

May 13, 2022

April 8, 2022, 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 April 8, 2022, meeting.

1. Approval of Meeting Minutes (Approve)

There were no public comments on this item.

Action: Upon a motion by Vice Chair Racquel Vasquez (Board Member) and a second by Robert Monson (Public Member) the Audit Committee voted to approve the minutes from its February 25, 2022, meeting.

The motion passed.

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

No: None.

Abstain: None.

Absent: None.

2. Public Comments/Communications/Member Comments

Vice Chair Vasquez praised everyone for their part of the effort of looking into what works for SANDAG to minimize risk.

Agnes Wong Nickerson asked if the purchase card audit will come back to the Audit Committee, including policies and the verifying of purchases. Chair Zito responded the Independent Performance Auditor (IPA) will go over that later in the meeting.

There were no public comments.

3. Agency Report (Discussion)

Deputy CEO Ray Major presented an update on key programs, projects and initiatives, including SANDAG's Get Connected Campaign, outreach efforts for the youth opportunity pass, SANDAG's awarded grants to help implement the regional plan, the Landis Bikeway opening, and an update on the investigation of the SR 125 inoperative pay points. An estimated \$1.8 million was lost, and there will be an independent assessment completed to ensure the right steps of improvement are implemented.

Stewart Halpern asked about the Board of Directors meeting and hybrid access. Ray Major responded the meeting was cancelled because there was not a quorum, and so the teleconference resolution was not approved. Deputy General Counsel Amberlynn Deaton advised that Board and Committee members will be required to meet in person, but the public can attend virtually.

There were no public comments on this item.

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 corrective actions regarding the purchase card audit.

Ray Major added that the updated policy is expected to come to the Audit Committee in May and then will go to the Board of Directors in June.

The IPA discussed the merging of smaller audits to the current Contracts and Procurement audit. Next fiscal year the OIPA will do continuous auditing.

The OIPA is testing full-time remote working. The IPA will be listing a full-time remote position to capture a great candidate with government auditing experience.

The OIPA is working on next year's audit plan. All member of the Board of Directors, Audit Committee, and the SANDAG Executive Team have been contacted for a meeting with the OIPA to discuss their risk concerns.

Lastly, the OIPA is receiving a peer review in April and the report is expected to come to the Audit Committee in June.

Chair Zito asked if the purchase card audit will be coming back the audit committee. The IPA responded from an audit perspective it is not necessary to reopen the audit. Chair Zito asked Ray Major to report back to the Audit Committee once management finishes reviewing all questionable transactions.

Robert Monson asked who is performing the OIPA peer review. The IPA responded Charles Hester.

Stewart Halpern asked what it would take to get full Board participation in the risk assessment process. Chair Zito responded with the politicization of the Board there may be a higher participation rate.

Vice Chair Vasquez advised one-on-one engagement with members, providing more updates and giving insight to the audit process.

Councilmember Ed Musgrove (Alternate Board Member) added that top-down conversations and a presentation at the Board meeting showing the OIPA is here to help SANDAG would be beneficial.

Chair Zito agreed a presentation can be made at the next Board Meeting giving information about the risk discussions.

The IPA agreed with all recommendations.

There were no public comments on this item.

Action: Discussion.

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

IPA Mary Khoshmashrab presented the item.

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

The fraud, waste and abuse hotline received nine additional complaints—three internal issues and six external issues. Three are pending because requested evidence has not been submitted. The IPA is focusing on each complaint in order of level of risk.

The IPA discussed the closing of the SR 125 inoperative pay points case.

Ray Major assured the Audit Committee there was a thorough analysis of estimated loss of revenue due to the SR 125 case.

Councilmember Musgrove inquired about criminal intent in unplugging of the pay points. Ray Major responded there was no criminal intent, the technology is old and was working incorrectly. Councilmember Musgrove asked if there is a plan to fix the issue and have a backup data collection. Ray Major responded they are monitoring the appropriate traffic counts daily and a new system should be implemented in May.

Councilmember Musgrove asked if removing the toll has come to the Board for consideration. Ray Major responded it has not come to the Board for consideration but there is a bill being considered that would remove the toll.

The IPA added that improvement needs to happen around the procedures. If reports were being reviewed daily, it would not have gone unnoticed for so long. Ray Major agreed.

Councilmember Musgrove asked who SANDAG owes for the toll road. Ray Major responded SANDAG used bonds and is obligated to pay bonds coming from the toll facility until 2042.

Agnes Wong Nickerson asked for clarification about how this will be mitigated in the future. Ray Major responded a consultant will be hired to give insight how to best run the systems. In the meantime, the daily reports are going to Chief Financial Officer Andre Douzdjian for review.

Chair Zito asked if the consultant will be also looking at how managed lane fees are collected from I-15 as well. Ray Major responded the scope of this particular contract is to look at the SR 125 toll operations only, but the same system will be used on I-15, so the best practices will transfer over. Ray Major also stated that this is the same system that will be used for tolls for the Otay Mesa East border crossing.

Stewart Halpern stated if there was more capacity of the OIPA, more recommendations could be made for more savings opportunities. Ray Major commented management is on board with helping OIPA to improve SANDAG.

Chair Zito asked if during next year's audit plan the IPA will add more hours to the fraud, waste, and abuse investigations. The IPA responded that current staff is unable to lead investigations individually so she would like to hire another senior member who has the Certified Fraud Examiner certification to help with the investigations. Ray Major responded management supports adding more staff to the OIPA.

Chair Zito recommended including a graph showing how many complaints are being submitted and completed to show the Board more staff is needed. The IPA responded a graph can be added.

There were no public comments on this item.

Action: Upon a motion by Vice Chair Vasquez and a second by Robert Monson, the Audit Committee voted to recommend that the report be provided to the Board of Directors for information.

The motion passed.

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

No: None.

Abstain: None.

Absent: None.

6. Upcoming Meetings

The next Audit Committee meeting is scheduled for Friday, May 13, 2022, at 12:30 p.m.

7. Adjournment

The meeting was adjourned at 1:41 p.m.

Confirmed Attendance at SANDAG Audit Committee Meeting

April 8, 2022

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