

***SANDAG'S OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR FINDS
SANDAG OVER UTILIZING SOLE SOURCE PROCUREMENTS DUE TO
INSUFFICIENT OVERSIGHT THROUGHOUT THE PROCESS***

San Diego, Calif. (May 19, 2025). Today, Courtney Ruby, SANDAG's Independent Performance Auditor, released a [*Performance Audit of SANDAG's Sole Source Procurement Process*](#) for the period July 1, 2022, through June 30, 2024. The audit's objective was to determine if SANDAG's sole source procurements were properly processed and utilized only in limited circumstances. While competitive bidding is the required method for acquiring goods and services in public sector procurements, sole source procurements are allowed in limited cases – such as when specialized needs make competition impractical or not in the public's best interest.

Since 2022, OIPA issued two contracting audits identifying many issues related to SANDAG's procurement processes, including sole source procurements. These issues included a misapplication of contracting policy and procedures, poor record keeping, inconsistent and insufficient departmental guidance, and staff lacking the knowledge and training to effectively safeguard the Agency from the numerous risks inherent in public procurement.

In 2024, OIPA issued an investigation related to SANDAG's State Route (SR) 125 Toll Operations and recommended the sole source procurement process be included in OIPA's fiscal year 24/25 audit work plan. Additionally, in October 2024, OIPA issued a companion investigation related to SR 125 and found the \$28M sole source contract award in January 2024 to Deloitte for the replacement SR 125 back-office system was not sufficiently scrutinized, justified, or documented, thus highlighting the significant risk the current sole source practices pose to the Agency. This audit was initiated in response to OIPA's past audit and investigation findings.

OIPA found these problems persisted and were largely attributed to insufficient oversight throughout the process and contributed to an excessive utilization of sole source procurements by SANDAG.

During the audit, OIPA sampled 35 (totaling \$43.8M) of 139 (totaling \$74.3M) newly awarded sole source contracts. The audit found 23 of the 35 contracts cited "economy and efficiency" to justify the use of a sole source contract award, meaning SANDAG expected using the vendor to continue work (follow-on) for an existing project would save the Agency time and money. To use this justification, SANDAG requires the initial contract solicitation to be competitively bid, and include the multiphase nature of the work. A review of these 23 contracts found 9 contracts

(totaling \$6.7M) were missing documentation to demonstrate the follow-on work was tied to a prior competitively awarded contract.

The audit also found 11 (totaling \$5.1M) of the 35 sole source contracts were approved as part of a transfer of work from an expiring on-call master solicitation via a blanket approval (an unauthorized policy exception), to extend the completion time only. OIPA found 10 of these 11 were later amended to add time, costs, or additional work increasing costs from 64 percent to 3,300 percent. This blanket approval was applied to 50 sole source contracts, and it was not documented why the work for these 50 contracts was not finished before the on-call contract expired.

For the 18-month period, from July 1, 2022 to December 30, 2023, SANDAG executed 245 sole source contracts, representing approximately 18 percent of all contracts processed (1,389). We found significant internal control gaps in the sole source process resulting in a higher number of contracts awarded without competitive bidding. OIPA also assessed whether SANDAG staff disproportionately awarded sole source contracts, and found several project managers repeated sole source awards to three (3) vendors, and a sole source award was initiated from a vendor's recommendation to switch roles with their subcontractor. While these incidents highlight the potential for preferential treatment, the audit did not find preferential treatment. SANDAG's poor internal controls make it difficult to determine if such treatment occurred. The audit attributed these issues to gaps in key controls necessary for effective monitoring and continuous improvement to mitigate the risk of vendor favoritism and lack of competition.

Contract amendments also qualify as a sole source procurement when the contract scope or value is significantly changed. These limits are prescribed by SANDAG. OIPA reviewed 20 of 204 contract amendments not labeled as sole source in the system, \$27.9M out of \$29.5M in total, and found 10 percent of the sample, two (2) amendments (totaling \$1.7M), were not processed as sole source procurements, as required. OIPA's review found Contract Analysts were responsible for verifying this, however, no documentation of such reviews was prepared.

SANDAG has agreed to implement all 18 audit recommendations directed to management. The report also includes a recommendation to the Board and Audit Committee for OIPA to include follow-up audit work related to the sole source procurement process in next year's audit work plan. The report acknowledges that over the past three years the Department of Contracting and Procurement (DCPS) has implemented or is in the process of implementing prior audit recommendations focused on contracting. In February 2025, DCPS issued a revised Procurement Manual, a sole source fact sheet, and roles and responsibilities in the contract lifecycle, and in October 2024 the new CEO began reviewing all requests to sole source contracts.

ABOUT COURTNEY RUBY, INDEPENDENT PERFORMANCE AUDITOR (IPA)

IPA Courtney Ruby was appointed by SANDAG's Board of Directors on September 8, 2023, and joined SANDAG on November 13, 2023. Assembly Bill 805 created the role of the IPA and established OIPA's authority to conduct performance audits of all SANDAG departments, offices, boards, activities, agencies, and programs. The OIPA is also the official body of SANDAG to investigate allegations of potential fraud, waste, and abuse identified by SANDAG staff or other stakeholders. She previously served as Oakland's Elected City Auditor for thirteen nonconsecutive years, between 2007 and 2023 and was recognized by the American Center for Government Auditing as one of the most influential professionals in Government Auditing in 2014. At SANDAG, Auditor Ruby leads a team of 5 performance auditors. Her work is based upon an Annual Work Plan approved by the Audit Committee but can be modified when matters warrant immediate attention. Since joining SANDAG, Courtney has issued ten reports including this performance audit of SANDAG's sole source procurement process, a performance audit of contract invoicing and payments process, a comprehensive audit and investigation recommendation and corrective action plan status report, SANDAG's ethical climate survey, and three investigations related to SANDAG's tolling back-office systems. OIPA's reports and annual audit work plan can be found at: www.SANDAG.org/OIPA.

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