

AUDIT COMMITTEE 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

SANDAG

Audit Committee Agenda

Friday, November 13, 2020

12:30 to 2:30 p.m.

****Teleconference Meeting****

MEETING ANNOUNCEMENT AMIDST COVID-19 PANDEMIC:

The Audit Committee meeting scheduled for Friday, November 13, 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:

- At the time of the meeting, listen to the audio stream through sandag.org
- Submit comments via email to clerk@sandag.org
- To participate via Zoom webinar, click the link to join the meeting: zoom.us/j/98946263134
- To participate via Telephone, dial a number based on your current location
US: +1 669 900 6833 or +1 253 215 8782 or +1 346 248 7799 or +1 929 205 6099 or +1 301 715 8592 or +1 312 626 6799. Webinar ID is 989 4626 3134.
- International numbers available: zoom.us/u/av8HaO4v4

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Public Comments: Persons who wish to address the members on an item to be considered at this meeting, or on non-agendized issues, may email comments to the Clerk at clerk@sandag.org (please reference: "November 13 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, November 12, will be provided to members prior to the meeting. If you desire to provide a live verbal comment during the meeting, please join the Zoom meeting either by computer or phone.

At the time for public comments, members of the public will be advised to "Raise Hand" if they wish to provide comments. The "Raise Hand" feature can be found on the Zoom toolbar for those who are joining via computer or by entering *9 for those who joining via telephone only. The Chair will call on members of the public by name for those joining via a computer and by the last three digits of your telephone number for those joining via telephone. All comments received prior to the close of the meeting will be made part of the meeting record.

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

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

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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, November 13, 2020

Item No.		Action
+1.	<p>Approval of Meeting Minutes</p> <p>The Audit Committee is asked to review and approve the minutes from its October 23, 2020, special meeting.</p>	Approve
2.	<p>Public Comments/Communications/Member Comments</p> <p>Public comments under this agenda item will be limited to five public speakers. Members of the public shall have the opportunity to address the Audit Committee on any issue within the jurisdiction of the Committee that is not on this agenda. Other public comments will be heard during the items under the heading "Reports."</p>	
3.	<p>Executive Director's Report</p> <p><i>Hasan Ikhata, SANDAG</i></p> <p>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.</p>	Discussion
4.	<p>Update on the Office of the Independent Performance Auditor Activities</p> <p><i>Mary Khoshmashrab, Independent Performance Auditor</i></p> <p>The Independent Performance Auditor will present an update on activities and other information sharing events.</p>	Discussion
Reports		
+5.	<p>Proposed Action Plan: Salaries and Compensation Program Audit</p> <p><i>Hasan Ikhata, Ray Traynor, and Jim Linthicum; SANDAG</i></p> <p>The Audit Committee is asked to provide input and recommendations on the Proposed Action Plan, and other required next steps, for further consideration by the Board of Directors.</p>	Discussion/ Possible Action
+6.	<p>Audit Committee: Audit Review Process</p> <p><i>Stewart Halpern, Audit Committee</i></p> <p>The Audit Committee is asked to discuss and consider adopting process improvements for reviewing audit reports and other products.</p>	Discussion/ Possible Action
7.	<p>Independent Performance Auditor Evaluation</p> <p><i>Bob Monson, Audit Committee</i></p> <p>The Audit Committee will consider the performance evaluation of the Independent Performance Auditor.</p>	Discussion/ Possible Action
8.	<p>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>	

9. Upcoming Meetings

Information

The next Audit Committee meeting has not yet been scheduled.

10. Adjournment

+ next to an item indicates an attachment

November 13, 2020

October 23, 2020 Audit Committee Meeting Minutes

Chair Bill Baber (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 Stewart Halpern (Public Member) and a second by Chair Baber, the Audit Committee approved the minutes from its October 23, 2020, meeting.

The motion passed.

Yes: Chair Baber, Stewart Halpern, Robert Monson (Public Member), and Paul Dostart (Public Member).

No: None. Abstain: None. Absent: Vice Chair Bill Wells (Board Member).

Action: **Approve**

The Audit Committee is asked to review and approve the minutes from its October 23, 2020, meeting.

2. Public Comments/Communications/Member Comments

Stewart Halpern spoke regarding items to be agendaized for future Audit Committee meetings.

3. Executive Director's Report (Discussion)

Executive Director Hasan Ikhtrata presented 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.

Action: Discussion only.

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

Independent Performance Auditor Mary Khoshmashrab presented an update on activities and other information sharing events.

Action: Discussion only.

Reports

5. Request to Move the November 20, 2020, Meeting to November 13, 2020 (Discussion/Possible Action)

Due to a scheduling conflict with an Audit Committee member, Chair Baber requests that the Audit Committee consider moving the meeting from November 20, 2020, to November 13, 2020, at 12:30 p.m.

Action: Upon a motion by Paul Dostart and a second by Bob Monson, the Audit Committee approved moving the meeting from November 20, 2020, to November 13, 2020, at 12:30 p.m.

The motion passed.

Yes: Chair Baber, Vice Chair Bill Wells, Stewart Halpern, Robert Monson, and Paul Dostart. No: None.

Abstain: None. Absent: None.

6. Closed Session: Public Employee Performance Evaluation (Government Code Section 54957 (b)(1))

Title: Independent Performance Auditor

7. Continued Public Comments

None.

8. Upcoming Meetings

The next Audit Committee meeting is scheduled for Friday, November 13, 2020, at 12:30 p.m.

9. Adjournment

Chair Baber adjourned the meeting at 1:53 p.m.

Confirmed Attendance at SANDAG Audit Committee Meeting

October 23, 2020

Jurisdiction/Organization	Name	Member/ Alternate	Attended
City of La Mesa	Hon. Bill Baber	Member	Yes
City of El Cajon	Hon. Bill Wells	Alternate	Yes
Public Member	Paul Dostart	Primary	Yes
Public Member	Stewart Halpern	Primary	Yes
Public Member	Robert Monson	Primary	Yes

November 13, 2020

Salaries and Compensation Audit: Proposed Action Plan

Overview

A Proposed Action Plan (Plan), prepared in response to the Salaries and Compensation Performance and Compliance Audit (audit) performed by the SANDAG Office of the Independent Performance Auditor (OIPA) in August 2020, has been developed. The Audit Committee is asked to review and provide input on the Plan prior to its review and discussion by the SANDAG Board of Directors.

Key Considerations

The Board received the audit report at its meeting on September 18, 2020, and directed staff to develop an action plan that incorporates Board input and Audit Committee recommendations. The draft Plan (Attachment 1) was developed by management and reviewed by OIPA. It outlines the commitments and changes SANDAG will introduce and the activities the agency will undertake in response to the recommendations noted in the audit.

Management intends to implement most of the recommendations as part of the agency's commitment to continual improvement, recognizing that adoption of additional policies and controls directly supports the highest levels of organization performance. The Plan describes the policies, procedures, and processes that are within management's purview to develop and implement. The Plan also notes the responsible Executive Team member and an estimated timeline for completion for each proposed action. Work toward achieving several of the proposed actions has been initiated.

The Plan also identifies recommendations that are within the Board's purview. Management has proposed actions to support achievement of many of these recommendations; others have been noted as pending direction from the Board. Finally, the Plan notes where no action is proposed to be taken. In most instances, this is consistent with recommendations from the Audit Committee. In some cases, fulfillment of the recommendation, or an alternative action, has been described in the Management Response/Revised Management Response to the audit. Further input from the Audit Committee and the Board will be incorporated into the Plan.

Action: **Discussion/Possible Action**

The Audit Committee is asked to provide input and recommendations on the Proposed Action Plan, and other required next steps, for further consideration by the Board of Directors.

Fiscal Impact:

The Proposed Action Plan includes activities that will incur expenses. Many are expected to fall within the agency's usual operational budget. Additional anticipated expenses, if any, will be included in the FY 2022 program budget.

Schedule/Scope Impact:

The Proposed Action Plan describes a series of activities to be completed by June 2022.

Next Steps

The Board will consider the Plan, including input from the Audit Committee, at its meeting on November 20, 2020. Implementation of the Plan's actions shall proceed according the estimated completion dates, and periodic updates shall be provided.

Hasan Ikhata, Executive Director

Key Staff Contacts: John Kirk, (619) 699-1997, john.kirk@sandag.org
Andre Douzjian, (619) 699-6931, andre.douzjian@sandag.org
Melissa Coffelt, (619) 699-1955, melissa.coffelt@sandag.org

Attachment: 1. Salaries and Compensation Audit: Proposed Action Plan

PROPOSED ACTION PLAN FOR IMPLEMENTING THE SALARY AND COMPENSATION PERFORMANCE AND COMPLIANCE AUDIT RECOMMENDATIONS

The SANDAG Office of the Independent Performance Auditor (OIPA) completed a Salaries and Compensation Performance and Compliance Audit (audit) in August 2020. The report was presented to the SANDAG Board of Directors (Board) on September 18, 2020 and the following motion was approved:

To receive the Auditor's report and request that staff create an action plan to be brought to the Audit Committee and the Board for consideration; to the extent possible, staff should incorporate into the action plan all the comments of the Board today as well as the recommendations from the Audit Committee; Direct Executive Committee to retain an outside law firm to investigate any allegations of illegality and impropriety included in the audit.

This proposed Action Plan (Plan) has been prepared by management in response to the 37 recommendations identified in the audit report. The Plan incorporates Board input, Audit Committee recommendations, and feedback from OIPA, and summarizes the actions SANDAG intends to undertake. Periodic progress updates shall be reported.

Finding I Recommendations

To ensure that SANDAG's Board properly governs and develops a system of internal controls over salaries, compensation, and benefits, the Board should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. Assume ownership of and update the Board's Administrative Rules and Regulations, including but not limited to,</p> <ul style="list-style-type: none"> • Citations of the applicable laws and regulations for which SANDAG will follow with regard to salaries, compensation, and benefits. • Define the responsibility for SANDAG management to create and update an Employee Handbook that is aligned with Board Bylaws, Policies, Administrative Rules and Regulations, and Manuals. 	<p>Management shall review and propose updates, including additional language, to the SANDAG Bylaws and Board Policy No. 017 (Delegation of Authority), for Board consideration and approval, that further defines the Board's expectations and the Executive Director's scope of responsibility regarding creating and maintaining the SANDAG Employee Handbook.</p> <p>Consistent with the Audit Committee's recommendation, management shall present the Employee Handbook to the Board for ratification of the employment decisions made by the Executive Director pursuant to the standards set forth in the Handbook.</p>	<p>General Counsel and Director of Organization Effectiveness</p> <p>Due: 6/30/2021</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>2. Strengthen and amend the Board's Bylaws, and other Board Policies as necessary, to ensure consistency and clarity of Board documents, including but not limited to,</p> <ul style="list-style-type: none"> • Document that the Executive Director's authority is limited subject to the Administrative Rules and Regulations, rather than Administrative policies and manuals, for administration of SANDAG business. • Document the hierarchy of Board Bylaws, Policies, Administrative Rules and Regulations, and management procedures and the Employee Handbook to ensure that management is aware of and adhering to the highest authority. • Clarify Board policy to ensure that sections pertaining to the Executive Director's authority to administer SANDAG's personnel system are clearly indicated. 	<p>Management shall propose updates to the SANDAG Bylaws and applicable Board policies, for Board consideration and approval, that</p> <ul style="list-style-type: none"> • Fully document the scope and limit of the Executive Director's authority, • Document the hierarchy and relationship of the Bylaws, Board policies, Employee Handbook, and other administrative policies, and • Clarify the Executive Director's responsibilities with respect to administering the personnel system. 	<p>General Counsel</p> <p>Due: 6/30/2021</p>
<p>3. Evaluate retaining General Counsel for the Board to conduct legal research, prepare ordinances, resolutions, memoranda, administrative rules and regulations, and other legal documents, and advise the Board of Directors, and keep the Board apprised of its obligations for following applicable laws and regulations, and to ensure that Board documents are properly retained and changes approved by the Board to Board Bylaws, policies, and other documents are completed and tracked.</p>	<p>No action proposed. The Office of General Counsel currently performs these tasks and is accountable to the Board of Directors pursuant to both SANDAG's organizational structure as well as per ethical mandates.</p>	<p>Implementation of this recommendation is not planned.</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>4. Require SANDAG management to acknowledge that they are aware of and complying with the Board Bylaws, Policies, Administrative Rules and Regulations, and Manuals upon being hired and on an annual basis thereafter.</p>	<p>Consistent with the Audit Committee's recommendation, management shall require all employees to acknowledge receipt of the Employee Handbook and SANDAG Bylaws at the time of employment and annually thereafter. Language reflecting this requirement will be incorporated into the next version of the Handbook; processes and procedures related to this activity will be documented. For new employees, acknowledgement will be incorporated into existing job offer/job acceptance practices. A new process will be developed and implemented for the annual acknowledgement by existing employees.</p>	<p>Director of Organization Effectiveness</p> <p>Due: 3/31/2021</p>

Finding II Recommendations

To ensure that management cannot approve termination payments that exceed the amounts set forth in Board policies and rules and regulations, the Board should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. Formally investigate the legality of management's actions of granting severance pay to employees who resigned without pending litigation, and the granting of the exception for paying more than 25% of sick leave to employees who voluntarily resign from SANDAG, and failure to report payouts to the Board in order to determine whether any personnel action should be taken against individuals for breach of fiduciary duty.</p>	<p>As an initial step, the Board has provided direction to the Executive Committee to hire outside law firm to conduct the investigation noted in this recommendation. Management will fully cooperate. The Executive Committee is anticipated to brief the Board at the conclusion of the investigation and may provide recommendations for the Board's consideration pending the outcome of the investigation.</p>	<p>Executive Committee</p> <p>The timeline for the investigation, and any follow-up action, is currently unknown. An estimated completion date shall be identified and communicated as soon as practicable.</p>
<p>2. Require management to develop and formalize procedures, including but not limited to,</p> <ul style="list-style-type: none"> Ensuring termination pay is paid consistent with the Administrative Rules and Regulations set forth in Board policy. Process for requesting approval from the Board for making termination payments not expressly written stated in the Board Policies and Administrative Rules and Regulations. 	<p>Management shall review and clarify existing administrative policies, and develop additional procedures, related to separation/termination pay, including a process for seeking Board approval in the event a proposed transaction is not expressly covered by Board policy. Further, consistent with the Audit Committee's recommendation, management shall propose updates to the SANDAG Bylaws and/or relevant Board policies, for Board consideration and approval, pertaining to setting and reporting any future severance payments to the Board.</p>	<p>General Counsel, Chief Financial Officer, and Director of Organization Effectiveness</p> <p>Due: 6/30/2021</p>
<p>3. Require staff responsible for implementing procedures related to termination pay training on updated procedures.</p>	<p>Following implementation of Recommendation II.2, management shall develop and provide training to designated employees regarding new and/or revised agency processes and procedures related to separation/termination pay.</p>	<p>Chief Financial Officer and Director of Organization Effectiveness</p> <p>Due: 12/31/2021</p>

Finding III Recommendations

To ensure that management and Board members cannot approve salary increases and large dollar payouts without justification, the Board should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. Formally investigate the legality of management's actions of granting large dollar salary increases and bonuses to the former Chief Deputy Executive Director, and failure to report the payouts to the full Board in order to determine whether any personnel action should be taken against individuals for breach of fiduciary duty.</p>	<p>As an initial step, and similar to the response to Recommendation II.1, the Board has provided direction to the Executive Committee to hire outside law firm to conduct the investigation noted in the recommendation. Management will fully cooperate. The Executive Committee is anticipated to brief the Board at the conclusion of the investigation and may provide recommendations for the Board's consideration pending the outcome of the investigation.</p>	<p>Executive Committee</p> <p>The timeline for the investigation, and any follow-up action, is currently unknown. An estimated completion date shall be identified and communicated as soon as practicable.</p>
<p>2. Rescind all delegated authority to award salary increases and bonuses until such time as the investigation has taken place and appropriate controls have been implemented to ensure that abuse of the performance incentive program does not occur.</p>	<p>Consistent with the Audit Committee's recommendation, no action proposed. The actions described in response to Recommendations III.3, IV.1, VI.1, VI.2, and VI.3 address the introduction of policies and procedures, at both the Board and management level, related to the award of performance rewards.</p>	<p>Implementation of this recommendation is not planned.</p>
<p>3. Clarify the responsibility of the Board Members acting in the capacity of the Chair and Vice Chair, to report actions taken on behalf of the full Board to ensure the Board is aware concerning awarding salaries increase and performance incentive pay.</p>	<p>Consistent with the Audit Committee's recommendation, management shall propose updates to the SANDAG Bylaws and/or relevant Board policies, for Board consideration and approval, that clarify the authority of Board leadership, as well as any reporting protocol for specified actions.</p>	<p>General Counsel</p> <p>Due: 6/30/2021</p>

Finding IV Recommendations

To ensure that SANDAG's Board is properly informed of SANDAG business and information is presented clearly, accurately, and timely, the Board should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. Create and promulgate a Board policy defining special compensation for SANDAG employees.</p>	<p>Consistent with the Audit Committee's recommendation, management shall develop, for Board consideration and approval, an administrative policy defining special compensation and the conditions for payment that meets the requirements of California Code of Regulations, Title 2, section 571(b) and any other applicable laws and regulations. The approved administrative policy shall be incorporated into the Employee Handbook; future updates to the administrative policy shall be presented to the Board for approval.</p> <p><i>Note: This action is responsive to the CalPERS Retroactive Special Compensation Adjustment audit completed in June 2020.</i></p>	<p>Director of Organization Effectiveness</p> <p>Due: 2/28/2021</p>
<p>2. Create and promulgate a policy which addresses the nature and timing of information that SANDAG management and staff should present to the Board and the public, including but not limited to,</p> <ul style="list-style-type: none"> Responsibility of management to present salary and special compensation tables as a separate agenized resolution at least annually, properly date approved schedules, and post the approved schedules on SANDAG's website. 	<p>Consistent with the Audit Committee's recommendation, management shall develop and document an administrative policy and procedure for presenting changes to salary range and special compensation tables to the Board for consideration and approval, and other related actions, that meets the requirements of California Code of Regulations, Title 2, sections 570.5 and 571(b), and any other applicable laws and regulations.</p>	<p>Chief Financial Officer and Director of Organization Effectiveness</p> <p>Due: 6/30/2021</p>
<p>3. Require management to develop and formalize procedures for budgeting and reporting financial information, specifically salaries and benefits information, to the Board in accordance with applicable laws, regulations, Board Bylaws, and Board Policies.</p>	<p>Management shall review and clarify existing practices and procedures, and prepare additional documentation, regarding the budgeting, reporting, and general communication of salary and benefits information to the Board.</p>	<p>Chief Financial Officer and Director of Organization Effectiveness</p> <p>Due: 6/30/2021</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>4. Require management to update its methodology and formalize procedures for determining the total Annual Compensation Pool and in alignment with Board defined special compensation and approved special compensation tables.</p>	<p>Management shall review and clarify existing practices and procedures, and prepare documentation, regarding preparation and communication of the annual compensation adjustment pool recommended to the Board, and consistent with the special compensation administrative policy.</p>	<p>Chief Financial Officer and Director of Organization Effectiveness</p> <p>Due: 6/30/2021</p>
<p>5. Requirement (sic) management to develop and formalize a procedure for reconciling the Annual Compensation Pool to amounts awarded to employees and report performance incentives earned by employee name, title, amount, and period earned in accordance laws and regulations.</p>	<p>Management shall develop and document procedures for reconciling the annual compensation adjustment pool to the actual compensation adjustment amounts awarded. Further, management shall review the procedures with those employees with responsibilities related to the reconciliation of annual compensation adjustments upon implementation, and in advance of each reconciliation process. Procedures for reporting bonus payments (performance incentives) in accordance with applicable laws and regulations shall be developed as part of implementing Recommendation V.2.</p>	<p>Chief Financial Officer</p> <p>Due: 12/31/2021</p>
<p>6. Require staff to review formalized policies and procedures to ensure staff is aware of their roles and responsibilities for receiving and documenting approvals of salary schedules and special compensation.</p>	<p>Following implementation Recommendation IV.2, management shall require those employees with responsibilities related to the preparation and presentation of salary range and special compensation tables to the Board to review and acknowledge their understanding of related policies and procedures on an annual basis.</p>	<p>Director of Organization Effectiveness</p> <p>Due: 12/31/2021</p>

Finding V Recommendations

To ensure that SANDAG has adequate procedures in place to ensure the accuracy and reliability of SANDAG's financial information the Board should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. Require Financial Services to create and formalize procedures for reallocating special compensations costs to projects, including but not limited to</p> <ul style="list-style-type: none"> • Verifying that fringe benefits and overhead are not charged when bonuses are charged to projects. • Reallocations are supported by employee timesheets to ensure that costs are correctly allocated to projects. • The total amount of bonuses charged to projects reconciles to the bonuses approved by the Executive Director. 	<p>Management shall review and clarify existing procedures, and develop, document, and implement additional procedures, for appropriately allocating the costs associated with employee performance bonuses to projects.</p>	<p>Chief Financial Officer</p> <p>Due: 12/31/2021</p>
<p>2. Require Financial Services to develop and formalize procedures for reporting special compensation to CalPERS in accordance with applicable laws and regulations, including documenting that Financial Services has reviewed that amounts were accurately reported for periods earned.</p>	<p>Management shall review and clarify existing procedures, and develop, document, and implement additional procedures, for correctly reporting special compensation items to CalPERS, consistent with applicable laws and regulations.</p>	<p>Chief Financial Officer</p> <p>Due: 12/31/2021</p>
<p>3. Require Financial Services to review the allocations for bonuses paid, identify whether bonus amounts were accurately reallocated to projects based on supporting time sheets and other documentation, and correct any amounts not properly charged to projects.</p>	<p>Management shall review the cost allocation for past bonus payments with the agency's outside auditors and will take remedial steps if expenses should have been charged in a different manner. Further, as noted in response to Recommendation V.1, management shall review and clarify existing procedures, and prepare additional documentation for appropriately allocating the costs associated with bonus payments to projects.</p>	<p>Chief Financial Officer</p> <p>Due: 12/31/2021</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>4. Require Financial Services to update accounting procedures to address the issues identified in this report, including but not limited to, ensuring procedures are clearly and concisely written, control activities are clearly stated, the document is properly indexed and dated, and login information, passwords, and other confidential information is removed.</p>	<p>Management shall review existing accounting practices and update procedures to ensure proper controls are in place related to payroll processing functions. As part of this review, management will address the issues noted in the audit report.</p>	<p>Chief Financial Officer Due: 12/31/2021</p>
<p>5. Require staff to review formalized policies and procedures to ensure staff is aware of their roles and responsibilities for ensuring sound financial practices within SANDAG.</p>	<p>Management shall require designated employees to review and acknowledge receipt of policies and procedures related to the agency's financial practices, on at least on a biannual basis, or upon implementation of significant policy/procedure updates, to ensure employees understand their roles and responsibilities.</p>	<p>Chief Financial Officer Due: 12/31/2021</p>
<p>6. Require all SANDAG employees to acknowledge that they have read and understand their fiduciary duties as provided in Board Policy 041 and their obligation to report fraud, waste, and abuse, as well as, their protection as a whistleblower as provided in Board Policy 039.</p>	<p>Management shall require all employees to acknowledge awareness of SANDAG Board Policy Nos. 041 (Internal Control Standards) and 042 (Policy of Reporting Procedures and Form for Fraud, Waste, and Abuse). This activity is anticipated to occur in conjunction with the annual employee acknowledgement of the Employee Handbook.</p>	<p>Director of Organization Effectiveness Due: 3/31/2021</p>

Finding VI Recommendations

Based on the auditor's review, and to ensure adequate controls over approvals over performance incentives and special compensation the Board of Directors should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
1. Require management to develop and seek Board approval a special compensation table, which defines the amounts to be awarded to employees, in accordance with applicable laws and regulations and aligned with the Board's defined special compensation plan on an annual basis.	Consistent with the Audit Committee's recommendation, management shall present a special compensation table to the Board for consideration and approval on an annual basis, as part of the annual program budget, that meets the requirements of California Code of Regulations, Title 2, section 571(b) and any other applicable laws and regulations.	Director of Organization Effectiveness Due: 6/30/2021
2. Require management to develop and formalize procedures for a consistent methodology which identifies the performance ratings employees should attain in order to qualify for performance incentives on an annual basis, including but not limited to, documenting approvals, recommendations, and justification of amounts awarded.	Management shall review and clarify procedures, and prepare additional documentation, to further support the award of compensation adjustments (merit increases and bonus awards) to employees, including eligibility criteria, the review and approval process, and preparation and maintenance of supporting documentation.	Director of Organization Effectiveness Due: 9/30/2021
3. Require staff to review formalized procedures for completing performance evaluations, recommending performance incentives, and approving performance incentives to staff to ensure they understand their roles and responsibilities.	In conjunction with implementing Recommendation VI.2, management shall develop additional reference materials and provide training to supervisors and management regarding the completion of performance evaluations, and the preparation and approval of compensation adjustment recommendations for employees.	Director of Organization Effectiveness Due: 9/30/2021
4. Require Financial Services to develop and formalize a procedure for reconciling the performance incentives paid to employees to the amounts approved by management.	In conjunction with implementing Recommendation IV.5, management shall develop and document procedures for reconciling the compensation adjustment amounts provided to employees with the amounts approved by management.	Chief Financial Officer Due: 12/31/2021

Finding VII Recommendations

To ensure that SANDAG has an adequate process for determining and setting salary ranges, SANDAG's Board should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. Establish and formalize policies and procedures to regularly complete salary comparison surveys and analysis, including but not limited to</p> <ul style="list-style-type: none"> • Explain when and how it will complete a salary survey, including a methodology it will use to determine these entries against which it compare itself, and how it uses the results to determine the increases in salaries and benefits. Further it should provide justification to the Board when deciding to increase salaries above the amounts that the salary survey. E.g. Chief Economist, Clerk of the Board, and other key positions identified by SANDAG. • Develop a schedule for ensuring that salary positions are included on the salary comparison surveys. • Require that SANDAG create duty statements for each position within the organization. 	<p>Management shall develop an administrative policy and procedures for maintaining SANDAG salary ranges including the general methodology used for conducting periodic market salary range studies, analyzing survey results, and preparing recommendations for salary range changes. Action pertaining to the development of duty statements is addressed in the response to Recommendation VII.3.</p>	<p>Director of Organization Effectiveness</p> <p>Due: 12/31/2021</p>
<p>2. Request management to conduct a job analysis by gathering, documenting, and analyzing information about the job duties to determine the activities and responsibilities.</p>	<p>No action proposed. Management shall continue to monitor and maintain the classification specifications (Class Specs) that were comprehensively reviewed, updated, and implemented in FY 2017 as well as the additional Class Specs developed and implemented in 2019 as part of the agency reorganization. Job analysis will continue to be performed as needed, and information obtained during the preparation of job descriptions for all positions (see Recommendation VII.3) also will be used to maintain Class Specs.</p>	<p>Implementation of this recommendation is not planned.</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>3. Request management to develop job duty statements in compliance with applicable laws, regulations, and best practices for each position within SANDAG. The qualifications necessary for performing the job and the conditions under which work is performed.</p>	<p>Management shall require development and maintenance of job descriptions for all positions. Human Resources shall be assigned responsibility for researching current best practices and recommending a job description template; developing, documenting, and implementing a process and procedure to support development and ongoing maintenance of job descriptions; and coordinating the preparation of job descriptions with input provided by supervisors and employees.</p>	<p>Director of Organization Effectiveness</p> <p>Due: 6/30/2022</p>

Finding VIII Recommendations

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. SANDAG should update agency documents, including its organizational charts and job titles to reflect accurate employee names, job titles, and other relevant information.</p>	<p>Management shall review and update agency systems and documents to ensure accurate and consistent use of employee names, job titles, and other relevant information. Further, processes and standards will be developed and implemented to ensure maintenance of systems and documents.</p>	<p>Director of Organization Effectiveness</p> <p>Due: 12/31/2021</p>
<p>2. Revert salaries for high level positions to salaries prior to the September 2019 salary schedule revisions.</p>	<p>Consistent with the Audit Committee's recommendation, no action is proposed.</p>	<p>Implementation of this recommendation is not planned.</p>
<p>3. SANDAG should complete a needs assessment, which includes a cost benefit analysis for positions added and promotions in place to the level of Chief Executive Director, Director II, and manager to determine whether the number of management positions at the current levels is necessary and can be justified. Further, the reporting structure and hierarchy should be reviewed to ensure consistency and that positions within job classifications are reporting to management with the necessary skills and experience to management the workload.</p>	<p>Consistent with the Audit Committee's recommendation, no action is proposed. Furthermore, as described in the Management Revised Response (see p.27), an examination of the agency's organization structure was included as part of the strategic planning project undertaken in 2019. The review was conducted, and recommendations were prepared, by experienced management consultants, who worked in a deliberative and collaborative manner with Executive Director to address the needs of the agency with respect to leadership oversight and operational effectiveness. The Management Revised Response (see p.25) also addresses the conclusion that a significant number of executive-level positions have been added to SANDAG and explains how existing executive-level roles have been repurposed to achieve the recommended organization structure.</p>	<p>Implementation of this recommendation is not planned.</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>4. Based on the result of the Needs Assessment, management should complete a salary comparison analysis to determine the market value of management positions based on the job duties and responsibilities.</p>	<p>An alternate action is proposed. While the needs assessment described in Recommendation VIII.3 and referenced in this recommendation is not planned to be undertaken, management intends to complete a salary range study in 2021 to determine the market pay rates for benchmark positions, and shall include the newly defined management positions that can be reasonably compared as part of this project. The salary range study shall be conducted by the agency's compensation consultant.</p>	<p>Director of Organization Effectiveness</p> <p>Due: 6/30/2021</p>

Finding IX Recommendations

To ensure that SANDAG has fair, objective, and competitive hiring practices SANDAG should:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>1. SANDAG should identify all employees who were appointed or promoted without undergoing a fair and competitive hiring process.</p>	<p>No action proposed. As described in the Management Revised Response (see p.29), the Executive Director acted within delegated authority and consistent with employment policies established as part of the Employee Handbook in appointing appropriately qualified individuals to executive-level positions during the 2019 agency reorganization.</p>	<p>Implementation of this recommendation is not planned.</p>
<p>2. For those positions determined to be filled without a fair and competitive hiring process, SANDAG should perform an evaluation to identify:</p> <ul style="list-style-type: none"> • Whether the position and level of the position is necessary for the organization, this shall be supported a needs assessment, organization chart, span of control review and, complete duty statement. • Vacate and properly re-advertise the position and follow the competitive hiring process for filling the position. 	<p>No action proposed. As noted in response to Recommendation IX.1, the Executive Director acted within delegated authority and consistent with employment practices as part of the Employee Handbook in making the 2019 staffing decisions and these are considered legal actions.</p> <p>As noted in response to Recommendation VIII.3, an examination of the agency's organization structure was included as part of the strategic planning project undertaken in 2019 which resulted in a plan to repurpose existing executive-level positions to achieve the recommendation organization structure.</p> <p>With respect to vacating currently filled positions, the Office of General Counsel has identified potential legal risks associated with violation of employee contract rights and does not recommend this action. Furthermore, the Audit Committee recommended against making any changes to positions in response to Finding VIII.</p>	<p>Implementation of this recommendation is not planned.</p>

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
<p>3. Develop and formalize procedures for openly advertising and competitively hiring for SANDAG positions in accordance with applicable laws and regulations and Board Bylaws, Policies, and Administrative Rules and Regulations, that include but are not limited to,</p> <ul style="list-style-type: none"> • Documenting justification for advertising internally or externally including timeframes for advertisement. • Documenting applications and resumes of all job applicants who applied for each open and filled position, including rating of whether candidates met the minimum qualifications. • Documenting interview questions, candidate ratings and scores by each interviewer, and justification for candidate selection. 	<p>Management shall develop, document, and implement procedures and processes related to the recruitment program that support fair and competitive hiring practices, including preparation of position announcements, advertising strategies, application submittal and review procedures, selection activities, and approval of job offers.</p>	<p>Director of Organization Effectiveness</p> <p>Due: 12/31/2021</p>

Finding X Recommendation

The OIPA recommends that SANDAG:

OIPA Recommendation	Proposed Action	Responsible Official and Estimated Completion Date
1. Create and establish policies and aligned with applicable laws and regulation set forth in the Administrative Rules and Regulations to ensure the regular full-time employees' rights are not violated and are consistent.	No action proposed. As described in the Management Revised Response (see p.30) and its Appendix A (p.12), SANDAG already has established, documented, and communicated, via the Employee Handbook and procedural guides, legally sound policies and practices that appropriately ensure the rights of employees while also protecting the operational interests of the agency.	Implementation of this recommendation is not planned.

Board Comments

In addition to the OIPA recommendations, the SANDAG Board:

Board Direction	Proposed Action	Responsible Official and Estimated Completion Date
1. Directs staff that information in audit reports never be redacted, except for names and personal information.	Management shall fully comply with this direction.	Executive Director Due: Immediately

November 13, 2020

Audit Committee Audit Review Process

Overview

The Office of Independent Auditor (OIPA) released its Draft Audit report of Salaries and Benefits and Compensation Audit on July 30, 2020. Audit Committee members Stewart Halpern and Bob Monson requested that a discussion and possible action item be brought to the Committee to discuss and consider adopting process improvements for reviewing audit reports and other products, with the goal to enhance the audit review process.

Action: **Discussion/Possible Action**

The Audit Committee is asked to discuss and consider adopting process improvements for reviewing audit reports and other products.

Fiscal Impact:

None

Schedule/Scope Impact:

FY 2021

Key Considerations

The OIPA released its first audit report to the Audit Committee based on its communication with the Committee, the SANDAG Board of Directors, and in accordance to the Generally Accepted Governmental Auditing Standards. Several inconsistencies and concerns were raised after release of the first audit report.

The Audit Committee is asked to discuss and review the previously agreed upon process and consider adopting an enhanced review process for audit reports and other products. Improvements would include a consistent reporting process from the OIPA to the Audit Committee and to the Board.

Next Steps

Next steps include discussion and adoption of an enhanced audit review process by the Audit Committee.

Mary Khoshmashrab, Independent Performance Auditor

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