

**SANDAG**

OIPA

Office of the Independent  
Performance Auditor

# Audit and Investigation Recommendation and Corrective Action Plan Status Report

Update as of August 30, 2024



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Independent Performance Auditor

## Message from the Independent Performance Auditor

I am pleased to present the annual Audit and Investigation Recommendation and Corrective Action Plan Status Report, prepared by the Office of the Independent Performance Auditor (OIPA).

### Background

In accordance with Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities, section 3.1.9 states the responsibilities of the Audit Committee include:

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

The OIPA's authorized annual Audit Work Plan includes:

Goal #4 – Development and Monitoring of Corrective Action Plans

- *Ensure OIPA's recommendations are clear, timely, and responsive, and implemented by management expeditiously.*

Most OIPA resources are dedicated to conducting performance audits to assess the economy, efficiency, effectiveness, equity, and compliance of programs and activities. Performance audits provide independent objective analysis to SANDAG's leadership and the public, and make recommendations to management, and those charged with governance and oversight, on how to improve services, reduce costs, and increase public accountability.

### Report Overview

This report provides a comprehensive overview of the status of all audit and investigation recommendations, with planned implementation dates on or before August 30, 2024.

The report includes recommendation and corrective action updates from the following audits: Contracts and Procurement Operational and System Control Audits (Parts I and II), Operational Process and System Control Audit for Board Member and Employee Travel and Business-Related Reimbursements, Continuous Auditing Operations Process and System Control Review of Purchase Cards, and the Operational Process and System Control Review of Vendors. The State Route 125 Toll Operations Investigation is included as well.

This report aims to inform the SANDAG Board of Directors, SANDAG Management, San Diego County residents, and other stakeholders about the status of audit and investigation recommendations as of August 30, 2024, including those in progress,

delayed, or fully implemented. The OIPA verifies all information provided by SANDAG departments regarding their progress for each corrective action by reviewing documentation and/or conducting testing to independently verify results.

The five audits detailed in this report contained 120 total recommendations. Of those, 38 were implemented and 7 were dropped during this reporting period. 75 recommendations are outstanding meaning they are started, partly implemented, or pending and will be tracked into Fiscal Year 2025.

The one investigation detailed in this report included 10 total recommendations. Of those, 2 were implemented within the reporting period, 4 were started and 4 were not started.

### **Important Management Update on Enterprise Resource Planning (ERP) System and Contract Management System (CMS)**

I would like to bring attention to an important issue raised during the confirmation of corrective actions for the Contracts and Procurement Operational and System Control Audits (Parts I and II). Management informed OIPA that the Enterprise Resource Planning (ERP) system is unable to fully support certain complex functions required by the agency's procurement program. Consequently, management has decided that the prior Contract Management System (CMS) and the ERP will be used together to support the agency's procurement functions. Management informed the OIPA that the CMS will manage solicitation, procurement, and contract award activities, while the ERP will remain the system of record for budgeting and accounting related to awarded contracts.

Management also informed the OIPA that the contracts module within the ERP will continue to be used as the system of record for budgeting and accounting activities related to awarded contracts, despite it being less efficient for procurement tasks compared to the previous CMS. During our recommendation implementation testing, the OIPA confirmed the inefficiencies noted by Management.

Management intends to develop a work plan to address the system deficiencies and transition back to using the CMS for procurement functions. This plan will include an assessment of how to integrate CMS with the ERP for financial control, with key milestones anticipated to be completed by June 30, 2025.

### **OIPA's Course of Action in Response to Management's Update**

Given this development, the OIPA will revisit all recommendations affected by these system changes after the transition occurs, or during the next annual audit and

investigation recommendation and corrective action status update process, whichever occurs sooner. All affected recommendations are noted in the report.

### How to Use This Report

This report is informational. It provides a comprehensive overview of the status of all audit and investigation recommendations and does not include any new recommendations. Instead, it serves as a reminder to management, and those charged with governance and oversight, on the critical issues identified in past audits and investigations, and the need for responsive and timely implementation of all corrective action plans to ensure identified deficiencies are corrected, internal controls are strengthened, and SANDAG's regional government operates effectively and efficiently.

The OIPA would like to thank SANDAG Management and departmental staff for their assistance in tracking, implementing, and facilitating testing on the audit recommendations included in this year's report.

Sincerely,



Courtney Ruby, CPA, CFE  
Independent Performance Auditor

Released October 4, 2024

Updated October 21, 2024

## Table of Contents

Audits in This Report.....	5
Implementation Status Definitions.....	7
Implementation Date Definitions.....	7
Summary of Audit Recommendations.....	8
Contracts and Procurement Operational and System Control Audit Report (Part I) .....	9
Contracts and Procurement Operational and System Control Audit Report (Part II).....	15
Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements.....	25
Continuous Auditing Operations Process and System Control Review – Purchase Cards.....	27
Operational Process and System Control Review of Vendors.....	29
Investigations in this Report.....	31
Summary of Investigation Recommendations.....	31
Investigation Report on SANDAG’s State Route 125 Toll Operations .....	32

## Audits in This Report

### **Contracts and Procurement Operational and System Control Audit Report (Part I)**

Part I was extensive and involved testing and reviewing operational processes and system controls within the organization. The objective of this engagement was to audit SANDAG's management of contracts and procurement. Specific objectives were to review policies and procedures, evaluate the effectiveness of internal controls, and test contracts and procurement transactions for appropriateness, allowability, and proper documentation. Part I focused on internal operations, including processes, policies, system controls, and practices.

### **Contracts and Procurement Operational and System Control Audit Report (Part II)**

Part II involved testing contractors' performance and adherence to the contract, outcomes results, and invoicing. The objective of this audit was to review SANDAG's management of contracts and procurement. Specific objectives included testing and evaluating whether policies, procedures, and internal controls over processes existed, were being followed, and functioning effectively. The final objective included testing contracts and procurement transactions to determine whether they were appropriate, allowable, and supported by adequate documentation. Part II focused on the contractor's adherence to the contract, proper submittal of documentation when invoicing, work product and results, timelines, and commitments.

### **Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements**

The objectives of this audit were to examine SANDAG's operational processes and system controls related to Board member and employee travel and other business-related reimbursements to ensure policies and controls existed and were followed.

## **Continuous Auditing Operations Process and System Control Review – Purchase Cards**

The objectives of this audit were to ensure that staff adheres to SANDAG's purchase card policy, including policies which took effect on July 1, 2022, and to apply tests and perform procedures to verify that controls are sufficient and consist of supporting documentation and other relevant data to assess SANDAG's ability to properly and sufficiently track, obtain sufficient documentation, and keep adequate records of processes and controls that support adherence to purchase card policies and procedures.

## **Operational Process and System Control Review of Vendors**

The objectives of this audit were to review SANDAG's operational processes and system controls to ensure policies were consistent with federal and state regulations and other applicable governing laws, rules, and regulations; to verify that controls were sufficient and consisted of supporting documentation, and other relevant data; and to assess SANDAG's ability to track, obtain sufficient documentation, and keep adequate records of process and controls that supports adherence to policies and procedures.

## Implementation Status Definitions

Following the close of Fiscal Year 2024, the Office of the Independent Performance Auditor (OIPA) contacted SANDAG departments to gather information and obtain updates on all outstanding OIPA audit recommendations. Based upon the information received and testing performed, each recommendation was placed into one of the following categories:

**Pending** – The recommendation is not scheduled to be implemented yet per the responsible party’s initial response on the Corrective Action Plan provided to the SANDAG Board of Directors.

**Not started** – The responsible party temporarily postponed implementing the recommendation or did not demonstrate sufficient progress toward implementing the recommendation.

**Started** – The responsible party began implementing the recommendation, but considerable work remains.

**Partly Implemented** – The responsible party satisfied some elements of the recommendation, but additional work and testing remains.

**Implemented** – The responsible party provided documentation and the OIPA verified the satisfactory implementation of the recommendation.

**Dropped** – The IPA eliminated the recommendation due to a change in circumstances rendering it no longer necessary, or recommendation was determined to be outside of audit scope.<sup>1</sup>

## Implementation Date Definitions

**Planned Implementation Date** – Original date for implementation provided by responsible party when audit/investigation issued.

**Revised Date of Implementation Date** – Responsible party revised the original date for implementation.

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<sup>1</sup> At request of the Audit Committee on October 11, 2024, the dropped recommendations contained in this report have been further clarified, and the chart on page 8 was updated to clearly identify dropped recommendations.



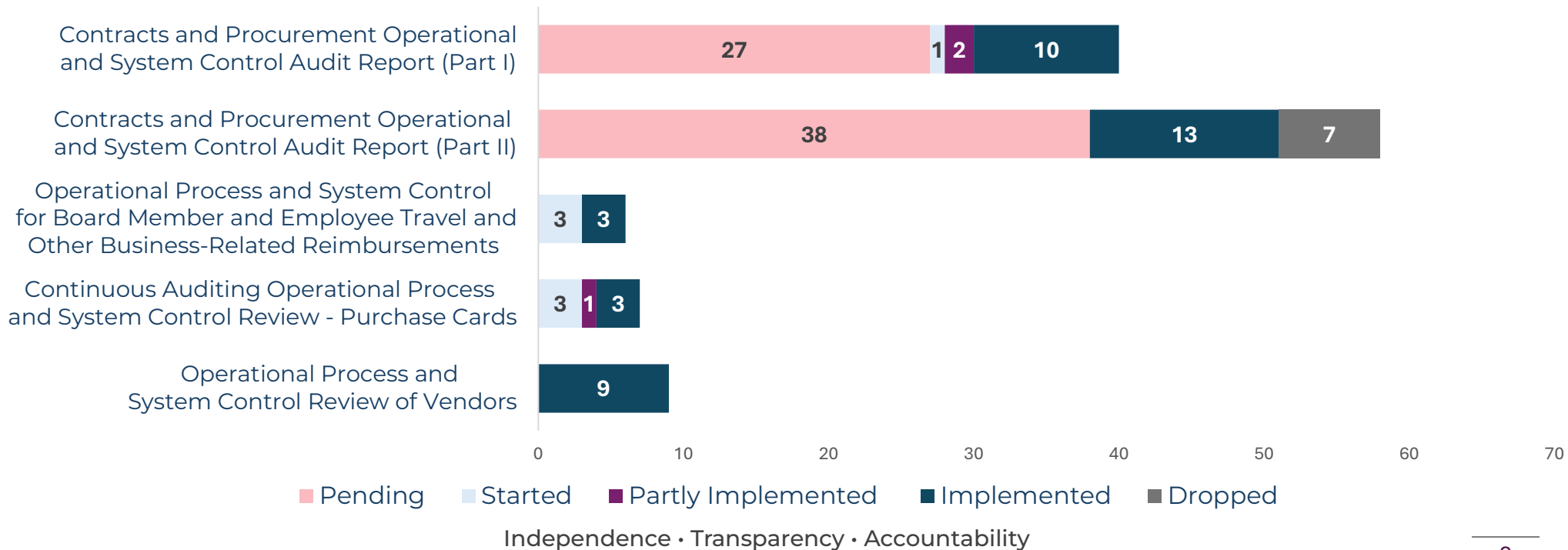
## Summary of Audit Recommendations

This audit recommendation and corrective action plan status report documents the status for all audit recommendations with planned implementation dates by or before August 30, 2024.

The five audits detailed in this report contained **120 total recommendations**. Of those, **38 were implemented** and **7 were dropped** during this reporting period. **75 recommendations are outstanding** – meaning they are started, partly implemented, or pending and will be tracked into Fiscal Year 2025.



The graph below illustrates the corrective action implementation status by audit:



# Contracts and Procurement Operational and System Control Audit Report (Part I)

Publish Date: October 2022

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Creating formalized SOPs with step-by-step instructions for tasks for both contract analysts and project managers (e.g., desk procedures).	1.1	Pending	12/31/2025		Director of Contracts and Procurement Services	
Providing formal and regular training to contract analysts and project managers on their assigned roles, responsibilities, and procedures.	1.2	Pending	12/31/2025		Director of Contracts and Procurement Services	
Updating the Procurement Manual to clearly identify and segregate roles and responsibilities for contract analysts and project managers.	1.3	Pending	12/31/2024		Senior Director of Organization Effectiveness & Director of Contracts and Procurement Services	
Creating SOPs for contract analyst and project manager specific tasks.	2.1	Pending	12/31/2025		Director of Contracts and Procurement Services	
More clearly segregating the duties of contract analysts and project managers.	2.2	Pending	12/31/2024		Director of Contracts and Procurement Services	
Providing consistent training for contract analysts provided by contracts subject matter experts and/or management.	2.3	Pending	12/31/2025		Director of Contracts and Procurement Services	
Providing annual and/or continuous training on the Procurement Manual and SOPs for both contract analysts and project managers.	2.4	Pending	12/31/2025		Director of Contracts and Procurement Services	

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Identifying and requiring that employees meet specific qualifications and have attended external formal project manager specific training prior to being assigned to a project manager role; for employees assigned as project managers over higher risk and dollar projects, formal certified project manager training should be required.	2.5	Pending	12/31/2025		Director of Contracts and Procurement Services	
Encouraging external training provided by professional associations specific to contracts (such as CAPPO and NIGP) and project management.	2.6	Pending	12/31/2025		Director of Contracts and Procurement Services	
Requiring detailed/itemized invoices and progress reports or detailed summary of work performed for a payment to be processed e.g., source documents such as detailed timesheets or task specific assignment sheets that supports labor or work product results, goods and/or receiving receipts from third parties, etc.	3.1	Pending	9/30/2024		Director of Accounting and Finance	
Updating Request for Payment Form to explicitly require itemized invoices to be attached.	3.2	Implemented	9/30/2024		CFO and Director of Accounting and Finance	Testing confirmed corrections meet requirements.
Creating formal SOPs and training for invoice payment to include instructions/methods for verifying invoiced work is included in the contract/task order.	3.3	Started	9/30/2024		Director of Accounting and Finance	Per Management, invoice training will commence by the end of September 2024 with multiple sessions offered through the fall to ensure all PMs receive the training.
Updating contract templates to require detailed/itemized invoices as well as progress reports or detailed summaries of work performed to be included with invoices.	3.4	Implemented	9/30/2024		Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements.
Replacing the CMS with a system that properly interfaces with the agency's enterprise resource planning system (ERP) or is a system within the agency's ERP, with the ability to communicate / integrate with finance encumbrance, invoice, and payment records to include tracking, searching, and recording invoice payments against contracts, task orders, etc. The replacement ERP and the data stored within should also be user-friendly, easily accessible, and easily reportable.	4.1	Implemented	Summer 2023		Senior Director of Organization Effectiveness & Director of Contracts and Procurement Services	Testing confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Providing staff training and step-by-step SOPs on using the replacement CMS and submitting all types of procurement requests.	4.2	Implemented	12/31/2024		Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Ensuring staff can query to identify the contractor and subcontractor efficiently and easily within the replacement CMS without going to various other platforms or documents	4.3	Partly Implemented	Summer 2023		Director of Contracts and Procurement Services	ERP only lists contractors; staff must navigate through CIS <sup>2</sup> to search for approved subcontractors.
Ensuring that all contracts and contract-related records and documents are stored in 1 easily accessible location, preferably within the replacement CMS.	4.4	Pending	12/31/2024		Director of Contracts and Procurement Services	<i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Ensuring the replacement CMS is updated with correct and complete information and data to correct the inaccuracies and blanks from the current CMS records.	4.5	Implemented	Summer 2023		Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Requiring that the listed project manager for a contract is the actual project manager in the replacement CMS.	4.6	Partly Implemented	TBD		Director of Contracts and Procurement Services	ERP requires the Project Manager be listed, but in some instances, this may be the requestor and not the actual project manager.
Specify required fields in the replacement CMS and require all mandatory fields to be completed.	4.7	Implemented	Summer 2023		Director of Contracts and Procurement Services	Testing confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Providing staff certain access to the replacement CMS, based on their job duties.	4.8	Implemented	Summer 2023		Director of Contracts and Procurement Services	Testing confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>

<sup>2</sup> The Compliance Information System (CIS) is maintained by the Office of Diversity & Equity and is a web-based application used to assist SANDAG in collecting, monitoring, and reporting on required contract compliance utilization information for SANDAG subcontractors, including small and Disadvantaged Business Enterprise (DBE) firms.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Ensuring that the replacement CMS can provide an audit trail for review.	4.9	Implemented	1/2/2024		Senior Director of Organization Effectiveness & Director of Contracts and Procurement Services	Testing confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
For continuity and efficiency, at least more than 1 employee but preferably more than 3 should have an in-depth knowledge, training, and skill in the replacement CMS and should be able to provide reports to auditors and/or other authorized recipients.	4.10	Pending	12/31/2024		Director of Contracts and Procurement Services	
If recommendation 1 is chosen not to be accepted and SANDAG continues to use the current CMS, auditors recommend applying recommendations 2-10 to the current CMS.	4.11	Pending	TBD		Director of Contracts and Procurement Services	Recommendation 4.1 was accepted; however, <i>due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Creating a formal SOP and provide training on completing a Record of Negotiation (RON) to both project managers and contract analysts.	5.1	Pending	12/31/2024		Director of Contracts and Procurement Services	
Providing negotiation training and/or guidelines to project managers and contract analysts to include reasons/intent of negotiations, best practices, and risks of not negotiating and/or not following best practices.	5.2	Pending	12/31/2025		Director of Contracts and Procurement Services	
Providing training to staff on sole source laws, rules, regulations, and processes.	6.1	Pending	12/31/2025		Director of Contracts and Procurement Services	
Creating formal administrative procedures on sole source processes.	6.2	Pending	12/31/2024		Director of Contracts and Procurement Services	

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Updating the current sole source justification template to include procurement request details such as contract/task order/amendment number, project manager name, vendor name, etc.	6.3	Pending	12/31/2024		Director of Contracts and Procurement Services	
Reorganizing contract and sole source records in one centralized location.	6.4	Pending	12/31/2024		Director of Contracts and Procurement Services	
Updating CMS to have accurate information.	6.5	Implemented	Summer 2023	1/2/2024	Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Ensuring required documents are saved as separate files and labeled accordingly, such as saving a sole source justification form as such.	6.6	Implemented	May 2023		Director of Contracts and Procurement Services	Testing confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Revising the on-call process to ensure fairness and equity throughout the entire process.	7.1	Pending	12/31/2024		Senior Director of Organization Effectiveness & Director of Contracts and Procurement Services	
Providing training on procurement planning to include the steps and timeline needed to prepare for various sized and timed projects to contract analysts, project managers and any approving staff.	7.2	Pending	12/31/2025		Director of Contracts and Procurement Services	
Ensuring sufficient procurement planning efforts are being made to avoid sole sources and amendments	7.3	Pending	12/31/2024		Director of Contracts and Procurement Services	

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Reviewing the sole source policies, processes, and procedures to ensure a clear understanding of allowed sole sources, limitations around sole sources, and the review and approval requirements of sole sources	7.4	Pending	12/31/2024		Director of Contracts and Procurement Services	
Creating sole source SOPs for all levels of the approval process.	7.5	Pending	12/31/2024		Director of Contracts and Procurement Services	
Creating and providing training related to sole sources to include examples of allowable/approvable situations when a sole source is or can be justified and an explanation and examples of when poor planning does not suffice in requesting a sole source procurement.	7.6	Pending	12/31/2025		Director of Contracts and Procurement Services	
Ensuring that on-call procurements are being appropriately advertised to reach sufficient, qualified and a variety of contractors and subcontractors, including outreach efforts using public platforms and attendance of outreach events to attract new and disadvantaged contractors and subcontractors.	7.7	Pending	12/31/2024		Director of Contracts and Procurement Services	
Revising the Procurement Manual to avoid conflicting language, particularly with the contract management of A&E contracts and allowance of sole sources.	7.8	Pending	12/31/2024		Director of Contracts and Procurement Services	

# Contracts and Procurement Operational and System Control Audit Report (Part II)

Publish Date: May 2023

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Create a Standard Operating Procedure (SOP) and update procurement solicitation forms for Evaluation Panel participants to follow that explains their responsibility to complete score sheets and to provide notes that justify their scores.	1.1	Pending	12/31/2024	6/30/2025	Director of Contracts and Procurement Services	Management needs to extend the implementation date to 6/30/2025 due to additional work related to ERP/CMS.
Management shall review and update the procedure guides and training provided to Contracts Analysts related to facilitating the solicitation process. This effort will fall under the Procurement Program Optimization Initiative. Timing for completion is currently unknown.	1.2	Pending	12/31/2024	6/30/2025	Director of Contracts and Procurement Services	Management needs to extend the implementation date to 6/30/2025 due to additional work related to ERP/CMS.
Update the procurement board policies to clearly explain competition requirements for contracts and task orders. The policies should also clearly explain the options for not competing and the procedures and approvals that should be followed in those instances.	1.3	Pending	TBD		CEO	
Ensure that SOPs around procurements clearly explain the need and requirements for competition as well as the allowed exceptions and requirements for them.	1.4	Pending	12/31/2024	6/30/2025	Director of Contracts and Procurement Services	Management needs to extend the implementation date to 6/30/2025 due to additional work related to ERP/CMS.
Update the procurement board policies to clearly limit the amendment amount(s) allowed without both the Executive Director's signature and to specify when Board approval is required to approve amendments.	1.5	Pending	TBD		CEO	



Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Update the procurement board policies to clearly state that the amendment amount requiring board approval is cumulative of all amendments. This should also consider all other work on the same project issued under previous task orders or contracts, unless a new full and open competition has occurred for the services. This should clearly explain that exceptions to this must be analyzed by the Contracts department to ensure bid splitting is not occurring and that sufficient competition has occurred for the amounts awarded thus far.	1.6	Pending	TBD		CEO	
Update the Procurement Manual to reflect the changes in Recommendations 1.1 and 1.2 of this finding.	1.7	Pending	12/31/2024		Director of Contracts and Procurement Services	
Create an SOP for contracts staff that clearly explains their role in reviewing amendments and procurement history to ensure bid splitting and avoidance of competition is not repeatedly occurring.	1.8	Pending	12/31/2024		Director of Contracts and Procurement Services	
Update the procurement board policies to address retroactive procurement transactions and to restrict/limit them. If allowing them, clearly limit the allowed circumstances to emergencies. The restrictions should define and specify that “poor planning” is not allowed and include examples such as departments being unaware of expiring contracts/task orders and being unaware of procurement processing timelines and requirements.	1.9	Pending	TBD		CEO	
Create a tracking system/method for expiring contracts/task orders to ensure customer department awareness of planning needs for current and future procurements.	1.10	Implemented	May 2023		Director of Contracts and Procurement Services	Testing confirmed corrections meet requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Update the Procurement Manual to follow the recommendations in Recommendation 1, as well as to limit or restrict the approval of retroactive requests if negligence occurred on the department's behalf due to not tracking their expiring contracts and/or task orders.	1.11	Pending	12/31/2024		Director of Contracts and Procurement Services	
Create a SOP for both departments and contracts staff to explain the roles, responsibilities, requirements, forms, approvals needed, and processing retroactive procurement requests.	1.12	Pending	12/31/2024		Director of Contracts and Procurement Services	
Contracts department to provide training on appropriate planning efforts and expectations for project managers and customer departments. This should include tracking of contracts, monitoring of expiration dates and procurement timelines for any next steps or changes to projects.	1.13	Pending	12/31/2025		Director of Contracts and Procurement Services	
Update the Procurement Manual to clearly explain the required forms for procurement transactions. This should include the options and how to submit their requests with the information and forms needed.	1.14	Pending	12/31/2024		Director of Contracts and Procurement Services	
Create SOPs for staff on requiring forms from departments or project managers and how to review them for completeness and compliance. Procedures should include examples of properly completed forms/requests as well as improper ones.	1.15	Pending	12/31/2025		Director of Contracts and Procurement Services	
Update the Board Policy No. 017, the Employee Handbook and Procurement Manual to create more internal controls around approval and signature of procurement transactions by including the OGC in all transactions to ensure risks are mitigated.	1.16	Pending	TBD		CEO & Senior Director of Organization Effectiveness	
Require staff to provide detailed reasons/justifications for amendment requests.	1.17	Pending	12/31/2024		Director of Contracts and Procurement Services	

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Create SOPs and provide training to project managers and contract analysts to ensure amendments are reduced in frequency by ensuring that sufficient planning is being done and review of amendment requests are analyzed by contracts staff	1.18	Pending	12/31/2024		Director of Contracts and Procurement Services	
Create SOPs and provide training for contracts staff to address proper document storing and recording procurement transactions.	1.19	Pending	12/31/2025		Director of Contracts and Procurement Services	
Create SOPs for QA/QC efforts to ensure document storing and procurement transactions are properly recorded.	1.20	Pending	12/31/2025		Director of Contracts and Procurement Services	
Update contract templates to define the various dates specified in the contract (effective date, period of performance, and ordering period).	1.21	Implemented	May 2023		Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements.
Update contract templates to ensure consistency when referring to dates and clarify when each date applies.	1.22	Implemented	May 2023		Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements.
Update contract templates to ensure they explicitly define if task order terms are allowed to exceed the contract expiration date.	1.23	Implemented	May 2023		Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Create clear policies and Standard Operating Procedures (SOP) to ensure competition is open and full as frequently as required by applicable laws, rules and regulations.	2.1	Pending	12/31/2024		Director of Contracts and Procurement Services	
Create clear policies and SOPs to ensure sole sources are limited and are thoroughly being reviewed and analyzed to ensure potential risks are mitigated.	2.2	Pending	12/31/2024		Director of Contracts and Procurement Services	
Create clear policies, SOPs, and provide training for project managers and contract analysts to ensure amendments are reduced in frequency. These should ensure that sufficient planning is being done and reviews of amendment requests are analyzed thoroughly.	2.3	Pending	12/31/2024		Director of Contracts and Procurement Services	
Require detailed/itemized invoices and progress reports or a detailed summary of work performed for a payment to be processed.	3.1	Pending	9/30/2024			
Update Request for Payment Form to explicitly require invoices to be attached.	3.2	Implemented	9/30/2024			Testing confirmed corrections meet requirements.
Create formal procedure and training for invoice payment to include instructions/methods for verifying invoiced work is included in the contract/task order.	3.3	Pending	9/30/2024			

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Update contract templates to require detailed/itemized invoices as well as progress reports or detailed summaries of work performed to be included with invoice.	3.4	Implemented	9/30/2024			Documents confirmed corrections meet requirements.
Create a tracking and filing system to ensure that all received and paid invoices are recorded and filed properly.	3.5	Implemented	9/30/2024		Director of Accounting and Finance	Testing confirmed corrections meet requirements.
Create a SOP that provides instructions on entering and processing invoices to ensure all information is entered correctly into OneSolution and/or any future financial payment system.	3.6	Pending	9/30/2024	11/30/2024	Director of Accounting and Finance	Per management, a guide to entering invoices is available to provide instructions to users. 5 other guides are available on SANDAG Service Central related to invoice entry. A training is also planned for September 2024.
Investigate how many invoices were not captured by OneSolution and determine if financial reports were inaccurate because of any uncaptured invoices.	3.7	Dropped	N/A		Director of Accounting and Finance	OIPA follow-up determined invoices were captured by OneSolution, thus rendering the recommendation no longer necessary.
Create SOPs that clearly identify both the Contracts department's and Finance department's role and responsibilities for encumbering, as well as step by step instructions for each department. These should include of timelines of when steps should occur.	4.1	Implemented	12/31/2024		Senior Director of Organization Effectiveness & Director of Accounting and Finance	Documents confirmed corrections meet requirements.
Provide regular training to each department on their assigned roles, responsibilities, and procedures	4.2	Implemented	12/31/2024		Senior Director of Organization Effectiveness & Director of Accounting and Finance	Documents confirmed corrections meet requirements.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Create a streamlined process where both departments are communicating regularly on updates or changes to the encumbrance process and ensuring that their procedures align.	4.3	Implemented	Summer 2023		Director of Accounting and Finance	Testing confirmed corrections meet requirements.
Create a process and tracking system/method, inclusive of both the Contracts and Finance departments, for internal controls to ensure all encumbrances are processed upon execution of a contract, task order or amendment.	4.4	Implemented	Summer 2023		Director of Accounting and Finance	Testing confirmed corrections meet requirements.
Update Board Policy No. 017 to clearly restrict bid splitting.	5.1	Pending	TBD		CEO	
Update Board Policy No. 017 to limit the Executive Director's authority on approving agreements to only allow emergencies and/or urgent need procurements. Both "emergencies" and "urgent need" should be clearly defined and in accordance with applicable laws.	5.2	Pending	TBD		CEO	
Update the Delegation of Authority by Executive Director Policy to align with the recommended changes to Board Policy No. 017 and current Board Policy No. 041 by creating more internal controls to include clearly limited parameters around contract amendments and task orders by including the OGC and/or Finance department(s) in all transactions to ensure risks are mitigated.	5.3	Pending	TBD		Senior Director of Organization Effectiveness	
Update the Procurement Manual to restrict and/or clearly limit procurement transactions and actions that conflict with proper internal controls, to include the examples referenced as observations in this finding.	5.4	Pending	12/31/2024		Director of Contracts and Procurement Services	

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Update the procurement board policies to address retroactive procurement transactions and to restrict/limit them. If allowing them, clearly limit the allowed circumstances to emergencies. The restrictions should clearly define “poor planning”, specify that it is not allowed, and should include examples such as departments being unaware of expiring contracts/task orders, departments being unaware of procurement processing timelines and requirements and department lack of succession planning when loss of staff occurs.	6.1	Pending	TBD		CEO	
Create a tracking system/method for expiring contracts/task orders to ensure awareness of planning needs for current and future procurements.	6.2	Implemented	Summer 2023		Director of Contracts and Procurement Services	Testing confirmed functionality meets requirements. <i>Due to inefficiencies, plans are underway to return to CMS. OIPA will revisit this recommendation after the transition back to CMS.</i>
Update the Procurement Manual to follow Recommendation 1 of this finding.	6.3	Pending	12/31/2024		Director of Contracts and Procurement Services	
Create a SOP for staff to explain the roles, responsibilities, requirements, forms, and approvals needed for all procurement transactions including retroactive procurement requests.	6.4	Pending	12/31/2025		Director of Contracts and Procurement Services	
Provide training on procurement planning to include appropriate efforts and expectations for project managers to include tracking of contracts, monitoring of expiration dates, and procurement timelines to follow for any next steps or changes to projects.	6.5	Pending	12/31/2025		Director of Contracts and Procurement Services	
Provide training to departments and project managers to ensure understanding of on-call contracts and processes to award task orders.	6.6	Pending	12/31/2025		Director of Contracts and Procurement Services	

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Require performance evaluations of consultants upon completion or termination of a contract and/or task order.	7.1	<b>Implemented</b>	Ongoing		Director of Contracts and Procurement Services	Testing confirmed corrections meet requirements.
Create SOPs for project management roles that clearly explain responsibilities to ensure projects are being completed on time and in an efficient manner. This should include assessing and documenting the consultant’s completion of deliverables, milestones, and whether they meet the contract requirements and agency needs or not.	7.2	<b>Pending</b>	12/31/2024		Director of Contracts and Procurement Services	
Create policies and SOPs that clearly explain allowed justification for amendments. These procedures should include examples of both allowable and non-allowable justifications.	7.3	<b>Pending</b>	12/31/2024		Director of Contracts and Procurement Services	
Require that amendment requests include thorough justification details. Also require that contract analysts ensure they are reviewing and analyzing whether justifications are allowable.	7.4	<b>Pending</b>	12/31/2024		Director of Contracts and Procurement Services	
Create a SOP for contract analysts that clearly explains how to review amendment requests and procurement history to ensure amendments are justified, to identify excessive amendments, to identify potential bid splitting, avoidance of competition, non-performing consultants, and conflicts of interest.	7.5	<b>Pending</b>	12/31/2024		Director of Contracts and Procurement Services	
Conduct an analysis to determine if additional staff is needed to perform common legal and/or HR services, which could ensure a cost saving to the agency.	8.1	<b>Dropped</b>	N/A		Senior Director of Organization Effectiveness	Upon review, the IPA found recommendation to be outside of the audit scope.



Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Provide training to ensure OGC staff is qualified to meet SANDAG’s needs and the requirements of their classification specification. Training should include environmental, construction, employment, public finance, contracts, intergovernmental, binational relations, and toll operations.	8.2	<b>Dropped</b>	N/A		Office of General Counsel	Upon review, the IPA found recommendation to be outside of the audit scope.
Consider reducing in-house legal staff down to one or two attorneys and move to outsourcing only. This would further support independence, from a legal perspective, around the Board, Management and OIPA matters.	8.3	<b>Dropped</b>	N/A		Office of General Counsel	Upon review, the IPA found recommendation to be outside of the audit scope.
Provide training to ensure HR staff is qualified to meet SANDAG’s needs and the requirements of their classification specification. Training should include staff recruitment, strategic planning and organizational assessment, classification and compensation, and employee training.	8.4	<b>Dropped</b>	N/A		Senior Director of Organization Effectiveness	Upon review, the IPA found recommendation to be outside of the audit scope.
Recruit and hire staff that is qualified based on the applicable classification specification and is able to meet the needs of SANDAG.	8.5	<b>Dropped</b>	N/A		Senior Director of Organization Effectiveness	Upon review, the IPA found recommendation to be outside of the audit scope.
Provide leadership training to address analyzing internal capacity/experience versus external expertise to mitigate overspending on consultants, identifying training needs for staff based on continuous agency needs, and improving efficiency around project performance and avoiding potential delays.	8.6	<b>Dropped</b>	N/A		Senior Director of Organization Effectiveness	Upon review, the IPA found recommendation to be outside of the audit scope.

# Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements

Publish Date: December 2023

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Create two separate documents to replace the current SANDAG travel form. The Travel Request to approve travel should be documented separately from the Travel Expenses Report to reimburse travel.	1.1	Started	3/31/2024	12/31/2024	Senior Director of Organization Effectiveness	Per Management, the Interim CEO provided verbal approval for this process change in early 2024 and it has been used, as needed, in recent months. This change will be formally incorporated into the upcoming changes to the Travel Guidelines.
Provide training to executive assistants and other staff who process or submit Travel Requests and/or Travel Expenses Reports to ensure they are familiar with the requirements for approval and/or the requirements for reimbursement and supporting documentation.	1.2	Started	3/31/2024	12/31/2024	Senior Director of Organization Effectiveness & Director of Accounting and Finance	Per Management, completion of this is dependent on changes to the Guidelines for Employee Business Travel being approved.
Update the travel procedures to require that written approvals are obtained via a text message or email in instances when a signature cannot be acquired in a timely manner, until the travel reimbursement process is fully automated. This record should be included with the request to document the exception.	1.3	Started	3/31/2024	12/31/2024	Senior Director of Organization Effectiveness	Per Management, the Interim CEO provided verbal approval for this process change in early 2024 and it has been used, as needed, in recent months. This change will be formally incorporated into the Travel Guidelines.
Create a standardized form or forms for Professional Education, Certification and Licensing, and Tuition Assistance requests that captures all the required written preapprovals, explanations of benefits to the employee and SANDAG, costs associated with the class, seminar, workshop, etc.	2.1	Implemented	6/30/2024		Senior Director of Organization Effectiveness & Director of HR	Documents confirmed corrections meet requirements.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Update procedures to require requests for professional development reimbursements are reviewed for all required documentation, including valid explanation, and approvals. Incomplete requests should be rejected until all proper documentation can be supplied.	2.2	<b>Implemented</b>	6/30/2024		Senior Director of Organization Effectiveness & Director of HR	Documents confirmed corrections meet requirements.
In conjunction with the Action Items noted above, Management shall add and/or update information currently available on the Staff Intranet site (SANDAG Central) regarding expectations and procedures for requesting preapproval and subsequent reimbursement of Professional Education, Certification and Licensing, and Tuition Assistance requests.	2.3	<b>Implemented</b>	6/30/2024		Senior Director of Organization Effectiveness & Director of HR	Documents confirmed corrections meet requirements.

# Continuous Auditing Operations Process and System Control Review – Purchase Cards

Publish Date: October 2023

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Ensure all P-Card holders, all P-Card approving officials and Finance staff are thoroughly trained on the P-Card Policy, to include awareness of requirements for weekend and holiday transactions, clarity on allowable and unallowable transactions and required documentation and support. Training should also include examples of each.	1.1	Implemented	12/31/2023	1/16/2024	Senior Director of Organization Effectiveness	Documents confirmed corrections meet requirements.
Review all professional memberships and monthly/annual subscription fees paid for by purchase cards to ensure none are set to automatically renew.	1.2	Partly Implemented	12/31/2023		Senior Director of Organization Effectiveness & CFO	Issue with OIPA recurring software charge in 2024. Five months of statements were initially reviewed to locate possible recurring charges, but more work is needed to ensure all automatic annual renewals have been identified.
Create an easily accessible Frequently Asked Questions (FAQ) document to address the most common errors or questions received by Finance.	1.3	Implemented	12/31/2023		Senior Director of Organization Effectiveness	Documents confirmed corrections meet requirements.
Update the Micro-Purchase Policy and/or Purchase Card Policy to ensure they align in regard to required purchase orders for online or hosted software services.	1.4	Implemented	12/31/2023		Senior Director of Organization Effectiveness & Director of Contracts and Procurement Services	Documents confirmed corrections meet requirements.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
If federal and state funds are used for Hospitality and Events, staff should ensure that the funding source used for payment(s) are in compliance with all relevant funding laws, rules, and regulations.	2.1	<b>Started</b>	3/31/2024	9/30/2024	Senior Director of Organization Effectiveness & CFO	Per Management, edits to the Hospitality and Events Policy have been prepared and reviewed by the Office of General Counsel, the CFO, and Director of Accounting and Finance. Adoption of the policy changes are pending discussion and review by the new CEO.
Provide training to cardholders, project managers, finance staff, and any other relevant staff on the Hospitality and Events Policy.	2.2	<b>Started</b>	3/31/2024	11/30/2024	Senior Director of Organization Effectiveness & CFO	Per Management, completion of this action is dependent on the policy changes being approved. Training will be provided to employees with P-card Program responsibilities within 60 days of the policy implementation
When staff is uncertain of allowability, staff should perform due diligence by verifying allowability and/or seeking approval of fund use prior to submitting reimbursement claims.	2.3	<b>Started</b>	3/31/2024	9/30/2024	CFO	Per Management, the Federal rules and regulations related to the purchase of food items have been add to the working draft of the Hospitality and Events policy and are pending review and approval by the CEO.

## Operational Process and System Control Review of Vendors

Publish Date: October 2021

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Review all vendors and classify them as active or inactive, and label them as such.	2.1	<b>Implemented</b>	12/31/2021	1/2/2024	Director of Accounting and Finance	Documents confirmed corrections meet requirements.
Replace or update the current vendor management software to prevent creating duplicate vendors.	2.2	<b>Implemented</b>	12/31/2021	1/2/2024	Director of Accounting and Finance	Testing confirmed functionality meets requirements.
Standardize naming conventions to avoid near duplicate vendors, such as "U S Postal Service" and "United States Postal Service".	2.3	<b>Implemented</b>	12/31/2021	1/2/2024	Director of Accounting and Finance	Testing confirmed functionality meets requirements.
Add the missing information such as the Taxpayer Identification Numbers and addresses for existing and active vendors.	2.4	<b>Implemented</b>	12/31/2021	1/2/2024	Director of Accounting and Finance	Testing confirmed functionality meets requirements.
Reconcile the vendor list to ensure that incomplete, inaccurate, or duplicated vendors are removed from the vendor list.	2.5	<b>Implemented</b>	12/31/2021	1/2/2024	Director of Accounting and Finance	Testing confirmed functionality meets requirements.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
Consider hiring additional staff to ensure ease of staff multiple job duties.	2.6	<b>Implemented</b>	12/31/2021	10/1/2021	Director of Accounting and Finance	Documents confirmed corrections meet requirements.
Ensure that only entities conforming to SANDAG's definition of a vendor are included in the vendor list.	2.7	<b>Implemented</b>	12/31/2021	1/2/2024	Director of Accounting and Finance	Testing confirmed functionality meets requirements.
Provide training to staff for managing the database to ensure consistency in entering vendor information.	2.8	<b>Implemented</b>	12/31/2021	1/2/2024	Director of Accounting and Finance	Testing confirmed functionality meets requirements.
OIPA recommends SANDAG either update or replace the current accounting software so that the totals can be fully displayed in the vendors AP ledger.	3.1	<b>Implemented</b>	By ERP implementation date	1/2/2024	Director of Accounting and Finance	Testing confirmed functionality meets requirements.

## Investigations in this Report

### Office of the Independent Performance Auditor’s Investigation Report on SANDAG’s State Route 125 Toll Operations

The objectives of the investigation were to determine if SANDAG’s SR 125 financial accounting can be relied upon, if SANDAG rectified the publicly reported errors with customer accounts shared with the Board of Directors in December 2023, and if there were other significant matters noted during the investigation.

## Summary of Investigation Recommendations

The Investigation Report on SANDAG’s State Route 125 Toll Operations produced a total of **10 recommendations**. Of these, **2 were implemented** within this reporting period, **4 were started**, and **4 were not started**.





## Investigation Report on SANDAG’s State Route 125 Toll Operations

Publish Date: March 2024

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
An independent assessment of the Finance department’s policies, procedures, and practice to ensure adequate internal controls including proper review and supervision over all of SANDAG’s financial operations.	1	Started	Included in approved OIPA annual audit work plan 7/11/2024	RFP being issued October 2024	OIPA	Included in approved OIPA annual audit work plan 7/11/2024.
SANDAG reconciles the data from the KAPSCH system to ETAN’s BOS daily to ensure accurate transmission and posting of customer account data to ETAN’s Fastlane.	2	Not Started	April 2024		Toll Operations & Finance	Per Management, multiple efforts are underway to reconcile the roadside, BOS, and accounting systems. An effort is underway to reconcile the Kapsch to ETAN. Staff assessment of the data available from the KAPSCH system and the BOS for daily reconciliation took longer to pull than anticipated. The available data is in two different formats and must be compared for reconciliation. This process will be documented in a SOP.
The Board and the public should be provided with an explanation as to why an RFP process was not initiated a year sooner, and why the Board was instead presented with a request to authorize a sole source contract award on January 12, 2024.	3	Implemented	4/12/2024	4/26/2024	CEO	The Interim CEO reported out to the Board of Directors at the April 26, 2024 meeting.
The Board should consider a policy that requires a Board report when a multimillion-dollar project is failing to meet its deadlines and deliverables. Such a policy should clearly state under what conditions a report is required, as well as when a report will no longer be required.	4	Not Started	5/24/2024	Revised date not provided	Office of General Counsel	Per Management, amendments to Board Policy addressing this action item are still in development.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
The Board review SANDAG's sole source awards semi-annually to ensure adherence with public procurement laws and practices.	5	Implemented	7/26/2024	N/A		Documents confirmed corrections meet requirements. Semi-Annual Report on Sole Source Contract Awards provided to the Board of Directors on July 26, 2024.
The Board request the Audit Committee and the IPA to include SANDAG's sole source procurement process be included in the IPA's annual work plan for FY 24-25.	6	Started	Included in approved OIPA annual audit work plan 7/11/2024.	Audit to be completed FY 24/25	OIPA	Included in approved OIPA annual audit work plan 7/11/2024.
We recommend SANDAG immediately implements daily monitoring to ensure all systems are operating and communicating with each other correctly.	7	Not Started	April 2024	10/31/2024	Toll Operations & Finance	Per Management, SANDAG is refining the procedures of how to capture the information from each department, Toll Operations Center, Customer Service Center, Facilities and IT department to ensure all systems are operating.
We recommend SANDAG evaluates with Deloitte and A-to-Be if the DMV Hold Functionality can be implemented sooner.	8	Started	April 2024	Dependent on BOS implementation phases	Toll Operations & Finance	Management has evaluated moving the DMV Hold functionality from phase 4 to phase 1. SANDAG should evaluate if the DMV Hold functionality can be moved either to phase 2 or phase 3 of the project to expedite revenue collection from this process.
SANDAG implement a daily reconciliation process between the KAPSCH roadway system and the ETAN Fastlane system be put in place immediately to verify the accuracy of customer charges going forward. This should be coordinated with toll operations and Finance.	9	Not Started	April 2024	12/31/2024	Toll Operations & Finance	Per Management, multiple efforts are underway to reconcile the roadside, BOS, and accounting systems. An effort is underway to reconcile the Kapsch to ETAN. Staff assessment of the data available from the KAPSCH system and the BOS for daily reconciliation took longer to pull than anticipated. The available data is in two different formats and must be compared for reconciliation. This process will be documented in a SOP.

Recommendation	Number	Status	Planned Implementation Date	Revised Date of Implementation	Responsible Party	OIPA Comments
SANDAG establish a process to address customer concerns related to past account balances that have not been verified or that are not able to be verified. If additional discrepancies in customer account balance are identified, these accounts should be included in this process.	10	<b>Started</b>	April 2024	Dependent on BOS go-live	Toll Operations & Finance	OIPA will review progress during investigations quarterly recommendation follow-up process.