



Office of the Independent Performance Auditor

Courtney A. Ruby, CPA, CFE
Independent Performance Auditor

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December 8, 2023

Chair Nora Vargas
SANDAG Board of Directors

Chair David Zito
SANDAG Audit Committee

SUBJECT: OPERATIONAL PROCESS AND SYSTEM CONTROL AUDIT FOR BOARD MEMBER AND EMPLOYEE TRAVEL AND OTHER BUSINESS-RELATED REIMBURSEMENTS FOR THE PERIOD OF JULY 1, 2020, THROUGH MAY 31, 2023

Dear Chair Vargas and Chair Zito:

The Office of the Independent Performance Auditor (OIPA) completed an audit of Board member and employee travel and other business-related reimbursement transactions for the period of July 1, 2020, to May 31, 2023.

The objectives of this engagement were to audit SANDAG's operational processes and system controls related to Board member and employee travel and other business-related reimbursements to ensure policies and controls exist and are followed.

Our audit found that approval for employee travel, including adequate supporting documentation, needs improvement. Additionally, we found advanced written approval was not documented in several instances, including explanations justifying employee professional development expenses.

Our audit did not find any areas of noncompliance with policies for Board member travel, tuition reimbursement, board stipends, COVID-19 stipends, cell phone allowances, or home computer purchase program reimbursements.

The OIPA provided management with six recommendations to implement through a corrective action plan to ensure compliance with agency policies and procedures. I am pleased to report management agrees with all six recommendations.

The audit findings were primarily due to inadequate records management, lack of adherence to procedures, and the need for employee training.

This audit is part of the Board-approved annual Audit Plan. The Audit Plan is risk-based and prioritized by the level of risk to the agency. Risks are considered from both qualitative and quantitative perspectives.

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards, as required by federal and state governing codes and under Assembly Bill 805.

The OIPA would like to thank SANDAG management and staff for their cooperation during this audit and their commitment to promptly address the audit recommendations. If you have additional questions, please contact me at (619) 595-5323 or courtney.ruby@sandag.org.

Management's Response and Corrective Action Plan can be found at the end of our audit report.

Respectfully,



COURTNEY A. RUBY, CPA, CFE
Independent Performance Auditor
Office of the Independent Performance Auditor

Attachments:

1. Audit Report - Travel and Other Reimbursements Audit
2. Management's Response & Corrective Action Plan

AUDIT REPORT



Office of the Independent Performance Auditor

Independent Performance Auditor
Courtney A. Ruby, CPA, CFE

AUDIT TEAM

Lloyd Carter
Principal Auditor

Christopher Delgado
Associate Auditor

MEMORANDUM

DATE: December 8, 2023

TO: Chair Nora Vargas, Board of Directors
Chair David Zito, Audit Committee
SANDAG Board of Directors
SANDAG Audit Committee
Hasan Ikhata, Executive Director
Ray Major, Deputy CEO, Business Operations
Andre Douzdjian, Chief Financial Officer
Melissa Coffelt, Senior Director, Organization Effectiveness
Taxpayers of San Diego County

FROM: Independent Performance Auditor, Courtney Ruby, CPA, CFE

SUBJECT: Operational Process and System Control Audit for Board Member and Employee Travel and Other Business-Related Reimbursements for the Period of July 1, 2020, through May 31, 2023

INTRODUCTION & BACKGROUND

Since 2020, SANDAG has spent approximately \$1.14 million for Board Member and Employee Travel and other business-related expense reimbursements.¹ These expenses include travel, professional development, Board member stipends, COVID-19 stipends, cell phone allowances, and home computer purchase program. Given the frequency, volume, and potential for fraud and abuse, it is considered a best practice to regularly audit travel and business-related reimbursements. This audit was presented and approved by the Board to be conducted in fiscal year 2023-24. Each category of travel and business-related reimbursements are included in the scope of the audit described below.

¹ Payments made directly to reimburse a Board member or employee for travel or business-related expenses.

Board Member and Employee Travel: SANDAG authorizes Board member and employee travel when it is necessary for conducting agency business. Employees are responsible for completing a Travel Request form and submitting this to their supervisor and director for approval. For Board member travel, SANDAG executive assistants are responsible for completing and processing the Travel Request form. Board members and employees must obtain advanced approval for their trip.

Professional Development: SANDAG supports ongoing professional development for employees through tuition assistance, certification and licensing assistance, professional education, and professional memberships.

- Tuition Assistance: SANDAG offers financial assistance to Regular employees who have completed their introductory period. Financial assistance includes tuition and certain related expenses associated with the pursuit of a degree or the expenses related to non-degree college courses for approved education-related expenses.
- Certification and Licensing Assistance: SANDAG offers financial assistance to Regular employees who have completed their introductory period. Financial assistance includes costs associated with job-related certification or licensing programs, including the examinations required as part of those programs.
- Professional Education: SANDAG offers prepayment of fees or financial assistance for Regular or Limited-Term employees to attend seminars, courses, or workshops, etc.
- Professional Memberships: SANDAG offers prepayment of fees or financial assistance for full-time employees who have completed their introductory period. Qualifying memberships are expected to be job-relevant to the employee and pertain directly to the work and interests of the agency.

Board Stipends: Stipends are provided for meeting attendance to Board Members, Policy Advisory Committee voting members, or alternate members.

COVID-19 Stipends: From March 2020 to roughly August 2021, SANDAG offered stipends to employees who use personal equipment and resources while working remotely in response to direction from federal, state, and local public health officials due to COVID-19.

Cell Phone Allowances: SANDAG provides a monthly service allowance to eligible employees who frequently use their personal cell phone for agency-related business, when deemed necessary and appropriate by an employee's director.

Home Computer Purchase Program: SANDAG provides cash incentives to Regular employees purchasing personal home computers, laptops, or tablets. Cash incentives are in the form of a co-payment or a reimbursable loan.

AUDIT OBJECTIVES AND SCOPE

The objectives of this engagement were to determine if policies, procedures, and internal controls existed and are being followed. The audit areas included Board member and employee business-related reimbursements including:

- Board and employee travel reimbursements
- Professional development reimbursements
 - Tuition Assistance
 - Certification & Licensing
 - Professional Education
 - Professional Memberships
- Board stipends
- COVID-19 stipends
- Cell phone allowances
- Home computer reimbursements/loans

The OIPA audited reimbursement transactions for the period of July 1, 2020, to May 31, 2023.

METHODOLOGY

In conducting this audit, we:

- Reviewed SANDAG's policies to ensure they were consistent with Federal and State regulations and other applicable governing laws, rules, and regulations.
- Tested transactions to determine whether they were appropriate, allowable, and supported by adequate documentation.
- Examined and tested transactions to verify and assess SANDAG's ability to properly obtain, store, and track supporting documentation as well as ensure adherence to established policies and procedures.
- Tested, on a sample basis, a portion of the population of transactions and the controls around the process.

STATEMENT OF COMPLIANCE WITH AUDITING STANDARDS

The audit was conducted in accordance with the Generally Accepted Government Auditing Standards, as required by federal and state governing code and under Assembly Bill 805. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings

and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

AUDIT RESULTS

FINDING I – NONCOMPLIANT TRAVEL REIMBURSEMENTS

During the audit of travel reimbursements, we noted that **2 of 53 employee travel reimbursements** were not in compliance for either:

- Travel commencing or airfare accommodations being purchased prior to receiving written approval.
- Exceeding the allowable General Services Administration (GSA) hotel lodging rate of \$258 for the locality visited without the proper approvals. The GSA Rate for Washington D.C. was \$258, however, the Government Rate provided by the hotel was \$310, exceeding the allowable GSA rate.

Pursuant to SANDAG Board Policy No. 011, Section 3.4, employees must fill out a travel request form prior to traveling out of San Diego County on SANDAG business. The form must be approved by the Authorizing Authority (authorized signatory based on position and department) prior to travel arrangements being made.

Pursuant to SANDAG Board Policy No. 011, Section 3.13, lodging will be reimbursed at actual expenses, not to exceed the guidelines set by the GSA, gsa.gov.

Pursuant to the Employee Business Travel Administrative Guidelines/Procedures, if lodging cannot be reserved at or below the GSA lodging rate for the travel destination, a minimum of four quotes will be obtained by the Executive Assistant. A summary of the hotel rate research shall be fully documented, and a recommendation noted. A Deputy CEO may approve the higher hotel rate as a modification to the Travel Request; this documentation and approval will be kept with the Travel Request package.

According to management, the Executive Assistant team:

- Received verbal approval from the Chief Executive Officer (CEO) for the Deputy CEO, but not written approval, prior to the travel occurring. Written approval was received after the travel had already occurred, and
- Misinterpreted “Government Rate” for “GSA Rate.”

The potential risks for not following the SANDAG travel policy are:

- Taxpayer funds being misspent or overspent.
- Improper monitoring and recordkeeping.

RECOMMENDATIONS:

The OIPA recommends that SANDAG management:

1. Create two separate documents to replace the current SANDAG travel form. The Travel Request to approve travel should be documented separately from the Travel Expenses Report to reimburse travel.
2. Provide training to executive assistants and other staff who process or submit Travel Requests and/or Travel Expenses Reports to ensure they are familiar with the requirements for approval and/or the requirements for reimbursement and supporting documentation.
3. Update the travel procedures to require written approvals are obtained via a text message or email in instances when a signature cannot be acquired in a timely manner, until the travel reimbursement process is fully automated. This record should be included with the request to document the exception.

FINDING II – NONCOMPLIANT PROFESSIONAL DEVELOPMENT REIMBURSEMENTS

During the audit of the various types of Professional Development reimbursements, we noted the following:

Professional Education:

7 of 13 reimbursements were not in compliance for at least one of the following reasons:²

- Missing advanced written approval from the supervisor (7 reimbursements).
- Missing written documentation providing an explanation on how the professional education (seminar or course) directly relates to an employee's current role, whether it is required or necessary to improve the SANDAG operations, and/or how SANDAG anticipates deriving benefit from the employee's completion of it (6 reimbursements).

Certification and Licensing:

16 of 20 reimbursements were not in compliance for at least one of the following reasons²

- Missing advanced written approval from the supervisor and director (14 reimbursements).
- Missing written documentation providing an explanation on how the certification or license directly contributes to the professional growth and development of the employee and results in improved job performance and/or preparedness for career opportunities with SANDAG (16 reimbursements).

² Some reimbursements were missing both.

Professional Memberships:

13 of 18 reimbursements were not in compliance for both of the following reasons:

- Missing advanced written approval from the supervisor and director.
- Missing written documentation providing an explanation of how the professional membership is job relevant and pertains directly to the work and interests of the agency.

Pursuant to SANDAG's Employee Handbook (2022), Employee Education and Training Policy, Approval Process:

- Professional Education shall be presented in writing, and in advance of the date of the program, to the employee's supervisor. Requests should explain how the seminar or course directly relates to an employee's current role, priority area of the agency, whether it is required or necessary to improve the SANDAG operations and/or how SANDAG anticipates deriving a benefit from the employee's completion of it. If approved, the request is forwarded to the Manager of Human Resources (HR).
- Certification and Licensing shall be presented in advance and in writing to the employee's supervisor and director. Requests should explain how the certification or license will directly contribute to the professional growth and development of the employee and result in improved job performance and/or preparedness for career opportunities within SANDAG. If approved, the request is forwarded to the Manager of Human Resources.

Pursuant to SANDAG's Employee Handbook (2022), Chapter 11, Section 11.6, Professional Memberships, the membership request must be pre-approved by the employee's supervisor and director. An employee may request payment/reimbursement of professional membership fees if he/she is a member in good standing and can demonstrate that the membership will result in direct and tangible benefits to the mission of the agency. It is the responsibility of the supervisor and director to determine whether the requested membership meets the above criteria.

SANDAG does not have standardized forms for all professional development reimbursements that can capture all necessary information and approvals consistently and in writing.

According to management, the following occurred:

- Professional Education: HR did not request or verify the employee's supervisor initial approval or the written explanation of benefit/contribution to the employee or SANDAG.
- Certification and Licensing: HR did not request or verify the employee's supervisor and director initial approval or the written explanation of benefit/contribution to the employee or SANDAG.
- Professional Memberships: HR did not request or verify the employee's supervisor and director initial approval or the written explanation of benefit/contribution to the employee or SANDAG.

The potential risks to not following SANDAG's policy include:

- Taxpayer funds being spent inappropriately.
- Employees receiving reimbursements that do not qualify under the Employee Education and Training Policy.
- Improper reimbursements being made that result in fewer funds being made available to other employees.

RECOMMENDATIONS:

The OIPA recommends that SANDAG management:

1. Create a standardized form or forms for Professional Education, Certification and Licensing, and Tuition Assistance requests that captures all the required written preapprovals, explanations of benefits to the employee/SANDAG, costs associated with the program, class, seminar, workshop, etc.
2. Update procedures to require requests for professional development reimbursements are reviewed for all required documentation, including valid explanation, and approvals. Incomplete requests should be rejected until all proper documentation can be supplied.
3. Provide training to employees on the requirements to qualify for such reimbursements, and how to request approval and submit reimbursements for professional education and development benefits.

ACKNOWLEDGEMENT

I want to express our appreciation to SANDAG management for their cooperation during this audit and commitment to improving SANDAG's travel and other business-related reimbursement practices.

MANAGEMENT'S RESPONSE AND CORRECTIVE ACTION PLAN



November 29, 2023

TO: Courtney Ruby, Independent Performance Auditor

FROM: Hasan Ikhata, Chief Executive Officer

SUBJECT: Management Response to OIPA Operational Process and System Control Audit for Board Member and Employee Travel and Other Reimbursements

On behalf of the SANDAG Management Team, thank you for the opportunity to respond to the Office of the Independent Performance Auditor's (OIPA's) report pertaining to the Process and System Control Audit for Board Member and Employee Travel and Other Reimbursements for the period July 1, 2020 through May 31, 2023. Management also appreciated the opportunity to discuss the preliminary results of the audit with the OIPA team and provide additional and explanatory information that was considered prior to the Exit Conference and preparation of the final report.

Management takes no exception to the Findings from the audit and agrees that the recommendations proposed by OIPA will be effective in strengthening the processes and controls for various types of Board member and employee reimbursement transactions. In fact, several of the proposed recommendations to clarify policies and procedures, and to create new forms to support documentation and approval, had been initiated as improvements prior to learning of the audit results. The expected timeline for completion is noted in the attached Action Plan.

With this being your first audit experience with SANDAG, I trust you will quickly learn the Management Team is committed to continuous improvement and is appreciative of the perspectives and insights that are gained as a result of program audits and reviews. The agency has implemented many significant changes in recent years in partnership with the OIPA team, and I know this work will continue into the future.

Please contact me with any questions regarding the information provided.

Sincerely,

A handwritten signature in black ink, appearing to read "Hasan Ikhata".

HASAN IKHRATA
Chief Executive Officer

Attachment 1: Proposed Management Action Plan - Board Member and Employee Travel and Other Reimbursements



Proposed Management Action Plan

Operational Process and System Control Audit for Board Member and Employee Travel and Other Reimbursements for the period July 1, 2020, through May 31, 2023

The SANDAG Office of the Independent Performance Auditor (OIPA) completed the above-referenced audit in November 2023. Management has reviewed and discussed the Final Audit Report with OIPA staff and has accepted the two findings. Per the Action Plan outlined below, Management will undertake the recommendations offered by OIPA as part of its commitment to continuous improvement and to support the highest levels of organization performance.

Management shall periodically report progress and completion of the Action Plan to OIPA and the Audit Committee.

Finding I: Noncompliant Travel Reimbursements

IPA Recommendation	Management Action Plan	Responsible Party	Target Date for Completion
1. Create two separate documents to replace the current SANDAG travel form. The Travel Request to approve travel should be documented separately from the Travel Expenses Report to reimburse travel.	Management independently initiated comprehensive improvements to the administration of Business Travel Requests and Expense Reimbursement claims earlier this year, including splitting the existing Request/Claim form into separate parts. The two new forms are in final development; prototypes will be used, and feedback gathered, in the coming months prior to full implementation.	Senior Director, Organization Effectiveness	March 31, 2024
2. Provide training to executive assistants and other staff who process or submit Travel Requests and/or Travel Expenses Reports to ensure they are	The existing procedure guide (<i>Guidelines for Employee Business Travel</i>) which is posted on the Staff Intranet site (SANDAG Central) and referenced by employees and staff with responsibilities for	Senior Director, Organization Effectiveness	March 31, 2024

IPA Recommendation	Management Action Plan	Responsible Party	Target Date for Completion
familiar with the requirements for approval and/or the requirements for reimbursement and supporting documentation.	<p>coordinating/ processing business travel, is currently under review as part of the comprehensive improvements being made to the administration of business travel.</p> <p>As a learning opportunity, the Executive Assistant team and Accounting staff are directly involved in reviewing and proposing edits to the Guidelines. When restated, the Guidelines will also call for an annual review of the procedures and staff shall be engaged in this process.</p>	Director of Accounting and Finance	
3. Update the travel procedures to require that written approvals are obtained via a text message or email in instances when a signature cannot be acquired in a timely manner, until the travel reimbursement process is fully automated. This record should be included with the request to document the exception.	The proposed change - to seek pre-approval for travel via email or text message when time is of the essence and include as part of the approval documentation - will be incorporated into the revised <i>Guidelines for Employee Business Travel</i> .	Senior Director, Organization Effectiveness	March 31, 2024

Finding II: Noncompliant Professional Development Reimbursements

IPA Recommendation	Management Action Plan	Responsible Party	Target Date for Completion
1. Create a standardized form or forms for Professional Education, Certification and Licensing, and Tuition Assistance requests that captures all the required written preapprovals, explanations of benefits to	Management shall create a set of standardized forms for employees, supervisors, and Directors to complete that clearly document the benefits to SANDAG, costs, and pre-approvals for Professional Education, Certification and	<p>Senior Director, Organization Effectiveness</p> <p>Director of Human Resources</p>	June 30, 2024*

IPA Recommendation	Management Action Plan	Responsible Party	Target Date for Completion
the employee/SANDAG, costs associated with the program, class, seminar, workshop, etc.	Licensing, and Tuition Assistance requests.		
2. Update procedures to require requests for professional development reimbursements are reviewed for all required documentation, including valid explanation, and approvals. Incomplete requests should be rejected until all proper documentation can be supplied.	As part of creating the set of standardized forms for Professional Education, Certification and Licensing, and Tuition Assistance requests noted in Action Item 2.1 above, Management shall prepare and post information that clarifies expectations and procedures, as well as consequences for non-compliance. This work effort shall include applicable revisions to the Employee Handbook and Employee Education and Training policy.	Senior Director, Organization Effectiveness Director of Human Resources	June 30, 2024*
3. Provide training to employees on the requirements to qualify for such reimbursements, and how to request approval and submit reimbursements for professional education and development benefits.	In conjunction with the Action Items noted above, Management shall add and/or update information currently available on the Staff Intranet site (SANDAG Central) regarding expectations and procedures for requesting pre-approval and subsequent reimbursement of Professional Education, Certification and Licensing, and Tuition Assistance requests.	Senior Director, Organization Effectiveness Director of Human Resources	June 30, 2024*

** This timing considers existing agency priority projects; staff will attempt to complete these items sooner than June 30, 2024.*