

# INVESTIGATION

DATE: October 7, 2024

TO: Chair Nora Vargas, Board of Directors  
Chair David Zito, Audit Committee  
SANDAG Board of Directors  
SANDAG Audit Committee  
Mario Orso, Chief Executive Officer  
Dawn Vettese, Chief Financial Officer  
Amberlynn Deaton, Deputy General Counsel  
Residents of San Diego County and Toll Users

FROM: Courtney Ruby, Independent Performance Auditor

SUBJECT: Office of the Independent Performance Auditor's State Route 125  
Toll Operations Companion Investigation into When ETAN's  
Significant Performance Issues Were Known, by Whom, and What  
Actions Occurred

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## Introduction and Background

The SR 125 investigation conducted by **Office of the Independent Performance Auditor** (OIPA) and released in March 2024 found ETAN's implementation of the Back-Office System (BOS) Fastlane was headed for trouble from the beginning. SANDAG executive management failed to address the situation in a timely manner, including informing the Board of Directors. The investigation recommended the Board and the public should be provided with an explanation as to why a Request for Proposals (RFP) process was not initiated a year sooner, and why the Board was instead presented with a request to authorize a sole source contract award on January 12, 2024.

## Request to Initiate a Companion Investigation

In May 2024, the Audit Committee passed a motion requesting the OIPA conduct an investigation to determine what members of SANDAG's Executive Team<sup>1</sup> and Board

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<sup>1</sup> Executive team members included former Chief Executive Officer (CEO) Hasan Ikhata, former Deputy CEO Ray Major, former Deputy CEO Coleen Clementson, former Chief Financial Officer (CFO) Andre Douzjian, and former Chief Counsel John Kirk.

of Directors knew of ETAN's significant performance issues, when they knew, and what they knew. Earlier, on April 26, 2024, the Board of Directors requested the IPA perform this investigation.

## Objectives

The objectives of this investigation were to determine:

- 1) Who on the Executive Team and Board of Directors knew of the significant performance struggles ETAN was experiencing as referenced in the SR125 investigation conducted by OIPA and released in March 2024,
- 2) When they became aware of ETAN's significant performance issues,
- 3) What they knew, and
- 4) What actions were taken by SANDAG, if any, to address the issues.

## Findings

The investigation found:

1. OIPA did not find that any members of the Board of Directors were notified prior to late 2023 of ETAN's significant performance issues.
2. All members of the Executive Team were aware of ETAN's Back-Office System performance issues. However, the degree to which each Executive Team member understood the significance of performance issues appears to differ based upon their role, experience and proximity to State Route (SR) 125 operations, and overall direction by the former CEO related to operational matters.
3. In June 2022, SANDAG Executive Team members were either briefed by Fagan Consulting (Fagan) on the results of Fagan's BOS Risk Assessment on June 23, 2022, provided the briefing slides following the meeting with Fagan Consulting, or participated in a larger management meeting on June 30, 2022, to discuss SR 125, specifically with ETAN going forward. In July 2022 the two former Deputy CEOs, former CFO and former CEO were provided confidential copies of Fagan's BOS Risk Assessment Report.
4. Due to poor management, the critical time needed to issue a Back-Office System (BOS) Request for Proposals (RFP) to replace ETAN was lost, and instead SANDAG embarked on four different paths, some simultaneously, to address the operational crisis caused by ETAN's inability to meet critical contractual requirements. These paths demonstrated a wasteful use of public resources and a lack of transparency, accountability and internal coordination. The result was a hastily executed sole source contract award to Deloitte.

## History

Below are excerpts from the Office of the Independent Performance Auditor's Investigation Report on SANDAG's State Route 125 Toll Operations issued March 25, 2024:

FAGAN was contracted in spring 2022 to perform an operational risk assessment of SANDAG's back-office project with ETAN. The report stated:

*The SANDAG staff is concerned about ETAN's ability to fully deliver the current system. Additionally, the Otay Mesa project is scheduled to open in two years. Given the issues encountered on the current project, the SANDAG staff has reservations that ETAN will deliver for Otay Mesa.*

In June 2022, FAGAN briefed and recommended to members of SANDAG's Senior Executive Management to begin researching alternative procurement options due to significant concerns with ETAN. Shortly after this briefing, SANDAG's CFO communicated to FAGAN in an email:

*"it was really determined that we need to move away from ETAN (in particular for the new OME<sup>2</sup> Port of Entry, but also in time for SR-125 and I-15). So we need to take an item to our BOD (SANDAG Board of Directors) sooner than later so that we can get the team moving in a direction to prepare a new tolling RFP..."*

Senior Management did not take an item to the Board of Directors until October 2023, almost 16 months after FAGAN's June 2022 briefing.

The June 2022 briefing discussed above was delivered before the July 2022 release of the operational risk assessment. FAGAN's risk assessment includes an extensive list of significant cons if SANDAG continues with ETAN including:

- ETAN required considerable support from SANDAG staff to test and bring their system online.
- ETAN software development staff is limited (possible single point of failure if that person leaves ETAN).
- ETAN seemed to significantly under-estimate the actual development cost of the project, leaving them in a precarious financial position on this project.
- Based on a review of the project-level documents, it is not clear that ETAN knows how to manage a project of this magnitude.
- Much of the project and technical documentation is poorly written.

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<sup>2</sup> Otay Mesa East Port of Entry (OME)/State Route (SR) 11

- ETAN has limited experience in this type of software development (i.e., only two (2) operational back-office systems projects).
- ETAN seriously misrepresented the amount of development needed to implement SANDAG's system (RFP compliance matrix indicated >90% of the SANDAG requirements existed in their baseline software, while SANDAG staff told us that > 90% new development was a more realistic assessment).

Many of these points were reiterated in the interviews OIPA conducted, and the documents we reviewed. While all the points are troubling, we would like to highlight four of the points .

**Point 1:** ETAN software development staff is limited (possible single point of failure if that person leaves ETAN<sup>3</sup>).

**Point 2:** ETAN has limited experience in this type of software development (i.e., only two (2) operational back-office systems projects).

**Point 3:** ETAN seriously misrepresented the amount of development needed to implement SANDAG's system (RFP compliance matrix indicated >90% of the SANDAG requirements existed in their baseline software, while SANDAG staff told us that > 90% new development was a more realistic assessment).

**Point 4:** Much of the project and technical documentation is poorly written.

These points illustrate ETAN lacked the requisite experience going into the project, and it is unclear why these issues were not surfaced earlier or taken more seriously.

Fagan's July 2022 BOS Risk Assessment Report referenced above concluded SANDAG should continue the current contract with ETAN while procuring a new back office. Continuing with ETAN was considered a necessary interim step until SANDAG could acquire and stand up a new back-office system.

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<sup>3</sup> ETAN's project manager who possessed the software development expertise left the project in August 2022, less than 2 months after the SR 125 Go-live date.

## Investigation Findings

**FINDING 1:** *The Board of Directors were not made aware of ETAN's significant Back-Office System performance issues until late 2023.*

OIPA did not find any evidence that any members of the Board of Directors were aware of ETAN's significant performance issues prior to late 2023 when ETAN's financial reporting problems are disclosed to the Board of Directors in a closed session.

**FINDING 2:** *All members of the Executive Team were aware of ETAN's significant Back-Office System performance issues.*

All members of the Executive Team were aware of ETAN's Back-Office System performance issues. However, the degree to which each Executive Team member understood the significance of performance issues appears to differ based upon their role, experience and proximity to SR 125 operations, and overall direction by the former CEO related to operational matters.

In February 2022, former Chief Executive Officer (CEO), Hasan Ikhtrata, delegated oversight of SR 125 Operations to the former Chief Financial Officer (CFO), Andre Douzdjian, while the Project Management Office Reorganization for Toll Operations was assigned to former Deputy Chief Executive Officer (CEO), Ray Major. The former CEO relied upon Andre Douzdjian, former CFO and Ray Major, former Deputy CEO mainly to address SR 125 operations. Other senior management team members confirmed the CEO reliance upon both Andre Douzdjian and Ray Major for SR 125.

During this investigation, Andre Douzdjian, former CFO stated:

“Following a June 2022 meeting with Fagan Consulting the recommendation was made to continue working with ETAN Tolling but begin searching for a new vendor to handle SR 125 and I-15 tolling right away. “

He also stated, “The topic of SR 125 came up - in weekly executive team meetings on Tuesdays if not every week, probably every other week.”

Coleen Clementson, former Deputy CEO at this time, also recalled the following being said at executive team meetings “Etan [would] say, let us work through this. Give us a chance ...and then a decision was made. Let's give them a chance.”

A senior staff member recounted from their June 30, 2022, meeting notes that “ETAN was working through bugs, but nothing was too major and there was some discussion around potentially utilizing another operator to take on OME transactions.”

Other senior staff members acknowledged conversations related to SR 125 were occurring during senior staff meetings at this time, however, they did not follow the discussions closely as it was outside their area of responsibility.

While the executive team members may not have had the same understanding of ETAN's performance issues or proximity to SR 125 operations, they did not differ regarding Hasan's authority to make decisions. An executive staff member stated, "Hasan believed ETAN's problems were "in his authority." This is evident on December 8, 2023, when Hasan's responded to the Board of Directors' question as to why they were not informed sooner. He said:

"You hire your staff to do their job and we were doing our jobs and we knew there were issues...Yeah, we knew there were some operational issues, but we thought the best approach is to overcome the mantle to get to the point where we couldn't get the financial statement, that's when we came to you in October. But yes, I made those decisions based on the authorities you offer me to make. And I don't think you want every time we have an operate small operational issue."

At the April 26, 2024 Board Meeting, Interim CEO Coleen Clementson stated:

"Many of you have been asking what's the story? What happened? And while I believe in looking back on all of this, people were making the best decisions with the information that they had... There were a lack of clear policies and procedures on how to address issues. Again, often we didn't have the technical expertise in place to be overseeing a lot of what was happening in the toll operations. And honestly, I think there's a culture at SANDAG to make things work no matter how hard it is. You just keep believing "we're going make this work, we're going to make this work, we're going to make this work." And it was no secret that the ETAN system was not working. There were bugs that were constantly being worked through."

and:

"Who knew about it? How were the discussions and then who made the decision. Ultimately, that was the CEO that made the decision. The CEO had a meeting with the CEO of ETAN, and they made an agreement that they were going to continue to work on this."

**FINDING 3:** *The Executive Team had knowledge of the significance of ETAN's performance issues in June 2022.*

In June 2022, SANDAG Executive Team members were either briefed by Fagan on the results of Fagan's BOS Risk Assessment on June 23, 2022, provided the briefing slides following the meeting with Fagan, or participated in a larger management meeting on June 30, 2022 to discuss SR 125, specifically with ETAN going forward. In

July 2022 the two former Deputy CEOs, former CFO and former CEO were provided confidential copies of Fagan's BOS Risk Assessment Report.

2022 Timeline:

**June 23:** Debrief on BOS Operational Risk Assessment by Ron Fagan and Christine Korenek of Fagan via TEAMS. Attendees: Hasan Ikhata, Andre Douzdjian, Ray Major.

**June 29:** Debrief slides provided by Andre Douzdjian to Hasan Ikhata, Ray Major and Coleen Clementson via email.

**June 30:** SR 125 Discussion Meeting called by former CEO. Meeting invite notes states: "Hasan is requesting this meeting to discuss SR-125, specifically with ETAN going forward. Please make this meeting a priority." All executive and some senior management<sup>4</sup> team members are present at this meeting.

**July 8:** Andre Douzdjian sends Fagan's BOS Assessment Report to Hasan Ikhata, Ray Major, and Coleen Clementson via email. Coleen Clementson responds via email to Andre Douzdjian "Thank you Andre. Good report and promising that they suggest we continue with ETAN until we have a new back office system. I am out of the office next week, so please proceed with me in the interest of time."

**July 14:** Hasan Ikhata holds meeting with Andre Douzdjian and Ray Major to discuss Fagan's report. Coleen Clementson is out of town.

**FINDING 4:** *Due to poor management, the critical time needed to issue a Back-Office System (BOS) Request for Proposals (RFP) to replace ETAN was lost, and instead SANDAG embarked on four different paths, some simultaneously, to address the operational crisis caused by ETAN's inability to meet critical contractual requirements. These paths demonstrated a wasteful use of public resources and a lack of transparency, accountability and internal coordination.*

This section highlights four different paths SANDAG embarked upon in response to Etan's significant performance issues and inability to meet critical contract requirements. SANDAG's actions provide insight into the organization's culture and leadership at the time—and the price paid in terms of public resources, trust and transparency.

The former CEO of the organization was known to place his focus on large strategic initiatives. In response to SR 125 several executive team members stated SANDAG's management culture was to "fix-it" when it came to operational concerns. The CEO's strategic focus and management's drive to "fix-it", combined with SANDAG giving ETAN additional time again to meet critical contract requirements, after years of

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<sup>4</sup> Senior management includes Director level staff.



delay, resulted in a greater loss of critical time to effectively manage the operational crisis and issue a timely RFP to replace ETAN's Back-Office System for the SR-125 and I-15.

### SANDAG's Four Different Paths to manage the impacts of ETAN's significant performance issues

SANDAG embarked upon four different paths to address the impacts of ETAN's performance issues upon SR 125, I-15 and Otay Mesa East Port of Entry's (OME) imminent BOS needs.

In the late summer of 2022, SANDAG was evaluating how to address OME's BOS needs, continuing to work with ETAN to fix their significant problems, and onboarding a new Director of Regional Transportation Services.

ETAN's BOS contract included an option for ETAN to provide OME's BOS in addition to SR-125 and I-15, yet, given ETAN's inability to deliver critical contractual responsibilities for SR-125 and I-15, in August 2022, this option for OME was determined by SANDAG to no longer be viable.

When interviewed during this investigation, the CFO affirmed the following regarding ETAN, OME and SR 125 and I-15:

“Following a June 2022 meeting with Fagan Consulting the recommendation was made to continue working with ETAN Tolling but begin searching for a new vendor to handle SR 125 and I-15 tolling right away. The situation with ETAN was delicate as they only had two 2 clients at the time: SANDAG and Washington DOT. If ETAN believed they would be losing one of those clients, the executive team worried they may choose to discontinue operations and leave us in a bind. Due to the precarity of the situation, we did not want to give hints that we were seeking to replace ETAN and **decided to assert that the new system we would issue the RFP for would be used for Otay Mesa East (bold emphasis added by the OIPA)**. The intention was to then have that contract ultimately cover SR 125 and I-15 as well.”

In separate interviews, the former Deputy CEO, Ray Major, and former General Counsel, John Kirk, relayed similar accounts, that given ETAN's precarious situation, SANDAG's strategy was to assert a new RFP would be for OME<sup>5</sup>. The investigation did not find evidence that an RFP was being prepared to replace ETAN that would be inclusive of SR 125, I-15 and OME (A Regional Back-Office System) until February of 2023. Instead, the investigation found the OME team was evaluating its BOS needs independently from SR-125 and I-15.

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<sup>5</sup> Management's April 8, 2024, response to OIPA's SR 125 toll operations investigation released on March 25, 2024, stated that Fagan's BOS Risk Assessment recommended SANDAG immediately begin the BOS procurement process for OME, not SR 125 and I-15. OIPA addressed this inaccuracy in its April 24, 2024 response to Management's response. The explanation provided for this investigation cites the RFP to replace ETAN would focus on OME and later be converted to serve SR 125 and I-15.



Additionally, [OIPA documented in its April 24, 2024 response](#) that the Director of Regional Transportation Services was:

acting with a sense of expediency given the concerns regarding ETAN's viability, poor performance, and failure to deliver system requirements. This process included SANDAG speaking with Transportation Corridor Agencies (TCA) to see if they could immediately take over transaction processing if ETAN could no longer perform. This also included contacting potential vendors, scheduling software demos, and planning on-site visits to see actual "live" tolling systems.

Last, on August 6, 2023, SANDAG executed an amendment to Fagan's State Route 125 (SR 125) Toll Operational Risk Assessment contract (executed on May 6, 2022) to prepare a BOS transition plan.

Therefore, four paths emerged to address the impacts of ETAN's significant performance issues. Some of these paths occurred simultaneously while management continued to work with ETAN. The four paths are as follows:

At the end of 2022:

1. SANDAG's OME team, including the Director of Regional Transportation Services and former CFO, were evaluating its options for a BOS independent of SR 125 and I-15.
2. The Director of Regional Transportation Services begins initiating contact with potential tolling vendors.

Spring and Summer of 2023:

3. SANDAG staff members including the Director of Regional Transportation Services are preparing a scope of work to secure support services (consulting services) to prepare a regional BOS RFP.
4. The Director of Regional Transportation Services executes a contract amendment for Fagan to prepare a BOS transition plan.



**Path 1: OME’s BOS**

ETAN’s BOS contract included an option for ETAN to provide OME’s BOS in addition to SR 125 and I-15, however, as the extent of ETAN’s issues became known, the OME team began to evaluate other options. The OME team conducted formal updates on their process and in **August 2022**, with the new Director of Regional Transportation Services and the former CFO in attendance, the OME team outlined two options for OME tolling going forward. One option was to procure a separate system for OME through a formal solicitation and the second option was to determine if a California Toll Operators Committee<sup>6</sup> (CTOC) agency could process OME’s tolling transactions. By **January 2023**, they ruled out the CTOC option and focused on pursuing a separate BOS system for OME. The project update slide deck in **January 2023** stated, “Proceed with BOS via RFQ by **March 2023**.”

While the investigation found documentation during this time that the OME team was evaluating how to address its tolling system needs considering ETAN’s lack of performance, the investigation did not find evidence that SANDAG was strategically moving forward with an RFP for OME that would also be used as a regional BOS to include SR-125 and I-15.

When asked why the need to issue a new RFP was not immediately presented to the Board of Directors, the former CFO stated:

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<sup>6</sup> The California Toll Operators Committee (CTOC) is a collaborative organization composed of California’s toll facility operators/owners.

“The delay in agendizing this item occurred because of the complexity of the Otay Mesa East project. The project involves state and federal agencies along with Mexican government entities, and it slowed our ability to obtain the necessary information we needed to understand the requirements and specifications for the project and put together an RFP. We needed specific information to present this to the board and ensure the RFP issued could eventually be converted to cover SR 125 and I-15 as well, and that information gathering took much longer than anticipated.”

This statement is inconsistent with staff’s recollection. Staff’s work on the OME BOS solicitation was to acquire a separate system. If the Executive team desired this procurement to include, or be “converted” to include, SR 125 and I-15, this information was not shared with the staff working on the OME RFP process.

### **Path 2: Activities leading up to Sole Source Contract Award to Deloitte**

As included earlier in the report, the [OIPA’s April 24, 2024, Response to Management](#) included that the Director of Regional Transportation Services was:

acting with a sense of expediency given the concerns regarding ETAN’s viability, poor performance, and failure to deliver system requirements. This process included SANDAG speaking with Transportation Corridor Agencies (TCA) to see if they could immediately take over transaction processing if ETAN could no longer perform. This also included contacting potential vendors, scheduling software demos, and planning on-site visits to see actual “live” tolling systems.

In a January 9, 2024 email to the former Deputy CEO, Ray Major, the Director of Regional Transportation Services confirms the following firms or representatives were contacted:

P-Square Solutions thru Cubic  
BRIC thru Transportation Corridor Agencies  
Emovis  
Neology  
Deloitte and A-to-BE

### **2022-2023 Timeline:**

**December 14, 2022:** P Square Solutions reaches out to SANDAG to discuss needs for SANDAG Tolling BOS system. P Square Solutions is requested by Cubic to contact SANDAG.

**February 9, 2023:** SANDAG meets with Deloitte, invite states “Deloitte will share toll services and system offerings”

**April 20, 2023:** SANDAG meets with Deloitte and A-to-Be, email states “Deloitte and A-to-Be would like to present a demonstration and overview of our

alliance offerings of the MoveBeyond BOS and our D2C2 cloud-based contact center platform.

**May 9, 2023:** SANDAG meets with Emovis to demo vendor's tolling system.

**May 11, 2023:** SANDAG meets with Neology to demo vendor's tolling system.

**September 25, 2023:** SANDAG attends a workshop at Deloitte offices. Meeting agenda includes "discuss what delivery timeline looks like...transition needs, risk and mitigation strategies for cutover from Etan to Deloitte & A-to-Be."

**October 3, 2023:** Deloitte presents "SANDAG Deloitte Tolling Solution Executive Proposal" to SANDAG. All Executive Team members are listed as required attendees on the meeting invite in addition to the Director of Regional Transportation Services and the Director of Business and Information Technology. The presentation includes a "Core System Features, Pricing & Timeline" slide. The slide includes a 7-month timeline to system "go-live" with 12 more months for additional services (Tyler Tech GL interface is identified to occur between month 11 and 12), and a 5-year follow-on for O&M (operations and maintenance) for a \$28.7 million project cost.

**October 6, 2023:** Director of Regional Transportation Services emails Ray Major, Deputy CEO the site visit agenda for Portugal visit October 16-18, 2023. It includes the following: "Introduction and overview of A-to-Be's tolling operations, tolling technology and solutions. Technical tours and technology walk-throughs, as well as discussion on implementations and lessons learned. Will also include an overview discussion of the A-to-Be and Deloitte strategic teaming relationship and strategy."

**October 10, 2023:** Deloitte emails Director of Regional Transportation Services high level data migration plan. The plan includes MoveBeyond Rapid Deployment Plan (over 7 months) and Data Migration Approach.

**October 13, 2023: SANDAG Executive management informs the Board of Directors in closed session of ETAN's inability to produce financial reports.**

**October 16 -18, 2023:** Director of Regional Transportation Services and Ray Major, Deputy CEO visit Portugal. Andre Douzjdjian was originally scheduled to attend; however, a last-minute change occurred and Ray Major attends instead.

**October 31, 2023:** Director of Regional Transportation Services prepares sole source justification for Deloitte for Regional Back Office System Replacement Phase 1: Data Assessment \$450,000.

**November 6, 2023:** Deloitte awarded \$450,000 sole source for Regional Back Office System Replacement Phase 1.

**December 6, 2023:** Director of Regional Transportation Services forwards requirements from Deloitte and A-to-Be to several Finance team members and request Finance review “financial specs and the reporting associated with finance”.

**January 10, 2024:** (2<sup>nd</sup> request) Director of Regional Transportation Services forwards requirements from Deloitte and A-to-Be again to several Finance team members and asks them to review.

**January 12, 2024:** SANDAG Board of Directors authorize a \$28 million sole source contract to Deloitte and A-to-Be for Regional Back Office System Replacement.

The timeline shows the Director of Regional Transportation, and other SANDAG staff members are involved in discussions, meetings and tolling system demonstrations with potential vendors from late 2022 through the spring of 2023. From **September 2023** forward, SANDAG only communicates with Deloitte and A-to-Be. By the time the Board of Directors are informed of the significance of ETAN’s performance issues on **October 13, 2023**, Deloitte has presented their Executive proposal including the BOS implementation timeline and cost to SANDAG.

### Path 3: Regional BOS

From **February through September 2023** SANDAG staff, including the Director of Regional Transportation Services, prepared a scope of work for support services (consulting services) to assist in preparing an RFP for a Regional BOS to include SR-125, I-15, OME and future managed lanes and more. The scope includes project administration and management, oversight supporting services during BOS implementation and transition. The scope of work was to be solicited to qualified firms of Mobility and ITS On-Call Consultant Services under Category 1 – Strategic Planning Tolling and Category 6 – Systems Engineering Tolling. On **July 12, 2023**, the Contracts and Procurement Office held a Mobility Technology ITS on-call kick-off meeting in preparation for three mini-competition solicitations. A presentation slide from this meeting titled “Upcoming Projects - Currently identified for FY24” included the following:

#### Regional Back Office System Consultant Support Services

- Support SANDAG in overall planning, development, and project management activities during the implementation of a new Regional Back Office System (BOS).
- Estimated Issue Date: **August 2023**

The draft scope of work includes the following introduction:

SANDAG is seeking proposals from qualified firms of Mobility and ITS On-Call Consultant Services under Category 1 – Strategic Planning Tolling and

Category 6 – Systems Engineering Tolling to support the SANDAG Project Manager (PM) in the overall planning, development, and supporting project management activities during the implementation of a new Regional Back Office System (BOS); hereinafter referred to as “PROJECT”. These efforts may include assisting SANDAG in the preparation of contractor solicitation documents for the new Regional BOS as well as providing support for oversight of the new Regional BOS contractor through testing, go-live, and acceptance.

Task 2 in the draft scope of work states:

*Task 2: Preparation of Backoffice System (BOS) Solicitation Documents*

Consultant shall undertake necessary activities to support the SANDAG PM in the development of strategic planning documents (Concept of Operations, tolling policy, business rules, agreements, and roadmaps), system requirements, necessary solicitation documents (scopes of work, costs estimates, RFP package) for the new Regional BOS and providing support during the solicitation process. Key activities will include:

Item d. is listed under key activities:

d. Assist in the development of Regional BOS solicitation package:

- Develop scope of work for the Regional BOS RFP solicitation package. Consultant shall provide support to the SANDAG PM to develop the scope of services description for the Regional BOS. This includes necessary solicitation documents including evaluation criteria, technical attachments, project schedule, and independent cost estimates. Consultant shall coordinate with SANDAG team to conduct review sessions, obtain feedback on draft version, and incorporate them in final versions.
- Develop System Requirements document. Consultant shall review existing BOS requirements, conduct workshops with SANDAG teams to discuss the proposed requirements, address feedback, and prepare final requirements.

On **September 27, 2023**, the Director of Regional Transportation Services directed the team to “hold-off” on releasing the Regional BOS solicitation. No explanation was provided to the team as to why the solicitation was halted.

#### Path 4: FAGAN

After Fagan recommends SANDAG expedite the procurement of a new BOS in July 2022, they remain involved in various aspects of SANDAG's procurement process.

#### 2022-2023 Timeline:

**September 30, 2022:** Fagan briefed the new Director of Regional Transportation Services on next steps including "simultaneously begin procurement of a new back office."

**November 8, 2022:** Ron Fagan advised the Director of Regional Transportation Services on an alternate approach to use an RFQ to shorten the procurement process.

**May 4, 2023:** Ron Fagan sends the Director of Regional Transportation Services via email "Draft Proposals for Two Tasks" at the request of SANDAG. Fagan prepared the scope and price for two separate tasks: Task 1: Transition to a Next-Generation Back Office System (\$46,368) and Task 2: Review Revenue Workflow Documentation (\$40,572). The draft proposal for Task 1 states:

"In our original recommendations, we suggested SANDAG continue operating with the ETAN back office while expediting the procurement of a new back office system. This task is to draft a transition plan to detail how that should happen."

**June 8, 2023:** A contract amendment is executed for Fagan to prepare a BOS transition plan and process review. The transition plan due date is September 2023, and the process review work has deliverables from November 2023 through June 2024. The proposed budget for these 2 tasks is \$114,678.

**June 29, 2023:** Fagan holds a kickoff meeting with the Director of Regional Transportation Services for Tasks 1 and 2 above. Meeting notes include "Timeline: RFP out by beginning of 2024 – new vendor by April 2024"

**October 2, 2023:** SANDAG receives Fagan's Transition Plan. When the Director of Regional Transportation Services forwards the plan to the former CFO, he responds "Good report—basically states everything correctly, including the fact that the road ahead is going to be real tough.....Let's go, I am ready for the challenge!"

The transition plan includes the following:

#### TRANSITION TIMELINE

Based on experience with similar projects at many other agencies, Fagan envisions a transition timeline of approximately two (2) years:

1. Six (6) months to produce a new BOS RFP and select a vendor.



2. Eighteen months from Notice to Proceed (NTP) to Project Acceptance for the new BOS.

Ron Fagan of Fagan Consulting (Fagan) was interviewed during the investigation, and he confirmed SANDAG never acted on Fagan's recommendation to expedite an RFP/RFQ to procure a new back-office system to replace ETAN's BOS. The timeline above demonstrates SANDAG kept FAGAN engaged for months in the prospect of analyzing and assisting with a new procurement. When compared to the timeline entries related to Deloitte and A-to-Be earlier in the report, these efforts are occurring simultaneously, yet appear to be working towards different ends, a formal solicitation versus a sole source procurement. In addition, the Regional BOS solicitation that SANDAG staff was preparing from **February through September 2023**, appeared to include some of the same work SANDAG issued in the contract amendment to Fagan on **June 8, 2023**.

## Overall Conclusion

The investigation substantiates the Executive Team members, including the former CEO, had knowledge of the significance of ETAN's performance issues in June 2022. SANDAG's actions after receipt of the June 23, 2022 briefing from Fagan, and the BOS Risk Assessment report on July 8, 2022, confirm SANDAG considered the matter operationally significant enough to embark upon four different paths to address the implications on SANDAG's current BOS and OME's future BOS needs.

Executive Team member's explanations regarding some of SANDAG's actions are inconsistent with the investigation's evidence, however, their explanations and SANDAG's actions confirm an organizational culture driven from the top that lacked the requisite accountability and transparency expected for an agency entrusted with public funds and the public's trust.

The Board of Directors were not made aware of ETAN's inability to contractually perform and the need to solicit a new vendor until October 13, 2023. Therefore, activities related to procuring a new vendor and issuing related solicitations were occurring from the end of 2022 and throughout 2023 without the Board's knowledge. These multiple paths to address a known operational crisis wasted valuable public resources, squandered critical time to issue a proper public procurement, and undermines the trust of the Board and the public.

## Next Steps

The report will be presented to SANDAG's Audit Committee on October 11, 2024, and the Board of Directors on October 25, 2024, for discussion and possible action.

This investigation does not have any recommendations and serves to provide a record of past events as requested by the Board of Directors and Audit Committee.

## Methodology

The OIPA conducted an investigation to arrive at the findings and conclusions in this report. The following work was completed:

- Attending and/or reviewing SANDAG board meetings
- Reviewing SANDAG legislative records
- Reviewing current and former SANDAG staff members emails
- Interviewing Fagan representatives
- Interviewing current and former SANDAG staff members
- Reviewing reports and presentations by vendors/contractor