



# Administrative Procedures for the Annual Performance Review for the Independent Performance Auditor

## Purpose

These procedures reflect and document the Independent Performance Auditor's (IPAs) annual performance review and compensation adjustment managed by the Audit Committee and moved to the Board of Directors with a recommended action. The purpose of documenting this process is to help bring consistency, fairness and properness to the process.

### 1. Background – Understanding the reporting structure of the IPA

#### 1.1 Board Policy 039: Board Policy 039 – Audit Policy Advisory Committee and Audit Activity

The purpose of this policy is to specify the functions of the Audit Committee and the SANDAG Independent Performance Auditor.

#### Section 3.1.5

Recommend to the Board the annual compensation of the independent performance auditor.

### 2. IPA's Employment Contract

2.1 The IPA's employment contract should be considered when determining the annual performance review process to ensure that the Audit Committee is adhering to any contractual obligations regarding timing and process when determining the review process.

2.2 As part of the initial hire the IPA must work timely with the Audit Committee to establish performance measures for the purpose of assessing the IPA annual performance and compensation review for the year that follows.

### 3. Review Process Options

3.1 The Audit Subcommittee identified 3 options that may be considered when performing the IPA's annual performance review. For the current holder of the position of the IPA, the Audit Committee has selected Option 3. Option 3 will be used for all future annual performance reviews for this IPA.

#### Option 1:

Follow SANDAG guidelines in place for all non-Board reporting employees and executives. This policy will be reviewed and updated should the policy for the other SANDAG executive begin to deviate from established practices today.

#### Description:

Review cycle centers around the Fiscal Year, generally receiving reviews in the July/Aug timeframe with raises taking effect in the Aug/Sep timeframe, retroactive to July 1st (start of the fiscal year). If the person has been in their position for less than 6 months (hired after Jan 1st of the same year) they are not eligible for review or a merit increase.

Specifics for IPA position:

If the IPA was hired prior to Jan 1st of the current year:

- a. At the April Audit Committee meeting the below timeline and process is reviewed and noted, discussion may occur if any desired modifications are to be considered.
- b. During the May Audit Committee meeting the IPA reports on performance results and outcomes for the year against the Audit Plan and performance metrics, or the term worked to date if less than a full year.
  - b.1 Audit Committee assigns a subcommittee to evaluate performance results, request and collect input on compensation metrics, and make a recommendation on compensation to the full committee.
    - b.1.1 Ideally the subcommittee will be comprised of 1 elected member and 1 public member.
    - b.1.2 Ideally the subcommittee will consist of at least 1 member who participated in the prior review period.
- c. During June Audit Committee meeting updates are provided by the subcommittee and any changes to the results for the FY are presented.
- d. During the July Audit Committee meeting the committee makes a final recommendation for the performance results and compensation to be sent to the full Board.
- e. The Full Board considers the recommendation as soon as reasonable but no later than the first meeting in September.
  - e.1 Any compensation adjustment applies retroactively to July 1 of that year.
  - e.2 The Audit Committee reviews the IPA performance metrics in either the July meeting or the first meeting after that for any possible desired changes for the upcoming fiscal year.

If the IPA was hired between Jan 1st and Jun 30th of current year, the first performance review and raise will occur the following year.

This option most closely resembles how other executives at SANDAG are considered as per staff feedback.

#### Option 2:

Description:

Provide an "improved" treatment for IPA's hired in the first six months in the calendar year relative to the normal SANDAG process. The process here is identical as described in Option 1 for IPA's hired between July 1st and Dec 31st.

The one change: Should the anniversary of the IPA start date be in the first six months of the calendar year any approved compensation increase will be retroactive to the anniversary of their start date vs to July 1st of that year. The timing of the review is not modified.

#### Option 3:

Target review timing to center around the anniversary of the IPA start date. For the purpose of the description of this proposal "AMH" stands for the month of the anniversary of the start date of the IPA. Process description:

- a. During the Audit Committee meeting two months prior to AMH the IPA reports on performance results and outcomes for current 12-month period being reviewed. This should include

performance against the Audit Plan(s), and other agreed upon evaluation criteria, but covers a full 12-month cycle so will likely overlap two fiscal years of the agency.

a.1 In this meeting the Audit Committee assigns a subcommittee to evaluate performance results, request and collect input on compensation metrics, and make a recommendation on compensation to the full committee.

The following makeup of that subcommittee is suggested but not required:

a1.1 The subcommittee will be comprised of 1 elected member and 1 public member.

a1.2 The subcommittee will consist of at least 1 member who participated in the prior year review.

b. During the Audit Committee meeting one month prior to AMH, updates are provided by the subcommittee and any changes to the results for the FY are presented.

b.1 During the Audit Committee meeting at AMH the committee makes a final recommendation for the performance results and compensation to be sent to the full Board. At this meeting the Audit Committee also reviews the process and determines if any changes would be helpful.

c. The Full Board considers the recommendation and makes a final determination as soon as reasonable, but not later than one month after AMH.

d. Any compensation adjustment applies retroactively to the anniversary of the start date.

**Approved by AC and posted to website: August 12, 2022**

**Reviewed:10/2023**