

***SANDAG'S OFFICE OF THE INDEPENDENT PERFORMANCE AUDITOR FINDS
SANDAG'S CONTRACT AND PROJECT MANAGEMENT OVERSIGHT OVER CONTRACTOR
WAS MOSTLY INEFFECTIVE***

San Diego, Calif. (September 29, 2025). Today, Courtney Ruby, SANDAG's Independent Performance Auditor (Chief Audit Executive), released the [*Performance Audit of SANDAG's Contract and Project Management Over HNTB*](#) for the period July 1, 2019, through June 30, 2024. The audit's objective was to determine if SANDAG's oversight of the contractor HNTB was sufficient.

OIPA initiated this audit due to concerns expressed by several of SANDAG's Board and Audit Committee Members regarding the oversight of SANDAG's contractor HNTB after OIPA issued an [*Investigation Report on SANDAG's State Route 125 Tolling Operations*](#) in March 2024.

Between fiscal year 2008 and 2024, SANDAG awarded HNTB on-call contracts valued at a minimum of \$135 million. For the audit, OIPA reviewed the on-call contracts, task orders and their amendments for five large multi-phased projects valued at approximately \$40 million. The audit also reviewed one non-competed standard service agreement related to the State Route 125 (SR 125) Tolling Back Office System valued at \$3.5 million.

Contract Management

For large capital projects, on-call solicitations are often issued first to establish a qualified vendor pool, then task orders are issued to award project specific work. The audit found SANDAG lacked critical internal controls necessary to ensure its on-call contracting and task order processes were transparent, competitive, and compliant. During the audit, SANDAG was unable to locate solicitation documentation for 2 of the 5 on-call solicitations sampled in the audit. This information was needed to identify if SANDAG used the correct criteria to award task orders to on-call vendors.

SANDAG was also unable to provide documentation showing the originally planned task order scope, deliverables, schedule, costs, and solicitation information for all five projects reviewed. This is information the on-call vendors would need to bid on these task orders. The audit found no evidence that Project Managers planned or scoped the projects, or appropriate vendors were invited to bid, or what criteria SANDAG should have used to evaluate and select the winning vendor.

Additionally, the audit found SANDAG needs to improve its Independent Cost Estimate (ICE) procedures to ensure vendor cost proposals are reasonable. An ICE is

used by SANDAG to establish a fair and reasonable starting point for contract negotiations.

Multiple cases where task orders were awarded without clear justification, and staff did not document why HNTB was selected over other qualified vendors were also identified in the audit. For example:

- For 1 of 5 (20%) projects reviewed, SANDAG did not invite all required on-call vendors to bid on the task orders.
- For 3 of 5 (60%) projects reviewed SANDAG did not justify why HNTB was awarded task orders.

OIPA also noted task order deliverables due before the notice-to-proceed date, suggesting poor coordination during contract development.

Project Management

The audit looked at SANDAG's project management over HNTB's contracts and found task orders awarded to HNTB lacked critical controls over cost estimating, budgeting, deliverables and schedule monitoring. Out of 31 Architecture and Engineering (A&E) task orders requiring an ICE, only 29% included the necessary information for OIPA to evaluate whether costs were reasonable. While the audit found most task orders came in at or below budget, eight exceeded their initial award amounts by more than \$7.6 million, resulting in a net cost increase of \$2.5 million across five sample projects. In one case, costs increased despite a reduction in deliverables, with no justification provided.

Additionally, only 13% of task orders reviewed included documentation sufficient to assess whether projects were completed on time. Task orders were routinely closed out years after their scheduled completion dates, with no amendments or documented explanations for the delays. These issues make it difficult to track progress, ensure accountability, or manage project risks.

Specific Service Agreement with HNTB related to SR 125 Tolling Back Office System (BOS)

The audit identified several issues with contract design, deliverables, and oversight of HNTB's contract for overseeing the vendor responsible for the development and implementation of SANDAG's BOS. Some of the issues identified include 37 out of 56 contract tasks did not have a corresponding deliverable, 14 tasks required HNTB provide "oversight" of ETAN, but SANDAG did not define what "oversight" meant, 2 out of 9 contract deliverables were not linked to a specific task in the contract, 8 out of the 9 contract deliverables had no due date or time requirement, and contract cost increases totaling over \$2.4 million were approved without documented deliverables or clear justification.

Lastly, the audit also identified issues with records management consistent with findings from prior OIPA contracting audits. It noted that inadequate records management practices limit SANDAG's ability to effectively and efficiently manage contracts, and subject the Agency to potential business risks, including a lack of public trust.

SANDAG agreed to implement all 29 audit recommendations (26 new recommendations and 3 repeated audit recommendations). 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. The new recommendations focus on establishing or bolstering internal controls to ensure adequate contract and project management oversight.

Since 2022, OIPA has issued four additional contracting audits identifying 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. The prior audits include: [*Contracts and Procurement Operational and System Control Audit \(Part I\)*](#) issued in October 2022, [*Contracts and Procurement Operational and System Control Audit \(Part II\)*](#) issued in May 2023, [*Performance Audit of SANDAG's Contracts and Invoicing Payment Process*](#) issued in July 2024, and the [*Performance Audit of SANDAG's Sole Source Procurement Process*](#) issued in May 2025.

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 (SANDAG's Chief Audit Executive) and established OIPA's authority to conduct performance audits of all SANDAG departments, offices, boards, activities, agencies, and programs. 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 sixteen reports including a performance audit of SANDAG's sole source procurement process, a performance audit of contract invoicing and payments process, three investigations related to SANDAG's tolling back-office systems, SANDAG's inaugural ethical climate survey and annual reports

including the status of prior audit and investigation recommendations and OIPA's annual audit work plan. These reports can be found at: www.sandag.org/OIPA.

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