix to assign employee responsibility. It is the least used because in practice, employees could each have multiple managers to whom they report. For example, a mail clerk might also be in a customer service role. This would not be recommended for a public sector organization.

**Section F – Effective Organization Advantages**

**Effectiveness of Organizational Structures**

There are a few factors that can determine the effectiveness of an entity’s organizational structure. The first and most obvious deals with information flow. Can all employees access the information they need to do their jobs and quickly find an internal hierarchy if they need it? If not, then there is a problem with the organizational structure.
One can look at organizational structure as a COBOL coding script. Within a coding script, if one semicolon is missing, it results in a thousand errors, which keeps the programmer's coding from successfully accomplishing the intended task. Bad communication in the public sector setting is very much the same as the missing semicolon. By communicating well, information flow is now possible, and the intended task can be successfully performed.

A strong organizational structure should be able to be presented visually as well. For example, a pyramid would have the Executive Director at the top and then work its way down to the base. It also provides a quick visual reminder to everyone that they are part of a whole, and while the lowest members may or may not be as irreplaceable, they are the base of your operations. However, in the public sector having a hierarchy that shows layers of executive staff, upper management, management, and lastly staff, the appearance is given of a top-heavy organization (or an upside-down pyramid), where there are less doers and more directors. This appearance can lead the public to believe the organization is not working efficiently and may be wasting taxpayer funds on the processes staff must work through instead of resources going directly to productive hours.

Well-Conceived Structures

Well-conceived organizational structures provide security and transparency to employees. This fosters trust and understanding in staff. In addition, it enables staff to do work that they otherwise would need to bring to their manager. Cohesiveness and lack of confusion are the main advantages of a well-conceived organizational structure.

Security can go a long way in making even a lower level employee feel valued. It also functions as an invitation for employees to contact and collaborate with colleagues above their level because they have the information and the allowance to use it.

Advantages and Benefits of a Functional Structure

Smooth operations are the natural outcome when a functional organizational structure is in place. If your employees do not need to spend their time hunting for email addresses and phone numbers, they have more time to devote to doing their primary job functions. Freeing up employee time in this way also provides a less stressful working environment and makes higher-ups less intimidating.

Functional structures bring about a skill-focused division of professionals that support the goals and objectives of the entire organization, while having their own similar sub-goals and objectives. Further, the leaders of functional division should have similar skillsets and be knowledgeable about the staff they lead. This is important for decision making at the executive level, as well as during staff development and performance evaluations.

Section G – Review Outcomes and IPA Recommendations

An organization's structure is an important factor in how effectively it will operate. Some businesses are more suited to a hierarchical structure that adheres to rigid guidelines and procedures, while others benefit greatly from a structure that allows for free-flowing ideas and linear communication styles. The mechanistic organizational structure uses a top-down approach to management, while organic organizational structure uses a more flexible management style.
Based on the IPA’s analysis, SANDAG faces potential downsides, as described in the previous section, by having a mechanistic type hierarchy structure. Though the most recent organizational structure remains similar, having the same number of layers, it has become somewhat widened; the organization has become top-heavier with more position within the layers, adding more chiefs now referred to as senior executive team, executive team – consisting of many newly promoted director I and director II positions, followed by managers, supervisors, principles or senior staff, and then employees. For an organization that employs fewer than 380 full-time and part-time staff, these layers may lead to an inefficient and ineffective organization with more leaders and directors than less direct working resources. This also leads to the need for more consultants and contracted workers, as projects would be at risk for delayed progress and budget overages. Currently SANDAG relies heavily on contracted work and use of consultants. Typically, the reliance on consultants and other contracted services lead to less retention of institutionalized skillset and knowledge, and can be more costly, including additional cost relating to bidding and ensuring adherence to required rules and regulations. Further, SANDAG gives up control over work product and cost, and the and increased risk of liability and other unforeseen obligations.

SANDAG has a wide range of public service responsibilities. SANDAG, probably more than most other government organizations, employees a variety of professionals consisting of Engineers, Economist, CPA’s, MBA, Attorney’s, Information Technology, Human Resources, Government and Legislative, Communications and Media, Toll Operations, Data Modeling, and Administrative professionals.

Based on the IPA’s review of the organizational structure, listed below are areas that the IPA recommends be further considered by the Executive Director and strategic consultants to increase efficiencies in operations and to improve the organization’s system of control.

The overall recommended structure is functional in nature. References follow each of the recommendation (R1-14) for change to provide other governments with similar perspectives.

R1- Office of the General Counsel

The General Counsel of a government organization that houses a governing body (the Board of Directors at SANDAG) would typically have the General Counsel that reports directly to the Board and functionally report to the Executive Director. This reporting structure ensures that there is minimum potential to impair counsel’s ability to mitigate risk, provide guidance, and make recommendations that are in the best interest of both the Board and the organization. For these reasons, the IPA recommends that the Office of the General Counsel have a dotted (functional) line to the Executive Director and a solid (direct reporting) line to the Board of Directors.

**Organizational Impact:** Control

**Fiscal Impact:** None

**References:** Similar to SANDAG’s Board structure, the County Counsel is the general civil law officer of the county and provides legal services to the Board of Supervisors, county and court officials, and other agencies and districts. The County Counsel is a statutory officer appointed by the Board of Supervisors and serves a four-year term in general law counties and without a term in some charter counties.
Action taken by SANDAG Management: Management implemented the IPA’s recommendation effective January 2020.

R2- Director of Economist and Forecaster

The position of the Economist is to forecast revenues and project cost associated with SANDAG’s major programs.

The IPA is recommending that this office have a solid reporting (administrative/direct) line to the Executive Director with a dotted (functional) line to the Board of Directors (chair and vice chair).

The recommendation stems from the prior incidences of missed forecast and failure to timely identify and adjust for an error that had occurred years prior. For years the original forecast appeared aggressive. In 2016 when Measure A was placed on the ballot, SANDAG had forecasted an estimated revenue of $18 billion, when in fact after the error was finally located and adjusted, the estimated revenues were less than $9 billion. The error and correction occurred after the Measure was placed on the ballot, but the concerns around the aggressive forecast was present. Had the measure passed, the projects that were intended to be funded would have a revenue deficiency. Had the Director of Economist and Forecaster been able to converse directly with the Board (chair and vice chair) regarding the concerns around the seemingly aggressive forecast, and thus be given the ability to make recommendations, the matter may have never risen to the level it did. The end resulted in a loss of the Board’s and public’s trust, and SANDAG’s reputation was damaged.

Another reason to support this type of reporting is one of a futuristic movement in government, to be more proactive versus reactive. SANDAG is a government agency that relies heavily on the forecasted revenues and projected cost. Major Capital Improvement Projects incur cost from the start, during phases of planning, environmental impact reviews, and finally construction. These projects can take years to complete and, in most cases, millions of dollars in funding and revenue obligations. The risk associated with forecasting and cost projects are inherently high. The risk associated with a failure to report due to perceived pressure from the position of the Executive Director or others within the organization due to the reporting structure, might prevent the Economist from reporting unforeseen issues, miscalculations, or other matters that may lead to the need for a forecast correction that would then prevent an overestimation of revenue or underestimation of cost due to an error or change in the economic environment. Failure to make such corrections could also put other funding at risk, such as federal and state matching funds.

By adding a dotted reporting line to the Board of Directors (chair and vice chair) it provides a perceived control that helps prevent potential risk of misreporting or failure to report. It also brings transparency and accountability to the position, and fosters trust for both the Board and the public that SANDAG is working to ensure past mistakes are prevented from occurring again and forecast adjustments can be made if necessary.

Another benefit is that the Director of Economist and Forecaster could help to educate the Board, by meeting with the chair and vice chair on a regular basis without violating the Brown Act. Matters that would provide valuable information around forecasts changes that occur every year due to economic fluctuation or matters regarding forecasting decisions; when it is best to apply a
conservative, moderate or aggressive approach to the forecast, and other relative information that could be provided to the chair and vice chair and help them to determine whether a full presentation to the board would be beneficial.

**Organizational Impact:** Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

**Action taken by SANDAG Management:** Management implemented the IPA's recommendation effective January 2020.

R3- Assistant Executive Director of Finance

SANDAG relies on accurate and timely reporting of revenues and expenditures, independent management of revenue sources, grant management, and expenditures. The Assistant Executive Director of Finance has the responsibility to ensure the budget is properly prepared, funding use is appropriate, budgets are reasonable, and variances sufficiently supported. The Assistant Executive Director of Finance's other duties include tracking cash flow and financial planning, bond and investment management, analyzing the organizations financial strengths and weaknesses, and proposing corrective actions. Further, the Assistant Executive Director of Finance, similar to a treasurer, is responsible for managing the finance and accounting divisions, revenue and grants, as well as collection of revenues and accounts receivables.

SANDAG is an inherently risky organization that relies on revenue forecast and projected cost. Further the Assistant Executive Director of Finance is charged with ensuring system controls around fiscal and operational matters are strong, polices are current and followed, and management override is prevented. The Assistant Executive Director of Finance also has responsibility to ensure that funds budgeted and earmarked are not misused or commingled. That grants are properly tracked, and that cost areas reimbursed in the appropriate fiscal year. The Assistant Executive Director of Finance is the gatekeeper of all monies and expenditures from an oversight standpoint. Lastly, the Assistant Executive Director of Finance should have no perceived impairments or fear of reporting beyond the Executive Director if a fiscal or operational matter that puts the organization at risk.

According to Government Finance Officers Association (GFOA):

> **CFO expected to be the chief enforcer of rules, requirements, and regulations; the technical expert on financial and budget practices and procedures; and the one who provides financial guidance to colleagues and policymakers. The CFO’s overall mission is to maintain the organization’s financial integrity while supporting the delivery of direct governmental services. The CFO must understand the principles of public service and the unique leadership requirements of working in the public sector. He or she must gain the trust of elected leaders and the community by promoting financial transparency along with ethical and reliable financial reporting. The CFO is broadly responsible for financial risk management, financial planning, record keeping, reporting, and related compliance.**

The Assistant Executive Director of Finance, similar to the Director of Economist and Forecaster should provide regular updates and educate the chair and vice chair and also meet when other matters arise that he or she deems important to share with the board chair and vice chair without
risk of a Brown Act violation. The chair and vice chair can then determine if a presentation to the full board would be necessary or beneficial.

The IPA is recommending that the Assistant Executive Director of Finance have a functional (dotted) reporting line to the Board of Directors (chair and vice chair) and a direct (solid) reporting line to the Executive Director.

**Organizational Impact:** Control, Compliance, Performance

**Fiscal Impact:** None

**References:** According to the California State Association of Counties – “In 54 of the 58 counties, the Controller which is equivalent to the Chief Financial Officer of an Organization is an independent, nonpartisan elected office established to provide various accounting and property tax administration services to the county government, special districts, schools and cities. The four counties with appointed officers are: 1) San Francisco, Controller appointed for eight years; 2) Santa Clara, appointed Director of Finance; 3) Los Angeles, appointed Auditor-Controller; and 4) San Diego, appointed Auditor and Controller.”

“The Controller is the chief fiscal officer of the county responsible for budget control, disbursements and receipts, and financial reporting. Also, the position may be combined with the treasurer-tax collector position, with the title Director of Finance.”

Further, like with other Joint Powers (Govt. Code Section 6500) and Special Districts governing code provides that the position of the Controller/Treasurer be appointed by and reportable to the governing board or in some cases with Special Districts, the County elected Auditor/Controller who works jointly with the organization’s governing board.

**Action taken by SANDAG Management:** Management implemented the IPA’s recommendation effective January 2020.

**R4/5- Office of Risk Management and Equal Employment Opportunity**

SANDAG’s current organizational structure houses the two key positions of Office of Risk Management and Equal Employment Opportunity under the Chief Operations Officer. Human Resources is also housed by and reports to the Chief Operations Officer.

Risk management is responsible for the identification, monitoring and mitigation of risk for SANDAG as an organization, for all offices, branches and divisions. This includes those housed under the Chief Operations Officer. For this reason, the risk manager should have a reporting structure that reports directly to the Executive Director where, similar to an auditor, more independence would exist allowing the risk manager to identify, monitor and mitigate risk without fear of retaliation. For a government agency – risk is inherent and a good risk management program that manages risk at the highest level and for the entire organization, lowers the liability around potential risk and risk impact. For this reason, the IPA recommends that the risk manager have a solid reporting line to the Executive Director who is the final decision maker for the organization and ultimately responsible for risk monitoring and mitigation.
Furthermore, the IPA recommends that SANDAG consider a Quality Control (QC) Risk Engineer that would be responsible for mitigating risk from a QC perspective around all design and construction projects that are planned and/or managed by SANDAG. Currently, there is a QC Risk Engineer that performs Federal Transit Administration (FTA) QC reviews around the Mid-Coast project however, QC reviews should be performed on all federally funded projects and other major funded projects, as federal grant requirements include a risk consideration and continuous monitoring component.

Additionally, SANDAG’s Equal Employment Opportunity (EEO) Officer duties are currently housed in the same division as the Risk Manager and Human Resources. The Diversity and Equity (Duties including EEO matters) is also housed under the Chief Operations Officer in the Division of Organization Effectiveness. The EEO Officer function of an organization should be independent from the branch and division that houses human resources. The responsibilities for this position would include an independent review of decisions made by human resources when an employee does not agree with human resources action and seeks an unbiased review. The complaints and reviews may include various matters such as discrimination, harassment, grievance, or unfair treatment complaints against any level of SANDAG senior team, management, supervisors or by another employee. If the employee does not agree with the final decision made by human resources, the employee is entitled to have an independent EEO review performed. Having the EEO responsibilities housed under the same Chief or Director that houses human resources is conflicting and can create bias. Further as with the risk manager, the organization faces potential liability risk when the EEO Officer that staff would look to for final review of an unresolved matter, lacks independence.

The position that embodies these duties of the EEO generally have a solid reporting (direct) line to the Executive Director or CEO of an organization.

The IPA recommends that SANDAG consider forming the Office of Risk Management and Equal Employment Opportunity with staff that are currently holding these titles – Risk Manager, QC Risk Engineer, and Manager of Diversity and Equity.

**Organizational Impact:** Efficiencies, Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

**References:**
Risk Managers and QC Risk Engineer:

Researching government organizational charts was a challenge. Many local and state governments no longer provide a detailed organizational chart online. However, the following references exhibit the importance of having a risk manager report directly to the Executive Director or Chief Executive Officer.

According to PricewaterhouseCoopers authored by Kaan H. Aksel - Organizing a Financial Institution to Deliver Enterprise-Wide Risk Management (page 7 paragraph 3):

> The proposed model establishes a Chief Risk Officer with close reporting ties to the CFO, the CEO, and the Board—ties that structurally facilitate the risk officer's input into risk-related decisions. The CRO may chair or be a member of various risk governance and approval...
committees, ranging from the assets and liabilities committee (ALCO) to the market risk, credit risk, and operational risk committees. Those who head the three major risk management disciplines report directly to the CRO. A multi-disciplinary approach is encouraged by dotted-line relationships to IT and to such control functions as Finance, Internal Audit, and Legal.

According to McKinsey Working Papers on Risk, Number 28 - Strengthening risk management in the US public sector:

> The risk department should reside in a prominent place in the organization: the CRO should either be at the same level as the COO or CFO, or at most one level below, reporting to the CFO. Because the CRO will almost certainly be a political appointee, there should be a deputy CRO who is a career civil servant. That way, the agency will have a qualified lead risk manager to provide continuity in risk-management practices as well as risk-management support and guidance to new appointees.

Orange County places risk management under the CFO which has also been recommended.

Equal Employment Opportunity Officer:

According to the US Dept of Equal Employment Opportunity Commission the EEO Officer should report directly to the head of the agency. Learn more at eeoc.gov/federal/directives/715/section1.cfm.

Best practice - Government Code section 19795, subdivision (a), requires all state agencies to establish and administer an effective equal employment opportunity (EEO) program under the direction of an EEO Officer who is appointed by the director.

calhr.ca.gov/PML%20Library/2013032.pdf

In regard to FTA grant funding--grantee or subrecipients--the FTA requires the following:

2.2.3 Designation of Personnel Responsibility - FTA C 4704.1A: “The designation of an agency’s EEO Officer responsible for EEO Program management and oversight reflects the agency’s EEO commitment. As such, FTA requires agencies to designate an executive as EEO Officer who will report to and is directly responsible to the agency’s CEO/GM…”

For detailed information and requirements regarding EEO responsibility for entities that receive federal grant funds as a grantee or subgrantee additional information can be found at transit.dot.gov/sites/fta.dot.gov/files/docs/regulations-and-guidance/civil-rights-ada/56501/eeo-circular-c-47041a.pdf.

**Action taken by SANDAG Management:** No action has been taken by SANDAG Management.

**R6 - Information Technology**

Currently there are a couple of main areas within the organization where information technology is housed. Most information technology services are housed under the Chief Operations Officer, along with other administrative related divisions and offices such as human resources, communications, office support, marketing, data processing, etc. An additional parcel includes ARJIS, which consists of the criminal data and is housed under the Capital Programs & Regional Services Branch as a single division. Additionally, there may be information technology staff that are embedded throughout the various other branches and divisions. In most government organizations that deal with large sums of data and information technology on the same scale as SANDAG, houses their information technology as an independent branch.

The field of data and information technology is specialized and have a variety of specialists and skill set that includes, programmers, technicians, software development, information security, etc. Accountability, security, and independence around this area should be present and prioritized in any government organization, as the liabilities and risk around matters such as data breaches can be damaging both in cost caused by lawsuits and public perception/trust damage to an organization. Additionally, having a Chief Operations Officer (COO) that does not have sufficient information technology skillset, knowledge, or experience in this field making decisions, developing staff, performing performance evaluations on professionals that are skilled, can be problematic – including impacts on professional morale, staff development, accountability, security, and impact on final decision making by someone that does not have the skillset that may be required. Lastly, various areas within the information technology arena were identified as a risk that should be considered and mitigated as part of the risk assessment process. Further discussion with various staff resulted in a determination that SANDAG lags in information technology, and that there are legitimate concerns around data safeguarding.

The IPA recommends that all matters involving information technology and criminal data (specifically ARJIS) be moved into one branch at the direction of a Assistant Executive Director of Technology that has the skillset and qualifications to manage a variety of information technology staff, make informed decisions, and has the ability to identify, mitigate, and monitor risk for SANDAG where information technology and data management are concerned.

**Organizational Impact:** Efficiencies, Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

**References:**

In an article written by Christophe Veltsos - Where the CISO Should Sit on the Security Org Chart and Why It Matters, January 9, 2018, which states, “In the latest edition of its ‘Global State of Information Security Survey,’ PricewaterhouseCoopers (PwC) found that 40 percent of CISOs, chief security officers (CSOs) or other equivalent information security executives report to CEOs, while 27 percent report to board directors, 24 percent report to a chief information officers (CIO), 17 percent report to a CSO and 15 percent report to a chief privacy officer (CPO). Since PwC’s numbers add up to more than 100 percent and the actual survey questions aren’t provided, these numbers likely include dotted lines of reporting in addition to direct reports.”
The trend continues to move to the Chief Information System Officer (CISO) reporting to a level equal to or higher than the Executive Director of an organization.

Public Utilities Commission Organizational Structure

cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/About_Us/Organization/Structure/Org_Charts/Exe

c%20org%20chart%205-30-19.pdf

CALTRANS reporting structure shows the Deputy Director of Information Technology reporting directly to the Director and Chief Deputy Director of the organization. dot.ca.gov/about-caltrans/departmental-organizational-chart

The California Energy Commission organizational chart displays the position of the Information and Technology Branch reporting directly to the Chief Deputy Director.

R7- Clerk of the Board

The Clerk of the Board generally performs complex and responsible legislative and administrative clerical/secretarial work in connection with the activities of one or more advisory committees of the Board of Directors and performs other duties assigned. The essential functions of this job include: reviewing agenda packages for accuracy and completeness; organizing and preparing agenda for committee meetings; preparing legal notices and official advertising; attending committee meetings, taking notes and preparing minutes; preparing reports related to committee actions; organizing and updating official board files; conducting research and responding to requests from the public and other departments; and performing data entry and database maintenance.

SANDAG is a rather large agency with many Board and committee meetings. The Clerk of the Board often works closely with Board and committee members as well as with the Executive Director and Executive Management. Generally, when a government entity has a governing body, the Clerk of the Board reports functionally to the Board and administratively, or as a direct report, to the Executive Director or Chief Executive Officer.

R8- Government and Legislative Relations

Government and legislative relations deal with how an organization interacts with other government, with governmental regulators, and the legislative and regulatory arms of government and works closely and often jointly at the same time with members of the Board and the Executive Director.

R9- Strategic Communications

Communications deal with how an organization interacts with the public and works closely and often jointly at the same time with members of the Board and the Executive Director. Further, the three offices often work together with matters around public perceptions and associated risk as it relates to SANDAG as well as with bodies of the Board and the Executive Director.

The IPA is recommending for more efficiencies and effectiveness within the organization that the three areas join, creating the Offices of the Clerk of the Board, Government and Legislation
Relations and Strategic Communications, with a direct reporting line to the Executive Director. This will encourage a synergy between the three groups and benefit SANDAG.

**Organizational Impact:** Efficiencies and Effectiveness

**Fiscal Impact:** None

**References:**

Public Utilities Commission Organizational Structure
[cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/About_Us/Organization/Structure/Org_Charts/Exec%20org%20chart%205-30-19.pdf](cpuc.ca.gov/uploadedFiles/CPUC_Website/Content/About_Us/Organization/Structure/Org_Charts/Exec%20org%20chart%205-30-19.pdf)

The California Energy Commission organizational chart displays the offices reporting directly to and/or above the Executive Director. [energy.ca.gov/sites/default/files/2019-11/California Energy Commission Org Chart.pdf](energy.ca.gov/sites/default/files/2019-11/California%20Energy%20Commission%20Org%20Chart.pdf)

**Action taken by SANDAG Management:** Based on the most updated organization chart published January of 2020, Government Relations directly reports to the Executive Director; however, no other actions have been taken by SANDAG Management regarding the additional recommended changes for this category.

**R10/11- Office of Revenue and Grants Management**

SANDAG’s funding sources are widespread, consisting of various federal competitive, formula, and block grants, various transportation type federal funding, a variety of state funding sources, local, tax revenues, other revenues and fees. Additionally, SANDAG is not only a receiver of grant funds, but also a grantor of various grants. The grants applications and awards are numerous and are managed in various manners, including within each of the divisions rather than as a grant office that houses a wealth of experienced grant professionals such as grant writers and monitors that can synergize and work effectively and efficiency for all departments and division within SANDAG, while tracking grant detail, which is currently is not consistently tracked within each of the departments, by grant, grant type, or in totality for SANDAG as an organization.

The other portion of this office should consist of revenue management. The primary role of an office of revenue is to maximize the revenue generating opportunity for revenue both in the public and private sector. SANDAG would benefit by having an office with staff that specializes in revenue generation. Responsibilities would include compiling and analyzing data to make decisions around public and private partnerships, keeping up with market changes and identify trends for revenue generating and researching opportunities around private contributions, and shared services and bonding options. Additionally, this office could also incorporate staff that are responsible for revenue recovery and collection with good controls and proper segregation of duties.

SANDAG in the past, has not met its projected revenue matching ratios. This office would support these efforts that could potentially bring much needed revenue into the organization. Also, keeping revenue and grant generating staff housed under one branch would bring about more controls and limit potential liability around grant or other revenue commitments and obligations that SANDAG management is unaware of and cannot meet in regard to Federal OMB rules and regulations.
The IPA recommends that all funding related responsibilities be housed under the Assistant Executive Director of Finance.

**Organizational Impact:** Efficiencies, Effectiveness, Control, Compliance, Performance

**Fiscal Impact:** None

**References:** Various California State and Local Governments (e.g. Energy Commission, County of Yolo, County of San Diego, etc.)

**Action taken by SANDAG Management:** Though Grants is now housed with Contracts under the direction of the Executive Director of Finance, for greater efficiencies and control, the IPA recommends that all aspects of grants (applications, distribution, oversight including monitoring and tracking), in addition to a revenue opportunity position be housed as one office. Currently, various offices within SANDAG perform a variety of these responsibilities.

**R12/13- Records Management and Public Records Request**

A compliant productive records management program is necessary for organizations to proactively and progressively manage all data, media and information. As the number of laws and severity of punishment governing records management continues to increase, it becomes even more paramount that organizations follow best practices for proper records management. Organizations need to demonstrate “good faith” intentions to follow these best practices consistently and accurately. An organization with a solid foundation of proven successful records management practices will:

- Preserve the right information for the correct length of time
- Meet legal requirements faster and more cost effectively
- Control and manage records management storage and destruction fees
- Demonstrate proven practices of good faith through consistent implementation
- Archive vital information for business continuity and disaster recovery
- Provide information in a timely and efficient manner regardless of urgency of request
- Use technology to manage and improve program
- Integrate policies and procedures throughout organization
- Establish ownership and accountability of records management program
- Arrange for continuous training and communication throughout the organization
- Project an image of good faith, responsiveness and consistency
- Review, audit, and improve program continuously

These features must all exist as part of a compliant records management program. Independently, each represents a good practice; as a unit, they serve as a solid foundation of best practices for records management.
Based on various discussion with staff and responses on the risk assessment survey, SANDAG currently has electronic records saved in multiple locations, including SharePoint 2010 (OASIS), Office 365, website content management, M: drive, individual C: drives, and H: drives. There are many different versions of the same document stored in numerous locations. There should be sufficient time dedicated to sorting out the electronic files and creating a standardized electronic filing system and a records management policy, as well as sorting out and reviewing any hardcopy documents that are stored at an offsite location incurring storage cost for documents that should have been destroyed years ago. SANDAG currently have 2,500+ containers of hard copy records in off-site storage. Holding electronic or hardcopy documents beyond what SANDAG is legally required to also puts SANDAG at unnecessary risk for Public Records Request (PRR) matters that could unfold.

The IPA recommends that there be a full-time records management position for this task and with an additional administrative or paralegal position to manage PRR. Currently, the paygrade performing this task is at the pay scale of an Attorney yet performing this task at this pay scale is not cost effective for SANDAG or an efficient use of resources. The IPA recommends that these positions are housed under the Chief Operations Officer’s Branch that houses other administrative and operational support type offices.

**Organizational Impact**: Control, Compliance, Performance

**Fiscal Impact**: Reduction in cost

**Action taken by SANDAG Management**: No action has been taken by SANDAG Management.

**R14- Movement from “Chief’s” to “Assistant Executive Director’s”**

The IPA recommends that SANDAG Management consider moving away from the wording of “Chief” to a more appropriate wording of “Assistant Executive Director” for each of the positions currently held with the title of Chief as well as the additional recommended position of the Assistant Executive Director of Technology.

**Section H – Summary of Recommendations**

Applying the methodology noted above in consideration of bringing more efficiencies, effectiveness, and systemwide control to SANDAG’s organizational structure, the OIPA developed and provided 14 recommendations. OIPA’s recommendations draw upon input from and dialogue with stakeholders across SANDAG’s organization and research around various types of organizational structure. The recommendations fall into three broad categories:

- **Strategic focus** - Uniting SANDAG’s similar professions and/or tasks of common strategic priorities
- **Role clarity** - Providing clear expectations about responsibilities for SANDAG’s major role players where impact/results or lack thereof could have significant success and/or risk of failure to SANDAG
- **General Administration organizational design** - Structuring administrative type support to better support individuals within SANDAG, provide more independence where needed, bring
stronger system control, and better deploy resources in areas that are most important for SANDAG as a whole

Critical enablers such as strong relationships, trust, and good communication that are essential to support necessary changes are present at SANDAG and with these recommended changes could further engrain these traits into SANDAG. Sections A through F help to support why the recommendations would benefit SANDAG and Section G provides the detail to support the categories that could help further support and bring more success to SANDAG.

Section I – Organizational Chart

Attachment A – SANDAG Current Organizational Chart as of January 2020

Attachment B – OIPA’s Proposed Organizational Chart for SANDAG
* The General Counsel has dotted line reporting to the Executive Director
** The Chief Data Analytics Officer and the Chief Financial Officer have dotted line reporting to the Board of Directors.
* = Under the direction of a Chief Financial Officer all matters involving funds and expenditures should be under one body not with other departments that manage people and projects – hints better control. Further the CFO should have an administrative reporting to the ED but have a functional reporting to the Board as it relates to risk of use of funding, expenditures, contracts, budgeting, and bonds.

** = Direct reporting to Executive Director – independent from all others including Directors and Mgmt. regarding risk mgmt/mitigation and EEO for matters where employees do not agree with HR.

*** = Functional reporting line to the BOD direct/administrative reporting to the ED. This allows for Chief Forecaster to independently report forecasting projects and legal risk to the Board without fear of retaliation.

**** = Admin should not have IT - tech, project/software development, management consultant, and risk mgmt. under a non-technical/admin. Asst. ED of Admin or COO may not maintain enough expertise in the IT profession, thus if a COO is a person doing evaluations and decision making in these matters it may not serve the organization or staff well. Also, Admin should not be involved in review of professional specific staff.

***** = General Counsel should have a direct reporting line to the BOD and a functional reporting line to the ED.
February 19, 2020

TO: Mary Khoshmashrab, Independent Performance Auditor

FROM: Hasan Ikhrata, Executive Director


On behalf of the SANDAG Management Team, we appreciate being informed of the OIPA’s “SANDAG Organizational Structure” report, including recommendations regarding the agency’s structure. As acknowledged in the report, some of these recommendations have already been implemented as part of our initial efforts to improve organization performance. The remaining recommendations have been contemplated and for a variety of reasons, as outlined in Attachment 1, have not been adopted at this time. For reference, the current organization chart is included as Attachment 2.

Since assuming the Executive Director role in December 2018, one of my primary goals has been to implement changes to the agency’s leadership model, management practices, and overall department structure, with the intent of optimizing overall capacity and performance to successfully fulfil our responsibilities as a regional agency. My initial observations and opinions regarding organizational risks and deficiencies were confirmed by our strategic planning/management consultants. Recommendations stemming from the strategic planning work have been addressed through structural changes as well as leadership commitments to improve workplace culture and operating practices. Further improvements designed to ensure SANDAG’s long-term success will be realized through implementation of actions outlined in the Organization Effectiveness Plan.

Establishing the Senior Leadership Team has been the most significant change made to date. The three roles are aligned to the core functional areas of the agency—Chief Planning and Innovation Officer (planning and modeling), Chief Capital and Regional Services Officer (project implementation and service programs), and Chief Operating Officer (internal business operations)—and replace the former single Chief Deputy Executive Director position. Acting together and with my full delegation, the Senior Leadership Team provide oversight for all program areas, drive accountability, define and communicate performance expectations, and ensure resources and efforts are directed toward organizational priorities. Further, each Chief is responsible for overseeing their assigned functional area including day-to-day operations.
The assertion made by the OIPA that recent changes “created even more of a hierarchical and layering of executive staff structure typically found in the public sector but often ineffective in successfully accomplishing objectives” is incorrect. The prior structure had been in place since the Senate Bill 1703 (Peace, 2002) local agency consolidation that occurred in 2003 when there were 178 employees and a personnel budget of $14.5 million. Today, more than 15 years later, with the acquisition of the SR 125 toll facility and an expansion of responsibilities and resource needs throughout the agency, SANDAG has more than 400 employees and a personnel budget of $52.5 million. While I appreciate that a correction to the assertion about the layers of management was made later in the report with the following statement “Though the most recent organizational structure remains similar, having the same number of layers, it has become somewhat widened; the organization has become top-heavier with more positions within the layers,” it is important to note that the restructure added only two executive positions—one is a limited-term position and the other a reclassification of an existing manager-level role.

My primary goal in initiating the agency reorganization was to implement a leadership and management model that emphasizes responsibility and accountability, cross-functional collaboration, effective communication, and a commitment to continual improvement. My decisions to realign teams and functions in support of these objectives were well informed and based on the unique needs of SANDAG. I considered input from a number of sources, including recommendations from the OIPA, insights and expertise from the strategic/management consultants, as well as the Senior Leadership Team’s deep institutional knowledge and demonstrated understanding of the complexities associated with SANDAG’s role and obligations as a regional agency. SANDAG’s current priorities, goals, and responsibilities, existing staffing resources and employee expertise, as well as past experiences and current business practices also were heavily considered in determining the alignment of departments and functions.

Organization structure is only one of the elements that drives performance and influences results. Workplace culture and business operations also play an important role in performance and the three must be considered comprehensively in any assessment of an organization’s effectiveness. The complexity of the agency’s work program in forging a bold and vibrant future the San Diego region demands the adoption of modern organization design principles. In my opinion, a structure that emphasizes cross-functional collaboration, effective communication, and interdisciplinary decision-making practices will yield better results for the region than a purely functional structure. Under my leadership for the past 15 months, SANDAG has worked diligently to unleash employee productivity and performance by actively optimizing the relationships between structure, culture, and operations and has achieved unprecedented levels of success. These practices will continue.

The OIPA report references “best” or “standard” practices for other public agencies and indicates requirements necessary to achieve effectiveness, internal controls, compliance, and performance, but provides scant operational data specific to SANDAG to substantiate the recommendations. In my opinion, some of the recommendations have limited relevance to SANDAG given the nature of our organization and the current environment. Others are unlikely to result in significant improvement to SANDAG’s overall performance given established policies, practices, and procedures. Achieving organization effectiveness is an important responsibility for my role as Executive Director and is an ongoing commitment. I will continue to evaluate the feasibility and potential benefits of any recommendations from the OIPA as part of SANDAG’s efforts toward continual improvement.
In addition to implementing recommendations outlined in the Organization Effectiveness Plan, I am taking a broad and comprehensive approach to ensuring SANDAG’s success as a regional agency. In addition to the restructuring efforts, I have identified three initiatives that will optimize the use of resources and result in improved levels of performance. These include:

- Implementing a new continuous performance management system that emphasizes the alignment of activity to the agency’s priority work, increases accountability, fosters collaboration and communication, and provides ongoing feedback, learning, and professional development opportunities for employees.

- A comprehensive analysis, at the micro level, of the activities SANDAG currently performs to determine if the activity is consistent with SANDAG’s priorities and responsibilities and appropriately resourced. The results of this analysis will be incorporated in the FY 2022 Program Budget.

- A commitment to align the number of personnel resources to the ongoing needs of the organization. In the short-term, staffing levels will remain unchanged from the current year. Existing vacant positions will be reallocated, and in some cases, existing staff will be re-purposed to accomplish agency priorities. SANDAG will continue to use consultants for workload leveling and to access talent that is needed for short duration projects or highly specialized roles that can be difficult to hire.

In FY 2023, SANDAG plans to conduct an evaluation of the reorganization efforts and other initiatives undertaken to determine if they resulted in desired outcomes. In the interim, changes will be implemented as needed.

I appreciate and respect that the OIPA may have a different perspective and recommendations regarding an appropriate organization structure. As Executive Director, and charged with strategic and operational oversight for SANDAG, I am confident I have made well-informed, sound decisions that will drive the highest levels of success and performance for the agency. I encourage the OIPA to continue learning about the goals and needs of SANDAG as the agency’s transformation efforts continue and look forward to having a productive and mutually beneficial partnership.

Attachments:
1. Management Response to the recommendations outlined in the OIPA SANDAG Organizational Structure Report
2. SANDAG Organization Chart, January 2020
Management Response to the recommendations outlined in the OIPA “SANDAG Organizational Structure” Report

Introduction

Management has carefully evaluated the recommendations and underlying justifications outlined in the OIPA’s ‘SANDAG Organizational Structure’ report. Several of the recommendations have already been implemented as part of the initial efforts to improve organization performance. The remaining recommendations were contemplated and for a variety of reasons, have not been adopted at this time. A summary of management’s decisions is included below.

One of the primary goals of the agency restructuring and repurposing of staff positions at all levels is to establish a more agile organization that provides a stable foundation for employees and also allows for cross-functional teams to come together to work on high-priority projects and initiatives. This new organization design has already resulted in significant successes in the agency’s ability to accelerate the following projects:

- The Federal Regional Transportation Plan (RTP) Update had to be expedited to obtain an air quality conformity finding from the Federal Highway Administration (FHWA) before a federal rule that precluded the use of the California emissions model took effect. Adoption of the Federal RTP had been planned for spring 2020 and instead staff completed the plan in fall 2019 for Board and FHWA approval. This allowed SANDAG to update the list of projects in the five-year plan, known as the Regional Transportation Improvement Program or RTIP, and enabled the region to continue to implement the Regional Plan by remaining eligible to receive and allocate state and federal funds to the regionally significant projects.

- The airport ground transportation hub became a priority project one year ago and is now advancing due to recent partnerships with the Regional Airport Authority, the Port of San Diego, the City of San Diego, and the United States Department of the Navy. This level of accomplishment is unprecedented in the prior 15-year period during which this project has been studied.

- The Regional Transportation Plan received a two-year extension from the State of California in order for the agency to completely redesign the plan. The team working on this project will deliver a plan in two years rather than the typical four years.

The “mechanistic” organization design referenced in the OIPA’s report represents what SANDAG has adhered to for many years and is what the agency is moving away from at this time. The flattening of the executive structure is a deliberate action intended to ensure all key functions have a “seat at the table” for real time decision making, internal communication, and resource allocation. Only two positions were added to the executive ranks as part of the reorganization, and many existing roles have been redefined or repurposed to achieve organization goals.
Responses to Specific Recommendations

Recommendation 1: Office of General Counsel

“It... the IPA recommends that the Office of the General Counsel have a dotted (functional) line to the Executive Director and a solid (direct reporting) line to the Board of Directors.”

It is management’s opinion that the Board of Directors should determine the appropriate reporting structure for the Office of General Counsel. A solid line reporting relationship indicates the Board is responsible for hiring the General Counsel, establishing performance goals and expectations, conducting performance evaluations, determining compensation, and providing oversight for other employment-related matters. Currently, these responsibilities are assigned to the Executive Director. Under the current arrangement, the Office of General Counsel clearly communicates that the Board of Directors is its primary client and remains vigilant in ensuring any legal guidance provided to staff in the course of performing their job duties on behalf of SANDAG does not create a conflict of interest. The Office of General Counsel has established and maintains effective practices to avoid and address such conflicts should they arise. Should the Board desire to reconsider the reporting of the Office of General Counsel, they can provide direction to staff to that effect.

Recommendation 2: Director of Economist and Forecaster

“It... the IPA is recommending that this office have a solid reporting (administrative/direct) line to the Executive Director with a dotted (functional) line to the Board of Directors (chair and vice chair).”

Consistent with a prior recommendation from the OIPA, the position of Chief Data Analytics Officer/Chief Economist, which includes responsibilities for consulting and providing technical expertise regarding the agency’s data governance and quality assurance programs, reports to the Executive Director and has a dotted (functional) reporting line to the Board of Directors.

Management noted the OIPA’s report does not reference the SANDAG Plan of Excellence. Introduced by the Board of Directors in late 2017, the Plan of Excellence was a comprehensive response to the requirements and recommendations SANDAG committed to undertake to strengthen the organization through increased transparency and accountability. The Plan of Excellence consisted of more than 35 action items and integrated improvements to business practices and introduced new operational procedures to help SANDAG become a better regional agency. The plan’s components were derived from several sources, one of these being the SANDAG Data Accuracy and Modeling Work Plan, approved by the Board of Directors in February 2017. The work plan outlined seven actions to investigate the Measure A forecasting error, identify the potential impacts, address any substantive problems that may have resulted with the agency’s work products, and put in place policies and safeguards to ensure similar problems do not occur again and that any concerns that may arise are brought to the attention of the Board. The policies and practices established as part of the work plan continued to be followed by staff.
Recommendation 3: Assistant Executive Director of Finance

“…… the IPA is recommending that the Assistant Executive Director of Finance have a functional (dotted) reporting line to the Board of Directors (chair and vice chair) and a direct (solid) reporting line to the Executive Director.”

In response to a recommendation from the Audit Committee to expand the oversight for all agency financial operations, management reclassified the former Department Director of Finance position to create the Chief Financial Officer role and added responsibility for the agency’s Contracts and Procurement, Grants Management, and TransNet Program functions. Consistent with a prior recommendation from the OIPA, this position reports to the Executive Director and has a dotted (functional) reporting line to the Board of Directors.


“…… the IPA recommends that SANDAG consider forming the Office of Risk Management and Equal Employment Opportunity with staff that are currently holding these titles – Risk Manager, QC Risk Engineer, and Manager of Diversity and Equity.”

For the reasons noted in each sub-section below, management does not agree with this recommendation.

“…… the IPA recommends that the risk manager have a solid reporting line to the Executive Director who is the final decision maker for the organization and ultimately responsible for risk monitoring and mitigation.”

It is management’s opinion that realignment of the Risk Manager position would not result in significant improvement to agency performance. All executives, program managers, and project managers are considered risk owners; the Risk Manager serves as an adviser and technical resource to all employees for risk identification, risk mitigation, and risk transfer activities. All employees, including the Risk Manager, are encouraged to discuss and report any concerns, whether they be related to risk or another topic, to an appropriate person within or outside the organization.

“…… the IPA recommends that SANDAG consider a Quality Control (QC) Risk Engineer that would be responsible for mitigating risk from a QC perspective around all design and construction projects that are planned and/or managed by SANDAG.”

It is management’s opinion that SANDAG has effective risk management practices embedded in its capital delivery program. Project teams, consisting of staff and consultants assembled for the design, engineering, and construction phases of capital projects include risk management expertise. The Quality Control (QC) Risk Engineer referenced by the OIPA primarily supports the Mid-Coast Corridor Transit project and other projects as time permits; as the Mid-Coast work declines, the Risk Engineer will provide increased levels of support to other projects. In addition, staff prepare and present reports regarding the status of the capital program to the Transportation Committee and Board of Directors on a regular basis; these reports specifically highlight any risks identified as well as mitigation strategies.
“… the position that embodies these duties of the EEO generally have a solid reporting (direct) line to the Executive Director or CEO of an organization.”

SANDAG takes its civil rights responsibilities very seriously; staff are aware of best practices and the need for eliminating or mitigating potential biases. Each of the four areas of the civil rights program—Equal Employment Opportunity (EEO), Disadvantaged Business Enterprise (DBE), Americans with Disabilities (ADA), and Title VI Social Equity—have been extensively audited and reviewed by state and federal funding agencies and have been deemed compliant with all applicable rules and regulations.

As part of the reorganization and assignment of responsibilities, management elected to continue its practice of assigning oversight for EEO, DBE, and ADA under a single director (formerly the Director of Administration, and now the Director of Organization Effectiveness). Management also elected to consolidate oversight of Title VI Social Equity responsibilities as part of the reorganization and created the Office of Diversity and Equity; this office also leads the DBE Program and Small Business Development initiatives. With regard to reporting and monitoring activities, the Director of Organization Effectiveness (as EEO Officer) and the Director of Diversity and Equity (as DBE Liaison Officer) meet quarterly with the Executive Director to review the effectiveness of the four civil rights program areas. Both Directors are encouraged and expected to consult with the Executive Director at any time to bring forward matters of concern (effectively, a dotted line reporting relationship). It is management’s opinion that the increased level of oversight, service, and coordination of civil rights functions under a single department will be beneficial to stakeholders both inside and outside the organization. It also is management’s opinion that a solid reporting (direct) line to the Executive Director would not increase overall effectiveness of these program areas.

In evaluating who to assign as the EEO Officer, management considered several factors:

- The core responsibilities for the EEO Officer, which include (1) assuring diversity in employment; (2) assuring legal compliance in hiring; (3) developing and implementing a comprehensive and effective Equal Opportunity Employment Program, including monitoring and reporting; (4) identifying and implementing proactive EEO-related policies and programs; and (5) investigating and resolving employee complaints regarding harassment, discrimination, and retaliation.

- The overall effectiveness and past results of the agency’s EEO-related activities.

- A review of past formal complaints from employees regarding harassment, discrimination, and retaliation claims.

- Existing policies and practices.

Given there have been very few formal complaints filed with the California Department of Fair Employment (DFEH) by employees over an extended period of time (interpreted to mean employees have not felt the need to escalate or seek further adjudication of agency-led investigations into workplace concerns), the ‘investigator’ duties for the EEO Officer are limited. Only one claim has been filed with the DFEH in the past 20 years (as far back as records are kept) and this claim was dismissed by the Department within one month. No claims have been filed with the federal
Equal Employment Opportunity Commission (EEOC). Current administrative policies delegate responsibility for all employment-related decisions to a Director, the Senior Leadership Team, or Executive Director, not to Human Resources. This further reduces the risk of bias by Human Resources and the EEO Officer when investigations are conducted. Should the need arise, SANDAG has access to independent investigators to support the review of employee claims and prepare reports for the Executive Director.

The remaining responsibilities for the EEO Officer align closely with the Human Resources function and there is a history of success with the EEO Program. The SANDAG EEO program goal of parity with the San Diego’s region’s civilian workforce has been achieved since 2014 with very few exceptions. The proportion of female and minority job candidates and promoted employees, as well as the overall employee population has been similar to or exceeded the proportion of females and minorities in the local labor market. SANDAG prepares a triennial EEO Program document for review by the Federal Transit Administration and FHWA; these programs have been approved going back as far as 20 years. As an example of a proactive program designed to reduce/eliminate harassment and discrimination, in 2009 SANDAG implemented a “Respect in the Workplace” class for all non-supervising employees as part of its required training program. Under Senate Bill 778, this type of program will become mandatory for certain employers beginning in 2021.

It is management’s opinion that, in the current environment and based on historical data, the current assignment of EEO Officer duties is appropriate for the organization.

Recommendation 6: Information Technology

“…… the IPA recommends that all matters involving information technology and criminal data (specifically ARJIS) be moved into one branch at the direction of a Assistant Executive Director of Technology that has the skillset and qualifications to manage a variety of information technology staff, make informed decisions, and has the ability to identify, mitigate, and monitor risk for SANDAG where information technology and data management are concerned.”

It is management’s opinion that all technology-related systems and services related to core agency operations are consolidated within the Business Information and Technology Services department and that the current Director has the requisite leadership experience, qualifications, and technical skillset necessary to manage a variety of information technology staff; make informed decisions; and identify, mitigate, and monitor risk where information technology and data management are concerned. The OIPA has proposed the Director of Business Information and Technology Services be the equivalent of a Chief Deputy Executive Director and report to the Executive Director due in part to the lack of “sufficient information technology skillset...” of the Chief Operating Officer. The Executive Director does not have this skill set or relevant experience and has assigned oversight of business operations, including all IT services, to the Chief Operating Officer. Management does not agree with this recommendation based on the analysis provided in the OIPA’s report.
To further address concerns raised by the OIPA regarding the agency’s technology-related programs and services, management notes the following:

- SANDAG has formed a 6-member Strategic Counsel, composed of the Chief Planning and Innovation Officer, Chief Capital and Regional Services Officer, Chief Operating Officer, General Counsel, Chief Data Analytics Officer, and Chief Financial Officer. The Strategic Counsel meets regularly with key executives, including the Director of Business Information and Technology Services, to provide oversight, direction, and support for assigned program areas.

- The above-mentioned Strategic Counsel also serve as the IT Steering Committee. This Committee is led by the Director of Business Information and Technology Services and serves to:
  - Establish overall direction and priorities for IT consistent with SANDAG’s strategic initiatives and priority projects.
  - Develop and review relevant administrative policies.
  - Provide guidance for IT planning and investment strategy.
  - Ensure the business needs of SANDAG are being met through the effective delivery of IT services.
  - Identify opportunities for leveraging technology and that the use of IT resources is optimized.
  - Ensure the IT risks are addressed through a risk management process.
  - Review and approve major system changes following formal Change Management practices.

- With regard to ARJIS, it is management’s opinion that this unique, complex, and highly regulated law enforcement service requires leadership skills beyond those typically found in the IT industry. ARJIS staff must demonstrate a specialized understanding of the public safety environment in order to be effective and possess expertise in adhering to the strict requirements and oversight dictated by the state and federal departments of Justice. It is important to note there is a nexus between ARJIS and the IT team. The IT team delivers necessary services to support this important business program and there is a high degree of successful collaboration between these two teams. Given this, management does not support the OIPA’s recommendation to consolidate ARJIS with the functions assigned to the Business Information and Technology Services department.

Recommendation 7: Clerk of the Board
Recommendation 8: Government and Legislative Relations
Recommendation 9: Strategic Communications

“... the IPA is recommending for more efficiencies and effectiveness within the organization that the three areas join, creating the Offices of the Clerk of the Board, Government and Legislation Relations and Strategic Communications, with a direct reporting line to the Executive Director. This will encourage a synergy between the three groups and benefit SANDAG.”

In management’s opinion, synergy between the Clerk of the Board and Government Relations, as recommended by the OIPA, has been accomplished. Coordinating and communicating with Board and Policy Advisory Committee members regarding the setting of meeting agendas, meeting logistics, follow-up
actions, etc. has been a long-standing responsibility of the Government Relations department; these duties are part of the Manager of Government Relations position. When the Clerk of the Board and Executive Assistant responsibilities were separated in 2019, management assigned supervision of the Clerk role to the Manager of Government Relations. The Clerk provides professional administrative support to the manager, Senior Leadership Team, and the Executive Director for a broad range of assigned duties related to the Board of Directors and Policy Advisory Committees.

Consistent with the OIPA’s recommendation, management did consider consolidating the Government Relations and Strategic Communications functions during the reorganization planning phase. While some members of the Strategic Communications department work closely and frequently with the Executive Director, most members of the department are partnering with staff throughout the organization and provide expertise in areas such as media relations, public outreach, marketing, creative design, and document processing. In management’s opinion, oversight and leadership for the Strategic Communications department is best provided by the Chief Operating Officer. It is management’s intention for the Government Relations department also to report to the Chief Operating Officer in a future phase of the reorganization.

Recommendations 10 & 11: Office of Revenue and Grants Management

“…… the IPA recommends that all funding related responsibilities be housed under the Assistant Executive Director of Finance.”

Consistent with the OIPA’s recommendation, management intends to consolidate all aspects of the agency’s grants programs (applications, distribution, monitoring, tracking, and revenue) under the Chief Financial Officer with direct oversight provided by the Director of Contracts and Grants. Changes are expected to be implemented in future phases of the reorganization.


“…… the IPA recommends that there be a full-time records management position for this task and with an additional administrative or paralegal position to manage PRR. ……. the IPA recommends that these positions are housed under the Chief Operations Officer’s Branch that houses other administrative and operational support type offices.”

Consistent with the OIPA’s recommendation, management recognizes the need to establish a robust records management program and has assigned primary responsibility to the Department of Organization Effectiveness. The program will require ongoing collaboration with the Department of Business Information and Technology Services to establish systems, resources, and practices for data storage and retrieval, as well as with the Office of General Counsel to provide legal support and guidance including the development and review of policies related to Public Records Management and records retention.
Regarding public records requests, management is currently working with the Office of General Counsel to evaluate staffing, tools, practices, and other resources necessary to support this function and may implement changes in future phases of the reorganization based on this assessment.

Recommendation 14: Movement from ‘Chiefs’ to ‘Assistant Executive Director’

“…… the IPA recommends that SANDAG Management consider moving away from the wording of ‘Chief’ to a more appropriate wording of ‘Assistant Executive Director’ for each of the positions currently held with the title of Chief as well as the additional recommended position of the Assistant Executive Director of Technology.”

Management is comfortable with use of Chief titles for the most senior-executive level roles within the organization. In contrast to the term Assistant Executive Director, which is used by state government agencies and connotes administrative authority, the term Chief conveys the degree of leadership and responsibility delegated to these positions.
* The General Counsel, Chief Data Analytics Officer and the Chief Financial Officer have dotted line reporting to the Board of Directors.
* The General Counsel, Chief Data Analytics Officer and the Chief Financial Officer have dotted line reporting to the Board of Directors.
Proposed Revisions to SANDAG Board Policy No. 039

Overview
At its January 24, 2020, meeting, the Audit Committee directed staff to develop proposed revisions to Board Policy No. 039 to refine the procedures for selection of Audit Committee members, as well as the requirements for selection of the Chair and Vice Chair of the Audit Committee. Proposed revisions to Board Policy No. 039 are summarized below and attached for the Audit Committee’s consideration.

Key Considerations
State law requires that the Audit Committee be composed of five voting members. Two of those voting members must be members of the Board of Directors; three of those voting members must be members of the public appointed by the Board. Pub. Util. Code § 132351.4.

Appointment of Chair and Vice-Chair
Current policy provides that the Chair of the Board will appoint the Chair and Vice Chair of the Audit Committee every two years or whenever a position is vacant. Current policy permits the Chair and Vice Chair of the Audit Committee to be public members, Board members, or any combination thereof.

The Audit Committee requested that Board Policy No. 039 be revised to require a public member to be selected for either the Chair or Vice Chair position (Attachment 1, section 2.4).

Member Terms
Current policy provides that Board members and public members shall serve a term of two years.

The Audit Committee requested that Board Policy No. 039 be revised to extend the term of public members from two years to four years (Attachment 1, section 4.2.8).

Term Limits
Current policy provides that Board members and public members shall serve on the Audit Committee no more than five years.

The Audit Committee requested that Board Policy No. 039 be revised to remove term limits for Board members and public members (Attachment 1, sections 4.1.4 and 4.2.8).

Next Steps
Upon recommendation of the Audit Committee, proposed revisions to Board Policy No. 039 will be presented to the Executive Committee for review and recommendation to the Board for approval.

John Kirk, General Counsel

Key Staff Contact: Amberlynn Griffin, (619) 595-1405, Amberlynn.Griffin@sandag.org
Attachment: 1. Draft Board Policy No. 039

Action: Discussion/Possible Action
The Audit Committee is asked to recommend to the Executive Committee proposed revisions to Board Policy No. 039.
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. A member of the public shall be selected for either the Chair or Vice Chair position.

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.
4.1.3 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.

4.1.4 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.

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

4.2.1 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.

4.2.2 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.

4.2.3 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.

4.2.4 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.

4.2.5 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.

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

4.2.7 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.
4.2.8 Public members appointed to the Audit Committee shall serve a term of **two-four** 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 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, performance audits of 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.

6.9 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.

6.12 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.

6.13 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.

6.14 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.

6.15 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.

6.16 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.

6.17 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.
6.18 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 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: September 2019