

SANDAG

Audit Committee Agenda

Friday, May 28, 2021

12:30 p.m.

****Teleconference Meeting****

MEETING ANNOUNCEMENT AMIDST COVID-19 PANDEMIC:

The Audit Committee meeting scheduled for Friday, May 28, 2021, will be conducted virtually in accordance with Governor Newsom's State of Emergency declaration regarding the COVID-19 outbreak, Executive Order N-29-20, and the Guidance for Gatherings issued by the California Department of Public Health. Board 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 May 28, Audit Committee Meeting in your subject line and identify the item number(s) to which your comments pertain). Comments received by 4 p.m. on Thursday, May 27, 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.

SANDAG

Welcome to SANDAG. Members of the public may speak to the 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.

In order to keep the public informed in an efficient manner and facilitate public participation, SANDAG also provides access to all agenda and meeting materials online at sandag.org/meetings. Additionally, interested persons can sign up for email notifications at sandag.org/subscribe.

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Message from the Clerk

In compliance with Government Code §54952.3, the Clerk hereby announces that the compensation for legislative body members attending the following simultaneous or serial meetings is: Executive Committee (EC) \$100, Board of Directors (BOD) \$150, and Regional Transportation Commission (RTC) \$100. Compensation rates for the EC and BOD are set pursuant to the SANDAG Bylaws, and the compensation rate for the RTC is set pursuant to state law.

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.

San Diego Association of Governments × 401 B Street, Suite 800, San Diego, CA 92101-4231 × (619) 699-1900 × Fax (619) 699-1905 × sandag.org

Audit Committee

Friday, May 28, 2021

Item No.		Recommendation
+1.	Approval of Meeting Minutes The Audit Committee is asked to review and approve the minutes and attachments (Performance Measures) from its April 23, 2021, meeting.	Approve
2.	Public Comments/Communications/Member Comments Public comments under this agenda item will be limited to five public 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. Public speakers are limited to three minutes or less per person. Committee members also may provide information and announcements under this agenda item. If the number of public comments under this agenda item exceeds five, additional public comments will be taken at the end of the agenda. Subjects of previous agenda items may not again be addressed under public comment.	
3.	Executive Director's Report <i>Hasan Ikhata, SANDAG</i> Executive Director Hasan Ikhata 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.	Status Update of the Independent Performance Auditor's Salary Adjustment <i>Stewart Halpern, Committee Public Member</i> The Audit Committee is asked to discuss an update on the status of the Independent Performance Auditor's salary adjustment.	Discussion/ Possible Action
6.	Discuss August 2021 Audit Committee Meeting <i>Mary Khoshmashrab, Independent Performance Auditor</i> The Audit Committee is asked to discuss canceling the August 2021 Audit Committee meeting to align with the cancellation of Policy Advisory Committee and Board of Directors meetings.	Discussion/ Possible Action

+7. FY 2022 SANDAG Financial and Compliance Audit Process **Discussion/
Possible Action**
Yen Ho, SANDAG

The Audit Committee is asked to consider whether to: (1) recommend to the Board of Directors that the current auditing firm for SANDAG, Crowe LLP, conduct the FY 2022 Financial and Compliance Audit; or (2) issue a new Request for Proposal.

8. Upcoming Meetings **Information**

The next Audit Committee is scheduled for Friday, June 25, 2021, at 12:30 p.m.

9. Adjournment

+ next to an agenda item indicates an attachment

May 28, 2021

April 23, 2021, Audit Committee Meeting Minutes

Chair David Zito (Board Member) called the meeting of the Audit Committee to order at 12:31 p.m.

1. Approval of Meeting Minutes (Approve)

Action: Upon a motion by Public Member Paul Dostart and a second by Chair Zito, the Audit Committee approved the minutes from its March 26, 2021, meeting.

Yes: Chair Zito, Vice Chair Racquel Vasquez (Board Member), Paul Dostart (Public Member), Stewart Halpern (Public Member), and Robert Monson (Public Member).

No: None.

Abstain: None.

Absent: None.

2. Public Comments/Communications/Member Comments

None.

Reports

3. Executive Director's Report (Discussion)

Executive Director Hasan Ikhata provided an update on key programs, projects, and agency initiatives, including the notice of preparation of the Central Mobility Hub, approval from the California Air Resources Board for SANDAG's methodology on the 2021 Regional Transportation Plan, a grant for \$200,000 from the California Energy Commission to develop zero-emission vehicle infrastructure, Otay Mesa Border Crossing project, Del Mar Bluffs Stabilization project, and the Mid-Coast Corridor Transit Project.

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 activities, including an update on the process of filling Office of Independence Performance Auditor staff vacancies.

Action: Discussion only.

5. Recommended 2021–2022 Performance Measures and Salary Adjustment for the Independent Performance Auditor (Discussion/Possible Action)

Robert Monson and Stewart Halpern presented the item.

The Audit Committee was asked to discuss:

- A. The draft proposed FY 2022 performance measures that the subcommittee developed in consultation with the Independent Performance Auditor (IPA).

Action: **Approve**

The Audit Committee is asked to approve the minutes and the attached final draft performance measures from its April 23, 2021, meeting.

Action: Upon a motion by Robert Monson and a second by Vice Chair Vasquez, the Audit Committee approved the proposed FY 2022 performance measures that the subcommittee developed in consultation with the IPA with the proposed changes of (see attached final draft of performance measures):

adding the standard of “no intentional publication and no intentional or unintentional disclosure of information that by law remain confidential” to the public transparency and accountability performance measure, and;

adding an action plan that’s published and documented with respect to what steps are taken to address items that come out of the performance survey in the communication and relationship measure.

Yes: Chair Zito, Vice Chair Vasquez, Paul Dostart, Stewart Halpern, and Robert Monson.

No: None.

Abstain: None.

Absent: Stewart Halpern.

B. The compensation data compiled by the subcommittee to recommend to the Board a salary adjustment for the IPA.

Action: Upon a motion by Vice Chair Vasquez and a second by Paul Dostart, the Audit Committee approved the motion recommend that the Board of Directors commission a salary study or survey utilizing a consultant or SANDAG staff to further inform the Audit Committee's recommendation regarding a salary adjustment for the Independent Performance Auditor.

Yes: Chair Zito, Vice Chair Vasquez, Paul Dostart, and Robert Monson.

No: None.

Abstain: None.

Absent: Stewart Halpern.

6. Office of the Independent Performance Auditor – Update Audit Plan and Audit Resource Allocation for the SR 125 Review (Discussion/Possible Action)

Mary Khoshmashrab presented the item.

The Audit Committee is asked to discuss the request and direct the Independent Performance Auditor to allocate 300 hours of audit resources to perform the review.

Action: Upon a motion by Vice Chair Vasquez and a second by Paul Dostart, the Audit Committee approved the SR 125 review request amended to have 100 hours of audit resources used in the current fiscal year and any additional hours needed to complete the review to be used in the next fiscal year.

Yes: Chair Zito, Vice Chair Vasquez, Paul Dostart, Stewart Halpern, and Robert Monson.

No: None.

Abstain: None.

Absent: None.

7. Salaries and Compensation Audit Action Plan Progress Report (Information)

+7A. Salaries and Compensation Audit: Action Plan Progress Report
Director of Organizational Effectiveness Melissa Coffelt presented the item.

+7B. Salaries and Compensation Audit: Corrective Action Plan Reporting Results

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

Mary Khoshmashrab presented the item.

Action: Information only.

8. Draft FY 2021 *TransNet* Triennial Performance Audit (Information)

Cathy Brady and Lien Luu of Sjoberg Evashenk Consulting, Senior Financial Programming and Project Control Analyst Ariana zur Nieden, and Financial Analyst Julie Barajas presented the item.

Action: Information only.

9. Continued Public Comments

None.

10. Upcoming Meetings (Information)

The next Audit Committee meeting is scheduled for Friday, May 28, 2021, at 12:30 p.m.

11. Adjournment

Chair Zito adjourned the meeting at 2:56 p.m.

Confirmed Attendance at SANDAG Audit Committee Meeting

April 23, 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	Paul Dostart	Primary	Yes
Public Member	Stewart Halpern	Primary	Yes

**The Independent Performance Auditor
Performance Measures**

The Independent Performance Auditor's (IPA's) performance measures are aligned with the FY2021-22 Annual Audit Plan for the Office of the Independent Performance Auditor. These measures were developed and approved by the Audit Committee and will be used as part of the measure for the IPA's annual performance review for the period of January 1, 2021 to June 30, 2021 and FY2021-22.

The IPA's Performance Measure Goals	Type	Alignment	On Target	Exceeds
<p>CPE- Professional Continued Education (IPA) 100% of auditors adhere to professional certificate/licensing requirements and competency needs every two years and at least 40 hours by December 31, 2021.</p>	Quality/ Teamwork	PAS/SDG/IP A	90%	100%
<p>Percentage of planned engagements vs. number of engagements conducted Ensure auditor utilization performance meets industry standards, with audit utilization being measured by the number of planned audits divided by the number of audits conducted.</p>	Outcome/ Leadership	PAS/SDG/IP A	80%	85%
<p>Budgeted vs. actual audit hours per engagement (OIPA) Complete audits in an efficient and effective manner, measured by the number of hours budgeted per audit vs actual hours expended per audit.</p>	Outcome/ Leadership	PAS/SDG/IP A	80%	85%
<p>Percentage of OIPA's key goals achieved. In preparation of the annual audit plan, the IPA offers and provides support that includes an annual risk discussion with the governing board, the audit committee, and executive team as part of consideration of risk. The IPA offers and supports providing training and outreach to SANDAG staff and Board members by way of classes and guidance on areas of system controls, best practices, and risk consideration.</p>	Outcome/ Operational	SDG/IPA	70% participation	80% participation
<p>Public Transparency and Accountability The IPA ensures that OIPA will work with Management to maintain an ongoing summary of all internal and external audits that are performed on SANDAG and the status of all Corrective Action Plans (CAPs). Additionally, the IPA will ensure that all CAPs relating to audits performed by OIPA are reviewed and tested and that results are reported on a quarterly basis to the Audit Committee and posted to the OIPA website on an annual basis. Fraud, Waste, Abuse – The IPA ensures that the OIPA will provide an annual written report to the Audit Committee, Board, and post to website of the all incidents reported via the Fraud, Waste, and Abuse website. Further, the IPA will agenize, on a quarterly basis, an update to the Audit Committee. The IPA ensures that there will be no intentional failures to post and there would be no public posting of disclosures by the IPA of information that is required, under law, to be kept confidential.</p>	Quality/ Operational/ Communication	IPA	100%	100%
<p>Communication and Relationship Development Maintain and further develop, working relationships with management, while maintaining independence, so that the Office of the Independent Performance Auditor is viewed as a value-added part of the organization. The IPA will undergo an independent - 360 type performance review/survey. Participants will include professional peers, Board, Audit Committee Members, management and staff of SANDAG. Based on an evaluation similar to the IPA's previous review performed by an independent consultant. The IPA ensures that an "Action Plan" will be prepared and publicly posted that addresses any need for improvements that were identified as a result of the review/survey.</p>	Outcome/ Communication	IPA	Not less than satisfactory or 70%.	Exceeds 80%

Key: IPA= Independent Performance Auditor, PAS=Professional Auditing Standards, SDG=Staff Development Goals

May 28, 2021

FY 2022 SANDAG Financial and Compliance Audit Process

Overview

[SANDAG Board Policy No. 039](#), adopted December 2017, authorizes the Audit Committee to recommend to the Board of Directors which firm to contract with to conduct the annual financial statement audits. To keep the FY 2018 interim audit on schedule, however, a procurement to select an audit firm was necessary prior to the formation of the Audit Committee. This procurement resulted in the execution of a five-year on-call contract with the independent audit firm Crowe LLP.

Key Considerations

The Crowe LLP five-year on-call contract permits SANDAG to issue, on an annual basis, a task order for auditing services for each fiscal year. The auditor has completed the FY 2018, FY 2019 and FY 2020 audits and is commencing work on the FY 2021 audit.

The standard timing for Audit Committee review and approval would be approximately one year prior to fiscal year end to account for the option of a new procurement. For the FY 2021 audit, that decision was made in late FY 2020, around the time the auditor was completing the interim phase of the FY 2020 financial and compliance audit.

At the June 26, 2020, meeting, the Board of Directors approved the Audit Committee's recommendation to exercise the option with Crowe LLP to conduct the FY 2021 SANDAG Financial and Compliance Audit.

Annual review and approvals have been scheduled in all future June meetings, so the Audit Committee may have an opportunity to review options and make a decision in accordance with Board Policy No. 039.

For the FY 2022 SANDAG Financial and Compliance Audit, the Audit Committee has the option of continuing with Crowe LLP or issuing a Request for Proposal to choose a firm in accordance with Board Policy No. 039.

Next Steps

At its July 9, 2021, meeting, the Board of Directors is scheduled to consider the recommendation of the Audit Committee for the FY 2022 SANDAG Financial and Compliance audit.

Crowe LLP is scheduled to present the FY 2021 Statement on Auditing Standards 114 (which is a required communication) to the Audit Committee at its June 25, 2021, meeting.

André Douzdjian, Director of Finance

Key Staff Contact: Yen Ho, (619) 699-1942, yen.ho@sandag.org

Attachment: 1. FY 2021 Financial and Compliance Audit Deliverables

Action: Discussion/Possible Action

The Audit Committee is asked to consider whether to: (1) recommend to the Board of Directors that the current auditing firm for SANDAG, Crowe LLP, conduct the FY 2022 Financial and Compliance Audit; or (2) issue a new Request for Proposal.

Fiscal Impact:

The Crowe LLP agreement annual cost was negotiated at the time of procurement. The \$227,920 annual cost is funded from federal, state, *TransNet*, toll, member assessment, and other revenues. The estimated cost of staff time in conducting a new procurement is \$80,000, not including Audit Committee time.

Schedule/Scope Impact:

The interim portion of the FY 2022 financial and compliance audit will begin in June 2022.

Annual Financial and Compliance Audit Deliverables

The SANDAG Financial and Compliance Audit Program includes several components with varying due dates. The following schedule provides a listing of each deliverable, including expected completion dates for the audit:

Audit Service	Report Deliverables Date
Audit of South Bay Expressway Toll Operations ¹	December 15
Audit of SourcePoint	December 15
Audit of Automated Regional Justice Information System	December 15
Audit of the San Diego County Regional Transportation Commission (Commission)	December 15
Certification of the Commission Statement of Cash Flows ²	December 15
Transportation Development Act Fiscal and Compliance Audits ³	December 15
Audit of the SANDAG Comprehensive Annual Financial Report	December 15
Certification of National Transit Database Report ⁴	February 28
Audit of Coronado Bridge Toll Revenues ⁵	February 28
SANDAG Single Audit Report	March 30
Commission Single Audit Report ⁶	December 15
ARJIS Single Audit Report	March 30

1. Pursuant to requirements of debt covenants for the South Bay Expressway.
2. Pursuant to requirements of the Transportation Infrastructure Finance and Innovation Act (TIFIA) Loan Agreement with the Commission for the Mid-Coast Corridor Transit Project.
3. Pursuant to requirements of the Transportation Development Act Statutes and California Codes of Regulations.
4. Pursuant to requirements set forth in 49 CFR Part 630, Federal Register.
5. Pursuant to California Street and Highway Code 30796.7.
6. Requirement of the TIFIA Loan Agreement with the Commission for the Mid-Coast Corridor Transit Project.