



Audit Committee Agenda

Friday, January 28, 2022

12:30 p.m.

****Teleconference Meeting****

MEETING ANNOUNCEMENT AMIDST COVID-19 PANDEMIC:

The Audit Committee meeting scheduled for Friday, January 28, 2022, will be conducted virtually in accordance with Governor Newsom’s State of Emergency declaration regarding the COVID-19 outbreak, Government Code Section 54953(e), Assembly Bill 361 (Rivas, 2021), and the COVID-19 Emergency Temporary Standards issued by the California Department of Industrial Relations. Audit Committee members will primarily participate in the meeting virtually, while practicing social distancing, from individual remote locations.

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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 clerkoftheboard@sandag.org (please reference Friday, January 28, 2022, meeting in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. on Thursday, January 27, 2022, will be provided to members prior to the meeting. If you desire to provide live verbal comment during the meeting, please join the Zoom meeting by computer or phone and use the “Raise Hand” function to request to provide public comment. On a computer, the “Raise Hand” feature is on the Zoom toolbar. By phone, enter *9 to “Raise Hand” and *6 to unmute. Requests to provide live public comment must be made at the beginning of the relevant item, and no later than the end of any staff presentation on the item. The Clerk will call on members of the public who have timely requested to provide comment by name for those joining via a computer and by the last three digits of for those joining via telephone. All comments received prior to the close of the meeting will be made part of the meeting record. Please note that any available chat feature on the Zoom meeting platform should be used by panelists and attendees solely for procedural or other “housekeeping” matters as comments provided via the chat feature will not be retained as part of the meeting record. All comments to be provided for the record must be made via email or orally per the instructions above.



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Vision Statement

Pursuing a brighter future for all.

Mission Statement

We are the regional agency that connects people, places, and innovative ideas by implementing solutions with our unique and diverse communities.

Our Commitment to Equity

We hold ourselves accountable to the communities we serve. We acknowledge we have much to learn and much to change; and we firmly uphold equity and inclusion for every person in the San Diego region. This includes historically underserved, systemically marginalized groups impacted by actions and inactions at all levels of our government and society.

We have an obligation to eliminate disparities and ensure that safe, healthy, accessible, and inclusive opportunities are available to everyone. In 2021, SANDAG will develop an equity action plan that will inform how we plan, prioritize, fund, and build projects and programs; frame how we work with our communities; define how we recruit and develop our employees; guide our efforts to conduct unbiased research and interpret data; and set expectations for companies and stakeholders that work with us.

We are committed to creating a San Diego region where every person who visits, works, and lives can thrive.



Audit Committee

Friday, January 28, 2022

Item No.		Recommendation
+1.	Approval of Meeting Minutes The Audit Committee is asked to approve the minutes from its December 17, 2021, meeting.	Approve
2.	Public Comments/Communications/Member Comments Public comments under this agenda item will be limited to five speakers. Members of the public shall have the opportunity to address the committee on any issue within the jurisdiction of SANDAG that is not on this agenda. Other comments will be heard during the items under the heading "Reports" Public speakers are limited to three minutes or less per person. Committee members also may provide information and announcements under this this agenda item.	
3.	Chief Executive Officer's Report <i>Hasan Ikhata, SANDAG</i> An update on key programs, projects, and agency initiatives will be presented.	Discussion
4.	Update - Office of the Independent Performance Auditor Activities <i>Mary Khoshmashrab, SANDAG</i> An update on the Office of the Independent Auditor's activities and other information sharing events, will be presented.	Discussion
Reports		
+5.	Proposed FY 2023 Independent Performance Auditor Budget <i>Mary Khoshmashrab, SANDAG</i> The Audit Committee is asked to review the proposed Office of the Independent Auditor FY 2023 budget and recommend its approval by the Board of Directors.	Recommend
6.	Upcoming Meetings The next Audit Committee meeting is scheduled for Friday, February 25, 2022, at 12:30 p.m.	Information
7.	Adjournment	

+ next to an agenda item indicates an attachment

January 28, 2022

December 17, 2021, Meeting Minutes

Chair David Zito (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 December 17, 2021, meeting.

1. Approval of Meeting Minutes (Approve)

Action: Upon a motion by and a second by (Public Member), the Audit Committee approved the minutes from its January 22, 2021, meeting.

The motion passed.

Yes: Chair Zito, Vice Chair Racquel Vasquez (Board Member), Agnes Wong Nickerson (Public Member), Stewart Halpern (Public Member), and Robert Monson.

No: None.

Abstain: None.

Absent: None.

2. Public Comments/Communications/Member Comments

None.

Reports

3. Chief Executive Officer's Report (Discussion)

This item was continued to a future meeting.

Action: Discussion only.

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

Independent Performance Auditor Mary Khoshmashrab provided an update on the Office of the Independent Performance Auditor's (OIPA) activities.

Action: Discussion only.

+5. Salaries and Compensation Audit

+5A. Action Plan Progress Report Melissa Coffelt, SANDAG

Manager of Human Resources Rachel Nycholat presented an update on progress achieved to date regarding the Compensation Audit Action Plan.

Rachel Nycholat gave an update regarding the progress of the salaries and compensation audit action plan progress report. Two items were completed by September 30, 2021. The Performance Management Program Policy in the employee handbook has been modified. They expect another update to the policy mid-year. The new practices include defining six performance rating levels, setting expectations for distributing ratings to employees, setting minimum and maximum merit increases as percentages of base pay, and requiring

total cost of merit-based recommendations fall within the prorated share of the compensation adjustment pool allocated to each department. Management also have defined procedures for approving all merit-based increases. Management assesses the methodology and associated controls have led to equality and fairness.

Twelve items are due in December and are marked underway. The action plan progress report will be presented to the Board of Directors early next year and will provide the audit committee with another progress report in February.

Action: Information only.

+5B. Corrective Action Plan Reporting Results

Mary Khoshmashrab presented the item.

The Audit Committee was asked to comment on the progress and testing results of the Corrective Action Plan actions that have been taken this quarter.

Based on OIPA review, the FY 2021 salary adjustments were fair, equitable, and well documented. The FY 2022 salary adjustments consisted of performance adjustments and three other adjustments around equity. There was a separate pool awarded by the Board for CPS salary range adjustments. Mary Khoshmashrab stated that she looked at the methodology for awards and looked at four areas: merit increases and whether they were fair and equitable, the market adjustment, flex promotion or step raises, and general pay. All employees were eligible and received at least one pay increase; however, no employees received all the pay increase adjustments. Items due September 30 were accomplished and have been successfully closed.

OIPA's did not determine whether the raises were justified, but rather whether the office was following the correct procedure and applying raises equitably across the board. OIPA concluded they are.

Chair Zito asked about all of the items being due at the end of December and inquired about having a large amount due at one time instead of spacing them out. Mary Khoshmashrab responded it is easier to have them all at once for reviewing purposes and Rachel Nycholat agreed.

Stewart Halpern asked about the legend for how things are shown in progress or completed.

Chair Zito also asked about the latest salary increases were within the approved dollar amounts. Mary Khoshmashrab responded the dollar amounts were within range but there was additional funding used from something else. Rachel Nycholat added there was salary savings from vacant positions used to pay for some adjustments. Chair Zito asked if this will lead to a salary problem, and Rachel Nycholat responded that it will not. They verified with the Chief Financial Officer that it will be made up in the upcoming budget.

Action: Information only.

6. SANDAG Agenda Production Process

Manager of Government Relations Anna Lowe and Clerk of the Board of Directors Francesca Webb presented an overview of the Board of Directors and Policy Advisory Committee agenda production process.

Francesca Webb described the SANDAG agenda process, including how an item is set on the agenda. Once the agenda is set, the production team moves onto the production process. The meeting then goes through a quality control process between the production team, legal team, and government relations team.

The process is fluid because the agenda is created four weeks in advance, and often things change before a meeting. The production team is exploring technology solutions to help improve the process and reduce opportunities for error.

Bob Monson asked what happens if an item comes from a director's department. Francesca Webb responded the process is consistent regardless of where the item came from.

Stewart Halpern asked about differences between Mary Khoshmashrab's review and others. Francesca Webb answered when a PDF is sent to the team it is not edited, however, when a Word document is sent, the production team can check it for proper SANDAG formatting. Stewart Halpern also asked is Mary Khoshmashrab happy with the process.

Mary Khoshmashrab responded she would prefer OIPA to have their own administrator to review documents, but this process is good. Stewart Halpern commented it is good to know what the process is to have greater transparency. Stewart Halpern also recommended there should be an opportunity for user feedback from both Board members and the public. Mary Khoshmashrab added a fact sheet was recommended to provide useful information and Hasan's team is working on it. Francesca Webb also added they have been able to shorten the length of staff reports but there is also room for improvement.

Chair Zito also added he had asked to receive the agenda earlier so the members had more time to review them. Francesca Webb said that process improvements are being implemented to address the timeliness of agenda distribution in the coming year.

Action: Information only.

7. Overview of SANDAG Department of Organization Effectiveness

An overview of the work programs and key initiatives of the Department of Organization Effectiveness and the Office of Diversity and Equity was presented.

Director of Diversity and Equity Elaine Richardson discussed the different areas under the department of organization effectiveness. Managers from each office presented the office's responsibilities. Rachel Nycholat talked about the Human Resource office and their responsibilities. Risk Program Manager Rhea Prenatt discussed the risk management office responsibilities. Manager of Business Administration and Operations Michael Schwarting discussed business services responsibilities. Senior Technology Program Analyst Joey Hendrix presented for the digital workplace department. Senior Business Analyst Elizabeth Cox presented for the internal communications office. Elaine Richardson finished with the diversity and equity department.

Elaine Richardson discussed the external programs SANDAG works with to increase equitability and equality by working with businesses. Elaine also discussed how SANDAG contributes to communities with the social equity program. Lastly Elaine Richardson discussed how SANDAG is building the workforce through the Labor Compliance Program, pre-apprenticeship program, and the community benefits agreement program.

Bob Monson asked what the pre-apprenticeship program entails. Elaine Richardson responded people are paid during the apprenticeship, and they receive meals and classes. The participants shadow workers to see which trade they would like to learn and test for.

Stewart Halpern asked if HR has the capacity they need to manage the needs of SANDAG. Rachel Nycholat responded a few months ago they lost three staff members but since then they have hired new people and are working with a staffing agency to fill the vacancies they have.

Stewart Halpern also asked what the risk management department's definition of risk is. Rhea Prenatt responded her area of health and safety is broad and allows her to address areas that are not always brought up. Rhea Prenatt also added she has not been a part of SANDAG that long, so the definition is still being developed. Stewart Halpern then asked how the risk management office works with Mary Khoshmashrab and the OIPA. Rhea Prenatt responded the office will begin working with Mary Khoshmashrab in January on training and will have a very collaborative relationship. Mary Khoshmashrab also added she has training on the upcoming calendar to give SANDAG staff regarding planning and risk management. Mary Khoshmashrab added she plans on working closely with Rhea Prenatt.

Action: Information only.

8. Upcoming Meetings

The next Audit Committee meeting is scheduled for Friday, January 28, 2022, at 12:30 p.m.

9. Adjournment

The meeting was adjourned on December 17, 2021, at 1:49 p.m.

Confirmed Attendance at SANDAG Audit Committee Meeting

December 17, 2021

Jurisdiction/Organization	Name	Member/ Alternate	Attended
Board Member	David Zito (Chair)	Primary	Yes
Board Member	Racquel Vasquez (Vice Chair)	Primary	Yes
Public Member	Robert Monson	Primary	Yes
Public Member	Agnes Wong Nickerson	Primary	Yes
Public Member	Stewart Halpern	Primary	Yes

January 28, 2022

Proposed FY 2023 Independent Performance Auditor Budget

Overview

In accordance with [SANDAG Board Policy No. 039](#), section 6.3, the Independent Performance Auditor (IPA) has prepared the proposed Office of the Independent Performance Auditor (OIPA) FY 2023 budget for the Audit Committee to review and recommend its approval to the Board of Directors.

Action: Recommend

The Audit Committee is asked to review the proposed Office of the Independent Auditor FY 2023 budget and recommend its approval by the Board of Directors.

Key Considerations

The proposed OIPA FY 2023 budget provides the necessary resources to perform the activities of the office. At the Audit Committee meeting held on February 28, 2020, the IPA presented a detailed analysis of dollar oversight per auditor responsibility that supported the request for additional audit resources. During that meeting, the Audit Committee recognized and approved the need for additional staffing resources (including two entry level auditor positions, two associate level auditor positions, and one administrative staff support), and additional training and development needs. The IPA presented the approved proposal to the Board in March of 2020 and the Board recognized the needed positions, but the funding was not provided.

In FY 2022 OIPA was awarded one of the entry level auditor positions with additional required training funds for continuing professional education.

In the proposed OIPA FY 2023 budget the IPA has included an additional entry level Auditor I/II of the previously approved positions.

SANDAG manages an annual budget of over \$1 billion. Based on the detailed analysis provided at its February 28, 2020, meeting, the base line number of auditors needed was seven to sufficiently support the office. Properly staffing, securing funding, and investing in an internal/external oversight for SANDAG brings more effectiveness and efficiencies with stronger system controls to the organization, and with that a realized return on investment as a result.

The IPA's objectives are to continue to provide reviews around operations, compliance, system controls, data, and budgetary expense and project reviews, and to provide recommendations that would bring more transparency, accountability, effectiveness and efficiencies, and organizational controls.

The IPA will continue to 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 proposed OIPA FY 2023 budget and is prepared to discuss and answer questions.

Next Steps

Pending the Audit Committee's recommendation of approval of the OIPA FY 2023 budget, the Board is expected to consider this item in February or March of 2022. After the Board's final approval of the OIPA's FY 2023 budget, the IPA plans to bring for the Audit Committee's approval an audit plan in June for FY 2023.

Mary Khoshmashrab, Independent Performance Auditor

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

Attachment: 1. Office of the Independent Performance Auditor Proposed FY 2023
Budget, July 1, 2022 to June 30, 2023



**Office of the
Independent Performance Auditor**

**Proposed FY 2023 Budget
July 1, 2022 to June 30, 2023**

Presented to the Audit Committee January 28, 2022

Office of the Independent Performance Auditor
 Work Program No. 8000103
 Proposed FY 2023 Budget

8000103 OIPA	FY21 Actuals	FY22 Final Budget	FY23 Budget
Salaries, Benefits, Indirect	745,756	909,020	983,399
Proposed New Positions		-	99,000
Memberships	2,011	7,000	7,000
Supplies	0	0	0
Travel	0	0	0
Training	11,283	30,600	30,600
Contracted Services	-	-	-
Total	759,050	946,620	1,119,999
Member Assessments	329,730	303,000	0
TransNet Administration		303,000	
TransNet/Fastrak swap	429,320	340,620	0
Admin/Overhead	0	0	1,020,999
	759,050	946,620	1,020,999
Unfunded	-	-	99,000
		New Position	99,000
			99,000

Office of the Independent Performance Auditor
Work Program No. 8000103
Proposed FY 2023 Budget

FY2023 Staff Cost and Hours

Staff	Position Title	Division	Hours	Total Cost
Carter, Lloyd	Principal Management Internal Auditor	OIPA	1767	
Khoshmashrab, Mary	Independent Performance Auditor	OIPA	1767	
Kirk, John	General Counsel	OGC	40	
Ryan, Michael	Management Internal Auditor I	OIPA	1767	
Tabshouri, Toufic	Principal Management Internal Auditor (Ludwick)	OIPA	1767	
VACANT (OIPA) Intern (Audit; was Ryan)	Intern (Audit; was Ryan)	OIPA	1225	
Verdugo, Briana	Intern (Audit)	OIPA	980	
		Total:	9313	\$983,399

FY2023 Other Direct Cost Budget

OWP	Category	Sub Category	Description	Amount	Edit	Delete
8000103	Other Direct Costs	0108 -- Training Expense	CPE Required training for Auditor's 40 ...	\$30,600.00	Edit	Delete
8000103	Other Direct Costs	0114 -- Memberships & Publications	Professional Memberships and Certificate...	\$7,000.00	Edit	Delete
8000103	Other Direct Costs	0102 -- Proposed New Position	Request to fill one of the six outstand...	\$99,000.00	Edit	Delete
			Direct Costs Total:	\$136,600.00		

Note:

\$99,000 – Newly Proposed Management Internal Auditor I Position.

In February of 2020, the Audit Committee approved the need for 7 additional positions for OIPA. The Board also received the AC recommendation at the Board Meeting in March of 2020. This position is necessary to retain the trained staff that is currently an intern. Should this position be approved for hire, this would leave only 5 pending/needed positions needed to complete OIPA identified resource needs.

The IPA is requesting that the Audit Committee recommend to the Board of Directors that the position and the necessary funding be approved.

\$30,600 – Continued Professional Education training which is required in accordance with professional auditing standards for auditors. No increase requested.

\$7,000 – Professional Memberships and License and Certification requirements. No increase requested.