



Audit Committee Agenda

Friday, April 8, 2022

12:30 p.m.

****Teleconference Meeting****

MEETING ANNOUNCEMENT AMIDST COVID-19 PANDEMIC:

The Audit Committee meeting scheduled for Friday, April 8, 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. Committee members will primarily participate in the meeting virtually, while practicing social distancing, from individual remote locations.

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Welcome to SANDAG. Members of the public may speak to Audit Committee on any item at the time the Committee is considering the item. Public speakers are limited to three minutes or less per person. The Committee may only take action on any item appearing on the agenda.

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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, April 8, 2022

Item No.		Action
+1.	Approval of Meeting Minutes The Audit Committee is asked to review and approve the minutes from its February 25, 2022, 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.	Agency Report <i>Ray Major, SANDAG</i> Deputy Chief Executive Officer Ray Major will present an update on key programs, projects, and agency initiatives.	Discussion
4.	Update: Office of the Independent Performance Auditor Activities <i>Mary Khoshmashrab, SANDAG</i> The Independent Performance Auditor will present an update on the Office of the Independent Auditor's activities and other information sharing events.	Discussion

Reports

+5.	Office of the Independent Auditor—Fraud, Waste, and Abuse 3rd Quarter Update Report <i>Mary Khoshmashrab, Independent Performance Auditor</i> The Audit Committee is provided this report as informational and asked to recommend that the report be provided to the Board of Directors as informational.	Recommend
6.	Upcoming Meetings The next Audit Committee meeting is scheduled for Friday, May 13, 2022, at 12:30 p.m.	
7.	Adjournment	

+ next to an agenda item indicates an attachment

April 8, 2022

February 25, 2022, Meeting Minutes

The Audit Committee was asked to appoint a Chair for this meeting.

Action: Upon a motion by Stewart Halpern (Public Member), and a second by Council Member Ed Musgrove (Alternate Member), the Committee voted to appoint Robert Monson (Public Member) as Chair for this meeting.

Action: Approve

The Audit Committee is asked to approve the minutes from its February 25, 2022, meeting.

The motion passed.

Yes: Chair Monson, Council Member Musgrove, Stewart Halpern, and Agnes Wong Nickerson (Public Member).

No: None.

Abstain: None.

Absent: Chair David Zito (Board Member) and Vice Chair Raquel Vasquez (Board Member)

Chair Monson called the meeting of the Audit Committee to order at 12:46 p.m.

1. Approval of Meeting Minutes (Approve)

There were no public comments on this item.

Action: Upon a motion by Stewart Halpern and a second by Council Member Musgrove the Audit Committee voted to approve the minutes from its January 28, 2022, meeting.

The motion passed.

Yes: Chair Monson, Council Member Musgrove, Stewart Halpern, and Agnes Wong Nickerson.

No: None.

Abstain: None.

Absent: Chair Zito and Vice Chair Vasquez

2. Public Comments/Communications/Member Comments

Katheryn Rhodes (public commenter) requested an audit of the Regional Housing Needs Assessment numbers given by the City of San Diego. Katheryn Rhodes recommended when asking for numbers to also ask for addresses and completion dates.

Vice Chair Vasquez made comments on the situation in Ukraine and about the first African American to earn their certified public accountant license, John Cromwell, for Black History Month.

Vice Chair Vasquez also announced in April the Audit Committee will begin meeting on the second Friday of the month.

Agnes Wong Nickerson asked what is done with public comment requests. Independent Performance (IPA) Auditor Mary Khoshmashrab responded the best way to get a request on the audit plan is to file a complaint with the fraud, waste, and abuse hotline so it is documented, and resources can be properly allocated.

Reports

3. Chief Executive Officer's Report (Discussion)

Chief Executive Officer (CEO) Hasan Ikhtrata provided updates about the agency priorities including the completion of the Mid-Coast Trolley expansion project, adoption of the Regional Transportation Plan, and the Otay-Mesa Border plan approval by the Federal Highway Administration.

CEO Hasan Ikhtrata discussed an operational error reported to the fraud, waste, and abuse hotline regarding State Router 125 (SR 125). Five transponder stations malfunctioned for roughly two and a half months resulting in an estimated loss of two, or more, million dollars. The IPA is working on the investigation and a report.

Action: Discussion only.

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

IPA Mary Khoshmashrab provided an update on the Office of the Independent Performance Auditor's (OIPA) activities, including completion of the Purchase Card Review and also beginning the Contracts and Procurement audit.

The IPA discussed current staff changes.

Stewart Halpern asked about the process for the increase to the OIPA FY 2022-2023 budget. The IPA responded management is on board with adding an additional position each fiscal year to reach the number of auditors originally requested. CEO Hasan Ikhtrata added with the current situation regarding the SR 125 problem there is a need for more auditors.

There were no public comments on this item.

Action: Discussion only.

5. Salaries and Compensation Audit (Information)

IPA Mary Khoshmashrab presented the item.

+5A. Action Plan Progress Report

Senior Director, Organization Effectiveness, Melissa Coffelt presented an update on progress achieved to date regarding the Compensation Audit Action Plan.

Melissa Coffelt shared there are 27 items to be completed by June 2022. Eleven items were completed by December 31, 2021.

Chief Financial Officer Andre Douzdjian shared specific actions the Finance team has taken to achieve completion of the 11 items.

There were no public comments on this item.

+5B. Corrective Action Plan Reporting Results

IPA Mary Khoshmashrab presented the item.

The Audit Committee was asked to discuss and provide input on the review results, and other required next steps and move to the Board of Directors for consideration and acceptance.

The IPA stated the 11 items were completed. The IPA also added the last item is a large task but will be benefit SANDAG.

Stewart Halpern offered congratulations for collaboration on remediation steps and commented on the acknowledgment structure of finance policies and procedures where an employee acknowledges they have access to the form but not that they have reviewed it. Stewart Halpern asked if the acknowledgment is meant to be done on an annual basis or as needed. Andre Douzdjian responded it will be acknowledged when a new person is hired or annually.

Chair Monson commented on how well the management staff and the audit staff has worked together.

Vice Chair Vasquez restated this item will be going to the Board of Directors on March 11, 2022.

There were no public comments on this item.

Action: Discussion only.

6. Office of the Independent Auditor – Results for the Purchase Card Operational and System Control Review (Discussion/Possible Action)

IPA Mary Khoshmashrab and Management Internal Auditor Michael Ryan presented the item.

Michael Ryan presented the results and recommendations for the Purchase Card Operational and System Control Review.

Stewart Halpern asked about the need for the company purchase card themselves, how often does a person have to use the purchase card because their personal card cannot cover the expense. Andre Douzdjian responded the largest expenses include travel and IT related items and it should not be assumed the employee will bear these costs but added they prefer employees to use their personal cards and get reimbursed.

Stewart Halpern also asked about the local purchases and if there are any situations in which a p-card can be used for food purchases. The IPA responded there may be reasonable business needs, but they need to be supported. Support should include what was the agenda, who attended and is it reasonable in the eyes of the public. The IPA also added the “business need” should be defined to avoid Brown Act violations.

Agnes Wong Nickerson commented on the importance of staff training and mentioned establishing transparency and proper approval and review of business expenses.

Chair Monson asked about transactions that were compared to the \$10,000 limit. Michael Ryan responded it was included into the report to show a correction would be needed with the updated threshold.

Council Member Musgrove commented on the money spent on laptops at the beginning of the pandemic and asked why the charges were put on a purchase card. The IPA responded that is why it was found as a separate finding. SANDAG does have the opportunity to utilize blanket agreements and can piggyback on other agencies’ blanket agreements and these should have been explored with these large purchases.

The Audit Committee is asked to discuss and provide input on the review results, and other required next steps, and move to the Board for consideration and acceptance.

There were no public comments on this item.

Action: Upon a motion by Chair Monson and a second by Agnes Wong Nickerson the Audit Committee voted to approve acceptance of the report and recommendation to the Board for consideration and acceptance.

The motion passed.

Yes: Chair Monson, Vice Chair Vasquez, Stewart Halpern, and Agnes Wong Nickerson.

No: None.

Abstain: None.

Absent: Chair David Zito

7. Upcoming Meetings

The next Audit Committee meeting is scheduled for Friday, May 27, 2022, at 12:30 p.m.

8. Adjournment

The meeting was adjourned at 2:05 p.m.

Confirmed Attendance at SANDAG Audit Committee Meeting

January 28, 2022

Jurisdiction/Organization	Name	Member/ Alternate	Attended
Board Member	David Zito (Chair)	Primary	No
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

April 8, 2022

Office of the Independent Auditor—Fraud, Waste, and Abuse 3rd Quarter Update Report

Overview

In accordance with Assembly Bill 805 (Gonzalez, 2017) and Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities (Board Policy No. 039), Section 3.1.7 and in accordance with the Independent Performance Auditor's (IPA) established Performance Measures, the IPA has prepared, for discussion and recommendation to the Board of Directors, as informational, the FY 2022 3rd Quarter Fraud, Waste, and Abuse Report for the period of July 1, 2021, through March 31, 2022.

Action: Recommend

The Audit Committee is provided this report as informational and asked to recommend that the report be provided to the Board of Directors as informational.

Fiscal Impact:

None.

Schedule/Scope Impact:

FY 2022.

Key Considerations

The IPA has prepared the FY 2022 3rd Quarter Fraud, Waste, and Abuse report. The report is provided for discussion and information, will be posted to the OIPA webpage, and be provided to the Board as informational.

Next Steps

The reports will be posted to the OIPA webpage on the SANDAG website. The Audit Committee is asked to recommend that the reports be provided to the Board as informational.

Mary Khoshmashrab, Independent Performance Auditor

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

Attachment: 1. OIPA Fraud Waste and Abuse Report FY 2022 – Q3



THE OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR

*Fraud, Waste and Abuse Report
Quarter Ending March 31, 2022*

Fiscal Year 2021-22

About the Fraud, Waste and Abuse:

The Office of the Independent Performance Auditor (OIPA) is the official body of the agency to investigate allegations of potential fraud, waste, and abuse identified by agency staff or other stakeholders. Once the investigation into the allegations has been conducted, the OIPA advises the SANDAG Audit Committee and the Office of General Counsel on whether improper activities occurred.

[SANDAG Board Policy No. 41](#) - Internal Control Standards is intended to help prevent and detect potential fraud, waste, and abuse of public funds by guiding and encouraging agency management and staff to consider, implement, and monitor good system controls.

Fraud, Waste, and Abuse of Public Funds or Assets Defined

"Fraud, waste, or abuse" means any activity by a local agency or employee that is undertaken in the performance of the employee's official duties, including activities deemed to be outside the scope of his or her employment, that is in violation of any local, state, or federal law or regulation relating to corruption, malfeasance, bribery, theft of government property, fraudulent claims, fraud, coercion, conversion, malicious prosecution, misuse of government property, or willful omission to perform duty, is economically wasteful, or involves gross misconduct.

Per the Board of Director's approval of [Board Policy No. 039](#), the Independent Performance Auditor (IPA) is the official body of SANDAG to investigate allegations of potential fraud, waste, and abuse identified by staff or other stakeholders. Once the investigation into the allegations has been conducted, the IPA advises the Audit Committee, the Office of the General Counsel or outside counsel under contract with SANDAG on whether improper activities occurred.

An employee, contracted parties, member of the public, or other stakeholders of SANDAG can file a complaint with the OIPA alleging improper activities. A member of the public or other stakeholders are encouraged to file as soon as the complainant has knowledge of the alleged improper activity. An employee or applicant for employment that is subject to Government Code Section 53297 shall have the right to file a complaint within 60 days of the date of the act or event which is subject of the complaint. Prior to filing a written complaint, the employee shall first make a good faith effort to exhaust all available administrative remedies.



OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR

DATE: April 8, 2022

TO: Members of the Audit Committee

FROM: Mary Khoshmashrab, Independent Performance Auditor

SUBJECT: **Independent Performance Auditor Q-3 Fraud, Waste, and Abuse Report - FY 2021-22**

During Fiscal Year 2021-22 – as of third quarter ending (July - March 31, 2022), OIPA received ***nine*** additional Fraud, Waste and Abuse complaints. The ***nine*** cases consist of ***three*** internal related issues and ***six*** external related issues. Additionally, ***one*** prior fiscal year case remains open, pending additional information.

Table 1: the following page summarizes the types of reporting's received during Fiscal Year 2021-22 or pending from prior fiscal year.

Table 2: page 5 provides detailed reporting and status on External Fraud, Waste and Abuse Reporting's.

Table 3: page 6 provides detailed reporting and status on Internal Fraud, Waste, and Abuse Reporting's.

Table 1: Reporting Received in Fiscal Year 2021-22

Independent Performance Auditor Reporting's	Number of Reporting's (Prior Year)	Number of Reporting's (Current Year)	Closed	Open
External Reporting's				
Fraud				
Gross Mismanagement				
Waste				
Abuse	1			1
Substantial and Specific Danger to Public Health and Safety				
Combination of Allegations		3		3
Subtotal External Investigations	1	3		4
Internal Reporting's				
Abuse of Authority				
Unfair Treatment				
Employee Relations				
Overall Risk Lack of Control/Policy				
Theft of Time		1		1
Combination of Allegations		5		5
Subtotal Internal Investigations		6		6
Total Reports Received in Purview of the IPA	1	9		10

Table 2: Status of External Fraud, Waste and Abuse Reporting Fiscal Year 2021-22

No.	Incident Type	Case #	Received	Date Started	Status/Outcome	Date Closed
1	Abuse	004- PR	1/13/20	1/13/20	Open/Unresolved	Pending
<p>An allegation stating that SANDAG is allowing for unsafe traffic circles, ignoring and lying to the SANDAG Board of Directors, and evading the Brown Act. The matter is on hold and pending additional information that OIPA has requested from the complainant. As of 4/07/22, no additional information has been provided by complainant.</p>						
2	Combination of Allegations (GM, Waste, and Abuse)	001-22, 003-22, 004-22, 006-22	7/27, 2/02, 2/08, 2/14		Open	Pending
<p>An allegation stating that SANDAG, the City of San Diego and Consultants working on the Bike Project are grossly mismanaging, wasting, and abusing public dollars. The claim includes four different complaints filed through the fraud, waste and abuse hotline. The matter includes concerns that the project has doubled in estimated cost. Additionally, there are allegations that in some areas that have been completed, the contractors failed to ensure that proper safety guidelines be followed including proper signage and advanced posting of work task.</p>						
3	Combination of Allegations (Waste, GM, Abuse)	007-22	02/25/22	03/16/22	Open	Pending
<p>An allegation regarding misuse and abuse by a SANDAG consultant/contractor. The claim is regarding abuse of billing, overreaching of authority and failure to adhere to the terms of the contract. The claimant states that these actions by the contractor have been ongoing for many years.</p>						
4	Combination of Allegations (GM, Abuse, COI, Quid Pro-Quo)	009-22	2/17/22	03/25/22	Open	Pending
<p>An allegation regarding misuse and abuse by a SANDAG consultant/contractor and prior SANDAG employee. The claim is regarding abuse of power, conflict of interest (COI), overreaching of authority and financial gain by prior employee and contractor. Claimant provides detail of a “this for a that” agreement.</p>						

Table 3: Status of Internal Fraud, Waste and Abuse Reporting Fiscal Year 2021-22

No.	Incident Type	Report #	Received	Date Started	Status/Outcome	Date Closed
1	Combination of Allegations	005-22- Issue 1	2/9/22	02/10/22	Closed- Unfounded	3/8/2022
	An allegation consisting of two issues was reported to the IPA. Issue one was regarding a matter of improper reporting of average revenue used as part of a revenue projection relating to the 2017 Revenue Bond Report update to the Board, the matter was reviewed, revenue for the period was requested and average reviewed was recalculated. The report accurately reflected the correct average revenue. Unfounded.					
2	Combination of Allegations	005-22- Issue 2	2/9/22	02/10/22	Open	Pending
	An allegation consisting of two issues was reported to the IPA. Issue 2 was in regard to uncollected toll and violation revenue. The claimant stated that during the months of June, July, and August there were 4 tolls pay- entries that were knowingly unplugged. The matter was reported, at some levels, but not addressed or reported at higher levels. The claimant estimated that there may have been approx. \$1.5 to \$2 million of lost revenue. The matter is still pending. However, the CEO has properly informed the Board and will update the Board once a reasonably estimated amount of revenue can be calculated and confirmed. The IPA continues to work with SANDAG Management until the figures are firm and reported to the Board.					
3	Combination of Allegations	010-22	03/8/22	03/25/22	Open	Pending
	An allegation of employee misuse of SANDAG Vehicle. Information and detail regarding the matter was provided.					
4	Combination of Allegations	011-22	03/10/22	03/25/22	Open	Pending
	An allegation of employee misuse of SANDAG minor equipment used while working remotely and otherwise. Information and detail regarding the matter was provided.					
5	Combination of Allegations	002-22	07/22	07/23	Closed/Dismissed	10/2021
	An allegation stating that a Retired Annuitant (RA) working for SANDAG was also working at a SANDAG oversight agency performing conflicting duties and therefore creating a conflict of interest (COI). The complainant claimed that the RA was in violation of the RA's employment contract and may have also been working over the permitted hours that is permissible for retired annuitants under government code. The review determined that the RA did not follow the employment contract agreement in that the RA failed to inform SANDAG in writing when working at another government agency. However, the investigation was dismissed due to changes in the RA's employment with SANDAG.					
6	Theft of Time	008-22	03/08/22	03/25/22	Open	Pending
	Allegations of a current SANDAG employee and theft of time. Claimant states and provides examples of the employee and theft of time including coming in late, leaving early, etc. OIPA had planned a time audit, but due to limited resources this has been pending review. However, this matter will be individually reviewed to determine if actions should be taken.					

Conclusion

The Office of the Independent Performance Auditor is committed to ensuring that all reported claims of fraud, waste, and abuse related to SANDAG's operations are sufficiently investigated and successfully resolved.

SANDAG Management works diligently with OIPA to resolve these complaints and bring improvements to help prevent similar events from happening in the future.

Respectfully submitted,



Mary Khoshmashrab, MSBA, CFE, CPA
Independent Performance Auditor

cc: Audit Committee Chair David Zito
 Audit Committee Vice Chair Mayor Racquel Vasquez
 Audit Committee Public Members
 SANDAG Board of Directors
 Hasan Ikhata, Executive Director
 OIPA Webpage and File