

# Annual Work Plan and Risk Assessment Fiscal Year 2025-2026

## Message from the Independent Performance Auditor

I am pleased to present the Office of the Independent Performance Auditor's (OIPA) Work Plan for Fiscal Year 2025-26 (FY 2026) in accordance with California Assembly Bill 805 (AB 805) and San Diego Association of Governments (SANDAG) Board Policy No. 039: Audit Policy Advisory Committee and Audit Activities (Board Policy No. 039). Board Policy No. 039, Section 6.4, states the Independent Performance Auditor (IPA) shall annually prepare an audit plan, based upon the results of the risk assessment, and conduct audits in accordance therewith.

To fulfill this mandate, the IPA conducts an annual risk assessment to inform the areas to be audited in the coming year. This process includes identifying, evaluating, and prioritizing significant risks to develop an effective and impactful audit plan, see Appendix A for a description of the risk assessment process. This year the process identified the following significant risks:

- Contract Management Processes
- Hiring and Promotion Practices
- Budget Management
- Agencywide Internal Controls

These risks were then prioritized and incorporated in OIPA's proposed Annual Work Plan (Work Plan) for FY 2026 as follows:

- ✓ A review of sole source solicitation process improvements will be conducted as recommended in the recently released *Performance Audit of SANDAG's Sole Source Procurement Process*.
- ✓ An assessment of planned capital project outcomes as recommended in the recently released *Performance Audit of SANDAG's Sole Source Procurement Process*.
- ✓ An audit of SANDAG's Hiring and Promotion Practices will be contracted. Previously, significant staff concerns were raised in OIPA's Ethical Climate Survey released in January 2025.
- ✓ Budget management practices were incorporated into the scope of the contracted *Independent Assessment of the Finance Department* that is currently nearing completion.
- ✓ An audit will be conducted of SANDAG's inventory management over major and minor assets.

While the proposed Work Plan for FY 2026 includes a strategic approach for delivering high quality, risk-based performance audits, the Work Plan also

uses a risk-based approach to expand OIPA's oversight capabilities. For example, the Work Plan proposes the addition of a Third-Party Integrity Unit designed to apply risk profiles to SANDAG's contractors and vendors, and when warranted, to analyze the integrity of their activities further.

The following report provides more details on OIPA's proposed audit and investigative work, and key initiatives either proposed or underway. There is also a month-to-month work allocation chart to assist the reader in understanding the cadence, depth, and breadth of OIPA's Annual Work Plan.

I want to thank the Board of Directors (Board) and Audit Committee members who participated, and SANDAG's Executive Team and Department Directors for entrusting me with your concerns and sharing your ideas during this year's annual risk assessment process. The effectiveness of this process is dependent upon open and honest communication with key stakeholders in addition to OIPA's analysis of the risks surrounding SANDAG.

Sincerely,



Courtney Ruby CPA, CFE  
Independent Performance Auditor

## **FY 2026 Work Plan**

The Work Plan<sup>1</sup> includes audits and initiatives already in process, and those proposed to be initiated in FY 2026. Performance audits included in the Work Plan are selected based upon the risk assessment process outlined in Appendix A: Risk Assessment Process.

### **Performance Audits Currently in Process and to be Completed in FY 2026**

- Contract Oversight of and by HNTB
- Independent Assessment of the Finance Department<sup>2</sup>
- Administration of Bike Program – Early Action Plan (EAP)

### **Performance Audits/Investigations to be Initiated and Completed in FY 2026**

- Inventory Management: Major and Minor Assets
- Review of Sole Source Solicitation Process Improvements
- Two (2) Investigation Reports anticipated

### **Performance Audits to be Initiated in FY 2026**

- SANDAG's Hiring and Promotion Practices<sup>3</sup>
- Assessment of Planned Capital Project Outcomes

### **OIPA's Annual and Quarterly Reports Presented in FY 2026**

- Annual Audit and Investigation Recommendation and Corrective Action Plan (CAP) Status Report
- Annual Investigations Report
- Annual Work Plan and Risk Assessment
- Annual External Recommendation Compilation
- Quarterly CAP updates

More audit topics are considered each fiscal year than feasible given available resources. For a list of all audit topics considered see Appendix B: Potential Audit Topics Considered.

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<sup>1</sup> OIPA Annual Work Plan incorporates staff's annual leave, training requirements and the on-boarding of new staff.

<sup>2</sup> Contracted audit performed by Weaver, LLP and managed by IPA.

<sup>3</sup> Contracted audit – Request for Proposal (RFP) to be prepared and released. Contract will be managed by the IPA.

## **OIPA's Key Initiatives Underway in FY 2026**

### Third-Party Integrity Unit

- Evaluates SANDAG's contractors and vendors based upon a risk profile framework and application of assessment procedures. If warranted, the integrity of third parties' activities are analyzed further.
- Maintains database of third parties' risk profiles with required annual submission of updated information.
- Deters bad actors. The existence of such a program serves as a deterrent to contractors, vendors, and employees as awareness spreads that companies and transactions are scrutinized for fraudulent activities.
- Identifies lapses, gaps, or circumvention of critical processes and procedures sooner, thereby reducing harmful impacts to SANDAG.

### Peer Review

- A peer review is required every three years for an audit organization to remain in compliance with Generally Accepted Government Auditing Standards (GAGAS).
- OIPA's Peer Review must be completed by November 2025.
- Preparation for a peer review requires coordinating with the peer review team, completing questionnaires, organizing files, and conducting a preliminary self-assessment.

### System Implementations/Improvements

- Comprehensive Audit Recommendation Online Dashboard
- ETHICO Third Party Whistleblower Hotline Reporting and Case Management System
- Audit Workpaper Management System
- Website Refresh

### Surveys

- Ethical Climate Survey (ECS)<sup>4</sup>
- Public Risk Assessment Survey<sup>5</sup>

### Outreach

- Let's Talk Ethics Quarterly Series
- Publicize the Whistleblower Hotline to contractors, subcontractors and vendors

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<sup>4</sup> The first ECS was initiated in November 2024, and the next ECS is in May 2026 (18 months after the baseline ECS).

<sup>5</sup>This survey will gather input from employees, stakeholder and the public to be included in the annual risk assessment process for FY 2027.

## **Approved March 2025 Revisions to Prior Work Plan**

### Departmental Internal Controls Training Added in March 2025

- OIPA determined staff needed to be trained on internal controls before a department-wide risk assessment could be carried out. **Update:** *This item was suspended in June 2025 after discussions with Management regarding their ability to conduct this training with the assistance of their new Internal Controls Director.*

### Departmental Risk Assessment Removed in March 2025

- OIPA determined staff needed to be trained on internal controls first before a department-wide risk assessment could be carried out. As such, internal controls training by OIPA was added in March 2025 revision. **Update:** *This training has since been suspended (refer to the item above). OIPA anticipates initiating a department-wide risk assessment in FY 2027. Each performance audit includes an assessment of internal controls within the audited area, involving targeted testing. In contrast, a department-wide risk assessment provides a comprehensive evaluation of key internal controls across the entire department.*

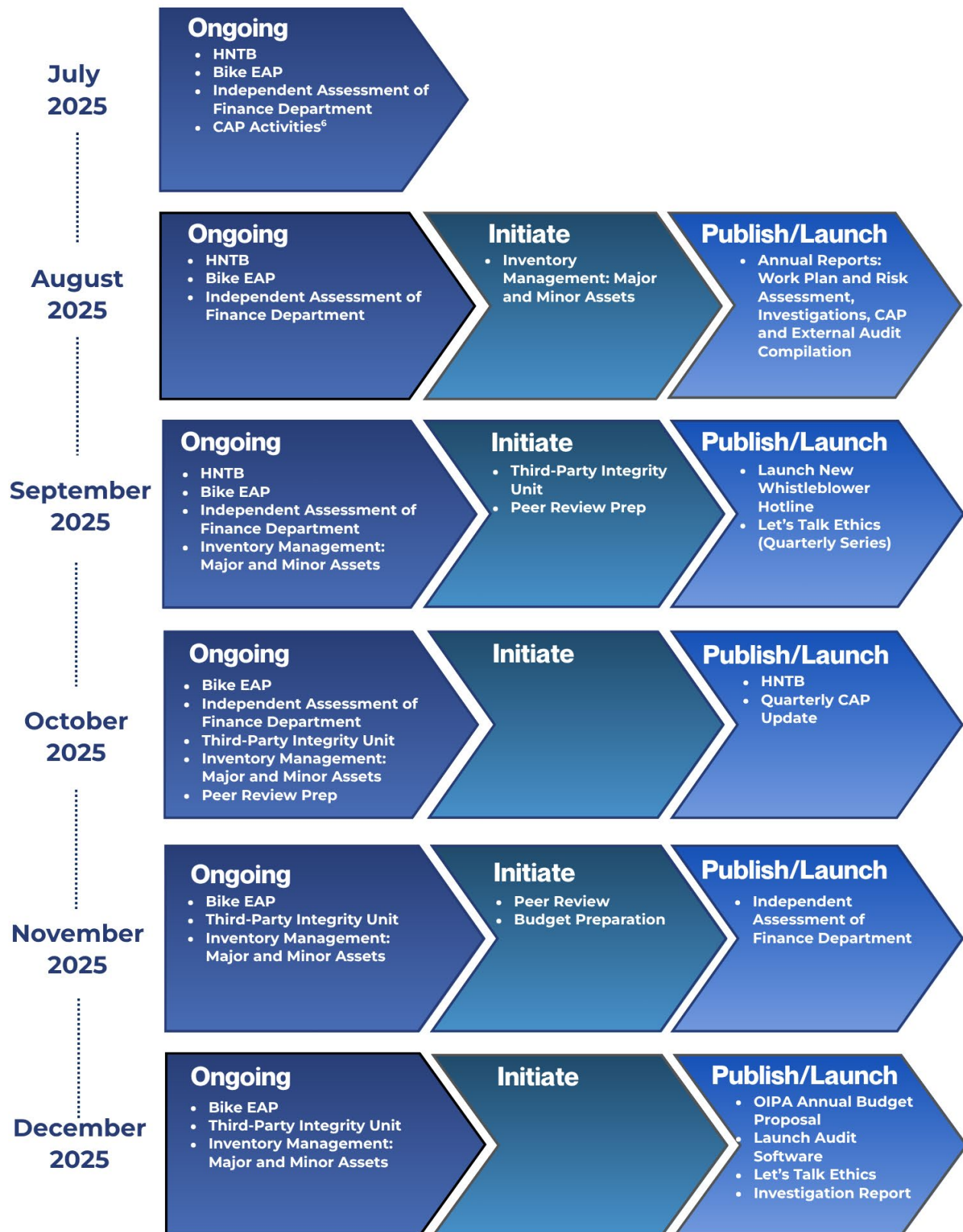
### Talent Management – Workforce Planning and Succession Management removed and Hiring and Promotion Practices Audit added in March 2025

- OIPA prioritized a hiring and promotion practices audit over a workforce planning and succession audit due to the concerns identified by staff in the ECS published in January 2025. An assessment of staffing structure is, however, included in the Independent Assessment of the Finance Department, therefore some aspects of workforce planning will be addressed this fiscal year.
- This audit topic remains a top priority and will be reconsidered for the FY 2027 Annual Work Plan.

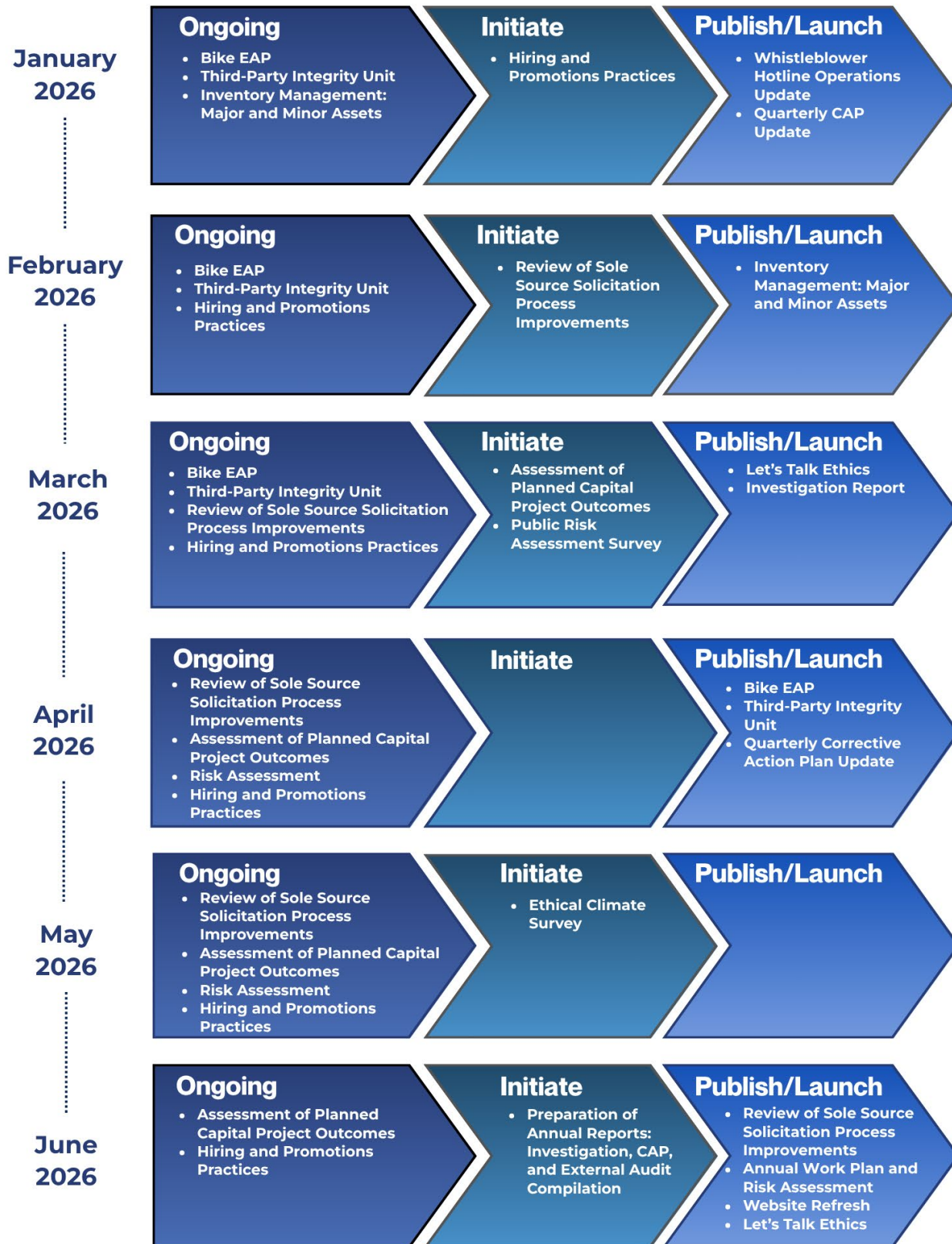
### Project Management: Internal Projects and Capital Projects removed in March 2025

- SANDAG is currently establishing a Program/Project Management department. While this audit topic remains a top priority, OIPA is cognizant that at this time an audit would have limited usefulness. This audit topic will be reconsidered for the FY 2027 Annual Work Plan.





<sup>6</sup> CAP activities include ongoing verification of recommendation implementation status, updating online recommendation dashboard and preparing quarterly updates. These activities occur every month yet are only included in July.





## Appendix A: Risk Assessment Process

The risk assessment process is used to detect, evaluate, and prioritize prospective audits based on the level of risk presented to the organization. Identifying risks as potential barriers to achieving SANDAG's strategic goals and objectives will aid in narrowing the target of audits. Risk-based audit plans serve to direct limited auditing resources to perform evaluations of controls, ensure risks are managed to acceptable levels, and evaluate the success of individual departments, programs, and initiatives in meeting their goals and mandates.

### Prioritizing Performance Audits

The IPA must carefully consider many factors when deciding what audits to prioritize, and how to best use limited agency resources. To do this, the IPA must consider:

- **Board of Directors (Board), Audit Committee Members, Department Directors, public, employee, and other stakeholder concerns.** The IPA prioritizes concerns raised by key stakeholders.

- **Existing or Emerging Risks.** The IPA plays a critical role in identifying ways SANDAG can effectively meet its mission and knowing the risks that impede success are critical. These include:

#### External Risks

- *Political* – Alterations to financial projections due to unanticipated budgetary changes at the federal/state level.
- *Economic* – Impacts to budgets or services due to inflation, high interest rates, or increases in service demand.
- *Social* – Population trends (age distribution, income disparities) that may impact service demand and delivery.
- *Technological* – Ability to keep up with costs and security risks associated with rapidly changing technology.
- *Legal/Compliance* – Changes to regulations via federal/state legislation, pending litigation, or accepted best practices.
- *Environmental* – Climate change, natural disasters, changes in resource consumption.
- *People* – Inability to quickly hire qualified staff, poor management of existing personnel, high turnover.

- *Process* – Lack of adequate policies/procedures, resource inefficiency.
- *Technology* – Aging systems, lack of interfaces, etc.
- **Fiscal Impact.** SANDAG cannot deliver its multitude of regional programs and initiatives without sufficient financial resources. Accordingly, the IPA prioritizes audits which may identify ways to improve the agency's financial and/or budgetary position.
- **SANDAG Program and Resource Delivery.** The IPA prioritizes audits pertaining to core SANDAG responsibilities as a metropolitan planning organization, regional transportation and fund allocation agency, TransNet administrator, and regional toll authority. Factors that weigh heavily in the consideration of an audit may include:
  - Recent departmental changes, number of budgeted full-time equivalent employees, and/or high employee turnover.
  - Number and/or technological complexity of mission critical information system functions within a given department.
  - Past audit findings and recommendations.

In addition to the factors above, the IPA must consider:

- **Urgency.** Prioritize proposed audits involving urgent matters over those that are less time sensitive.
- **Available Resources.** Consider the availability of OIPA resources, including staff capacity, qualifications, skills, and time needed to conduct proposed audits.
- **Duplication of Efforts.** Coordinate audit functions so there is no duplication of effort between the audits undertaken by OIPA and audits/assessments undertaken by other parties.

Lastly, the IPA is responsible for reviewing the Annual Work Plan each quarter to ensure performance measures, goals, and auditing/investigative activities are on track to meet the approved plan. When necessary, the IPA will propose revisions to the Work Plan to the Audit Committee.

The flexibility of the audit planning process as designed also allows for unplanned engagements at the request of the IPA, Board of Directors, Audit Committee, and Management, and in response to complaints of fraud, waste, abuse, and gross mismanagement.

## Appendix B: Potential Audit Topics Considered

As noted above, the OIPA identifies more high-risk audit areas than we can conduct given limited resources. The following is the potential audit topics considered for the upcoming fiscal year from all sources, in no particular order, including those from internal reviews, risk assessment discussions, board requests, staff requests/concerns, continuing audits, and operational concerns submitted via the Whistleblower Hotline Program.

|  |  |
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| Staff Retention Strategies   | I-5 / SR 78 Interchange Project  |
| Staffing Analysis  | Agencywide Risk Management   |
| All Contracting Activities   | Administrative Policies and Standard Operating Procedures                              |
| Impacts of Federal Funding Uncertainty and Possible Recession                    | Impacts of Budget Constraints  |
| SANDAG's Mandated Responsibilities   | SR 125 Back Office System (BOS) Change Management                                      |
| Board Governance Policies and Best Practices                                     | Human Resources' Policies and Practices  |
| SR 125 Project Oversight of BOS Vendors (Etan and Deloitte/A-to-Be)              | Artificial Intelligence Policies and Procedures  |
| Information Technology Systems and Cybersecurity                                 | Otay Mesa East (OME) Project Delivery  |
| Agencywide Organizational Structure, Systems Integration and Resource Allocation |  |
| Project Funding Controls   | OME Regulatory Compliance  |
| Capital Projects: Technology and Resource Planning Tools                         | Capital Projects: Risk Management  |
| Capital Projects: Inflationary Impacts   | Grant Funding Strategies to Mitigate Potential Impacts of Federal Funding              |
| Managed Lanes Utilization  | Tolling Operations   |
| SR 125 Debt Management   | SR 125 Deloitte/A-to-Be BOS Implementation Risk Management                             |
| Contract Monitoring: Performance and Funding                                     | Contracts and Procurement Department's Structure, Capacity, and Timeliness of Workflow |
| Cost Allocation Plan   | Train Ridership  |
| Staff Training, Professional Development and Certifications                      | Enterprise Resource Planning (ERP) Implementation                                      |
| Capital Projects: Delivery Performance   | Agencywide Technology Assessment   |

|  |  |
|--|--|
| Regional Housing Needs Allocation Methodology  | Capital Projects: Monitoring                                       |
| Oversight and Monitoring of Grants   | ERP Change Management  |
| Agencywide Organizational Assessment of Roles, Responsibilities, Competencies, and Capacity to Meet Agency's Needs |  |
| Agency Succession Planning   | Capital Projects: Structure, Capacity, and Resource Allocation     |
| Adopted Technology Standards   | Process Improvement Evaluation of Key Manual Processes to Automate |
| Personal Identifying Information Security Protocols  | Construction Costs Analysis  |
| Long-Term Revenue Planning   | Compliance with Standard Operating Procedures                      |
| SANDAG Financial Reserves Policies   | Agencywide Work Distribution                                       |
| Effectiveness and Inclusion of SANDAG's Policy Advisory Committees   |  |
| Management Accountability  | Organizational Strategic Planning                                  |
| Adequacy of Administrative Overhead  | Knowledge Transfer Protocols                                       |
| Financial Impact of Unfunded Legal Liabilities (Non-Project Related)   | SANDAG's Self-Insurance Policy                                     |
| Highway/Road Repairs   | Agency Receivables   |
| Transparency of SANDAG's decision-making processes, goals, objectives, and priorities                              |  |

## **Appendix C: About the Office of the Independent Performance Auditor (OIPA)**

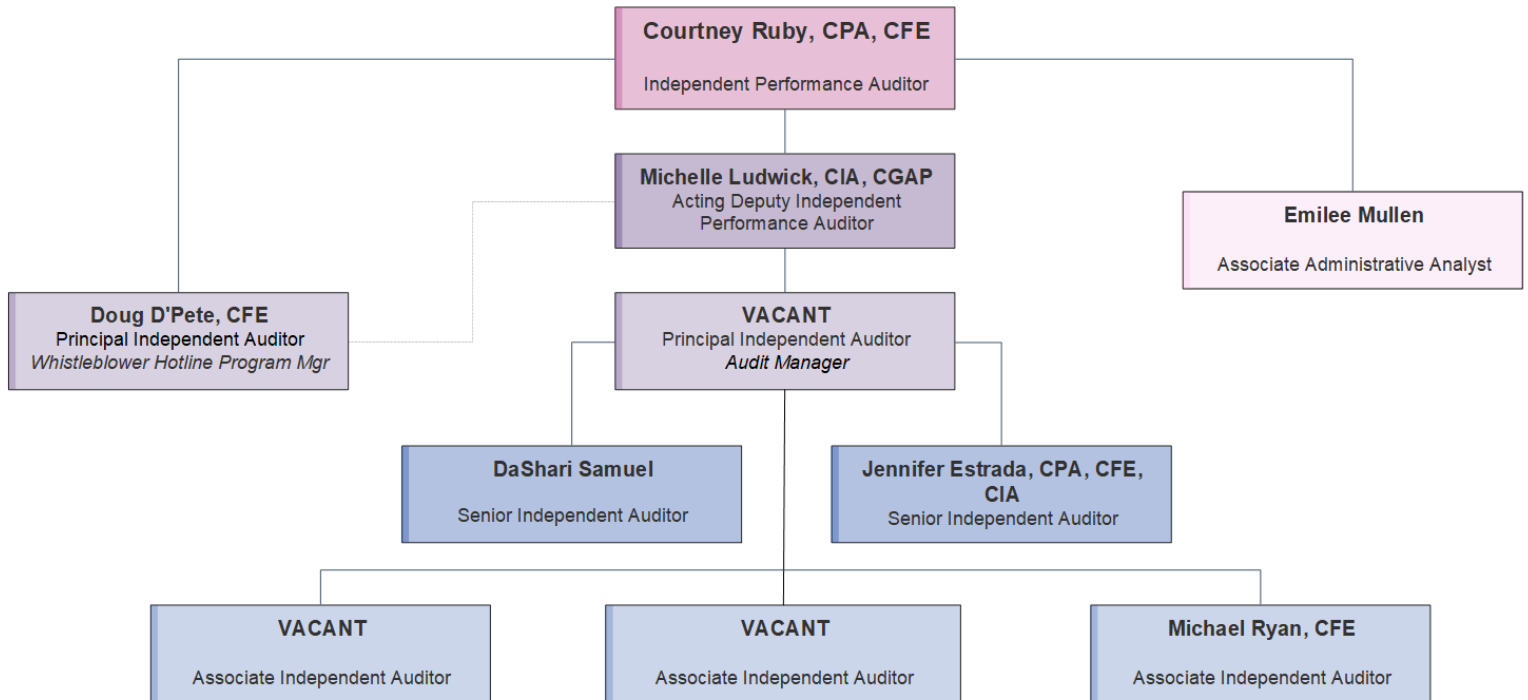
California AB 805 enacted in January 2018 created OIPA and the Audit Committee. Per AB 805, OIPA serves as the SANDAG Board's oversight function to objectively evaluate and recommend improvements to SANDAG operations. OIPA has the authority to conduct performance audits of all departments, offices, boards, activities, and programs of the SANDAG.

OIPA prioritizes its efforts through an annual risk assessment process and by continually monitoring concerns and trends from the Whistleblower Hotline, observations and direct stakeholder engagement.

OIPA is also the official body of SANDAG to investigate allegations of potential fraud, waste, abuse, and gross mismanagement identified by SANDAG staff, stakeholders, and the public.

The Audit Committee is responsible for appointing the IPA and serves as the body to whom the IPA reports. Board Policy No. 039 specifies the functions of the IPA and the Audit Committee to assist the Board of Directors in fulfilling its oversight responsibilities.





## Structure

- The IPA is appointed by the Audit Committee to a three-year, renewable term subject to approval by the Board of Directors. The IPA reports directly to the Audit Committee.
- Courtney Ruby was appointed IPA in November 2023.
- OIPA currently has 10 FTE positions:
  - 6 Auditor positions
  - 1 Administrative position
  - 3 Auditor vacancies with 2 positions currently in recruitment<sup>7</sup>
- Staffing is expected to increase to **12 FTE positions by FY 2027**.

<sup>7</sup> Associate Independent Auditor positions have been advertised and are expected to be filled by early fall 2026.

## Budget

OPIA expenses are allocated across projects in the Overall Work Program (OWP), regional operations and services, and capital budgets based on direct labor dollars charged to each project and funded accordingly.

### **FY 2026 Office of the Independent Performance Auditor Budget**

| Category                                  | FY 2025<br>Budget         | FY 2026<br>Budget  | Annual Change<br>(\$) | Annual %<br>Change |
|---|---------------------------|--------------------|-----------------------|--------------------|
| <b>Personnel</b>                          |                           |                    |                       |                    |
| Salaries and Benefits <sup>8</sup>        | \$2,085,898               | \$2,168,200        | +\$82,304             | +3.9%              |
| <b>Subtotal Personnel</b>                 | <b>\$2,085,898</b>        | <b>\$2,168,200</b> | <b>+\$82,304</b>      |                    |
| <b>Non-Personnel</b>                      |                           |                    |                       |                    |
| Memberships and Publications <sup>9</sup> | \$7,000                   | \$1,690            | -\$5,310              | - 75.9%            |
| Training & Conferences <sup>10</sup>      | \$30,600                  | \$36,400           | +\$5,800              | +19.0%             |
| Contracted Services <sup>11</sup>         | -                         | \$144,316          | N/A                   | N/A                |
| Software Licenses <sup>12</sup>           | (included in Memberships) | \$21,500           | N/A                   | N/A                |
| <b>Subtotal Non-Personnel</b>             | <b>\$37,600</b>           | <b>\$203,906</b>   | <b>+\$166,306</b>     |                    |
| <b>Total Budget</b>                       | <b>\$2,123,498</b>        | <b>\$2,372,106</b> | <b>+\$248,608</b>     | <b>+11.7%</b>      |

<sup>8</sup> One FTE position eliminated in FY 2026; funding reallocated to Contracted Services and Software.

<sup>9</sup> FY 2025 included software costs in this category.

<sup>10</sup> Includes tuition, continuing education, and travel to Association of Local Government Auditors conference.

<sup>11</sup> New category includes Whistleblower Hotline, outside legal counsel, and contracted audit.

<sup>12</sup> New category for FY 2026; licenses include timekeeping and audit management tools.