

Implementation Procedures for ITOC's Performance Audit Responsibilities

Ordinance Language

"Conduct triennial performance audits of SANDAG and other agencies involved in the implementation of TransNet-funded projects and programs to review project delivery, cost control, schedule adherence and related activities. The review should include consideration of changes to contracting, construction, permitting and related processes that could improve the efficiency and effectiveness of the expenditure of TransNet revenues. These performance audits shall be conducted using the services of an independent performance auditor and should include a review of the ITOC's performance. A draft of the ITOC's report and recommendations regarding the performance audits shall be made available to the SANDAG Transportation Committee at least 60 days before its final adoption by the ITOC to resolve inconsistencies and technical issues related to the ITOC's draft report and recommendations. Once this review has taken place, the ITOC shall make any final amendments it deems appropriate to its report and related recommendations, and adopt its report for presentation directly to the SANDAG Board of Directors and the public. The ITOC shall strive to be as objective and constructive as possible in the text and presentation of the performance audits. Upon completion by the ITOC, the report shall be presented to the SANDAG Board of Directors at its next regular meeting and shall be made available to the public." **[Paragraph #3]**

Background/Discussion

- Performance audits are intended to examine the performance of agencies in delivering certain products and services. In this situation, it is the performance of SANDAG, Caltrans, MTS, NCTD, the County of San Diego, the cities and other agencies involved in the implementation of the TransNet Program and other TransNet-funded projects and services. This is not a financial audit, but a subjective review of how well the agencies are doing in delivering projects on time and within budget.
- The performance audit should review the experience over the three-year period under evaluation, identify any problems encountered, and make recommendations for improving efficiency and effectiveness of expenditures under the TransNet program.
- Subsequent performance audits would include a review of the status of the implementation of the recommendations made in the prior performance audit and an evaluation of the effectiveness of those recommendations.
- The performance audit should include a review of items as determined by the Independent Taxpayer Oversight Committee (ITOC) and can include, but is not limited to the approaches being followed for contracting, construction management, permitting, and other processes related to project implementation and consider changes to improve the efficiency and effectiveness of the overall project development process.

- The independent contractor to be used to perform these performance audits should have experience in project design, construction management, and related project implementation activities.
- Prior to issuing the Request for Proposals (RFP) for the independent performance auditor, the ITOC should discuss the specific issues to be addressed in the performance audit, identify activities to be evaluated, and develop a specific scope of work to be included in the RFP. Certain issues may arise over the next three years that the ITOC would like to have the auditors consider as part of the audit scope.
- Depending on the level of detail in the scope of work, the cost for the triennial audit process could be in excess of \$100,000. The cost of these performance audits would come out of the ITOC's annual funding (\$250,000 as adjusted for inflation) which becomes available in FY 2008-09.
- The quarterly reporting process, as required under Paragraph #10 of the Ordinance, is directly related to this performance audit process in that the data regarding project delivery, cost control, and schedule adherence provided through the quarterly reporting process will be the key information to be reviewed by the performance auditor.

Procedures in Preparation for the Initial Performance Audit

- Using the TransNet Dashboard reports provided through the quarterly reporting process (Paragraph #10), track the actual costs and schedules for the projects in the program as compared to the baseline estimates. Identify changes or variances from the baseline estimates and the reasons for these changes. Refine the quarterly report format as needed to establish a tool to monitor the progress on a regular basis at the project, corridor, and program level to quantify success.
- Establish procedures to monitor and evaluate alternatives considered for changes to design and construction contracting approaches for the TransNet Program of Projects and innovative ways to obtain required permits from other agencies to expedite or maintain project schedules.
- Review and comment on an overall program progress report that provides an update on progress achieved on a project, corridor, and overall program basis each year based on the data generated through the quarterly reporting process.
- Document the status and progress made on the implementation of agreed upon recommendations made in the prior performance audit [for future performance audits].

Schedule/Timing

- The triennial performance audit should begin in July on the third Fiscal Year following the previous audit to include the three previous Fiscal Years (for example, the FY 2024 Triennial Performance Audit covered FYs 2020-2023).
- The schedule for the audit process should provide for a draft report and recommendations to be made available to the SANDAG Transportation Committee at least 60 days prior to the ITOC's scheduled approval of the final report.
- Final presentation to the Board should occur following final approval by ITOC and Transportation Committee prior to the end of the Fiscal Year of the review.