

BOARD MEMBERS

Bill Baber, Chair
Councilmember, City of La Mesa

Bill Wells, Vice Chair
Mayor, City of El Cajon

Alternate At Large

Vacant

PUBLIC MEMBERS

Paul Dostart
Public Member

Stewart Halpern
Public Member

Bob Monson
Public Member

STAFF

Mary Khoshmashrab, CPA
Independent Performance Auditor

Hasan Ikhata
Executive Director, SANDAG



Audit Committee Agenda

Friday, May 22, 2020

12:30 to 2:30 p.m.

****Teleconference Meeting****

- **Board-Requested Audit on Regional Transportation Congestion Improvement Program Fees**
- **FY 2021 SANDAG Financial and Compliance Audit Process**

MEETING ANNOUNCEMENT AMIDST COVID-19 PANDEMIC:

The Audit Committee meeting scheduled for Friday, May 22, 2020, will be conducted virtually in accordance with Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak, Executive Order N-29-20, and the Guidance for Gatherings issued by the California Department of Public Health. Audit Committee Members will primarily participate in the meeting virtually, while practicing social distancing, from individual remote locations.

There are a few options for public participation:

- [Listen to the meeting audio stream through sandag.org](https://www.sandag.org)
- [Observe the Audit Committee meeting via GoToMeeting](#) (registration required)

To register for the GoToMeeting webinar, follow the prompts to enter your name and email address. Members of the public who prefer not to share their names with SANDAG may use initials or a pseudonym; however, to receive a confirmation email, including a link to join the webinar, you will need to enter a valid email address. On the morning of the Audit Committee meeting, click the "Join Webinar" link in the confirmation email. To avoid connection issues, [check your system requirements](#) in advance.

During the GoToMeeting webinar: To minimize/expand the webinar attendee panel, click on the orange arrow at the top right corner of your screen. Attendees will be in "listen only" mode. View [GoToMeeting FAQs](#) for additional information.

SANDAG is relying on commercial technology to broadcast the May 22 Audit Committee meeting via GoToWebinar. With the recent increase of virtual meetings, platforms such as Microsoft Teams, WebEx, GoToMeeting, and Zoom are working to scale their systems to meet the new demand. If we experience technical difficulty or you are unexpectedly disconnected from the broadcast, please close and re-open your browser and click the link to re-join the meeting. SANDAG staff will take all possible measures to ensure a publicly accessible experience. Please note that the meeting will continue to be broadcast audio-only via the "Listen to the meeting" link on [sandag.org](https://www.sandag.org).

Public Comments: Persons who wish to address the Audit Committee on an item to be considered at this meeting, or on non-agendized issues, may email comments to the Audit Committee at clerk@sandag.org (please reference: "May 22 Audit Committee Meeting" in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. on Thursday, May 21, will be provided to Audit Committee members prior to the meeting. Comments received during the meeting will be read into the record at the appropriate time for public comments. All comments received prior to the close of the meeting will be made part of the meeting record.



Welcome to SANDAG. Members of the public may speak to the Audit Committee on any item at the time the Committee is considering the item. Please complete a Request to Comment form located at the Clerk desk. Members of the public may address the Committee on any issue under the agenda item entitled Public Comments/Communications/Member Comments. Public speakers are limited to three minutes or less per person. The Committee may take action on any item appearing on the agenda.

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

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2. Enter the **Meeting Number: 623 991 351**
3. Enter the **Meeting Password: SANDAG**

Mission Statement

The 18 cities and county government are SANDAG serving as the forum for regional decision-making. SANDAG builds consensus; makes strategic plans; obtains and allocates resources; plans, engineers, and builds public transit; and provides information on a broad range of topics pertinent to the region's quality of life.

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Audit Committee

Friday, May 22, 2020

Item No.		Action
+1.	Approval of Meeting Minutes The Audit Committee is asked to approve the minutes from its February 28, 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. Persons who wish to address the Audit Committee on an item to be considered at this meeting, or on non-agendized issues, may email comments to the Audit Committee at clerk@sandag.org (please reference "May 22 Audit Committee Meeting" in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. on Thursday, May 21, will be provided to Audit Committee members prior to the meeting. Comments received during the meeting will be read into the record at the appropriate time for public comments. All comments received prior to the close of the meeting will be made part of the meeting record. Audit Committee members also may provide information and announcements under this agenda item.	
3.	Executive Director's Report <i>Hasan Ikhata, SANDAG</i> An update on key programs, projects, and agency initiatives, including the agency's response to COVID-19, San Diego Forward: The 2021 Regional Plan, and the Airport Connectivity project will be presented.	Discussion
4.	Update on the Office of the Independent Performance Auditor Activities <i>Mary Khoshmashrab, Independent Performance Auditor</i> The Independent Performance Auditor will present an update on the Office of the Independent Auditor's activities and other information sharing events.	Discussion
Reports		
+5.	Audit Committee Members Discussion Regarding Retaining Independent Counsel <i>Mary Khoshmashrab, Independent Performance Auditor</i> The Audit Committee is asked to discuss and take possible action regarding retaining independent counsel to represent the Audit Committee and the Office of the Independent Performance Auditor on audit or other relative matters as it relates to SANDAG.	Discussion/ Possible Action

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| <p>+6. Office of the Independent Performance Auditor Process for Reporting and Posting Reports Online
 <i>Mary Khoshmashrab, Independent Performance Auditor</i></p> <p>The Audit Committee is asked to discuss and provide direction regarding the process for reporting to the Audit Committee and posting finalized and issued reports.</p> | <p>Discussion/
Possible Action</p> |
| <p>+7. Board-Requested Audit on Regional Transportation Congestion Improvement Program Fees
 <i>Mary Khoshmashrab, Independent Performance Auditor</i></p> <p>The Audit Committee is asked to discuss the Board-requested Regional Transportation Congestion Improvement Program Fees audit and direct the Office of the Independent Performance Auditor to allocate audit resources to perform the audit after the completion of the Salaries and Benefits and Contracts audit.</p> | <p>Discussion/
Possible Action</p> |
| <p>+8. FY 2021 SANDAG Financial and Compliance Audit Process
 <i>André Douzdjian, SANDAG</i></p> <p>The Audit Committee is asked to consider whether to (1) recommend to the Board of Directors that the current auditing firm for SANDAG, Crowe LLP, conduct the FY 2021 Financial and Compliance Audit; or (2) issue a new Request for Proposal.</p> | <p>Discussion/
Possible Action</p> |
| <p>9. Continued Public Comments</p> <p>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.</p> | |
| <p>10. Upcoming Meetings</p> <p>The next Audit Committee meeting is scheduled for Friday, June 26, 2020, at 12:30 p.m.</p> | <p>Information</p> |
| <p>11. Adjournment</p> | |

+ next to an item indicates an attachment

March 27, 2020

February 28, 2020, Audit Committee Meeting Minutes

Chair Bill Baber (Board Member) called the meeting of the Audit Committee to order at 12:30 p.m.

Action: **Approve**

The Audit Committee is asked to approve the minutes from its February 28, 2020, meeting.

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 January 24, 2020, meeting. Yes: Chair Baber, Stewart Halpern, and Robert Monson. No: None. Abstain: Paul Dostart (Public Member). Absent: Vice Chair Bill Wells (Board Member).

2. Public Comments/Communications/Member Comments

None.

Reports

3. Executive Director's Report (Discussion)

None.

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

Independent Performance Auditor Mary Khoshmashrab presented an update on the Office of the Independent Performance Auditor's activities and other information-sharing events.

Action: Discussion only.

5. Office of the Independent Performance Auditor Request for Additional Audit Resources – Proposed FY 2021 Budget and Revised Audit Plan (Discussion/Possible Action)

Mary Khoshmashrab presented the item.

Action: Upon a motion by Paul Dostart, and a second by Stewart Halpern, the Audit Committee approved the revised audit plan, and recommended that the Board of Directors approve the Office of the Independent Auditor FY 2021 Budget. Yes: Stewart Halpern, Paul Dostart, and Robert Monson. No: Chair Baber. Abstain: None. Absent: Vice Chair Wells.

6. Office of the Independent Performance Auditor Report on Organizational Analysis of SANDAG (Discussion/Possible Action)

Mary Khoshmashrab presented the item.

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

Action: Upon a motion by Paul Dostart, and a second by Robert Monson, the Audit Committee approved forwarding the organizational analysis to the Board. Yes: Chair Baber, Stewart Halpern, Paul Dostart, and Robert Monson. No: None. Abstain: None. Absent: Vice Chair Wells.

7. Proposed Revisions to SANDAG Board Policy No. 039 (Discussion/Possible Action)

Deputy General Counsel Amberlynn Griffin presented the item

Action: Upon a motion by Paul Dostart, and a second by Chair Baber, the Audit Committee recommended to the Executive Committee proposed revisions to Board Policy No. 039, as amended. Yes: Chair Baber, Stewart Halpern, Paul Dostart, and Robert Monson. No: None. Abstain: None. Absent: Vice Chair Wells.

8. Continued Public Comments

None.

9. Upcoming Meetings

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

10. Adjournment

Chair Baber adjourned the meeting at 1:41 p.m.

Confirmed Attendance at SANDAG Audit Committee Meeting

February 28, 2020

Jurisdiction/Organization	Name	Member/ Alternate	Attended
Board Member	Bill Baber (Chair)	Member	Yes
Board Member	Bill Wells (Vice Chair)	Alternate	No
Public Member	Robert Monson	Primary	Yes
Public Member	Paul Dostart	Primary	Yes
Public Member	Stewart Halpern	Primary	Yes

May 22, 2020

Audit Committee Members Discussion Regarding Retaining Independent Counsel

Overview

The Audit Committee members and staff are asked to discuss setting a policy that would provide the ability to retain independent counsel to represent the Audit Committee and the Office of the Independent Performance Auditor on audit or other relative matters as it relates to SANDAG, should the need arise.

Action: **Discussion/Possible Action**

The Audit Committee is asked to discuss and take possible action regarding retaining independent counsel to represent the Audit Committee and the Office of the Independent Performance Auditor on audit or other relative matters as it relates to SANDAG.

Key Considerations

On January 1, 2018, the newly created [Assembly Bill 805](#) (Gonzalez, 2017) required the creation of a new SANDAG Policy Advisory Committee, known as the Audit Committee, and an independent performance auditor position. Implementation of the requirements included approval of [Board Policy No. 039](#), which specifies the functions of the Audit Committee and the agency's independent performance auditor, and appointment of members of the Audit Committee.

Fiscal Impact:

Unknown

Schedule/Scope Impact:

FY 2021 and forward

The Audit Committee is responsible for making recommendations to the Board of Directors regarding the hiring and oversight of the work of the SANDAG independent performance auditor, the SANDAG annual audit plan, the firm to perform the SANDAG annual financial statement audits, and internal control guidelines for the agency. The Audit Committee also is responsible for monitoring the implementation of any corrective actions arising from the audits. As matters arise, there will be a need to obtain independent legal counsel for guidance and or representation.

Next Steps

At the request of the Audit Committee, the SANDAG legal staff is asked to draft a policy regarding conditions when independent counsel would be permissible and what funding options are available. This would be reviewed for approval at the June 26, 2020, Audit Committee meeting.

Mary Khoshmashrab, Independent Performance Auditor

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

May 22, 2020

Office of the Independent Performance Auditor Process for Reporting and Posting Reports Online

Overview

The Office of the Independent Performance Auditor (OIPA) serves as the Board of Directors' oversight function that objectively evaluates and recommends improvements to the agency, including continuously facilitating an objective risk assessment. The audit functions of the OIPA are designed to include timely reporting of significant issues to appropriate oversight authorities. Furthermore, the OIPA is the official body of the agency to investigate allegations of potential fraud, waste, and abuse identified by agency staff or other stakeholders. Once the investigation into the allegations has been conducted, the OIPA advises the Audit Committee and the Office of General Counsel on whether improper activities occurred.

Action: Discussion/Possible Action

The Audit Committee is asked to discuss and provide direction regarding the process for reporting to the Audit Committee and posting finalized and issued reports.

Fiscal Impact:

None

Schedule/Scope Impact:

None

Key Considerations

The OIPA is seeking direction from the Audit Committee regarding the process for reporting and posting to the OIPA website and providing copies to Audit Committee on completed fraud, waste, and abuse reports, and other finalized and issued OIPA reports.

Next Steps

At the direction of the Audit Committee, the OIPA will provide reports that include the results and recommendations of the OIPA regarding complaints filed through the fraud, waste, and abuse hotline, as well as other OIPA-generated reports. The reports will be provided at each meeting following the month the report is finalized and issued. Thereafter, the OIPA will post the reports to the OIPA public website located on the SANDAG main web site. The Committee is asked to make an action to formalize if necessary.

Mary Khoshmashrab, Independent Performance Auditor

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

May 22, 2020

Board-Requested Audit on Regional Transportation Congestion Improvement Program Fees

Overview

At the February 28, 2020, Board of Directors meeting, Supervisor Jim Desmond requested that the Audit Committee direct the Office of the Independent Performance Auditor (OIPA) to perform an audit on the Regional Transportation Congestion Improvement Program (RTCIP) fees collected since inception, to identify percentage of funds expended for roads and transportation, and to determine if projects funded using RTCIP fees are appropriate, allowable, and in accordance with the ordinance and other guidelines.

Key Considerations

The OIPA will perform an audit to determine the allocation percentages by year for roads and transportation, and whether expenditures to date are allowable, proper, sufficiently supported, and in accordance with the ordinance and other guidelines. The OIPA will ensure there is no duplication of audit efforts with external auditors.

Next Steps

At the recommendation of the Audit Committee, the OIPA will allocate audit resources to perform an audit of the RTCIP Fees and begin the audit after the completion of the Salaries and Benefit and the Contracts audit.

Mary Khoshmashrab, Independent Performance Auditor

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

Action: **Discussion/Possible Action**

The Audit Committee is asked to discuss the Board-requested Regional Transportation Congestion Improvement Program Fees audit and direct the Office of the Independent Performance Auditor to allocate audit resources to perform the audit after the completion of the Salaries and Benefits and Contracts audit.

Fiscal Impact:

None

Schedule/Scope Impact:

FY 2021

May 22, 2020

FY 2021 SANDAG Financial and Compliance Audit Process

Overview

SANDAG Board Policy No. 039 authorizes the Audit Committee to recommend to the Board of Directors which firm to contract with to conduct the annual financial statement audits. To keep the FY 2018 interim audit on schedule, however, a procurement to select an audit firm was necessary prior to the formation of the Audit Committee. This procurement resulted in the execution of a five-year on-call contract with the independent audit firm Crowe LLP.

Key Considerations

The Crowe LLP five-year on-call contract permits SANDAG to issue, on an annual basis, a task order for auditing services for each fiscal year. The auditor has completed the FY 2018 and FY 2019 audits and is commencing work on the FY 2020 audit.

The standard timing for Audit Committee review and approval would be approximately one year prior to fiscal year end to account for the option of a new procurement. For the FY 2020 audit, that decision was made in early FY 2020, around the time the auditor was completing the interim phase of the FY 2019 financial and compliance audit.

At the July 12, 2019, meeting, the Board of Directors approved the Audit Committee's recommendation to exercise the option with Crowe LLP to conduct the FY 2020 SANDAG Financial and Compliance Audit. Annual review and approvals have been scheduled in all future July meetings, so the Audit Committee may have an opportunity to review options and make a decision in accordance with Board Policy No. 039.

For the FY 2021 SANDAG Financial and Compliance Audit, the Audit Committee has the option of continuing with Crowe LLP or issuing a Request for Proposal to choose a firm in accordance with Board Policy No. 039.

Next Steps

At its June 26, 2020, meeting, the Board of Directors is scheduled to consider the recommendation of the Audit Committee for the FY 2021 SANDAG Financial and Compliance audit.

Crowe LLP is scheduled to present the Statement on Auditing Standards 114 (which is a required communication) to the Audit Committee at its June 26, 2020, meeting.

André Douzdjian, Director of Finance

Key Staff Contact: Yen Ho, (619) 699-1942, yen.ho@sandag.org

Attachment: 1. FY 2020 Financial and Compliance Audit Deliverables

Action: **Discussion/Possible Action**

The Audit Committee is asked to consider whether to (1) recommend to the Board of Directors that the current auditing firm for SANDAG, Crowe LLP, conduct the FY 2021 Financial and Compliance Audit; or (2) issue a new Request for Proposal.

Fiscal Impact:

The Crowe LLP agreement annual cost was negotiated at the time of procurement. The \$227,920 annual cost is funded from federal, state, *TransNet*, toll, member assessment, and other revenues. The estimated cost of staff time in conducting a new procurement is \$80,000 not including Audit Committee's time.

Schedule/Scope Impact:

The interim portion of the FY 2020 financial and compliance audit will begin in June 2020.

Annual Financial and Compliance Audit Deliverables

The SANDAG Financial and Compliance Audit Program includes several components with varying due dates. The following schedule provides a listing of each deliverable, including expected completion dates, for the audit:

Audit Service	Report Deliverables Date
Audit of South Bay Expressway Toll Operations ¹	December 15
Audit of SourcePoint	December 15
Audit of Automated Regional Justice Information System	December 15
Audit of the San Diego County Regional Transportation Commission (Commission)	December 15
Certification of the Commission Statement of Cash Flows ²	December 15
Transportation Development Act Fiscal and Compliance Audits ³	December 15
Audit of the SANDAG Comprehensive Annual Financial Report	December 15
Certification of National Transit Database Report ⁴	February 28
Audit of Coronado Bridge Toll Revenues ⁵	February 28
SANDAG Single Audit Report	March 30
Commission Single Audit Report ⁶	December 15
ARJIS Single Audit Report	March 30

¹ Pursuant to requirements of debt covenants for the South Bay Expressway.

² Pursuant to requirements of the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement with the Commission for the Mid-Coast Corridor Transit Project.

³ Pursuant to requirements of the Transportation Development Act Statutes and California Codes of Regulations.

⁴ Pursuant to requirements set forth in 49 CFR Part 630, Federal Register.

⁵ Pursuant to California Street and Highway Code 30796.7.

⁶ Requirement of the TIFIA Loan Agreement with the Commission for the Mid-Coast Corridor Transit Project.