SANDAG

OIPA | **Office of the Independent Performance Auditor**

ACCOUNTING AND FINANCE INDEPENDENT ASSESSMENT

Independent Performance Auditor
Courtney Ruby, CPA, CFE

December 1, 2025

Courtney A. Ruby, CPA, CFE
Independent Performance Auditor

December 1, 2025

Lesa Heebner, Chair
SANDAG Board of Directors

Jack Fisher, Chair
SANDAG Audit Committee

SUBJECT: ACCOUNTING AND FINANCE INDEPENDENT ASSESSMENT

Dear Chair Heebner and Chair Fisher:

In March 2024, the Office of the Independent Performance Auditor (OIPA) issued an Investigation Report on SANDAG's State Route 125 (SR 125) Toll Operations. The investigation found ETAN's Fastlane financial reporting could not be relied upon, and the Accounting and Finance Department lacked adequate internal controls, including proper review and supervision, to ensure SR 125 financial information was accurately recorded and reported. The investigation recommended an independent assessment of the Accounting and Finance Department's policies, procedures, and practices.

As a result, OIPA contracted with Weaver, LLC to perform a comprehensive assessment of SANDAG's Finance and Accounting Department's current state.

The scope of work included:

1. Assessment of staffing structure and utilization including the potential for streamlining duties.

2. Examination of departmental policies, procedures, practices and internal controls and their comparison against industry standards, with recommendations for strengthening safeguards to reduce risk.

3. Evaluation of the Department's ability to provide timely, accurate financial reporting to the financial auditors, bond counsel, management, and the Board of Directors, with recommendations to address any deficiencies. The assessment should identify any financial reporting concerns resulting from the transition to Tyler Technologies' Enterprise Resource Planning (ERP) System. Additionally, the assessment will include reviewing the Finance and Accounting Department's plan to provide accurate and timely financial information and reports related to SR 125, both pre- and post-transition to a new Back-Office Tolling System.

4. Evaluation of the Department's ability to provide timely, appropriate support and information to SANDAG's various functional units, management, and the Board of Directors, with recommendations for increasing the accessibility and regularity of financial information.

5. Examination of SANDAG's budget management. The examination should include the entire budget cycle including authorizations, appropriation, amendments, transfers and any changes. Budgetary policies, procedures, practices, and internal controls should be reviewed including processes residing outside of the Department, with recommendations to strengthen budgetary practices and controls.

Additionally, Weaver's assessment, when needed, extended into areas that would provide greater operational insight and value to SANDAG leadership. To move SANDAG forward, the report contains 48 recommendations and includes a suggested roadmap to prioritize recommended actions over an 18-month timeline. Management has submitted their response to the recommendations separately.

I want to acknowledge SANDAG Management, especially the Accounting and Finance team, for their cooperation during this assessment. If you have additional questions, please contact me at (619) 595-5323 or courtney.ruby@sandag.org.

Respectfully,

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

Attachments:
1. Assessment Report – SANDAG Accounting and Finance Independent Assessment

San Diego Association of Governments

Accounting and Finance Independent Assessment

November 2025

Table of Contents

Executive Summary

Executive Summary

San Diego Association of Governments – Accounting and Finance Independent Assessment

Introduction

Weaver performed a comprehensive assessment of SANDAG's Finance and Accounting Department's current state to evaluate operating effectiveness, identify deficiencies, strengthen safeguards over assets, and assess coordination for effective reporting and communication to stakeholders. This involved assessing the in-scope process areas and core functions within the Finance and Accounting Department:

In-Scope Process Areas:

Finance and Accounting Department
- Accounting
- Finance
- Revenue
- Project Control
- Toll Operations Accounting

➤ *Review of Core Functions*
- Accounting, Finance, and Revenue
- Financial Reporting
- Project Management
- Resource Management
- Budget Management
- Change Management

The primary purpose of the assessment was to determine the current state of key organizational and operational functions and identify opportunities to improve departmental processes, procedures, and internal controls, strengthen safeguards, and provide timely, accurate reporting to management, the Board of Directors, auditors, and other key stakeholders. Underpinning the assessment was consideration for how the department is managing change associated with the transition to the Tyler Technologies Enterprise Resource Planning (ERP) System, as well as the pre-transition to a new back-office tolling system.

Executive Summary

San Diego Association of Governments – Accounting and Finance Independent Assessment

The evaluation also included an Organizational Structure & Skills Assessment (OSSA) to determine whether the current mix of roles, responsibilities, and skills effectively supports the agency's operational and financial requirements. The OSSA sought to identify opportunities to enhance effectiveness through alignment of duties, improved role clarity, and potential streamlining of responsibilities. Along with interviews and walkthroughs with key finance and accounting managers to understand roles and staff utilization, we reviewed organizational charts, job descriptions, role expectations, performance documentation, resumes, credentials, qualifications, experience, and tenure in current role.

As a result of the assessment, we identified seven core themes for the current state and 18 observations and associated recommendations categorized into four groups: (1) Accounting and Finance, (2) Budgets, Grants, and Financial Planning; (3) Enterprise Resource Planning System and Change Management, and (4) Implementation Planning and Execution.

Executive Summary

San Diego Association of Governments – Accounting and Finance Independent Assessment

The ultimate goal of the assessment was to provide a roadmap of actions to address the challenges identified within the current state and continue progress towards a more robust and effective finance and accounting function at SANDAG. There are **seven key themes** that once addressed, will accelerate SANDAG towards achieving a more effective future state supported by well-established processes and technology infrastructure.

1. **Governance and Oversight**: Stronger governance and clear accountability are needed to improve financial stewardship, particularly in budget ownership, ERP implementation, and core accounting controls as identified in our review. Strengthening these areas will enhance oversight, ensure reliable reporting, and support continuous improvement.

2. **Policies, Procedures, and Internal Controls**: Clear, consistently applied procedures are essential for a strong control environment. Standardizing account reconciliations, reimbursement processes, and ERP testing protocols will reduce current inconsistencies identified in our review, strengthen controls, and protect assets.

3. **Technology and Systems integration**: SANDAG's updated ERP system offers a key opportunity to improve efficiency, but current gaps in validation, controls, and system integration have limited its impact. Strengthening requirements, configurations, and reporting capabilities will enhance performance, reduce manual workarounds, and provide more reliable information for decision-making.

4. **Performance Measurement and Accountability**: Establishing clear performance metrics and follow-up protocols will strengthen accountability and improve financial management. To achieve this, SANDAG must address current gaps in budget oversight and ERP governance frameworks.

5. **Training and Workforce Development**: Building a well-trained workforce is critical to improving efficiency, accuracy, and system adoption. Currently, Accounting, Finance, and Budget teams lack formal development, relying on ad hoc training with inconsistent ERP knowledge across departments.

6. **Change Management and Communication**: Formalizing consistent change management and improving stakeholder communication will strengthen technology adoption, reduce disruptions, and enhance collaboration. Current gaps in managing and communicating ERP-related changes have led to delays, poor performance tracking, and confusion across teams.

7. **Roles, Responsibilities, and Collaboration**: Clear roles and strong cross-department collaboration are essential for accurate financial management and operational success. Addressing current unclear responsibilities and improving coordination will reduce ad hoc practices and enhance accountability.

6

Executive Summary

San Diego Association of Governments – Accounting and Finance Independent Assessment

Priority Actions

This report provides both summarized and detailed conditions of the current state observations. A total of 48 recommended actions provide a potential roadmap to move SANDAG on the path forward to a more effective and robust future state at both the department level and overall governance of SANDAG in the areas of risk and change management. Below are the **top 10 priority actions** from the recommendations provided in the report.

1. **Stand up a unified Internal Controls and Compliance framework.** Utilizing support and resources external from the organization, create and maintain an agency wide framework that defines key controls, owners, frequency, and monitoring across AP/AR, GL close, revenue and expense recognition, assets, project accounting, toll operations, and training.

2. **Establish a true Technology and ERP Governance structure**. Stand up centralized IT/ERP governance led by a qualified CIO equivalent to oversee IT strategy, decision-making, issue escalation, and alignment between IT and business objectives across departments. For systems implementations, define outcome Key Performance Indicators(KPIs), such as uptime, adoption, and ROI, run a unified cross departmental milestone schedule, and maintain a risk register with ownership and escalation paths.

3. **Raise expectations for management competencies associated with all three pillars of qualifications – Experience, Education, and Credentials**. Encourage and, where appropriate, require pursuit of relevant professional certifications for leadership and technical roles. Implement centralized tracking of training/credentials, role specific ERP training, and hands on exercise; and prioritize specialized, quality training for technical roles to reduce errors and risk associated with inherent technical accounting complexities.

4. **Tighten system implementation quality gates—requirements traceability, testing, and go live criteria**. For future systems implementation tighten and major module upgrades and updates, map requirements to test cases; formalize pre-go live validations, maintain sign off checklists and rationale for any exclusions; and document/validate all workarounds before deployment to improve the technology change management process.

5. **Institutionalize key accounting reconciliations—policy, approved templates, and executive oversight**. Issue a reconciliation policy (accountability, frequency, documentation) that must be followed, use a version-controlled tracker and reconciliations for all accounts, and require quarterly management review with reporting to executives to prevent unresolved variances to linger, reporting errors, and close delays.

6. **Increase centralization of invoice management and establish risk-based approvals**. Activate a centralized invoice receipt within the ERP, add risk/dollar tiered approvals, and capture invoice receipt and due dates in ERP to enforce 30-day payment expectations and strengthen vendor relations and compliance.
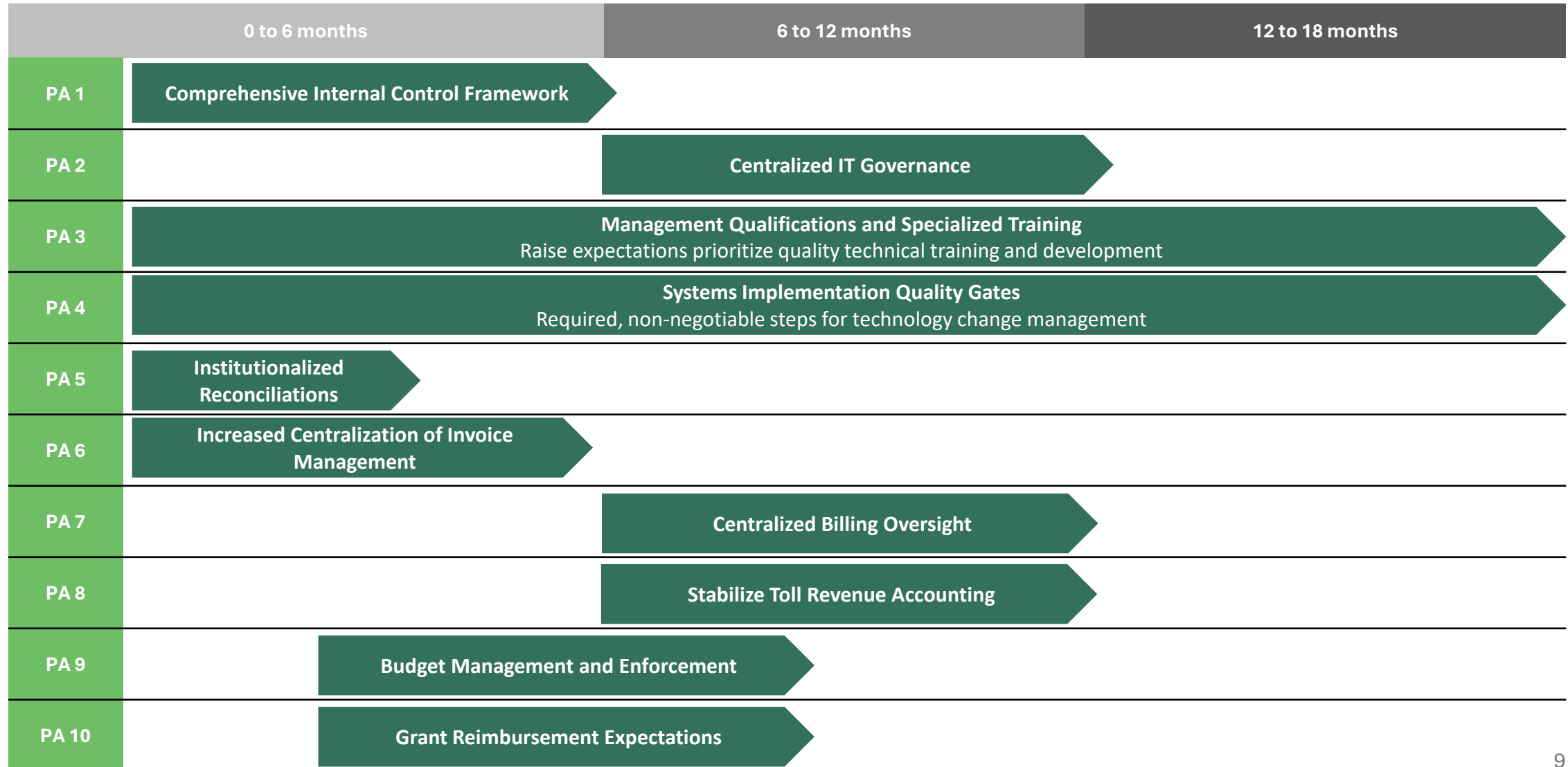
Executive Summary

San Diego Association of Governments – Accounting and Finance Independent Assessment

Priority Actions Continued:

7. **Establish centralized billing oversight across all funding sources**. Deploy a single, management reviewed mechanism consolidating cumulative billings (local/state/federal/TransNet) to provide real-time visibility into billing progress, key financial metrics, and compliance deadlines.

8. **Stabilize toll revenue accounting and reporting**. Remove single person reliance and manual workarounds between FASTLANE and ERP via documented reconciliations, secondary review, and a path to system integration/automation to improve accuracy and resilience.

9. **Clarify budget ownership and enforce continuous budget to actual monitoring**. Publish agency-wide budget process RACI expectations (responsible, accountable, consulted, informed); require monthly/quarterly budget to actual reporting for all projects with variance explanations and corrective actions; and run a mandatory mid-cycle review to curb overspending and delays.

10. **Increase grant reimbursement expectations— payment, controls, and visibility.** Align program guides to a 30-day payment expectation, track receipt dates, statuses, and delay reasons across grants, and report compliance to leadership to reduce noncompliance risk and strain on subrecipients.

Core Themes and
Observations

Core Themes and Corresponding Observations

Weaver's assessment of SANDAG's Finance and Accounting Department identified **seven** core themes that represent both current challenges and opportunities for improvement. These themes reflect the underlying drivers of process gaps, cultural dynamics, and system limitations, and will provide the basis for an improvement roadmap to strengthen the effectiveness, efficiency, and value of the Accounting and Finance functions.

The Core Themes and Corresponding Observations:

1. Governance and Oversight	Accounting & Finance	Budgets, Grants, & Financial Planning	Enterprise Resource Planning System & Change Management	Implementation Planning and Execution
Stronger governance and clear accountability are critical to **improving financial stewardship**. Focusing on defined **budget ownership**, effective **ERP strategy and implementation**, and consistent **accounting controls** will enhance **oversight, ensure reliable reporting, and drive continuous improvement.**	**A.2**: Consistency and Timeliness of Account Reconciliations **A.3**: Limited Oversight over Processes to Bill Funding Sources **A.5**: Opportunities to Strengthen Capital Asset Recordkeeping and Oversight **A.6**: Informal Training Practices and Limited Emphasis on Credentials for Accounting and Finance	**B.1:** Timeliness of Grant Reimbursements **B.2:** Uniform Invoice Checklist Limits Oversight of Grant-Specific Requirements **B.3:** Opportunities to Improve SANDAG's Budget Monitoring Framework **B.4:** Unclear Ownership of Budget Updates During Budget Preparation Period **B.5:** Current Budget Training Practices Limit Staff Preparedness	**C.1:** Limited Governance Structure and a Defined Strategy for the ERP Implementation **C.2:** Limited ERP Project Oversight and Execution **C.3:** Unstructured ERP End-User Enablement and Support **C.4:** Insufficient Validation of Project Risks and Project Requirements	**D.1:** Insufficient Documentation and Alignment of Pre-Implementation Testing and Validation to System Requirements **D.2:** IT General Controls Not Validated Prior to ERP Go-Live **D.3:** ERP Go-Live Readiness Not Fully Documented or Validated

2. Policies, Procedures, and Internal Controls

Clear, consistently applied procedures are essential for a **strong control environment.** Standardizing account reconciliations, reimbursement processes, and ERP testing protocols will **reduce errors, strengthen controls, and protect assets**	**A.1:** Opportunities Exist to Strengthen Invoice Management Procedures **A.2:** Consistency and Timeliness of Account Reconciliations **A.3:** Limited Oversight over Processes to Bill Funding Sources **A.4:** System Limitations, Manual Workarounds, and Single Points of Reliance Impact Reliability of Financial Reporting for Toll Operations **A.5:** Opportunities to Strengthen Capital Asset Recordkeeping and Oversight	**B.1:** Timeliness of Grant Reimbursements **B.2:** Uniform Invoice Checklist Limits Oversight of Grant-Specific Requirements **B.4:** Unclear Ownership of Budget Updates During Budget Preparation Period	No Areas for Improvement tied to this specific core theme.	**D.2:** IT General Controls Not Validated Prior to ERP Go-Live **D.3:** ERP Go-Live Readiness Not Fully Documented or Validated

The Core Themes (cont.)

3. Technology and Systems Integration	Accounting & Finance	Budgets, Grants, & Financial Planning	Enterprise Resource Planning System & Change Management	Implementation Planning and Execution
SANDAG's updated ERP system offers a key opportunity to improve efficiency, but **gaps in validation, controls, and system integration have limited its impact.** Strengthening requirements, configurations, and **reporting capabilities will enhance performance, reduce manual workarounds, and provide more reliable information** for decision-making.	**A.4**: System Limitations, Manual Workarounds, and Single Points of Reliance Impact Reliability of Financial Reporting for Toll Operations **A.5**: Opportunities to Strengthen Capital Asset Recordkeeping and Oversight	No Areas for Improvement tied to this specific core theme.	No Areas for Improvement tied to this specific core theme.	No Areas for Improvement tied to this specific core theme.

4. Performance Measurement and Accountability				
Establishing **clear performance metrics** and follow-up protocols will **strengthen accountability** and improve financial management. To achieve this, SANDAG must address **current gaps in budget oversight and ERP governance frameworks.**	**A.3:** Limited Oversight over Processes to Bill Funding Sources **A.6:** Informal Training Practices and Limited Emphasis on Credentials for Accounting and Finance	**B.3**: Opportunities to Improve SANDAG's Budget Monitoring Framework **B.5**: Current Budget Training Practices Limit Staff Preparedness	**C.1**: Limited Governance Structure and a Defined Strategy for the ERP Implementation **C.2:** Limited ERP Project Oversight and Execution **C.3:** Unstructured ERP End-User Enablement and Support **C.4:** Insufficient Validation of Project Risks and Project Requirements	**D.1:** Insufficient Documentation and Alignment of Pre-Implementation Testing and Validation to System Requirements

5. Training and Workforce Development				
Building a **well-trained workforce is critical** to improving **efficiency, accuracy, and system adoption.** Currently, Accounting, Finance, and Budget teams lack formal development, rely on **ad hoc training, and demonstrate inconsistent ERP knowledge across departments.**	**A.6:** Informal Training Practices and Limited Emphasis on Credentials for Accounting and Finance	**B.5:** Current Budget Training Practices Limit Staff Preparedness	No Areas for Improvement tied to this specific core theme.	No Areas for Improvement tied to this specific core theme.

Core Themes and Corresponding Observations

The Core Themes (cont.)

6. Change Management and Communication	Accounting & Finance	Budgets, Grants, & Financial Planning	Enterprise Resource Planning System & Change Management	Implementation Planning and Execution
Formalizing **consistent change management** and **improving stakeholder communication** will strengthen technology adoption, reduce disruptions, and **enhance collaboration**. Gaps in managing and communicating ERP-related changes have led to **delays, poor performance tracking, and confusion across teams.**	**A.4:** System Limitations, Manual Workarounds, and Single Points of Reliance Impact Reliability of Financial Reporting for Toll Operations	No Areas for Improvement tied to this specific core theme.	**C.1:** Limited Governance Structure and a Defined Strategy for the ERP Implementation **C.2:** Limited ERP Project Oversight and Execution **C.3:** Unstructured ERP End-User Enablement and Support **C.4:** Insufficient Validation of Project Risks and Project Requirements	**D.1:** Insufficient Documentation and Alignment of Pre-Implementation Testing and Validation to System Requirements **D.2:** IT General Controls Not Validated Prior to ERP Go-Live **D.3:** ERP Go-Live Readiness Not Fully Documented or Validated
7. Roles, Responsibilities, and Collaboration				
Clear roles and strong **cross-department collaboration** are essential for accurate **financial management and operational success**. Addressing unclear responsibilities and improving coordination will reduce ad hoc practices and **enhance accountability.**	**A.1:** Opportunities Exist to Strengthen Invoice Management Procedures **A.5:** Opportunities to Strengthen Capital Asset Recordkeeping and Oversight	**B.4:** Unclear Ownership of Budget Updates During Budget Preparation Period	No Areas for Improvement tied to this specific core theme.	No Areas for Improvement tied to this specific core theme.

Accounting and Finance Observations and Recommendations

Summary of Accounting and Finance Observations

Weaver's assessment of SANDAG's Finance and Accounting Department identified **18 observations.**

- **Accounting and Finance: 6**
- Budgets, Grants, and Financial Planning: 5
- Enterprise Resource Planning System and Change Management: 4
- Implementation Planning and Execution: 3

Link to Detailed Results

Risk Rating Definitions:

High: High-risk areas are those that could significantly impact SANDAG's operations, finances, or strategic objectives, potentially extending beyond the agency and requiring senior management intervention.

Medium: Medium-risk areas are events that could affect SANDAG's financial or operational objectives across multiple functions, with potentially material impacts requiring action from functional leaders.

Low: Low-risk areas have minimal financial or operational impact, affect only one SANDAG function, and do not threaten strategic priorities. Functional leaders should be kept updated, or other existing controls mitigate the risk.

Full definitions shown in Appendix: Risk Ratings

Accounting and Finance			
Ref	Risk Rating	Observations	Impact
A.1	HIGH	**Opportunities Exist to Strengthen Invoice Management Procedures** • SANDAG's decentralized, Project Manager-driven invoice process and absence of a risk-based approval framework may limit oversight, place added demands on management resources and increase the risk of delayed or inaccurate payments. • Undefined invoice payment timeframe expectations and inconsistent tracking of invoice receipt and due dates limits compliance with California Public Contract Code §20104.50 and weakens payment timeliness monitoring.	• Overreliance on individual project managers for invoice processing and non–risk-based approval workflows increase the risk of **undetected errors, late payments, and insufficient review of high-risk items**.
A.2	HIGH	**Consistency and Timeliness of Account Reconciliations** • SANDAG's reconciliation process lacks consistency, oversight, and accountability. Reconciliations are often incomplete or delayed, with limited use of the Reconciliation Tracking Schedule and missing documentation, approvals, and procedures, such as interim checklists or other tools, to ensure accurate financial reporting throughout the fiscal year. • Significant reconciling items and outdated or inactive accounts remain unresolved due to staffing constraints, competing priorities, and ERP transition challenges, resulting in unadjusted balances being reported in interim Board reports.	• Delays and inconsistencies in account reconciliations increase the risk of **reporting errors,** undetected irregularities, and **inefficiencies in the financial close process.**
A.3	MED	**Limited Oversight over Processes to Bill Funding Sources** • SANDAG does not have a centralized, ongoing process to monitor cumulative billings across all funding sources, relying instead on individual Excel spreadsheets regularly maintained and reviewed by three staff, however, are not reviewed by management. • Annual (and occasional ad hoc) reconciliations are not defined in SANDAG directives and limit timely detection of billing errors or noncompliance, increasing the risk of delays, inaccuracies, and misalignment with funding guidelines.	• Inconsistent billing oversight and infrequent reconciliations increase the risk of **errors, compliance issues, and potential revenue or funding losses**.

15

Summary of Accounting and Finance Observations

Weaver's assessment of SANDAG's Finance and Accounting Department identified **18 observations.**

- **Accounting and Finance: 6**
- Budgets, Grants, and Financial Planning: 5
- Enterprise Resource Planning System and Change Management: 4
- Implementation Planning and Execution: 3

Risk Rating Definitions:

High: High-risk areas are those that could significantly impact SANDAG's operations, finances, or strategic objectives, potentially extending beyond the agency and requiring senior management intervention.

Medium: Medium-risk areas are events that could affect SANDAG's financial or operational objectives across multiple functions, with potentially material impacts requiring action from functional leaders.

Low: Low-risk areas have minimal financial or operational impact, affect only one SANDAG function, and do not threaten strategic priorities. Functional leaders should be kept updated, or other existing controls mitigate the risk.

Full definitions shown in Appendix: Risk Ratings

Accounting and Finance			
Ref	Risk Rating	Observation	Impact
A.4	HIGH	**System Limitations, Manual Workarounds, and Single Points of Reliance Impact Reliability of Financial Reporting for Toll Operations** • FASTLANE and SANDAG's ERP system are not integrated, requiring manual reconciliations that are inconsistently performed, reliant on a single individual, and not documented in SANDAG directives, creating a single point of reliance and increasing the risk of errors or delays. • Manual workarounds, coupled with FASTLANE's reporting limitations and high staff turnover, limit timely and accurate reconciliation of toll revenue and reduce institutional oversight.	• Reliance on a single individual for manual tracking, combined with undocumented processes and untimely reconciliations, increases the **risk of errors, incomplete records, non-compliance, and operational disruption**.
A.5	MED	**Opportunities to Strengthen Capital Asset Recordkeeping and Oversight** • Processes for tracking and maintaining capital asset records are limited and reactive, relying on PMs and custodians to report changes in their asset responsibilities or on automated notifications to identify when a PM or custodian leaves the organization, delaying timely identification of events that may affect asset values. • Capital asset transactions are recorded in the ERP system while supporting documentation remains separate, requiring manual linking of economic events which create inefficiencies and increase the risk of incomplete records.	• Incomplete, outdated, or manually maintained capital asset records increase the risk of **reporting errors, inefficiencies, and delayed recognition of significant events, impacting decision-making** and compliance.
A.6	MED	**Informal Training Practices and Limited Emphasis on Credentials for Accounting and Finance** • SANDAG does not have a formal, centralized process for tracking staff training, certifications, and professional development, relying instead on informal, ad hoc management oversight and individual self-reporting. • Limited emphasis on professional credentials and low credential rates among leadership impacts efforts to promote and strengthen technical competencies.	• Informal training and certification weakens technical competency, risks **non-compliance and effective financial reporting, and reduces SANDAG's ability to adapt** to evolving regulatory and system requirements.

Recommended Actions

Risk Level	Severity	Rationale
High	Key controls may be missing or not effectively designed, creating vulnerabilities within the control environment. Immediate attention and collaborative action are needed.	Prompt attention is needed to address significant issues identified during the assessment. Timely action will help prevent potential operational, financial, or compliance challenges.
Moderate	Some key controls are in place but may not be consistently applied or fully effective, exposing SANDAG to moderate risk. Corrective action should be prioritized and taken in a timely manner.	Prompt remediation is recommended to enhance control effectiveness and reduce exposure to potential moderate-level issues.
Low	Controls are generally well designed and operating effectively, with only minor opportunities for improvement. Corrective action is recommended but not urgent.	Improvement actions are recommended but not time-sensitive and can be incorporated into routine process enhancements.

Action Pt. #	Ref #	Risk Level	High	Moderate	Low
Accounting & Finance					
Recommended Action Point					
1	**All**	SANDAG should establish and maintain a **comprehensive framework to consistently assess and monitor key internal controls**. The framework should integrate governance, risk management, and compliance across all accounting and finance processes, including groups of key controls for the following areas, at a minimum: 1. Accounts Payable 2. Accounts Receivable 3. Asset Management 4. Project Accounting 5. General Ledger 6. Revenue and Expense Recognition 7. Toll Operations Accounting 8. Quarter and Year End Closing 9. Training This framework should clearly define the design and implementation of key controls in each process area, frequency, risks mitigated, and roles and responsibilities including the policies and procedures that cover all relevant topic areas and address mechanisms for continuous monitoring and improvement. Also include an assessment of residual risk anticipated after application of internal control (may be used for future ERM initiatives). By implementing a centralized framework for tracking and monitoring key controls, SANDAG can increase accountability, reduce reliance on single individuals, ensure consistency in financial operations, and proactively identify and mitigate risks across significant process areas and activities. Consider developing the framework using external, qualified advisors and assigning responsibility for maintaining this framework to senior management. Also consider assigning accountability for its use and update to the Director of Internal Controls.	**X**		
2	**All**	SANDAG should encourage and, where appropriate, require pursuit of relevant professional certifications (e.g., CPA, CGFM, CMA) for leadership and technical roles. Update job descriptions to clearly define preferred or required credentials, or specific accounting coursework that satisfies requirements, and prioritize credentialed leadership to strengthen technical proficiency and promote a culture of continuous learning.		**X**	

Recommended Actions

Action Pt. #	Ref #	Action Item	High	Moderate	Low
Accounting & Finance					
Recommended Action Point					
3	A.1	SANDAG should implement a centralized point of receipt for all vendor invoices, preferably through activation and full use of the ERP Vendor Module, to ensure Accounting has immediate visibility over incoming invoices. This will reduce reliance on Project Managers, enable consistent tracking, and improve accountability and timeliness of invoice processing.	X		
4	A.1	SANDAG should revise the Accounts Payable Standard Operating Procedure to: 1. Include dollar-based or risk-based approval thresholds. Routine, low-dollar invoices could follow streamlined approval workflows, while higher-value or high-risk invoices should receive elevated review, improving efficiency and allowing management to focus oversight where it is most needed. 2. Include timeframe requirements to pay invoices. Specifically, within 30 calendar days after receipt of an undisputed and properly submitted payment request from a contractor as defined by the California Public Contract Code - PCC § 20104.50.	X		
5	A.1	SANDAG should require capture of both the invoice receipt date and payment due date within the ERP system to ensure that the ERP system can accurately track and escalate any issues with the timeliness of payment to vendors. To support this, the Standardized Invoice Review Checklist and ERP data entry protocols should be revised to ensure this information is consistently recorded and monitored in alignment with California Public Contract Code §20104.50 and to uphold strong vendor relationships.		X	
6	A.2	SANDAG should fully develop and implement a documented policy outlining overall reconciliation requirements, including frequency, preparer/reviewer responsibilities, documentation standards, escalation procedures, version control, and closure timelines. This policy should clearly define accountability and provide management with oversight mechanisms to ensure timely and accurate completion.	X		
7	A.2	SANDAG should fully implement and consistently use the Reconciliation Tracking Schedule, or another centralized system-based tool, to document and monitor all required reconciliations. The tool should include standardized fields to record the preparer, reviewer, review and approval dates, reasons for delays or issues, and defined frequencies for completion and review. Management should review the tracker monthly to confirm the accuracy of accounts and ensure reconciliations are completed as required. Additionally, the tool should be version-controlled and periodically archived by management to prevent manual edits or deletion of historical data.	X		
8	A.2	SANDAG should require quarterly management reviews of reconciliation completion, accuracy, and timeliness metrics, with results reported to executive leadership. SANDAG should also consider periodic independent reviews to assess adherence to policy and effectiveness of the reconciliation process.		X	
9	A.2	SANDAG should establish and implement interim reporting checklists or similar procedures / tools to document and define all required steps to ensure account balances are accurate, including reconciliations, validations, and reviews of key accounts, enabling accurate and reliable financial data for decision-making, interim reporting (e.g., to the Board), and audit readiness. This should include any report modifications required for clarity of purpose and use.	X		

Recommended Actions

Action Pt. #	Ref #	Action Item	High	Moderate	Low
Accounting & Finance					
Recommended Action Point					
10	**A.3**	SANDAG should develop or adopt a centralized mechanism or tool to consolidate billing information across all funding sources (local, state, federal, and TransNet), ensuring a system is in place to provide real-time visibility into billing progress, key financial metrics, and compliance deadlines to improve accuracy and timeliness. Management should review the centralized billing tool (on a monthly or quarterly basis) to identify missed or delayed billings.		**X**	
11	**A.3**	SANDAG should document and define the expectation for accounting staff to perform either monthly or quarterly reconciliations of cumulative billings to budgeted revenues and funding agreements. Management should review and approve these reconciliations to identify missed billings, discrepancies, or noncompliance in a timely manner.	**X**		
12	**A.4**	SANDAG should establish formal reconciliation procedures and documentation requirements to ensure consistency, enable secondary review, and reduce reliance on a single individual for toll revenue tracking between FASTLANE and the ERP system.	**X**		
13	**A.4**	SANDAG should evaluate and implement system integration or automation solutions, including compatibility assessments for future and planned upgrades, such as the Deloitte back-end system, to eliminate manual workarounds and improve accuracy, timeliness, and oversight of toll revenue reporting.		**X**	
14	**A.5**	SANDAG should integrate the Capital Asset Module with Tyler Content Manager (TCM) or implement an alternative centralized tracking system to automatically link supporting documentation (e.g., invoices, contracts, sale records) to corresponding asset records, reducing manual effort and improving accuracy and traceability.		**X**	
15	**A.5**	SANDAG should require quarterly or semi-annual reconciliations between the Capital Asset Module and supporting project or financial records to confirm completeness and accuracy of asset data and responsible owners. Reviews should include verification of asset existence and the timely recording of economic events such as sales or retirements.		**X**	
16	**A.6**	SANDAG should develop a centralized training and certification/credential tracking mechanism that includes role-specific development plans, recurring training schedules, and monitoring of credential status to ensure consistent skill growth tailored to individuals and regulatory compliance.		**X**	

19

Budget, Grants and Financial Planning Observations and Recommendations

Summary of Budgets, Grants, and Financial Planning Observations

Weaver's assessment of SANDAG's Finance and Accounting Department identified **18 observations:**

- Accounting and Finance: 6
- **Budgets, Grants, and Financial Planning: 5**
- Enterprise Resource Planning System and Change Management: 4
- Implementation Planning and Execution: 3

Risk Rating Definitions:

High: High-risk areas are those that could significantly impact SANDAG's operations, finances, or strategic objectives, potentially extending beyond the agency and requiring senior management intervention.

Medium: Medium-risk areas are events that could affect SANDAG's financial or operational objectives across multiple functions, with potentially material impacts requiring action from functional leaders.

Low: Low-risk areas have minimal financial or operational impact, affect only one SANDAG function, and do not threaten strategic priorities. Functional leaders should be kept updated, or other existing controls mitigate the risk.

Full definitions shown in Appendix: Risk Ratings

Budgets, Grants, and Financial Planning

Ref	Risk Rating	Observations	Impact
B.1	HIGH	**Timeliness of Grant Reimbursements** • SANDAG does not have a documented, enforceable timeline or consistent process for processing grant subrecipient payments, resulting in delayed reimbursements that may limit subrecipients' service delivery and do not fully comply with CFR § 200.305. • Key data points, such as actual invoice receipt dates and reasons for payment delays, are not consistently tracked or monitored, limiting accountability and effective management of reimbursement requests.	• Delayed subrecipient reimbursements and insufficient tracking of payment timelines increase the risk of **non-compliance, may strain subrecipient operations, reduce transparency**, and create additional administrative burdens.
B.2	MOD	**Uniform Invoice Checklist Limits Oversight of Grant-Specific Requirements** • SANDAG's grantee reimbursement review process relies on a standardized checklist that does not account for program-specific requirements, risking inconsistent evaluation of expenses across its grant programs. As a result, Program Managers may overlook ineligible costs due to varying federal, state, and program-specific guidelines.	• SANDAG's standardized reimbursement checklist overlooks program-specific requirements, increasing the risk of **inconsistent reviews and missed ineligible costs.**
B.3	HIGH	**Opportunities to Improve SANDAG's Budget Monitoring Framework** • SANDAG does not have a consistent, enforced process for budget-to-actual monitoring across all projects, with limited quarterly reporting, unclear accountability, and no requirement for Project Managers to regularly track or address variances. • Multiple, non-integrated systems are used to track project financials, creating inefficiencies and gaps in reporting, including an inability to generate comprehensive budget reports by project phase.	• Limited visibility into budget performance and reliance on multiple systems and manual processes increase the risk of **overspending, inefficiencies, and delayed corrective actions**, hindering effective financial oversight and decision-making.

Summary of Budgets, Grants, and Financial Planning Observations

Weaver's assessment of SANDAG's Finance and Accounting Department identified **18 observations.**
- Accounting and Finance: 6
- **Budgets, Grants, and Financial Planning: 5**
- Enterprise Resource Planning System and Change Management: 4
- Implementation Planning and Execution: 3

Risk Rating Definitions:

High: High-risk areas are those that could significantly impact SANDAG's operations, finances, or strategic objectives, potentially extending beyond the agency and requiring senior management intervention.

Medium: Medium-risk areas are events that could affect SANDAG's financial or operational objectives across multiple functions, with potentially material impacts requiring action from functional leaders.

Low: Low-risk areas have minimal financial or operational impact, affect only one SANDAG function, and do not threaten strategic priorities. Functional leaders should be kept updated, or other existing controls mitigate the risk.

Full definitions shown in Appendix: Risk Ratings

Budgets, Grants, and Financial Planning

Ref	Risk Rating	Observations	Impact
B.4	HIGH	**Unclear Ownership of Budget Updates During Budget Preparation Period** • Roles and responsibilities for reviewing and updating project budgets between draft and final stages are not clearly defined, leading to over-reliance on Project Managers to self-report changes. • SANDAG lacks a comprehensive, single source outlining accountability for budget updates, increasing the risk that final revisions may not be accurately reflected in the approved annual budget.	• Reliance on Project Managers for budget updates increases the risk of **inaccurate or biased estimates and operational inefficiencies** from missed or unreviewed changes.
B.5	MOD	**Current Budget Training Practices Limit Staff Preparedness** • SANDAG does not have a formal, mandatory budget training program, relying on ad hoc guidance and optional attendance kickoff presentations, resulting in inconsistent understanding of budgeting processes and ERP system requirements. • Limited emphasis on specialized credentials, such as PMP certification, further hinders consistent budgeting practices and effective financial oversight.	• Staff unfamiliar with the new ERP system may **categorize expenses incorrectly or assume available funds, risking overspending, noncompliance, and weakened financial oversight**.

Recommended Actions

Action Pt. #	Ref #	Action Item	High	Moderate	Low
Budgets, Grants, and Financial Planning					
Recommended Action Point					
1	**All**	SANDAG should implement and maintain a single, agency-wide reference document (e.g., a RACI matrix) that defines who is Responsible, Accountable, Consulted, and Informed for each step of the budgeting process across capital and non-capital projects, including budget changes made between draft and final stages.	X		
2	**All**	SANDAG should implement a mandatory, role-specific budget training program aligned with ERP system requirements to ensure consistent understanding of budgeting processes and expense classifications. Additionally, the agency should promote relevant certifications, such as PMP, to strengthen budgeting expertise and enhance financial oversight.		X	
3	**B.1**	SANDAG should revise the Grant Distribution Program Guide to include a clear 30-day payment timeline expectation in alignment with CFR § 200.305 and establish internal procedures to monitor and report compliance with this standard.	X		
4	**B.1**	SANDAG should implement a standardized tracking process across all grant programs to capture key data points, such as actual invoice receipt dates, payment status, and reasons for delays, to improve accountability, timeliness, and oversight of reimbursement processing.		X	
5	**B.2**	SANDAG should consider developing program-specific invoice review checklists tailored to grant's unique requirements, ensuring Program Managers consistently evaluate expenses against all applicable federal, state, and program guidelines.		X	
6	**B.3**	SANDAG should develop and implement a policy that clearly defines the frequency, scope, and responsibilities for budget-to-actual monitoring across all projects and departments. The policy should specify who is accountable for preparing, reviewing, and approving budget performance reports and establish clear escalation procedures for significant variances.	X		
7	**B.3**	SANDAG should require monthly or quarterly budget-to-actual reporting and performance monitoring for all active projects, not only major CIP or grant-funded projects, and require Project Managers to review results, document explanations for variances, and outline corrective actions, with oversight from Directors or other leadership personnel as applicable to ensure timely follow-up.	X		

Recommended Actions

Action Pt. #	Ref #	Action Item	High	Moderate	Low
Budget, Grants, and Financial Planning					
Recommended Action Point					
8	**B.3**	SANDAG should perform a current user needs assessment to identify reporting challenges across departments and use the results to prioritize and develop ERP or other business intelligence reports that support operational, project management, and executive decision-making, including standardized budget-to-actual reporting.	**X**		
9	**B.4**	SANDAG should implement a mandatory mid-cycle budget review process for all projects between September and April, with clear accountability assigned in the recommended RACI matrix for initiating, confirming, and approving any budget changes, as outlined in the Budgets, Grants, and Financial Planning Recommendation 1.		**X**	

Enterprise Resource Planning (ERP) System and Change Management Observations and Recommendations

Summary of Enterprise Resource Planning System and Change Management Observations

Weaver's assessment of SANDAG's Finance and Accounting Department identified **18 observations.**

- Accounting and Finance: 6
- Budgets, Grants, and Financial Planning: 5
- **Enterprise Resource Planning (ERP) System and Change Management: 4**
- Implementation Planning and Execution: 3

Risk Rating Definitions:

High: High-risk areas are those that could significantly impact SANDAG's operations, finances, or strategic objectives, potentially extending beyond the agency and requiring senior management intervention.

Medium: Medium-risk areas are events that could affect SANDAG's financial or operational objectives across multiple functions, with potentially material impacts requiring action from functional leaders.

Low: Low-risk areas have minimal financial or operational impact, affect only one SANDAG function, and do not threaten strategic priorities. Functional leaders should be kept updated, or other existing controls mitigate the risk.

Full definitions shown in Appendix: Risk Ratings

Enterprise Resource Planning System and Change Management

Ref	Risk Rating	Observations	Impact
C.1	HIGH	**Limited Governance Structure and a Defined Strategy for the ERP Implementation** • SANDAG's ERP Phase 1 implementation lacked a unified governance structure, measurable objectives, and clearly defined roles, limiting accountability, clarity of direction, and the ability to monitor progress or outcomes. • Fragmented leadership, high turnover, and insufficient oversight procedures resulted in poor documentation, unclear handovers, inconsistent ownership, and weak strategic alignment across the organization.	• Without clear objectives, governance, and accountability, SANDAG risks **misaligned priorities, delayed milestones, poor system adoption, and reduced ERP ROI**.
C.2	HIGH	**Project Oversight and Execution** • SANDAG's approach to track ERP implementation milestones was not centralized or coordinated, relying on fragmented schedules and disconnected reports, which limited visibility and leadership oversight. • The absence of a standardized milestone prioritization method and shared repository prevented timely identification of critical risks, contributing to operational blind spots and system issues such as multi-year budget roll-forward errors.	• A fragmented approach to milestone tracking and lack of risk prioritization **increased visibility gaps, delayed issue escalation, and contributed to post-go-live system disruptions**.
C.3	MOD	**End-User Enablement and Support** • SANDAG's ERP training and support materials were unspecific, not tailored to customized system configurations or specific user roles, and lacked a standardized plan for rollout, limiting users' ability to effectively learn and test the system. • Post-go-live user support has been largely reactive, relying on ad hoc escalations without a documented plan, structured workflows, or root cause analysis of issues, reducing the effectiveness and consistency of issue resolution.	• The absence of structured training and post-go-live support for the ERP system exposes SANDAG to **inefficiencies, inconsistent issue resolution, and recurring system errors**.
C.4	HIGH	**Insufficient Validation of Project Risks and Project Requirements** • SANDAG's ERP implementation lacked documented evidence that project risks and requirements were reviewed, validated, or incorporated into planning, implementation, or contracts. • While over 2,600 functional, technical, management, and system requirements were defined, they were not explicitly integrated into contracts or assessed against the selected ERP system.	• Without defined and validated requirements and risks, the Tyler ERP implementation faced potential **gaps in system functionality, incomplete assessment of system capabilities, and unmitigated project risks**.

Recommended Actions

Action Pt. #	Ref #	Risk Level	High	Moderate	Low
		Enterprise Resource Planning System and Change Management			
		Recommended Action Point			
1	All	SANDAG should create a centralized IT governance structure led by a designated executive with a CIO-equivalent role. This position should oversee IT strategy, decision-making, issue escalation, and alignment between IT and business objectives across departments, with clearly documented oversight procedures and accountability mechanisms in alignment with leading practices, such as those outlined by ISACA for IT governance.	X		
2	All	SANDAG should document task-level responsibilities for all stakeholders involved in systems implementation and major updates or upgrades, including workflow approvals, testing, and issue resolution. SANDAG should also ensure expectations are communicated consistently across departments to support accountability and reduce confusion.		X	
3	C.1	SANDAG should develop specific, outcome-based goals for stages of systems implementations and major updates or upgrades (e.g., system uptime, user adoption rates, ROI, automation targets). These should be tracked through KPIs and used to monitor progress, evaluate success, and guide decision-making throughout the project lifecycle.		X	
4	C.2	For future phases, SANDAG should develop a standard methodology to rate implementation milestones by risk and criticality (e.g., high, medium, low). Use this framework to highlight critical-path activities, such as data migration and financial close testing, enabling leadership to allocate resources, escalate delays, and proactively mitigate risks.	X		
5	C.2	For future phases, SANDAG should develop a unified, organization-wide systems implementation project schedule accessible to all stakeholders, consolidating milestone tracking across departments and project managers, ensuring real-time access for all stakeholders to improve visibility and coordination across departments.		X	
6	C.2	For future phases, SANDAG should establish a centralized digital repository for systems implementation and major updates or upgrade documentation, including milestone status, testing logs, configuration settings, and training materials. This will support continuity, especially during staff transitions, and preserve institutional knowledge.		X	

Recommended Actions

Action Pt. #	Ref #		High	Moderate	Low
Enterprise Resource Planning System and Change Management					
Recommended Action Point					
7	C.2	For future phases, SANDAG should require formal validation of system configurations, such as budget roll-forward settings, prior to go-live for each stage of systems implementation or major module update and upgrade. SANDAG should also consider incorporating milestone-specific testing checklists and sign-off procedures to ensure readiness and prevent post-launch errors that could impact multiple users.	X		
8	C.3	SANDAG should develop, or clearly assign responsibility for developing, training materials tailored to a new system or module's customizations and specific user roles, with defined internal approval workflows and designated ownership for reviewing, updating, and distributing content to ensure consistency and accountability. Training should include hands-on exercises, role-based scenarios, and system walkthroughs to prepare users to operate the system effectively.		X	
9	C.3	For future phases, SANDAG should establish a structured post-go-live support framework, including a documented support plan that defines roles, responsibilities, escalation paths, and expected response times for user issues. This framework should also include mechanisms to collect user feedback systematically and analyze recurring issues to identify root causes, allowing SANDAG to use insights from trend analysis to refine training, update documentation, and improve system configurations proactively.			X
10	C.4	For future phases, establish a documented process for reviewing, validating, and approving all functional, technical, management, and system requirements prior to vendor release. Require sign-off from relevant stakeholders and maintain version-controlled records to ensure traceability and alignment.	X		
11	C.4	For future implementations or major upgrades and updates, ensure that critical system requirements, especially functional expectations, are explicitly referenced in vendor contracts and amendments. Include provisions for customized modules (e.g., Contract Management) to hold vendors accountable for delivering agreed-upon capabilities.	X		
12	C.4	Perform a formal assessment for selection of new systems and new modules against defined requirements to identify gaps, overlaps, and customization needs, and retain evidence of this analysis to support future implementation decisions.		X	
13	C.4	For future systems implementations and major updates or upgrades, create a comprehensive Risk Register that documents potential project risks, their impact, triggers, and mitigation strategies. Update the register throughout the project lifecycle and assign ownership for monitoring and escalation to ensure proactive risk management.	X		

ERP Implementation Planning and Execution Observations and Recommendations

Summary of ERP Implementation Planning and Execution Observations

Weaver's assessment of SANDAG's Finance and Accounting Department identified **18 observations.**

- Accounting and Finance: 6
- Budgets, Grants, and Financial Planning: 5
- Enterprise Resource Planning System and Change Management: 4
- **ERP Implementation Planning and Execution: 3**

Risk Rating Definitions:

High: High-risk areas are those that could significantly impact SANDAG's operations, finances, or strategic objectives, potentially extending beyond the agency and requiring senior management intervention.

Medium: Medium-risk areas are events that could affect SANDAG's financial or operational objectives across multiple functions, with potentially material impacts requiring action from functional leaders.

Low: Low-risk events have minimal financial or operational impact, affect only one SANDAG function, and do not threaten strategic priorities. Functional leaders should be kept updated, or other existing controls mitigate the risk.

Full definitions shown in Appendix: Risk Ratings

Implementation Planning and Execution

Ref	Risk Rating	Observations	Impact
D.1	HIGH	**Pre-Implementation Testing and Validation** • SANDAG did not document processes to align test plans with functional requirements, resulting in limited assurance that testing activities fully validated the ERP system's intended functions and organizational needs. • While data validation, end-to-end, and user acceptance testing were performed, gaps in coverage, lack of formal review, and minimal testing of reporting capabilities indicate that testing was not comprehensive across all business areas.	• Insufficient documentation of testing raises the risk that key data and system functions **were not fully validated before implementation, potentially leading to inaccurate results and long-term operational issues**.
D.2	MOD	**IT General Controls Design and Execution** • SANDAG did not validate key Information Technology General Controls (ITGCs) prior to ERP go-live, including access reviews and system safeguards, limiting assurance over data security and operational integrity. • No evidence was provided that SANDAG reviewed Tyler's SOC reports or implemented recommended Complementary User Entity Controls (CUECs), increasing risk to financial reporting and system reliability	• The absence of ITGCs increases the risk of **unauthorized access, untested system changes, and data integrity issues**. Without a controls inventory, SANDAG may **lack clarity** on its own and Tyler's responsibilities for safeguarding ERP operations.
D.3	HIGH	**Go-Live Criteria Definition and Assessment** • Tyler ERP's Go-Live readiness was not fully validated against functional requirements, with incomplete documentation and unclear rationale for excluded checklist items. • Workarounds for unfinished tasks were not consistently documented or tested, limiting assurance that system operations would perform as expected post-implementation.	• Insufficient Go-Live documentation raises the risk that Tyler ERP was **not fully evaluated against functional requirements** and that **untested workarounds may disrupt system functionality.**

Recommended Actions

Action Pt. #	Ref #	Risk Level	High	Moderate	Low
Implementation Planning and Execution					
Recommended Action Point					
1	**D.1**	For future systems implementation or major module updates and upgrades, develop a formal process to map all test plans, data validation, end-to-end, and user acceptance, to documented functional requirements. This ensures comprehensive coverage of expected system functions and supports traceability from requirement to test outcome.	**X**		
2	**D.1**	For future systems implementation or major module updates and upgrades, clearly define testing roles across departments in project planning materials, including responsibilities for validating both numerical and non-numerical data. Require formal review and approval of test plans to confirm they meet organizational needs.		**X**	
3	**D.1**	For future systems implementation or major module updates and upgrades, ensure end-to-end testing covers all critical business processes, not just a subset. If certain workflows are excluded, document the rationale and assess potential downstream impacts to system performance and integration.	**X**		
4	**D.1**	For future systems implementation or major module updates and upgrades, SANDAG should increase the number and variety of test cases related to reporting capabilities to validate that the system can generate accurate, timely, and relevant outputs across departments.		**X**	
5	**D.2**	SANDAG should create a comprehensive inventory of Information Technology General Controls applicable to the Tyler ERP system. This should include access controls, change management procedures, system monitoring protocols, and recovery mechanisms, aligned with organizational risk appetite and strategic objectives.	**X**		
6	**D.2**	SANDAG should perform a detailed review of Tyler's SOC 1 and SOC 2 reports to identify relevant Complementary User Entity Controls (CUECs). Document and implement these controls to support the integrity and security of financial reporting and system operations.	**X**		
7	**D.2**	SANDAG should implement a formal user access review process prior to system go-live to ensure access rights are appropriate for each user's role. Revoke or adjust elevated access granted during development or testing to prevent unauthorized use in production.	**X**		

Summary of Recommended Actions

Action Pt. #	Ref #	Risk Level	High	Moderate	Low
Implementation Planning and Execution					
Recommended Action Point					
8	**D.3**	For future systems implementation or major module updates and upgrades, SANDAG should establish a formal process to align each Go-Live checklist item with documented functional requirements, ensuring readiness tasks directly support expected system capabilities and business needs.	**X**		
9	**D.3**	For future systems implementation or major module updates and upgrades, require written rationale for any checklist items marked "not applicable" or "in progress." Include impact assessments and approval from relevant stakeholders to ensure exclusions are appropriate and do not compromise system functionality.		**X**	
10	**D.3**	For incomplete functions at Go-Live of systems implementation or major module updates and upgrades, create detailed workaround plans that include testing protocols, integration steps, and validation of outputs. Document these plans and confirm they are reviewed and approved before deployment.	**X**		

Organizational Structure and Skills Assessment

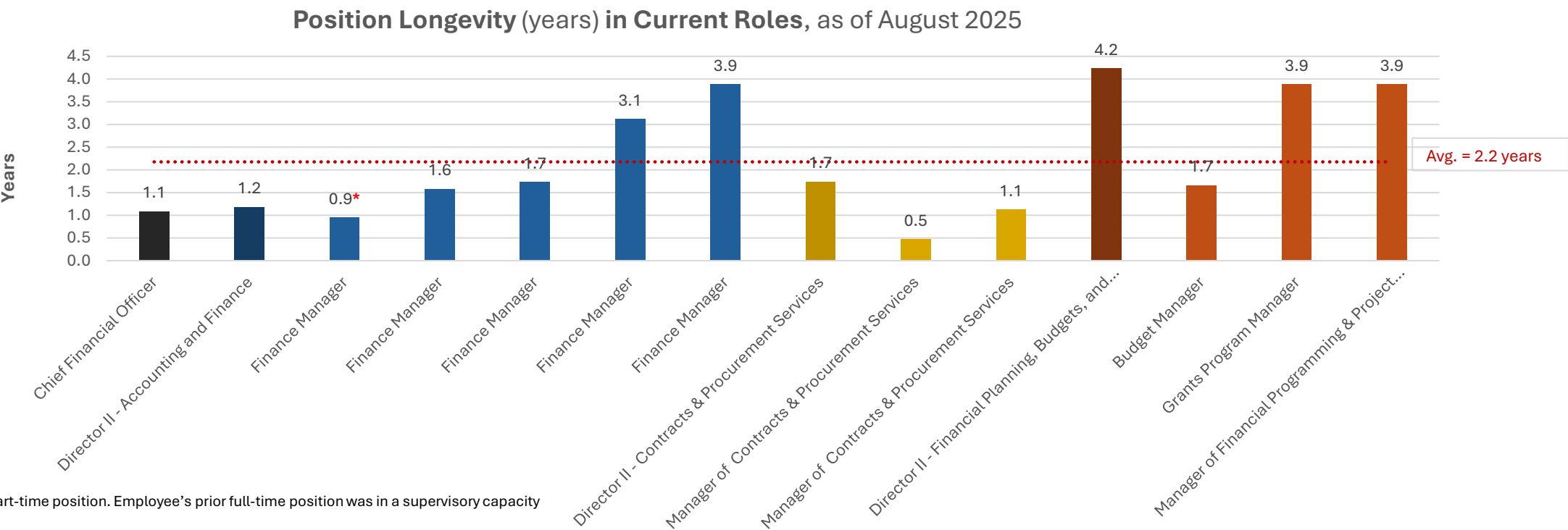# Organizational Structure & Skills Assessment

Education and Credential Requirements and Attainment

Role	Credentials Specified in Job Description
• CFO	*CPA Preferred*
• Director of Accounting & Finance • Finance Manager	*CPA Preferred*
• Director of Contracts & Procurement • Manager of Contracts & Procurement	*CPM/CPCM Preferred*
• Director of Financial Planning, Budgets, & Grants • Budget Manager • Grants Program Manager • Manager of Financial Programming & Project Control	*Undefined*

Results

Technical Credentials:
- **10 out of 14 roles (71%)** have preferred credentials defined in their job descriptions.
- **1 staff member** currently meets those preferred credentials.

Hiring practices:
- While roles and responsibilities are defined in job descriptions, organizational hiring practices **prioritize prior experience over professional credentials and technical accounting** education attainment to fulfill those roles.
- **4 roles (29%)** have no credential preference defined within the job description.

Risk

Limited technical capability and accountability: Overreliance on experience without credentialed expertise has **reduced the organization's ability to maintain strong financial controls** and effectively adapt to system and process changes.

Operational Impact

Limited technical accounting competencies may contribute to:
- Process inconsistencies and control weaknesses (see *Results A.1 – Invoice Management Procedures*).
- Timeliness of financial reporting (see *A.2 Account Reconciliations*).

From the Davis Farr FY2024 and FY2023 *Reports on Internal Control Over Financial Reporting and on Compliance and Other Matters,* management provided the following responses:
- *Finding 2024-001 – Adjustments Detected During the Audit: SANDAG […] plans to […] promote continued training for staff on complex accounting transactions.*
- *Finding 2023-001 – Adjustments Detected During the Audit: Accounting for derivative transactions such as swap terminations are complex and unusual and require more time and resources. SANDAG will continue to promote continued educational opportunities to be better prepared in the future.*

Organizational Structure & Skills Assessment

Leadership Position Tenure

Position Longevity (years) **in Current Roles**, as of August 2025

Chart showing position longevity in years:
- Chief Financial Officer: 1.1
- Director II - Accounting and Finance: 1.2
- Finance Manager: 0.9*
- Finance Manager: 1.6
- Finance Manager: 1.7
- Finance Manager: 3.1
- Finance Manager: 3.9
- Manager of Contracts & Procurement Services: 1.7
- Manager of Contracts & Procurement Services: 0.5
- Manager of Contracts & Procurement Services: 1.1
- Director II - Financial Planning, Budgets, and...: 4.2
- Budget Manager: 1.7
- Grants Program Manager: 3.9
- Manager of Financial Programming & Project...: 3.9

Avg. = 2.2 years

* Current time in part-time position. Employee's prior full-time position was in a supervisory capacity for 3 yrs.

Result	Operational Impact
Low Tenure Across Managers and Directors: High turnover and short leadership tenure • Tenure ranges between 6 months to 4.2 years • Average tenure is 2.2 years	Limited institutional knowledge, combined with a need for enhanced accountability, has affected project and change management activities, including clearly defining user needs and understanding key financial processes for ERP system implementation. Additionally, post-implementation verification of system functionality was hindered by changes in personnel and unclear ownership of established processes. (see *Results C.2 - Project Oversight and Execution, Result C.4 - Insufficient Validation of Project Risks and Project Requirements, and Result D.1 - Pre-Implementation Testing and Validation*).

Risk

Reduced continuity and oversight: Frequent leadership changes have disrupted knowledge transfer and hindered the **consistent application of governance and control practices.**

From the Davis Farr FY2024 *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters*:
• *Best Practice Recommendation #2 – Information Systems Enhancements and Controls: Implement annual reviews of third-party vendors and service level agreements (SLAs) to ensure data integrity, system reliability, and financial reporting support.*

Organizational Structure & Skills Assessment

Leadership Performance Metrics

Average Annual FY24 Performance Metrics of Managers and Directors

Accounting & Finance*

Performance	Credentials
75% of Managers scored **Exceeds Expectations** or above	20% of Managers hold a preferred credential

Contracts and Procurement Services

Performance	Credentials
100% of Managers scored **Exceeds Expectations** or above	0% of Managers hold a preferred credential

Financial Planning, Budgets, and Grants

Performance	Credentials
66% of Managers scored **Exceeds Expectations** or above	0% of Managers hold a relevant credential

*2 personnel were not assessed during FY24

SANDAG's Professional Development Policy and Performance Evaluation Assessments

Development Element	Status	Observed Risk
Credentialing requirements in performance reviews	❌ Not included	Skills not benchmarked objectively
Professional development plan tracking	❌ Not consistently tracked	No assurance of ongoing learning
Defined training or CPE expectations	❌ Ad hoc	Reactive learning
Incentives for certification (EG: pay differentials)	❌ None	Limited motivation for technical growth

*According to **GAO's Standards for Internal Control in the Federal Government**, and the **COSO Internal Control Framework**, organizational competence depends on maintaining a workforce with the **necessary knowledge, skills, and disciplines**. **Continuous learning** is a core element of the control environment.*

Detailed Results

Accounting and Finance

Result A.1: Opportunities Exist to Strengthen Invoice Management Procedures | **HIGH**

Current State
We identified three key weaknesses regarding SANDAG's current invoice management procedures that collectively reduce organizational oversight, strain management resources, and increase the risk of delayed or inaccurate vendor payments, including potential noncompliance with the California Public Contract Code.

1. *Project Manager Reliance for Invoice Procedures*
Vendor invoices are routed directly to the project manager (PM) assigned to the project, rather than to a centralized point of contact or system. The Vendor Module within the ERP system is not activated requiring manual workarounds outside of the system, and the Accounting department does not automatically receive invoices for visibility. This decentralized approach creates significant reliance on PMs for timely invoice processing, who are solely responsible for:
- Requesting and receiving vendor invoices.
- Reviewing invoices for accuracy using the *Standardized Invoice Review Checklist*.
- Uploading payment requests and supporting documentation into the ERP system to initiate approval workflows.
- Tracking invoice payment status manually within the ERP system.

This reliance increases the risk of delayed, inconsistent, or incomplete invoice processing and limits organizational oversight of invoice status and timeliness.

2. *Undefined Invoice Approval Thresholds*
Under SANDAG's *Accounts Payable Standard Operating Procedure*, the ERP system requires two department-level approvals for every invoice, regardless of dollar amount: one by the PM or principal and one by the director or designee. No dollar-based thresholds exist to differentiate smaller, routine invoices from larger, higher-risk invoices. This results in unnecessary administrative burden on directors, diverting their time and attention from higher-value responsibilities.

3. *Timeliness of Invoice Payments*
SANDAG does not consistently or accurately capture the invoice receipt dates or due dates, limiting its ability to ensure compliance with the California Public Contract Code - PCC § 20104.50 (The Code) as well as maintain good standing with vendors. The Code requires local agencies to pay contractors within 30 calendar days after receipt of an undisputed and properly submitted payment request from a contractor on a construction contract. Currently, the ERP system records the vendor-provided invoice date (often the invoice generation date) but does not capture the actual date the invoice is received. SANDAG has no defined procedures requiring this information to be entered, nor do any directives define the expected timeframe to pay invoices. The *Accounts Payable Standard Operating Procedure* requires entry of specific data points (payee, invoice amount, contract number, General Ledger account number, project number, and internal cost code) but omits invoice receipt dates. In addition, the *Standardized Invoice Review Checklist* used by payment approvers does not include steps to validate or track invoice receipt and due dates in accordance with The Code. This limits the ability of the organization to reliably monitor payment timeliness.

Impact
- Significant reliance on individual project managers (PMs) increases the risk of ineffective invoice processing, and therefore late payments, going undetected.
- PMs control the intake, entry, and initiation of approvals for invoices, which centralizes much responsibility within one role, increasing the risk of errors or inconsistencies without detection.
- Approval responsibilities are not risk-based or proportionate. Directors are currently required to approve a large volume of low-dollar invoices, which creates unnecessary workload and increases the likelihood of rushed or diminished review quality, while high-risk items may not receive sufficient scrutiny.

Accounting and Finance

Current State

SANDAG's reconciliation process is not consistently executed and does not provide sufficient oversight to ensure financial reconciliations are completed accurately, timely, and in alignment with defined requirements. Our review found gaps in the Accounting team's methods to monitor and document required reconciliations, as well as delays and unresolved discrepancies in individual reconciliations, some of which impacted the accuracy of financial reporting presented to the Board.

Over the past year, the Accounting team introduced a *Reconciliation Tracking Schedule* (an Excel spreadsheet) to document and monitor reconciliations across various process areas (e.g., toll operations, accounts payable, accounts receivable, cash, debt, payroll). The tracker is designed to capture the preparer, reviewer, approver, defined frequency, and completion date of each reconciliation. However, the Accounting team does not consistently utilize or rely on this Excel spreadsheet to track and document the completion of reconciliations. Upon review of the Excel spreadsheet, we identified inconsistent completion of required reconciliations within defined timeframes, inconsistent data pertaining to reconciliation status (some cells were blank, some marked 'done', some had a date), and no clear evidence of preparer, reviewer, or approver.

Accuracy and Timeliness of Account Reconciliations and Resolution of Reconciling Items

We reviewed three reconciliations performed as indicated on the reconciliation tracking schedule dated July 10, 2025, and identified the following:

1. **Cash – US Bank (March 2025):** Reconciliations are performed in a single Excel workbook for the year, with no version control in place, preventing accountability for changes and the preservation of an audit trail to evidence timely completion. Escalation of reconciling items is dependent solely on the preparer, with no proactive secondary review by management to ensure accuracy or timely resolution, increasing the risk that errors or irregularities go unaddressed. Further, no evidence of review or approval was provided, as reconciliations remain "open" until all discrepancies are resolved. SANDAG's SOP for the Monthly Bank Reconciliation Process defines that it is the responsibility of the Accounting Department to reconcile the cash accounts monthly to ensure that transactions are posted to the correct accounts in a timely manner; however, this monthly closure timeframes is not currently enforced. Significant reconciling items, such as a $14M property sale and a $4.5M Caltrans payment remain outstanding, increasing the risk of inaccurate balances in financial reports.

2. **Accounts Receivable (February 2025):** Compares the A/R aging subledger to the control account, which should typically always balance. Required monthly, however we could not confirm the actual performed frequency from documentation. The reconciliation was produced upon request, with the latest dated April 2025. Four reconciling items were identified, including recurring incorrect AR charge codes from FY24 still present in 2025, totaling $6.5 million of the $44.7 million (15%) corrected account balance. Specifically, the wrong object code was being used to capture decreases to AR Invoice balances instead of netting the decreased invoice amount to the AR control account, creating a risk of misstated balances and inaccurate financial reporting. Reconciling items are escalated at the end of year financial close, or as detected by the preparer; however, escalation procedures are not documented nor are approvers captured, increasing the risk of delays in resolving material discrepancies, limited accountability, and reduced reliability of financial information.

3. **State Pass Through Revenue (Inactive Accounts):** Accounts with no activity since 2006 remain open, with no SOP guidance for closing or removing inactive accounts, potentially leading to journal entry postings to inactive accounts, impacting the accuracy of account balances and subsequent financial reports.

Additionally, we reviewed quarterly financial reports submitted to the SANDAG Board of Directors and found that the unadjusted balance from the March 2025 Cash reconciliation was reported to the Board. The unadjusted balance was approximately $3.3 million higher than the adjusted figure. Per SANDAG management, the numbers in the reports are captured directly from the named institution's records and are not adjusted with reconciling items to reflect SANDAG's accurate book balances. As such, the account balance does not reflect the book balance and would be misleading if the report was used for decision-making purposes. Also, we could not identify any documented interim checklists or other procedures outlining how SANDAG reviews and reconciles accounts to ensure the accuracy of interim financial reports. Management provided the following rationale for the identified discrepancies in the timeliness, completeness, and accuracy of key account reconciliations:

- **Complexity of reconciliations:** Some reconciling entries required additional guidance or support that was not readily available.
- **Staffing limitations:** Resource constraints have affected the team's ability to consistently complete reconciliations.
- **Competing priorities:** Preparation and review of the Annual Comprehensive Financial Report and other high-priority tasks often take precedence.
- **System transition impacts:** Productivity has been affected by change management and the learning curve associated with the new ERP system implementation.
- **Backlog of older reconciliations:** Reconciliations are often addressed in order of age, meaning recent reconciliations are delayed until prior backlogs are cleared.

(cont. on next slide)

Accounting and Finance

Result A.2: Consistency and Timeliness of Account Reconciliations — HIGH

Impact

- Inconsistent and untimely completion and monitoring of account reconciliations increases the risk of:
    - Material misstatements in financial reporting due to uncorrected errors or omissions,
    - Fraud or unauthorized transactions going undetected due to lack of timely review and approval.
    - Inaccurate or incomplete financial data used for decision-making and internal or external reporting.
- Potentially waiting until year-end to resolve the "open item" reconciling items can lengthen the time required to complete the financial close, impacting reporting deadlines and overall operational efficiency.

Criteria

- **COSO Point of Focus No. 48** - *Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions*

- **COSO Point of Focus No. 50** - *Responsible personnel perform control activities in a timely manner as defined by the policies and procedures.*

- **Office of Financial Management General Ledgers:** *How often to reconcile and what to reconcile to: BP is monthly/quarterly*

Accounting and Finance

Current State

SANDAG lacks a centralized process to track billing progress and key financial data across all sources of funding for the agency. While activity is monitored at an individual project level, there is no on-going process to timely monitor cumulative billings associated with individual sources of funding, increasing the likelihood of billing delays, inaccuracies, and potential noncompliance with funding requirements.

SANDAG receives multiple funding streams including local, state and federal grants, as well as TransNet revenue (local sales tax) to fund operational and project costs. Currently, three personnel reporting to SANDAG's Project Control Manager are responsible for maintaining an individual Excel spreadsheet that tracks the last billing date, billed quantities, and relevant notes of SANDAG funding sources. Specifically, each team member maintains and regularly reviews their own Excel Tracking Sheet for their delegated funding area, including funding associated with the Other Work Program (OWP), Capital Program, the Federal Transit Administration (FTA), and other miscellaneous funding sources. However, these spreadsheets are not reviewed by management on an on-going basis to ensure that funding sources are being billed timely and accurately in alignment with their respective guidelines.

SANDAG's Project Control Manager currently reconciles total billings against the budgeted annual revenue to identify missed billings or discrepancies. However, this reconciliation is only formally performed annually and is not required or documented in SANDAG's directives. While semi-annual reconciliations may occur informally, the absence of a defined directive limits management's ability to identify and address billing discrepancies in a timely manner. Discussions with the SANDAG Accounting team also indicated that certain funding sources require judgement beyond the funding guidelines in determining whether to bill, such as determining whether to bill more or less frequently depending on the amount of project spending, compounding the necessity for management oversight over billing progression to ensure accuracy of billings in alignment with both funding guidelines and the progression of project spending.

Impact

- Without consistent tracking and oversight over billings, there is an increased risk of delayed or inaccurate billing, misalignment with funding guidelines, and potential revenue loss or compliance issues.
- Infrequent reconciliations limit management's ability to timely detect discrepancies and ensure billing accuracy, potentially impacting funding availability.

Criteria

- **COSO Point of Focus No. 48** - *Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions*

Core Themes   Governance and Oversight   Policies, Procedures, and Internal Controls   Performance Measurement and Accountability   41

Accounting and Finance

Result A.4: System Limitations, Manual Workarounds, and Single Points of Reliance Impact Reliability of Financial Reporting for Toll Operations	HIGH

Current State

SANDAG's toll operations system FASTLANE and the ERP general ledger are not integrated, nor was the ERP system evaluated for compatibility with FASTLANE prior to the ERP's implementation, requiring the SANDAG Accounting team to reconcile the revenue collected between the two systems to ensure accuracy of toll revenue in financial records. However, reconciliations are not consistently performed and rely heavily on a single individual, the Toll Operations Finance Manager, to manually reconcile and monitor differences between FASTLANE and the ERP general ledger, creating a single point of reliance, increasing the potential for errors or delays in detecting discrepancies, and limiting institutional oversight of toll financial records.

We obtained the *SR-125 and I-15 Closing Schedule Excel Spreadsheet* and noted that reconciliations between the toll operations system, FASTLANE, and SANDAG's ERP GL detail are intended to be performed monthly as defined by the spreadsheet. However, SANDAG noted that monthly reconciliations are currently not feasible due to FASTLANE's reporting limitations, including the system's inability to reliably generate reports that accurately incorporate customer account write-offs.

As a workaround to ensure the differences are adequately captured between FASTLANE's and SANDAG's financial records during the year, the Toll Accounting Finance Manager maintains a log titled *"Data Fixes"* in Excel to manually track adjustments in collaboration with FASTLANE personnel. Specifically, this log is used quarterly by the Toll Accounting Finance Manager to compare FASTLANE reports to ERP records and identify and explain variances between the two systems in preparation for the formal reconciliation that is only completed annually.

However, discussions with SANDAG's accounting team indicated high turnover at FASTLANE, impacting the reliability of this manual method to work with FASTLANE personnel to identify variances between systems. Further, although there is intent to transfer reconciliation procedures back to staff accountants, the current reliance on one individual at SANDAG to manually maintain the log of variances between the two systems inherently increases risk of error and potential inaccuracies in reported toll revenue increases as no secondary review was identified. Additionally, these manual processes are currently undocumented in policies and procedures, limiting continuity if key personnel are unavailable.

Since the integration between FASTLANE and the ERP General Ledger was not evaluated, SANDAG must rely on manual workarounds to reconcile variances between the two systems until the new Deloitte back-end system is effectively implemented. These workarounds, while intended to bridge the gap, introduce challenges to maintaining consistent accuracy and reliability in toll operation revenue reporting.

Impact
- Risk of Single Point of Reliance on one individual may disrupt operations in the event of unexpected staff turnover, absence, or error. This is compounded by an absence of process documentation to support the manual workarounds currently being managed by one individual at SANDAG.
- Manual "Data Fix" tracking introduces the potential for inaccuracies, incomplete records, or lack of audit trail.
- Untimely reconciliations may lead to misstated financial records and compliance issues.
- High turnover at FASTLANE and inconsistent reporting capabilities undermine the effectiveness of manual variance tracking and reconciliation.

Criteria

- **COSO Point of Focus No. 15** - *Senior management and the board of directors develop contingency plans for assignments of responsibility important for internal control.*

Core Themes Technology and Systems Integration   Policies, Procedures, and Internal Controls   Change Management and Communication

Accounting and Finance

Result A.5: Opportunities to Strengthen Capital Asset Recordkeeping and Oversight	MODERATE

Current State

SANDAG's processes for tracking, updating, and maintaining capital asset records are limited to ensure the accuracy, completeness, and timeliness of financial records.

SANDAG does not have a proactive or documented process to ensure timely updates of assigned Project Managers (PMs) for Capital Improvement Program (CIP) projects or custodians for fixed assets to ensure the accuracy of capital asset records. Specifically, SANDAG accounting team sends an annual email to PMs to confirm the status of each CIP project. Similarly, for fixed assets, custodians receive a biennial email with a list of assigned capital assets for review and update. SANDAG depends on PMs and custodians to report changes in their asset responsibilities or on automated notifications to identify when a PM or custodian leaves the organization. Further, SANDAG does not define the frequency or method of communication to obtain capital asset information from Project managers or custodians in directives. To ensure timely identification of events that affect asset value, such as impairments, abandonments, replacements, or disposals, proactive communication with operational departments is necessary to continuously ensure capital asset status and financial reporting is accurate.

Additionally, while capital asset transactions are recorded in the capital asset module, supporting documentation is stored separately in Tyler Content Manager (TCM) without system integration. This creates additional manual work for personnel to link supporting documentation of economic events (EG: improvements or repairs) to the correct asset and increases the risk of incomplete records.

Further, limitations in tracking and capturing economic events associated with capital assets have delayed the recording of asset sales. For example, a $14 million property sale that occurred in November 2024 has not yet been recorded in SANDAG's financial records as the accounting department is unable to timely generate a comprehensive listing of related expenses to support accurate entry. Specifically, the asset was partially funded with FTA dollars, which requires a full accounting of all expenses associated with the sale. However, discussion with SANDAG's Accounting team indicated that expenses associated with the sale of the asset (e.g., selling costs) were not being tracked. In addition, the Accounting team expressed concerns about existing entries in the Tyler ERP Capital Asset Module, noting the need to re-assess the accuracy of those entries and obtain further expense details from SANDAG's Legal department before finalizing the transaction.

These current practices limit accountability over assets, create inefficiencies in recordkeeping, and reduce management's ability to timely detect changes such as impairments, disposals, or other events that affect asset values.

Impact
- Incomplete or outdated capital asset records may result in misstated balances or reporting errors.
- Outdated custodian or project manager assignments limit the ability to ensure responsibility for safeguarding and managing assets.
- Reliance on manual updates and separate systems (capital asset module vs. TCM) increases staff workload and the risk of errors when linking supporting documentation and therefore inefficient processes.
- Without proactive updates, impairments, disposals, or other significant events may not be identified or recorded timely, affecting decision-making and compliance.

Criteria

- **COSO Point of Focus No. 54** - *A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity's objectives.*
- **GFOA Best Practices - Timely Financial Reporting -** *A government should undertake a process of monthly, quarterly, and annual reviews to ensure the ongoing completeness and accuracy of the data it collects.*

Core Themes   Governance and Oversight   Policies, Procedures, and Internal Controls   Roles, Responsibilities, and Collaboration   Technology and Systems Integration

Accounting and Finance

Result A.6: Informal Training Practices and Limited Emphasis on Credentials for Accounting and Finance   MODERATE

Current State

SANDAG's Accounting and Finance department does not have a defined or documented process to track personnel training, certifications, or professional development activities. Training opportunities are informally monitored and shared by management as they become available, typically from external sources such as the Government Finance Officers Association (GFOA) or external auditors. Staff training is based on management's initial assessment of employee skill levels and ongoing informal awareness from day-to-day interactions. Employees are individually responsible for tracking their own training and certifications, which are reported to Human Resources during performance evaluations. There is no centralized training plan, schedule, or system to ensure consistent development across roles.

Further, there is limited emphasis in the SANDAG Accounting department on the pursuit or requirement of professional credentials, such as the Certified Public Accountant (CPA) license, which impacts efforts to promote and strengthen technical competencies.

As part of our Organizational Structure and Skills Assessment, we reviewed the staffing structure and competencies of 14 leadership roles within the Accounting and Finance function, which included the CFO, 3 directors, and 10 managers and directors and observed the following:
- 10 out of 14 roles define a preferred certification within the job description.
- 4 out of 14 roles do not define a preferred certification within the job description.
- Only 2 out of 14 role assessed held a preferred or relevant professional certification (e.g., CPA), one of which has since lapsed.

While professional certification is not the sole indicator of effectiveness, it demonstrates commitment to technical proficiency, continuous learning, and adherence to professional standards. The absence of credentialed leadership, combined with informal and reactive training practices, highlights a broader organizational reliance on ad hoc development efforts rather than a structured, competency-driven approach.

Finally, we noted that the Director of Business Information and Technology Services in place at the time of our fieldwork procedures did not have prior experience with Tyler ERP or similar closed-architecture systems.

Impact
- Inconsistent skill development, gaps in technical competency, and reduced preparedness for evolving regulatory, financial, or system requirements, leading to inefficiencies, increased error rates, and diminished organizational resilience.
- Certain roles (EG: CPA) may require mandated certifications or continuing education. Failure to actively track and enforce the training needed to maintain certifications and licenses can result in non-compliance with industry or regulatory standards.
- Training and certification tracking is only considered during performance reviews, not as an ongoing compliance and development activity.

Criteria

- **COSO Point of Focus No. 14 -** *The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives*

Core Themes   Governance and Oversight   Training and Workforce Development   Performance Measurement and Accountability   44

Result B.1: Timeliness of Grant Reimbursements | HIGH

Current State

SANDAG's current framework for processing grant subrecipient payments does not effectively ensure that reimbursement requests are accurately tracked or timely processed, increasing the risk of delayed payments that could potentially hinder subrecipients' ability to deliver critical services. The absence of a documented payment timeline within grant agreements and SANDAG directives, despite an internal expectation of 30 days, limits accountability and does not align with the requirements of CFR § 200.305, which emphasizes prompt payment within 30 days after receipt of the payment request. Instead, SANDAG's grant agreements state that payments will be made "as promptly as SANDAG fiscal procedures permit," without establishing a clear, enforceable timeframe for reimbursement.

We performed an analysis over the time taken to process requests for reimbursements over the period of 4/01/2024 – 3/31/2025, ensuring there was enough time after the end of the latest quarter (3/31) for grantees to submit an invoice within the days required by SANDAG (maximum of 30 days) and for SANDAG to have a sufficient amount of time to process payment in alignment with the Code of Federal Regulations (CFR 200.305). Our results indicated the following:

- 102 requests for reimbursement (totaling $5.9 million) took over 30 days to be disbursed to the subrecipients
- 78 requests for reimbursement (totaling $4.2 million) took over 45 days to be disbursed to the subrecipients
- 62 requests for reimbursement (totaling $3.7 million) took over 60 days to be disbursed to the subrecipients
- 30 requests for reimbursement (totaling $1.3 million) took over 100 days to be disbursed to the subrecipients
- 7 requests for reimbursement (totaling $212k) had not yet been paid as of August 2025. Reasons for unpaid invoices included duplicate entries, vendor errors pending correction, and invoices resolved by vendors but not updated in reports.

Further, SANDAG does not define or enforce the consistent collection of key data points for request for reimbursement across all grant programs to accurately compute the request for reimbursement due date or to track the time taken to pay subrecipients. Specifically, SANDAG does not separately track or record the actual invoice receipt date for grant programs; instead, Program Managers enter only the invoice date when submitting reimbursement requests in the ERP system, without capturing when a complete and correct invoice was received.

SANDAG also does not have a clearly defined or consistently applied process for recording and monitoring invoice status (EG: void) or reasons for delays, which are necessary for timely payment and overall governance of invoice payment performance.

Impact

- Non-compliance with internal expectation of 30 days and the Code of Federal Regulation (CFR 200.305).
- Financial strain on subrecipients due to delayed reimbursements, potentially impacting program delivery.
- Inability to oversee and holistically report on the timeliness of invoice payment, reducing transparency and accountability.
- Increased administrative burden caused by delayed issue resolution and limited visibility into reasons for payment delays.

Criteria

- **Code of Federal Regulations (CFR 200.305):** *When the reimbursement method is used, the Federal agency or pass-through entity must make payment within 30 calendar days after receipt of the payment request unless the Federal agency or pass-through entity reasonably believes the request to be improper.*

Core Themes   Governance and Oversight   Policies, Procedures, and Internal Controls   45

Result B.2: Uniform Invoice Checklist Limits Oversight of Grant-Specific Requirements — MODERATE

Current State

SANDAG's current process to review grantee's requests for reimbursement does not incorporate program-specific requirements to ensure expenses are evaluated in alignment with program-specific criteria. SANDAG has not implemented a formal process to ensure that Program Managers consistently verify invoices against the complete set of relevant criteria per grant program, which vary across federal, state, and program-specific guidelines.

SANDAG currently uses a standardized, agency-wide internal invoice checklist to review expense eligibility for its grantees' requests for reimbursement. Although the standardized invoice checklist includes broad steps to ensure amounts align with the terms of the contract, it is not specific to any of SANDAG's eight grant programs or their individual requirements. Therefore, Program Managers may not always reference the appropriate criteria while completing invoice review. Given the complexity of funding requirements, including federal, state, program-specific guidelines, and considerations based on the subrecipient's entity type (EG: nonprofit vs. government), ineligible costs may go undetected if all applicable requirements are not consistently applied during the review process.

Impact

- If Program Managers do not apply all relevant requirements when reviewing invoices, there is an increased risk that ineligible or unallowable costs may go undetected and reimbursed, which could result in noncompliance with grant requirements, questioned costs, and potential financial liabilities for SANDAG.

Criteria

- **COSO Point of Focus No. 41 -** *Control activities include a range and variety of controls and may include a balance of approaches to mitigate risks, considering both manual and automated controls, and preventative and detective controls.*

- **COSO Point of Focus No. 48 -** *Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.*

Core Themes   Governance and Oversight   Policies, Procedures, and Internal Controls

Result B.3: Opportunities to Improve SANDAG's Budget Monitoring Framework	HIGH

Current State

SANDAG's current budgeting framework is not designed to permit or enforce consistent budget-to-actual monitoring across the agency. Currently, SANDAG only requires quarterly budget performance reports for major CIP projects (including both SANDAG and Caltrans projects) and grant-funded projects to be presented to the SANDAG Board for review and discussion of budget performance; thus, not all project budgets are included in these quarterly reports. While the Central Budgets team suggests that Project Managers (PMs) generate budget-to-actual reports on a monthly basis for their individual projects, this practice is not defined as a requirement in directives or enforced. As a result, we could not determine whether PMs regularly monitor their budgets, report variances, or implement corrective actions in a timely manner.

Additionally, there is no clear designation of accountability for budget oversight. SANDAG has not defined which stakeholders are responsible for reviewing budget performance or ensuring alignment with the agency's goal to spend 85% of its budget.

Further, SANDAG does not currently utilize a single, integrated system to generate comprehensive budget-to-actual reports that meet the needs of various user groups at SANDAG. Instead, various systems are used to track different components of project financials based on individual user needs and preferences:

- Capital Improvement Project (CIP) budgets are managed in PM Tools
- Project labor costs are tracked separately in the Integrated Master Budget Model (IMBM)
- The Accounting department helps generate reports for spending by project phase
- The ERP system provides information on how much **total** money has been spent, encumbered, requisitioned, or invoiced, which allows SANDAG to report how much money is unobligated at a point-in-time and still available to the project; however, this report does not depict spending by project phase

SANDAG personnel have also expressed differing views on the ERP system's current ability to generate specific budget monitoring reports, noting that certain reporting functionalities were postponed or not available. Subsequent discussions with management and process owners indicated that efforts had been made to develop customized reports for users. Upon review of the SANDAG Report Inventory Master List, we were unable to identify the specific budget report needed, namely, spending by project phase, indicating a disconnect between user reporting needs and report development or delivery.

Impact

- Inadequate visibility into **budget performance** may result in overspending, missed corrective actions, or failure to meet agency-wide budget utilization goals
- The use of multiple systems and manual processes increases the risk of inconsistencies, reduces efficiency, and limits the ability to obtain real-time financial data for effective decision-making and oversight.

Criteria

- **GFOA** *recommends that all governments establish a formal set of processes for comparing budget to actual results to monitor financial performance. Establishing and conducting regular budget monitoring provides organizations the opportunity to promptly adjust for any significant variances to ensure continuity of program/service delivery.*

- **COSO Point of Focus No. 54** - *A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity's objectives.*

Core Themes   Governance and Oversight   Performance Measurement and Accountability

Result B.4: Unclear Ownership of Budget Updates During Budget Preparation Period	HIGH

Current State

Roles and responsibilities for reviewing and updating project budgets between the draft estimate and final budget stages (between September and April) are not standardized or clearly defined across all SANDAG project types, resulting in an over-reliance on Project Managers (PMs) to self-report revisions before the budget is finalized.

Non-Capital Project Budgets

For non-capital projects, the Central Budgets team does not have a defined process to follow up with PMs between the draft expenditure estimate and the final budget. The team only follows up if the PM's budgeted labor hours exceed available revenue amounts for their specific project budget. Otherwise, PMs are solely responsible for notifying the Central Budgets team of any changes to their project budgets.

Capital Project Budgets

For capital projects, budget estimates are revisited between the draft and final budget; however, accountability for initiating this review is not clearly documented in policies and procedures. SANDAG does not define whether the responsibility to escalate budget changes between the draft and estimate stage lies with the budget analyst or the PM.

SANDAG does not maintain a comprehensive, single source of information that clearly defines the roles, responsibilities, and accountabilities of all parties involved in the budget preparation phase, creating risk that final changes or updates may not be accurately reflected in the approved annual budget.

Impact
- Over-reliance on PMs for budget accuracy increases the risk of biased estimates, as PMs may overstate needs to avoid underfunding.
- Project budgets may contain inaccuracies due to missed updates or unreviewed changes between draft and final stages.
- Operational inefficiencies from duplicated efforts or reactive budget corrections.

Criteria

- **COSO Point of Focus No. 49** - *Management establishes responsibility and accountability for control activities with management (or other designated personnel) of the business unit or function in which the relevant risks reside.*

Core Themes   **Governance and Oversight**   **Roles, Responsibilities, and Collaboration**   48

Result B.5: Current Budget Training Practices Limit Staff Preparedness	MODERATE

Current State

SANDAG has not established a formal or mandatory budget training program to ensure personnel responsible for budget development and management are adequately informed about each stage of the budgeting process, including adaptation to the requirements of the new ERP system. Currently, budget training is delivered on an ad hoc basis, with staff expected to seek assistance from the Central Budgets or Capital Projects teams as needed to understand key processes such as budget preparation, monitoring, and closeout. Although Central Budgets conducts budget kickoff presentations to communicate essential budgeting processes, attendance is not mandatory, which limits the consistency and effectiveness of the training.

This informal approach has contributed to gaps in staff understanding, particularly given the increased level of detail required by the new system. For instance, project managers have historically treated broad expense categories as general administrative costs, without recognizing that the ERP system assigns more specific definitions such as "insurance under admin" to those same codes. This misinterpretation can lead staff to assume budget availability where funds have already been allocated to specific purposes.

Adding to the challenge, SANDAG also has a limited emphasis on credentials or certifications that would reinforce specialization in budgeting for large scale projects, such as the Project Management Professional Certification (PMP), which could help reinforce consistent budgeting practices and improve financial oversight across the agency.

Impact

- Staff unfamiliar with the detailed requirements of the new ERP system may incorrectly categorize expenses or assume budget availability where funds are already committed, potentially leading to overspending, compliance issues, and weakened financial oversight.

Criteria

- **COSO Point of Focus No. 14 -** *The organization provides the mentoring and training needed to attract, develop, and retain sufficient and competent personnel and outsourced service providers to support the achievement of objectives.*

Enterprise Resource Planning System and Change Management

Result C.1: Limited Governance Structure and a Defined Strategy for the ERP Implementation	HIGH

Current State

SANDAG's ERP implementation did not have a unified governance structure or a defined and measurable strategy, preventing the agency from having a solid foundation to effectively manage and execute the ERP system's implementation.

Specifically, SANDAG's Tyler ERP Phase 1 implementation was guided by high-level objectives that were developed by the third-party facilitator (Intueor) in collaboration with SANDAG leadership. These objectives were not specific with measurable performance outcomes that define success of the implementation. This limited SANDAG's ability to set clear direction for the project, monitor progress, and hold personnel accountable for results through implementation. Although multiple departments and personnel were involved in Phase 1 of the ERP implementation, expectations were not consistently defined or understood around intended system outcomes. There was limited documentation outlining roles and responsibilities, which weakened accountability over implementation effectiveness. Discussions with project managers and end-users revealed inconsistent understanding of system functionality (EG: whether the ERP was expected to automate reconciliations, provide real-time budget visibility, or replace manual reporting processes) and unclear expectations about the intended outcomes of the ERP's adoption using relevant KPIs ((e.g., user adoption, system uptime, ROI).

Additionally, there was a lack of centralized leadership to provide the type of structured oversight and governance typically expected in large-scale system change initiatives (i.e.: commensurate with the responsibilities of a Chief Information Officer). While governance bodies such as the Steering Committee and ERP Ops Committee were established, they lacked detailed oversight procedures to allow mechanisms to enforce accountability and ensure that escalated concerns translated to tracking and the practical resolution of issues. Leading practices, such as those outlined by ISACA for IT governance, emphasize that roles comparable to a Chief Information Officer or IT Governance Manager should monitor, evaluate, manage, and direct people, processes, and technology to ensure value creation for stakeholders. In the context of ERP implementation, this would include setting clear performance objectives, ensuring accurate alignment between business and technology needs, monitoring adoption metrics, and holding stakeholders accountable for achieving intended outcomes. Additionally, although stakeholder involvement was mapped in a structural chart developed by the third-party consultant, detailed task-level responsibilities (e.g.: workflow approvals, system testing, issue resolution, decision-making) were not defined or assigned.

The absence of a centralized governance framework, combined with fragmented leadership and high turnover in key roles, contributed to poor documentation, unclear handovers, and ineffective knowledge transfer. Oversight responsibilities were not formally assigned, leading to inconsistent ownership and limited strategic alignment across the organization.

Impact

- Without clearly defined objectives, governance structures, and accountability mechanisms, SANDAG faces increased risk of misaligned priorities, delayed implementation milestones, and ineffective system adoption. The lack of performance metrics and role clarity may result in unresolved issues, diminished stakeholder engagement, and reduced return on investment from the ERP system.

Criteria
- **COSO Point of Focus No. 54 -** *A process is in place to identify the information required and expected to support the functioning of the other components of internal control and the achievement of the entity's objectives.*
- **ISACA COBIT 2019 -** *Defines 40 governance and management objectives, many of which are directly applicable to ERP projects. Key objectives include:*
  - *APO03 – Managed Enterprise Architecture: Ensures ERP systems align with enterprise architecture.*
  - *APO05 – Managed Portfolio: Helps prioritize ERP initiatives within the IT portfolio.*
  - *BAI01 – Managed Programs: Guides the management of ERP implementation as a formal program.*
  - *BAI03 – Managed Solutions Identification and Build: Covers the development and customization of ERP solutions.*
  - *BAI07 – Managed IT Change Acceptance and Transitioning: Ensures smooth deployment and user adoption of ERP systems.*
  - *MEA01 – Managed Performance and Conformance Monitoring: Tracks ERP performance against defined KPIs.*

Core Themes   Governance and Oversight   Performance Measurement and Accountability   Change Management and Communication

Enterprise Resource Planning System and Change Management

Result C.2: Limited ERP Project Oversight and Execution	HIGH

Current State

SANDAG did not maintain a centralized or coordinated approach to track and monitor project milestones during the ERP system's implementation, resulting in limited visibility and critical gaps in system readiness.

While a high-level ERP implementation timeline was created by the third-party consultant (Intueor) and communicated to key SANDAG stakeholders (incl. system PMs and process-department Directors), SANDAG did not maintain a centralized project schedule that accurately reflected and tracked current milestone status across the internal teams. Milestone tracking responsibilities were split across several departments and project managers, each maintaining their own schedules, reports, or status updates which were often in disconnected format such as Excel files, Gantt charts, and meeting notes.

Further, there was no unified system or shared repository accessible to all stakeholders for real-time status tracking, limiting leadership and departmental visibility into critical paths and progress during key implementation phases such as data migration, system testing, user training. High staff turnover further exacerbated these limitations, as knowledge transfer was inconsistent, and institutional knowledge was not effectively documented or preserved.

In addition, SANDAG did not use a standard methodology for rating or prioritizing milestones by level of risk or importance. This meant that all milestones were treated the same, rather than highlighting which ones were critical to success (e.g.: data migration or year-end financial close testing) compared to lower-risk tasks. Without a defined/clear rating system (for example: high, medium, low risk) or prioritization method, leadership's ability to timely identify early warning signs, escalate delays, or allocate resources to the issues was hindered. This lack of structure contributed to operational blind spots, including the failure to fully test year-end financial close processes prior to go-live. As a result, users encountered "Insufficient Budget" errors due to multi-year budgeted amounts not rolling forward from FY24 to FY25 in the General Ledger. This issue arose from incomplete configuration settings within the ERP system, specifically due to the roll-forward checkboxes not being fully selected to carry multi-year budgets into the new fiscal year.

Impact
- SANDAG's lack of a centralized and coordinated approach to tracking ERP implementation milestones created significant visibility gaps and operational blind spots, increasing the risk of missed deadlines, configuration errors, and unresolved system issues.
- The absence of a milestone risk rating or prioritization framework further hindered the agency's ability to identify and escalate delays or dependencies, ultimately contributing to post-go-live disruptions.

Criteria

- **COSO Point of Focus No. 48 -** *Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.*

- *See **ISACA COBIT 19** Governance and Management Objectives*

Core Themes   Governance and Oversight   Performance Measurement and Accountability   Change Management and Communication   51

Enterprise Resource Planning System and Change Management

Result C.3: Unstructured End-User Enablement and Support for ERP Implementation	MODERATE

Current State

SANDAG incorporated user training and support documents as part of the ERP system vendor contract prior to system implementation; however, the material provided was too general and did not adequately address the organization's needs. The intended training and support plans did not account for the customized configurations planned for the system, nor were they tailored to the specific responsibilities of different user groups. In addition, opportunities to proactively evaluate and refine the appropriateness and usefulness of training content were not identified or addressed. Specifically, SANDAG would have benefited from implementing a standardized plan that was widely understood by all user groups regarding training and support, tailored to their specific roles, system functions, and mirrored the customizations made to the ERP system.

ERP system end-user support material was included in the original contract requirements with Tyler Technologies, however, once these materials were provided to SANDAG post–go-live, SANDAG found that the training did not align with the system's customized configurations and was ineffective in preparing users to operate the system. The lack of tailored training materials limited users' ability to test and evaluate modules in a timely manner. To address this gap, SANDAG engaged a third-party consultant (Intueor) to develop customized training resources, resulting in the "Custom End User Training Manual Development," which is currently available through the System Project SharePoint. The transfer of responsibilities from the system vendor's contract to the consultant was not formally documented, nor were oversight roles and approval processes within SANDAG clearly defined for the review and rollout of the updated training materials.

Post-go-live of Phase 1 ERP-implementation (January 2024) until current, the identification and resolution of ERP user issues has been largely reactive. User support currently depends on ad hoc, self-reported escalations to project managers, super-users, or IT ticket submissions, with no systematic processes to proactively gather user feedback, analyze issue trends, and/or address root causes. Further, we could not identify a documented support plan that defined the specific responsibilities, ownership, or capacity for issue resolution. Best practices for post-implementation ERP support, such as those outlined in ITIL and COBIT, recommend documented support plans, structured workflows, and formal root cause analysis to ensure timely and consistent resolution of issues. In the absence of these elements, SANDAG's reliance on informal escalations and one-off corrections limited the effectiveness of issue resolution and contributed to ongoing user challenges.

While the ERP Operations Committee was intended to provide oversight of issue management, it did not define or communicate consistent procedures for issue reporting, escalation, tracking, or trend analysis. Through interviews with ERP system project managers, IT support personnel, we identified inconsistencies in the approach utilized to resolve issues, suggesting a reactive methodology with no mechanism to identify patterns or proactively address underlying causes across departments.

Impact

- The lack of a structured support framework for ERP users during and after implementation exposes SANDAG to operational inefficiencies, inconsistent issue resolution, and prolonged system disruptions. Without standardized training aligned to the customized ERP environment or a formalized post-go-live support model, users may misapply system functions, delay reporting of critical issues, and perpetuate recurring errors.

Criteria

- **COSO Point of Focus No. 48 -** *Management establishes control activities that are built into business processes and employees' day-to-day activities through policies establishing what is expected and relevant procedures specifying actions.*

- **ISACA *COBIT 19:*** *Governance and Management Objectives*
- **Project Management Institute** (2017): *A guide to the project management body of knowledge (PMBOK guide) (6th ed.). Project Management Institute.*
- **Gartner (2021):** *Best practices for a successful ERP post-implementation strategy. Gartner Research.*

Enterprise Resource Planning System and Change Management

Result C.4: Insufficient Validation of Project Risks and Project Requirements	HIGH

Current State

SANDAG's ERP implementation did not retain evidence to demonstrate that project risks and project requirements were considered and validated during the planning, design, or implementation phases of the project.

SANDAG defined over 2,700 **requirements** for its new ERP, categorized into functional, technical, management, and system requirement groups. Of the total, 2,674 requirements were functional requirements. A list of functional requirements serves two key purposes:
- Validating that all anticipated use cases of the systems were considered by SANDAG, reviewed, and evaluated for inclusion in the system;
- Communicating to potential vendors and the selected vendor SANDAG's expectations around functions and functionalities of the system.

Functional requirements covered expected or desired functions and functionalities of the system across the following business processes: Accounting, Accounts Payable, Accounts Receivable, Benefits, Budget, Finance Reporting, Grants Management, HR Admin, Labor Relations, Payroll, Project / Grant, Purchasing, Reporting, Risk Management, and Workforce Planning.

Technical requirements documented technology infrastructure requirements and capacity of the system, such as the number of concurrent users supported, the volume of transactions to be stored and processed, or the technical controls to implement and validate access appropriateness to the system and its data. Management requirements documented the project management expectation of the vendor, system implementer, and/or consultant delivering the system, such as preparing and implementing a project management plan, developing test and training plans, or providing post-implementation support. System requirements documented expected or desired workflows and security features of the system.

Weaver reviewed contractual agreements between Tyler and SANDAG and did not identify provisions incorporating the individual functional requirements into the contractual terms. Contractual amendments also did not include detailed requirements regarding the addition of a Contract Management module to Tyler ERP.

During the Audit, Weaver requested and did not receive the following documents related to the functional, technical, management, and system requirements:
- Evidence that the requirements were reviewed and approved by SANDAG prior to being released to potential vendors;
- Evidence that an assessment of Tyler ERP was performed against the defined requirements.

We noted the Tyler Project Management Plan called for the preparation of a **Risk Management Plan**. The purpose of risk management is to anticipate and mitigate potential internal and external threats to a successful completion of the project. Identified threats should be documented in a Risk Register tracking the internal and external threats, evaluation of their impact and trigger, and risk mitigation strategies where deemed necessary.

Weaver requested and did not receive a Risk Register, therefore we were unable to validate whether project risks were appropriately considered.

ISACA *COBIT 19:* *Managed Requirements Definition*
- **BAI02.01:** Define and maintain business functional and technical requirements.
- **BAI02.03:** Manage requirements risk.
- **BAI02.04:** Obtain approval of requirements and solutions.

Impact
- Without defined and validated project requirements and project risks, the Tyler ERP implementation was exposed to risks of insufficiently documented functions and functionalities of the system, incomplete understanding as to Tyler ERP's ability to support expected functions and functionalities, and lack of awareness over potential threats impacting the project's ability to deliver on expected functions and functionalities.

Core Themes   👥 **Governance and Oversight**   ⏱ **Performance Measurement and Accountability**   ⚙ **Change Management and Communication**   53

Implementation Planning and Execution

Result D.1: Insufficient Documentation and Alignment of Pre-Implementation Testing and Validation to System Requirements	HIGH

Current State

SANDAG did not document processes to align test plans to functional requirements or expected functions and functionalities of the system.

SANDAG performed three types of pre-implementation testing to validate the design, functions, and functionalities of the system: data validation testing, end-to-end testing, and user acceptance testing. The purpose of data validation testing is to validate that data migrated from a legacy system to a new system is accurate and complete, including after data transformation activities where applicable. End-to-end testing seeks to replicate an entire business process or workflow, and confirm that the outputs of the process and workflow meet expectations. User acceptance testing performs testing at the system function or functionality level, and is typically designed to cover all or most use cases for a function to ensure comprehensiveness of the function's design.

Ensuring that comprehensive data validation, end-to-end, and user acceptance tests are planned, designed, and completed is a key pre-implementation activity to obtain assurance that the system is designed and performing according to expectations.

Based on project kickoff materials, data migration planning was the responsibility of Tyler with support from SANDAG. It was reported that Tyler obtained legacy system data and performed data migration activities according to pre-defined logic and workflows within their environment. No documentation was provided to show that data validation testing was planned or completed as part of the Tyler data migration activities.

Even though the SANDAG Finance Department did not have defined testing responsibilities in project kickoff materials, the Department independently performed data migration testing at multiple points throughout the projects by comparing ledger account balances in the legacy system and the Tyler ERP system. The Finance Department focused on the accuracy of account balances as the primary area within their responsibilities. No evidence was provided to demonstrate whether other Departments independently performed data validation testing for data sets not covered by the Finance Department's testing, including testing non-numerical data not related to general ledger account balances.

End-to-end testing was successfully completed for five workflows related to project controls. A rationale was not provided to justify why end-to-end testing for additional business processes area was not performed.

Over 150 user acceptance tests were performed. Results of the tests were tracked, and failed tests were logged and remediated. However, no formal review or approval of the test plans was provided to verify that the testing performed adequately supported the organizational needs for the system. Specifically, only two test cases over reporting capabilities were identified (over reporting contracts with near-term expiration dates, and preparing a general ledger report).

Impact
- The lack documentation over the completion of data validation testing, and over the comprehensiveness of end-to-end testing and user acceptance testing creates the risk that key data, functions, or functionalities of the system were insufficiently tested prior to implementation. Functions and processes may not perform as expected, or may not return accurate results and information. Considering that the system supports functions and activities performed only annually or as-needed, issues related to insufficient testing may continue to impact the system for an undetermined period of time.

Criteria
ISACA *COBIT 19:* *Managed IT Change Acceptance and Transitioning*
- **BAI07.03**: Plan acceptance tests.
- **BAI07.05:** Perform acceptance tests.

Core Themes   Governance and Oversight   Performance Measurement and Accountability   Change Management and Communication   54

Implementation Planning and Execution

Result D.2: IT General Controls Not Validated Prior to ERP Go-Live | MODERATE

Current State

SANDAG did not validate the implementation of Information Technology General Controls prior to Go-Live.

Information Technology General Controls (ITGC) ensure the confidentiality, integrity, and availability of data through the implementation of technology-based processes and procedures. Key ITGCs ensure access to information is controlled; system operations are monitored; system, configuration, and data changes are managed and authorized; and recovery procedures are in place to remediate system failures or unexpected data changes. ITGCs should be implemented for all key applications, and should be designed to align with organization objectives, strategy, and risk appetite.

SANDAG was unable to provide an inventory of ITGCs in place at Go-Live, therefore Weaver was unable to validate whether controls were considered, designed, and implemented to support the Tyler ERP in production.

Specifically, SANDAG did not provide evidence that a user access review was performed prior to Tyler ERP implementation. A user access review is intended to validate that existing users' access to system, functions, and information is appropriate based on their role or responsibilities. A user access review should be performed before implementation to ensure that users that may have been granted extended access for development, testing, or troubleshooting purposes before implementation, or that may have been provisioned access before access authorization controls were implemented, retain only the access that is appropriate for their responsibilities post implementation.

SANDAG did not perform a review of the Tyler SOC 1 and SOC 2 (System and Organization Controls) reports to identify relevant Complementary User Entity Controls (CUECs) and validate that the CUECs were in place at implementation. CUECs are controls recommended by Tyler that should be in place at SANDAG to support the security and availability commitments of Tyler and SANDAG's implementation of Internal Controls over Financial Reporting (ICFR).

Impact

- The lack of ITGCs around Tyler ERP introduces risks that the system is insufficiently monitored for and protected against inappropriate access to information and functions, unauthorized or insufficiently tested changes into the system, failed or incomplete jobs and workflows, and unexpected changes to data or system failures. While SANDAG may not be responsible for every control required around the Tyler ERP, a lack of controls inventory may indicate that SANDAG is insufficiently aware of its responsibilities and Tyler's responsibilities over the performance of controls around Tyler ERP.

Criteria

- ***COSO Point of Focus No. 44*** - *Management selects and develops general controls over technology, and specifically addresses the task of determining the dependency between technology used in business processes and the corresponding technology general controls.*

Core Themes   Governance and Oversight   Policies, Procedures, and Internal Controls   Change Management and Communication   55

Implementation Planning and Execution

Result D.3: ERP Go-Live Readiness Not Fully Documented or Validated	HIGH

Current State

Tyler ERP readiness for Go-Live was insufficiently documented and validated against functional requirements.

Tyler ERP readiness for Go-Live was formalized in a Production Readiness Acceptance document signed by SANDAG and Tyler executives. The readiness was evaluated using a Go-Live Checklist of over 50 tasks to be completed across all Tyler ERP modules. Tasks included validating that the current year budget was accurately loaded; general ledger accounts were fully set up and updated with current balance; open projects, purchase orders, and invoices accurately added to the new system; inventory updated; and SANDAG users trained on the new ERP. The Checklist tracked completion date, responsibility for completion between Tyler and SANDAG, and completion status. It is typical for large scale implementations such as Tyler ERP that not every function or functionality of the system is ready at Go-Live. Incomplete functions and functionalities should be carefully reviewed and analyzed for their impact over the operation of the system, especially downstream functions that may rely on the incomplete functions to operate successfully, and to determine whether a workaround is required until the functions and functionalities can be completed. Workarounds should be thoroughly tested prior to implementation to ensure their fitness for purpose and their integration with other functions of the system, including accepting system inputs and producing outputs in a format compatible with the system.

Weaver reviewed the Go-Live Checklist and determined that seven criteria were marked as In progress, and 18 criteria were noted as not applicable. For five of seven criteria in progress, a detailed workaround or mitigation plan for the criteria was not documented to indicate how the impact of the criteria not being completed would be mitigated.

Weaver inquired as to the rationale for the 18 criteria deemed not applicable, or evidence of review all Go-Live criteria against functional requirements to validate the readiness criteria addressed the expected functions and functionalities of the system, and no evidence was provided.

Weaver requested and did not receive a list of workarounds designed and deployed during the ERP implementation. Therefore, Weaver was unable to validate whether workarounds were appropriately tested prior to Go-Live.

Impact
- The lack of sufficient evidence around Go-Live readiness introduces the risk that Tyler ERP was insufficiently evaluated against functional requirements and expected features before implementation, and that workarounds were not sufficiently tested to demonstrate their compatibility with other Tyler ERP functions.

Criteria
- **ISACA *COBIT 19:* *Managed IT Changes***
    - **BAI06.01:** Evaluate, prioritize and authorize change requests.
- **ISACA *COBIT 19:* *Managed IT Change Acceptance and Transitioning***
    - **BAI07.01**: Establish an implementation plan.

Appendices

APPENDIX A: Engagement Scope and Objectives

This engagement included a comprehensive assessment of SANDAG's Finance and Accounting Department's current state to evaluate operating effectiveness, identify deficiencies, strengthen safeguards over assets, and assess coordination for effective reporting and communication to stakeholders.
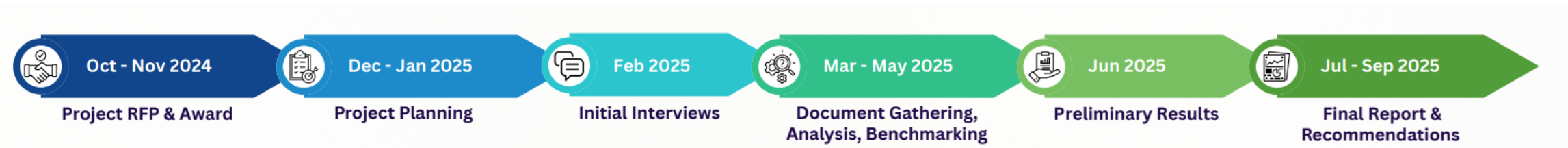
In-Scope Process Areas:

Finance and Accounting Department

Accounting

Finance

Revenue

Project Control

Toll Operations Accounting

➤ *Review of Core Functions*

Accounting, Finance, and Revenue

Financial Reporting

Project Management

Resource Management

Budget Management

Change Management

APPENDIX A: Engagement Procedures

Procedures Performed:

- **Reviewed and analyzed policies, procedures, practices, and internal controls** across in-scope functions, benchmarking them against industry best practices.

- **Conducted interviews with multiple stakeholders (including multiple rounds of follow-up)** across the Finance, Accounting, and related departments to gather perspectives and validate processes.

- **Assessed technology use**, including SANDAG's implementation of Tyler Technologies ERP System, IT General Controls, and its integration into departmental operations.

- **Reviewed extensive evidence and documentation** across in-scope departments and processes to corroborate observations and ensure a robust analysis.

- **Analyzed service delivery of Finance Department functions** and assessed collaboration within the Accounting and Finance departments, and with other SANDAG departments.

- **Performed analysis over core Policies and Procedures** against COSO Framework criteria for effective internal controls.

- **Reviewed departmental structure and organization** to evaluate efficiency and alignment with organizational needs.

Project Timeline of Phases and Tasks Performed:

Oct - Nov 2024	Dec - Jan 2025	Feb 2025	Mar - May 2025	Jun 2025	Jul - Sep 2025
Project RFP & Award	Project Planning	Initial Interviews	Document Gathering, Analysis, Benchmarking	Preliminary Results	Final Report & Recommendations

APPENDIX B: Policy and Procedure Analysis

We conducted a comprehensive review of all available policies and procedures across the in-scope functional areas of Accounting & Finance, Financial Planning, Budgets, Grants, and the implementation and usage of the new ERP System.

We reviewed SANDAG's policies and procedures to assess their **existence** within our in-scope process areas and evaluate their **effectiveness** through the lens of the **COSO Internal Control Integrated Framework**. Our assessment of policy and procedure **effectiveness** focused on the framework's five core components of effective internal control: **control environment, risk assessment, control activities, information and communication, and monitoring.** The COSO framework is widely recognized as a leading standard for designing, implementing, and assessing internal controls, and provides a structured approach to evaluating whether policies and directives are designed to promote accountability, consistency, and compliance.

Procedures:
- Reviewed the existence of policies and procedures in alignment to in-scope business processes identified in document review and personnel interviews
- Compared existing policies and procedures against COSO criteria to assess both their quality and their coverage of essential internal control elements.
- Reviewed the documents for clarity, completeness, and alignment with current business processes, and considered how effectively they define responsibilities, support consistent execution, and enable management oversight.

This review was conducted during SANDAG's ongoing efforts to update Accounting and Finance Standard Operating Procedures (SOPs) in alignment with the new ERP system implementation. Because ERP-related changes have significantly changed daily procedures and underlying business processes, some policies have not yet been fully revised to reflect current practices. Through this process, we identified opportunities to both add additional policies and procedures to ensure coverage over applicable process areas and to better incorporate or align policies and procedures with COSO components, increasing their effectiveness in supporting robust internal controls across our in-scope areas.

See following slides for detail.

APPENDIX B: Policy and Procedure Analysis – Identified Additions to P&Ps

The policies and procedures outlined under each process area highlight opportunities for SANDAG to enhance coverage of applicable areas.

Department	Sub Process	Identified Areas to Add Policies & Procedures
Accounting & Finance	**Accounts Payable (AP)**	• **Invoice payment timeliness** • Contingent liabilities • **Expense recognition**
	Accounts Receivable (AR)	• Write-off and bad debt • **Revenue recognition** • **Reconciliation of total billings to budgeted revenues**
	General Ledger (GL) Management	• Month-end soft close processes • **Quarter-end soft close processes** • Closing or removing inactive accounts
	Asset Management	• Capitalization rules (for projects, such as capitalizing direct costs to projects)
	Toll Operations Accounting	• Toll rates, exemptions, and discounts • Customer account allowance for bad debts • Customer account write off • **Monthly toll revenue reconciliation process (FASTLANE to ERP)**
	Financial Reporting and Compliance	• Preparation of the financial statements
Budgets, Grants, Financial Planning	**Financial Planning**	• **Financial programming [i.e., programming of formula funding and TransNet funding into various plans (RTIP, CIP, Budgets)]** • **Coordination with Project Managers (i.e., for reporting progress on fund spending)** • Forecast modeling (for TransNet and state and federal formula funding available to support CIP and non-CIP projects)
	Grants	• **Timeliness of subrecipient payment**
	Budgets	• Budget forecasting • **Budget monitoring (budgeted vs. actual)**
ERP System	**Pre-Implementation Phase**	• ERP governance • **Data governance & migration**
	Implementation Phase	• Security & access control • **Testing & quality assurance**
	Post-Implementation Phase	• Post-go-live support

Count of Identified Additions to Policies and Procedures

Link to Appendix: Policy and Procedure Analysis – Identified Additions to P&Ps

APPENDIX B: Policy and Procedure Analysis – Identified Additions to P&Ps

Department	Sub Process	Identified Areas to Add Policies & Procedures	Specified Attributes to Add	Benefit / Impact
Accounting & Finance pt. 1	Accounts Payable (AP)	Invoice payment timeliness	• Standard payment terms (e.g., Net 30, Net 45) • Timeframe for exception handling (e.g., disputed invoices) • Monitoring and reporting of payment cycle time	Sets the expectation that vendors are paid promptly, maintains supplier relationships, and avoids late payment penalties or reputational risk.
		Contingent liabilities	• Definition and examples (e.g., pending litigation) • Documentation and approval requirements • Periodic review of outstanding contingent liabilities • Disclosure and reporting requirements	Provides transparency on potential financial obligations, ensures compliance with accounting standards (e.g., GAAP/GASB), and supports accurate financial reporting.
		Expense recognition	• Standardized timing and cutoff procedures • Distinction between operating expenses, capital outlays, and prepaid items • Clear definition of expense recognition under the accrual and modified accrual bases as applicable	Ensures consistent, accurate, and GASB-compliant financial reporting by clearly defining when and how expenses are recorded in alignment with accounting standards (GAAP/GASB).
	Accounts Receivable (AR)	Write-off and bad debt	• Criteria for determining uncollectible accounts • Approval levels for write-offs • Documentation and audit trail requirements • Frequency of review of aged receivables	Promotes consistent and controlled handling of bad debts, reduces risk of overstated receivables, and ensures financial integrity.
		Revenue recognition	• Timing and criteria for recognizing revenue, for both modified accrual basis for governmental funds and full accrual basis for propriety and fiduciary funds • Alignment with GAAP/GASB standards • Guidance on nonexchange transactions (definitions, examples, revenue recognition concepts) • Internal controls to prevent premature recognition	Ensures revenue is recorded accurately and in the correct period, supporting compliance with accounting standards and preventing misstatement.
		Reconciliation of total billings to budgeted revenues	• Variance thresholds and escalation procedures • Standardized reconciliation format and documentation requirements • Roles and responsibilities • Defined frequency and timing	A defined reconciliation policy ensures timely, accurate alignment between billings and budgeted revenues, strengthening financial oversight and compliance.
	General Ledger (GL) Management	Interim reporting processes	• Defined review schedule and responsibilities for applicable accounts • Review and reconciliation checklist • Documentation retention requirements • Roles and responsibilities • Timeline for final adjustments	Enhances accuracy and timeliness of interim financial reporting, ensures consistency, and supports audit readiness.
		Closing or removing inactive accounts	• Criteria for identifying inactive accounts • Approval process for closure • Retention and archiving policy • Segregation of duties for system updates	Ensures consistent treatment of capital assets, supports accurate balance sheet reporting, and aligns with accounting standards.

APPENDIX B: Policy and Procedure Analysis – Identified Additions to P&Ps

Department	Sub Process	Identified Areas to Add Policies & Procedures	Specified Attributes to Add	Rationale for Addition
Accounting & Finance pt. 2	**Asset Management**	Capitalization rules (for projects, such as capitalizing direct costs to projects)	• Criteria for capital vs. expense classification • Eligible and ineligible costs • Documentation and approval process • Review frequency for capitalization entries	Ensures consistent treatment of capital assets, supports accurate balance sheet reporting, and aligns with accounting standards.
	Financial Reporting and Compliance	Preparation of the financial statements	• Defined roles and responsibilities (e.g., preparer, reviewer) • Timelines and reporting calendar • Reconciliation and validation procedures • Compliance checks with GAAP/IFRS • Documentation retention requirements	Ensures accuracy, completeness, and consistency in financial statements, supports audit readiness, and maintains compliance with external reporting requirements.
	Toll Operations Accounting	Toll rates, exemptions, and discounts	• Approval process for rate changes • Criteria and documentation for exemptions/discounts • Communication and system update procedures • Compliance monitoring	Promotes transparency, ensures accurate revenue accounting, and aligns toll operations with regulatory and financial controls.
		Customer account allowance for bad debts	• Methodology for calculating allowances • Review frequency • Approval authority for adjustments • Reporting and audit documentation	Ensures realistic valuation of receivables, reduces risk of overstated assets, and maintains consistency in estimation methods.
		Customer account write off	• Approval thresholds by management level • Documentation of collection efforts • Segregation of duties • Periodic reporting and review	Maintains control and accountability, ensures consistency in financial treatment, and supports accurate loss recognition.
		Monthly toll revenue reconciliation process *(FASTLANE to ERP)*	• Frequency and timing of reconciliation • Roles and responsibilities • Data sources and scope of the reconciliation • Variance thresholds and issue resolution • Management review and approval	To ensure consistent, accurate, and timely validation of toll system revenues against the accounting system, ensuring accuracy and completeness of financial records.

APPENDIX B: Policy and Procedure Analysis – Identified Additions to P&Ps

Department	Sub Process	Identified Areas to Add Policies & Procedures	Specified Attributes to Add	Rationale for Addition
Budgets, Grants, Financial Planning	Financial Planning	Financial programming [i.e., programming of formula funding and TransNet funding into various plans (RTIP, CIP, Budgets)]	• Programming schedule and coordination requirements • Approval and amendment process for funding allocations • Documentation and audit trail standards	Ensures proper allocation, tracking, and compliance with funding requirements; promotes transparency and alignment with regional and capital improvement priorities.
		Coordination with Project Managers (i.e., for reporting progress on fund spending)	• Defined roles and responsibilities of financial planners and project managers • Frequency and format of reporting for project spending progress • Defined frequency of meetings • Escalation process for project budget overruns or underutilization	Strengthens collaboration between finance and project delivery teams, improves accuracy of financial forecasts, and ensures timely usage of funds.
		Forecast modeling (for TransNet and state and federal formula funding available to support CIP and non-CIP projects)	• Forecasting methodology and assumptions • Frequency and horizon of financial forecasts • Documentation and validation requirements • Roles and approval hierarchy for forecast updates	Enables proactive financial management, supports informed decision-making, and ensures accuracy and credibility of financial projections for both CIP and operational funding.
	Grants	Timeliness of subrecipient payment	• Defined Payment Timeframes • Escalation Protocols for Delays	Ensures subrecipients receive funds promptly, supporting program continuity, compliance with grant terms, and effective financial stewardship.
	Budgets	Budget forecasting	• Methodology for short-term and long-term projections • Use of historical data, economic indicators, and funding trends • Review and approval process • Assumptions documentation and version control	Enhances the organization's ability to anticipate funding needs, manage cash flow, and align resources with strategic priorities.
		Budget monitoring (budgeted vs. actual)	• Frequency and process for budget-to-actual reviews • Variance thresholds and escalation procedures • Corrective action plan requirements • Reporting formats and responsible parties	Promotes accountability and timely corrective actions, ensuring budgets remain accurate and reflect operational realities.

APPENDIX B: Policy and Procedure Analysis – Identified Additions to P&Ps

Department	Sub Process	Identified Areas to Add Policies & Procedures	Specified Attributes to Add	Rationale for Addition
ERP System	Pre-Implementation Phase	ERP governance	• Governance structure (roles, committees, decision-making authority) • Change management and approval processes • Communication and risk management protocols • Alignment with organizational strategic goals	Provides clear accountability and oversight for ERP decision-making, reducing implementation risk and ensuring alignment with enterprise objectives.
		Data governance & migration	• Data ownership and stewardship roles • Data quality and validation standards • Documentation and audit controls for data conversion	Ensures integrity and accuracy of financial and operational data transferred into new systems, reducing post-implementation errors and compliance risks.
	Implementation Phase	Security & access control	• User role definitions and access provisioning process • Segregation of duties controls • Periodic access review and certification • Incident response and audit logging requirements	Protects financial data integrity and confidentiality, minimizes fraud risk, and ensures compliance with internal control and cybersecurity standards.
		Testing & quality assurance	• Types of testing required (unit, integration, UAT, regression) • Testing documentation standards • Approval process for test completion and go-live readiness	Ensures ERP system functionality meets business and financial requirements before go-live, preventing costly post-launch errors.
	Post-Implementation Phase	Post-go-live support	• Defined support model (e.g., helpdesk, ticketing system) • Roles and escalation procedures for issue resolution • Post-implementation review and stabilization period • Continuous improvement and feedback loop processes	Ensures smooth transition to operations, maintains user confidence, and facilitates continuous improvement after ERP deployment.

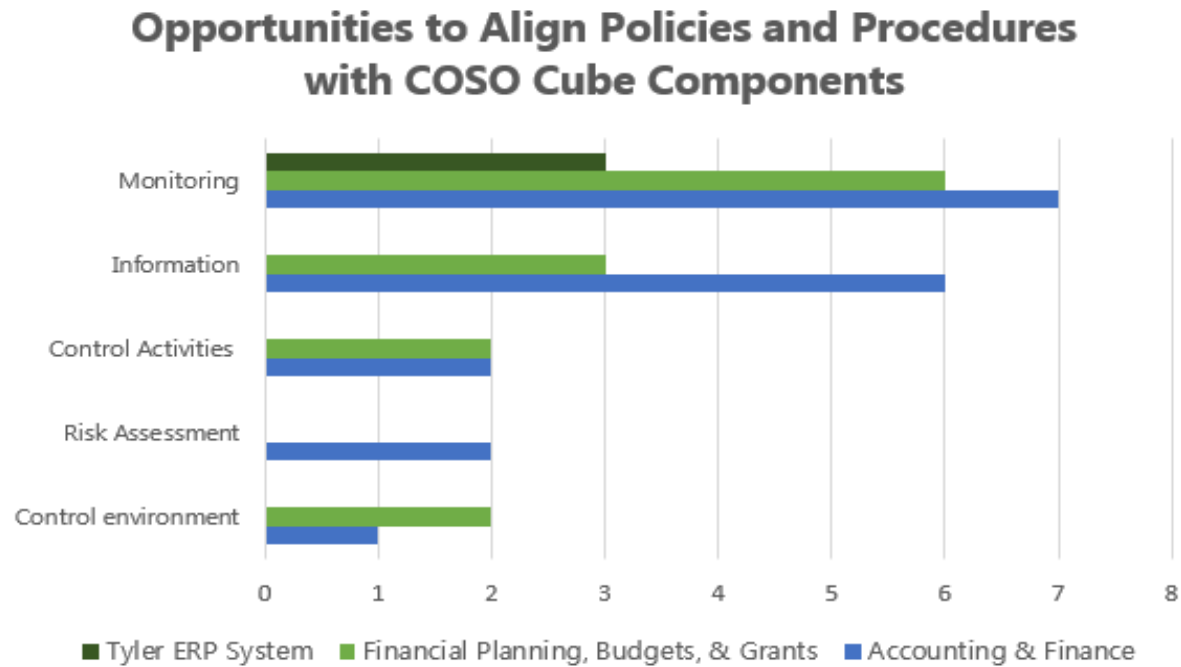# APPENDIX B: Policy and Procedure Analysis – COSO Alignment

The policies and procedures outlined under each process area highlight opportunities for SANDAG to integrate additional elements consistent with the COSO Cube Components:

Policies and Procedures	Count of COSO Alignment Gaps	COSO Alignment Gaps	Policy and Procedures Identified
Accounting & Finance			
21 policies and procedures were analyzed in total	**11 out of 21 policies and procedures identified** could better incorporate or align policies and procedures with COSO components:	• One did not define the responsible owner of the P&P **(Control Environment)**	• Internal Controls for Reconciling Cash (DRAFT)
		• Two did not address the relevant financial or operational risk within the P&P **(Risk Assessment)**	• Accounts Receivable/Billing Processes (Grants) • Fixed Assets (DRAFT)
		• Six did not reference the updated Tyler ERP system or did not contain specified information relevant to the topic area **(Information and Communication)**	• Internal Controls for Reconciling Cash (DRAFT) • Accounts Payable Standard Operating Procedure • Allowable Costs (Federal Awards) • Bank Reconciliation (DRAFT) • Fixed Assets (DRAFT) • Accounts Receivable/Billing Processes (Grants)
		• Two did not clearly define specific review and verification steps.	• Internal Controls for Reconciling Cash (DRAFT) • Fixed Assets (DRAFT)
		• Seven were either not updated within the last year or did not contain a date of last update **(Monitoring).**	• Board Policy No. 15 - Records Management • Board Policy No. 039 - Audit Policy Advisory Committee and Audit Activities • Cash Handling (Toll Operations Center) • Segregation of Duties (DRAFT) • Prepaid Expenses (DRAFT) • Fixed Assets (DRAFT) • Internal Controls for Reconciling Cash (DRAFT)
Budgets, Grants, Financial Planning			
8 policies and procedures were analyzed in total	**6 out of 8 policies and procedures identified** could better incorporate or align policies and procedures with COSO components:	• Two did not define the responsible owner of the P&P **(Control Environment)**	• SANDAG Annual Budget Process – Capital Projects Office FY 2024 (DRAFT) • Time Extension Instructions Manual
		• Two did not clearly define review and approval processes **(Control Activities)**	• Grant Distribution Program Guide • Quarterly Capital Report Procedures
		• Three did not reference the updated Tyler ERP system, did not contain specified information relevant to the topic area, or were still in "Draft" format **(Information and Communication)**	• SANDAG Annual Budget Process - Capital Projects Office FY 2024 (DRAFT) • Grant Application Guide • Quarterly Capital Report Procedures
		• Six were either not updated within the last year or did not contain a date of last update **(Monitoring)**	• Grant Application Guide • Grant Distribution Program Guide • Quarterly Capital Report Procedures • Time Extension Instructions Manual • SANDAG Annual Budget Process - Capital Projects Office FY 2024 (DRAFT) • OWP/OPS/Admins Budget Amendments and Transfers

APPENDIX B: Policy and Procedure Analysis – COSO Alignment

The policies and procedures outlined under each process area highlight opportunities for SANDAG to integrate additional elements consistent with the COSO Cube Components:

Policies and Procedures	Count of COSO Alignment Gaps	COSO Alignment Gaps	Policy and Procedures Identified
ERP System			
4 policies and procedures were analyzed in total	**3 out of 4 policies and procedures identified** could better incorporate or align policies and procedures with COSO components:	• Three were either not updated within the last year or did not contain a date of last update **(Monitoring)**	• SANDAG Change Management Policy – DRAFT • Board Policy No. 15 - Records Management • Training Guide Contract Management for Project Managers

Opportunities to Align Policies and Procedures with COSO Cube Components

(Bar chart showing Monitoring, Information, Control Activities, Risk Assessment, Control environment on the y-axis with values 0–8 on the x-axis. Legend: Tyler ERP System, Financial Planning, Budgets, & Grants, Accounting & Finance)

APPENDIX B: Policy and Procedure Analysis – COSO Cube Analysis

The table below summarizes the total policies and procedures reviewed during our COSO Cube Analysis. **The following slides** highlight those with identified opportunities for improved alignment with COSO Cube Components:

Group	Count of P&Ps Analyzed	Policies and Procedures Analyzed	
Accounting & Finance	**21 policies and procedures were analyzed in total**	• Vendor Management & Setup • Accounts Payable • Accounts Receivable/Billing Processes (Grants) • Segregation of Duties (DRAFT) • Prepaid Expenses (DRAFT) • Year End Revenue Close • Chart of Accounts • FTA Grant/Award Management Procedure • Allowable Costs (Federal Awards) • Fixed Assets (DRAFT) • Cash Receipt and Monitoring Process	• Bank Reconciliation (DRAFT) • Internal Controls for Reconciling Cash (DRAFT) • Cash Handling (DRAFT) • 7.01.06 Cash Handling (Toll Operations Center) • TransNet Audit Procedure • Board Policy No. 039 - Audit Policy Advisory Committee and Audit Activities • TDA Audit • FTA Triennial Review • Schedule of Expenditures of Federal Awards (SEFA) Procedures • Board Policy No. 15 - Records Management
Budgets, Grants, Financial Planning	**8 policies and procedures were analyzed in total**	• Grant Application Guide • Grant Distribution Program Guide • Transit Capital Improvement Process • Quarterly Capital Report Procedures	• Time Extension Instructions Manual • SANDAG Annual Budget Process FY 2024 "Perform Initial Planning" (DRAFT) • Budget Process and Procedures • OWP/OPS/Admins Budget Amendments and Transfers
ERP System	**4 policies and procedures were analyzed in total**	• Vendor Management & Setup • SANDAG Change Management Policy – DRAFT	• Training Guide Contract Management for Project Managers • Board Policy No. 15 - Records Management

APPENDIX B: Policy and Procedure Analysis – COSO Cube Analysis

The tables below highlight the policies and procedures with identified opportunities to better **align with COSO Cube Components:**

Policies & Procedures	COSO Cube Elements				
	Control Environment *Was there clear assignment of authority and responsibility for the directive?*	**Risk Assessment** *Did the procedure consider relevant financial, operational, or compliance risks?*	**Control Activities** *Were duties properly segregated?* *Were approvals, verifications, and reconciliations clearly defined?*	**Information & Communication** *Did this policy / procedure contain relevant and quality information? (i.e., are current systems identified in the P&Ps, is it understandable, does it contain internal/external references)*	**Monitoring** *Has this policy / procedure been recently updated?* *Does the policy contain a date of last update?*
Accounting & Finance					
Internal Controls for Reconciling Cash (DRAFT)	Does not specify owner of the P&P.	✓	Does not specify who is responsible for reviewing variances in monthly bank account reconciliation for toll accounts.	Does not specify how variances are reviewed and documented.	There is no date of last update - *still in draft*.
Accounts Receivable/Billing Processes (Grants)	✓	Does not include details of the financial and operational risks associated with overdue accounts.	✓	Does not include details as to how the Accountant follows up with the grantor(s) to inquire about payment status. Also does not discuss documentation requirements of the follow-up.	✓
Fixed Assets (DRAFT)	✓	✓	No review procedures for verifying the system-generated depreciation was calculated correctly. Does not specify documentation or verification requirements for physical counts.	Does not specify the frequency or method of communication to obtain information from Project managers. Does not mention asset custodians.	There is no date of last update - still in draft.
Accounts Payable SOP	✓	✓	✓	Does not mention the recently implemented Tyler ERP.	✓
Allowable Costs (Federal Awards)	✓	✓	✓	Did not identify any systems used.	✓
Bank Reconciliation (DRAFT)	✓	✓	✓	Did not identify current systems; references the prior One Solution System.	✓
Board Policy No. 15 - Records Management	✓	✓	✓	✓	Last updated January 2019 - Does not include who reviewed and approved most recent amended version.

69

APPENDIX B: Policy and Procedure Analysis – COSO Cube Analysis

Policies & Procedures	COSO Cube Elements				
	Control Environment *Was there clear assignment of authority and responsibility for the directive?*	**Risk Assessment** *Did the procedure consider relevant financial, operational, or compliance risks?*	**Control Activities** *Were duties properly segregated?* *Were approvals, verifications, and reconciliations clearly defined?*	**Information & Communication** *Did this policy / procedure contain relevant and quality information? (i.e., are current systems identified in the P&Ps, is it understandable, does it contain internal/external references)*	**Monitoring** *Has this policy / procedure been recently updated?* *Does the policy contain a date of last update?*
Accounting & Finance (continued)					
Prepaid Expenses (DRAFT)	✓	✓	✓	✓	There is no date of last update - *still in draft.*
Board Policy No. 039 - Audit Policy Advisory Committee and Audit Activities	✓	✓	✓	✓	Last updated in September 2019.
Segregation of Duties (DRAFT)	✓	✓	✓	✓	There is no date of last update - *still in draft.*
7.01.06 Cash Handling (TOC)	✓	✓	✓	✓	Implemented and approved last on 5/11/2022.
Budgets, Grants, & Financial Planning					
Grant Application Guide	✓	✓	✓	Does not specify what the federal, state, and internal grant reporting requirements are, how the Accounting team and project teams create reports.	There is no date of last update.
Grant Distribution Program Guide	✓	✓	According to the P&P, the Program Manager is the only person reviewing invoices for eligible expenses, sufficient documentation of expenses and matching funds, indirect cost rate applied correctly. Does not indicate anyone else is approving Program Manager's review or monitoring completion.	✓	There is no date of last update.

APPENDIX B: Policy and Procedure Analysis – COSO Cube Analysis

Policies & Procedures	COSO Cube Elements				
	Control Environment *Was there clear assignment of authority and responsibility for the directive?*	**Risk Assessment** *Did the procedure consider relevant financial, operational, or compliance risks?*	**Control Activities** *Were duties properly segregated?* *Were approvals, verifications, and reconciliations clearly defined?*	**Information & Communication** *Did this policy / procedure contain relevant and quality information? (i.e., are current systems identified in the P&Ps, is it understandable, does it contain internal/external references)*	**Monitoring** *Has this policy / procedure been recently updated?* *Does the policy contain a date of last update?*
Budgets, Grants, & Financial Planning (continued)					
Quarterly Capital Report Procedures	✓	✓	Duties are divided between two personnel by name; however, the other listed personnel are not mentioned. Using specific names can impact the reliability of the P&P if personnel change roles or leave the agency.	P&P did not appear complete. Multiple sections of the procedure document are missing.	There is no date of last update.
Time Extension Instructions Manual	Does not specify.	✓	✓	✓	There is no date of last update.
SANDAG Annual Budget Process FY 2024 (DRAFT)	Key contacts are listed, but it is not clear who is responsible for which activities during the initial preparation process.	✓	✓	✓	There is no date of last update.
OWP/OPS/Admins Budget Amendments and Transfers	✓	✓	✓	✓	There is no date of last update.
ERP System					
SANDAG Change Management Policy - DRAFT	✓	✓	✓	✓	There is no date of last update - *still in draft*.
Training Guide Contract Management for Project Managers	✓	✓	✓	✓	Last updated in September 2023.
Board Policy No. 15 - Records Management	✓	✓	✓	✓	Last updated January 2019 - Does not include who reviewed and approved.

APPENDIX C: RISK RATINGS

Residual risk is the risk derived from the environment after considering the mitigating effect of internal controls. The scope areas have been assessed from a residual risk level utilizing the following risk management classification system.

High

High risk findings have qualitative factors that include, but are not limited to:

- Events that threaten SANDAG's achievement of strategic objectives or continued existence
- Impact of the finding could be felt outside of SANDAG or beyond a single function or department

- Potential material impact to operations or SANDAG's finances
- Remediation requires significant involvement from senior SANDAG management
  .

Moderate

Moderate risk findings have qualitative factors that include, but are not limited to

- Events that could threaten financial or operational objectives of SANDAG
- Impact could be felt outside of SANDAG or across more than one function of SANDAG

- Noticeable and possibly material impact to the operations or finances of SANDAG
- Remediation efforts that will require the direct involvement of functional leader(s)
- May require senior SANDAG management to be updated

Low

Low risk findings have qualitative factors that include, but are not limited to:

- Events that do not directly threaten SANDAG's strategic priorities
- Impact is limited to a single function within SANDAG

- Minimal financial or operational impact to the organization
- Require functional leader(s) to be kept updated, or have other controls that help to mitigate the related risk

December 1, 2025

Courtney Ruby
Independent Performance Auditor
Office of the Independent Performance Auditor

RE: Management's Response to the Accounting and Finance Independent Assessment

Dear Ms. Ruby:

Thank you for the opportunity to respond to the Accounting and Finance Independent Assessment. We thank the Office of the Independent Performance Auditor (OIPA) and Weaver for your analysis and advisement regarding how to best improve our accounting, finance, and budgeting operations.

The report identifies seven key areas where organizational improvements can elevate the accounting, finance, and budgeting functions to a higher level of capability and excellence. Those key areas are: 1) governance and oversight; 2) policies, procedures, and internal controls; 3) technology and systems integrations; 4) performance measurement and accountability; 5) training and workforce development; 6) change management and communication; and 7) roles, responsibilities, and collaboration.

While many of these themes overlap with SANDAG's current areas of focus, this assessment provides valuable insight on how to prioritize our efforts. The review's go-forward approach provides a helpful roadmap to guide our ongoing work to strengthen our accounting, finance, and budgeting operations. These perspectives are also critical to ensure that we properly, reliably, and accurately account for and oversee the funds with which we are entrusted.

Attached is management's response to the recommendations in the assessment.

Sincerely,

Mario Orso
Chief Executive Officer

cc: Members of the Board of Directors
        Members of the Audit Committee

Attachment 1 – Management Corrective Action Plan - Accounting and Finance Independent Assessment

Accounting and Finance

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
1	All	SANDAG should establish and maintain a **comprehensive framework to consistently assess and monitor key internal controls**. The framework should integrate governance, risk management, and compliance across all accounting and finance processes, including groups of key controls for the following areas, at a minimum: 1. Accounts Payable 2. Accounts Receivable 3. Asset Management 4. Project Accounting 5. General Ledger 6. Revenue and Expense Recognition 7. Toll Operations Accounting 8. Quarter and Year End Closing 9. Training This framework should clearly define the design and implementation of key controls in each process area, frequency, risks mitigated, and roles and responsibilities including the policies and procedures that cover all relevant topic areas and address mechanisms for continuous monitoring and improvement. Also include an assessment of residual risk anticipated after application of internal control (may be used for future ERM initiatives). By implementing a centralized framework for tracking and monitoring key controls, SANDAG can increase accountability, reduce reliance on single individuals, ensure consistency in financial operations, and proactively identify and mitigate risks across	Agree SANDAG will develop an internal controls framework for accounting and finance processes. The framework will include risks, controls, mitigations, an assessment of residual risks, and responsible parties. The deliverable will be an iterative document integrated into SANDAG operations and ongoing internal control monitoring. SANDAG will also determine the best option for developing the framework, either internally or via external assistance, based on available resources and capacity.	Director of Internal Control July 2026

Accounting and Finance				
Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
		significant process areas and activities. Consider developing the framework using external, qualified advisors and assigning responsibility for maintaining this framework to senior management. Also consider assigning accountability for its use and update to the Director of Internal Controls.		
2	All	SANDAG should encourage and, where appropriate, require pursuit of relevant professional certifications (e.g., CPA, CGFM, CMA) for leadership and technical roles. Update job descriptions to clearly define preferred or required credentials, or specific accounting coursework that satisfies requirements, and prioritize credentialed leadership to strengthen technical proficiency and promote a culture of continuous learning.	Agree To implement this recommendation, SANDAG must first finalize prerequisite processes. As such, SANDAG will: 1) Complete a core competencies framework that identifies the essential technical and soft skills for each job classification. 2) Based on the competencies developed, conduct a job analysis to align job duties, classifications, and expectations. 3) Upon completion of the job analysis, define the specific education, experience, training, and/or credentialing requirements, or combination thereof, that would demonstrate	Director of Human Resources August 2026

Accounting and Finance				
Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
			competency for the job duties and classifications. 4) On going forward basis, job descriptions will clearly outline the required and preferred qualifications for candidates and existing employees. SANDAG will include the Finance and budgeting roles as part of the first set of analyses.	
3	A.1	SANDAG should implement a centralized point of receipt for all vendor invoices, preferably through activation and full use of the ERP Vendor Module, to ensure Accounting has immediate visibility over incoming invoices. This will reduce reliance on Project Managers, enable consistent tracking, and improve accountability and timeliness of invoice processing.	Agree The use of the ERP Vendor Module is in development with an implementation date of June 2026. As such, SANDAG will: 1) create centralized emails in each department for receipt of vendor invoice submittals with shared access for AP staff; 2) assign the appropriate staff that will be responsible for monitoring and disseminating invoices to the appropriate department recipients; and 3) develop a method for monitoring that invoices received are entered into ERP for payment.	Director of Accounting and Finance June 2026

Accounting and Finance

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
4	A.1	SANDAG should revise the Accounts Payable Standard Operating Procedure to: 1. Include dollar-based or risk-based approval thresholds. Routine, low-dollar invoices could follow streamlined approval workflows, while higher-value or high-risk invoices should receive elevated review, improving efficiency and allowing management to focus oversight where it is most needed. 2. Include timeframe requirements to pay invoices. Specifically, within 30 calendar days after receipt of an undisputed and properly submitted payment request from a contractor as defined by the California Public Contract Code - PCC § 20104.50.	Agree Efforts to create dollar-based or risk-based approval thresholds are underway. An interim dollar-based threshold has been determined and will be implemented in the next 60 days. A more detailed and risk-based threshold will be established in the CEO Delegation of Authority Policy update. The Accounts Payable (AP) SOPs will be updated to reflect timeframe requirements for payment of invoices as these timeframes are typically identified in SANDAG's contract terms.	Senior Director of Administration and Public Affairs and Director of Accounting and Finance May 2026
5	A.1	SANDAG should require capture of both the invoice receipt date and payment due date within the ERP system to ensure that the ERP system can accurately track and escalate any issues with the timeliness of payment to vendors. To support this, the Standardized Invoice Review Checklist and ERP data entry protocols should be revised to ensure this information is consistently recorded and monitored in alignment with California Public Contract Code §20104.50 and to uphold strong vendor relationships.	Agree SANDAG recognizes the need to track invoice receipt dates and due dates. This information is currently captured on the Invoice Review Form, and it will be part of the Contract Monitoring and Administration Plan (CMAP) currently in development. SANDAG will update the Accounts Payable SOP and training guides to require that the receipt date and	Director of Accounting and Finance May 2026

Accounting and Finance				
Action Point	**Ref No.**	**Recommendations**	**Management Corrective Action Plan (CAP)**	**Responsible Owner(s) and Target Completion Date**
			due date be entered in ERP with each invoice.	
6	A.2	SANDAG should fully develop and implement a documented policy outlining overall reconciliation requirements, including frequency, preparer/reviewer responsibilities, documentation standards, escalation procedures, version control, and closure timelines. This policy should clearly define accountability and provide management with oversight mechanisms to ensure timely and accurate completion.	Agree SANDAG will identify and review existing and/or draft policies that address reconciliation requirements (e.g., bank reconciliation, reconciling cash, etc.). Based on review, SANDAG will develop more robust policy and procedures that outline reconciliation requirements, frequency, preparer responsibilities, etc.	Director of Accounting and Finance August 2026
7	A.2	SANDAG should fully implement and consistently use the Reconciliation Tracking Schedule, or another centralized system-based tool, to document and monitor all required reconciliations. The tool should include standardized fields to record the preparer, reviewer, review and approval dates, reasons for delays or issues, and defined frequencies for completion and review. Management should review the tracker monthly to confirm the accuracy of accounts and ensure reconciliations are completed as required. Additionally, the tool should be version-controlled and periodically archived by management to prevent manual edits or deletion of historical data.	Agree SANDAG will implement and consistently use the existing tracking schedule tool for documenting and monitoring required reconciliations. The tracking tool will be reviewed monthly. Version control and archiving will be in accordance with established SANDAG data governance guidelines.	Director of Accounting and Finance August 2026

Accounting and Finance

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
8	A.2	SANDAG should require quarterly management reviews of reconciliation completion, accuracy, and timeliness metrics, with results reported to executive leadership. SANDAG should also consider periodic independent reviews to assess adherence to policy and effectiveness of the reconciliation process.	Agree SANDAG will develop more robust policies and procedures outlining the review of monthly/quarterly accounting reconciliations. These procedures will include providing completion and timeliness metrics to the CFO on a quarterly basis. The Director of Internal Controls will perform periodic reviews once the procedures are established and implemented.	Director of Accounting and Finance and Director of Internal Controls January 2027
9	A.2	SANDAG should establish and implement interim reporting checklists or similar procedures / tools to document and define all required steps to ensure account balances are accurate, including reconciliations, validations, and reviews of key accounts, enabling accurate and reliable financial data for decision-making, interim reporting (e.g., to the Board), and audit readiness. This should include any report modifications required for clarity of purpose and use.	Agree In alignment with responses to recommendations 6.A.2 and 7.A.2, SANDAG will update procedures and establish interim reporting checklists to improve accuracy of interim reporting. SANDAG will also review quarterly financial reports to determine if additional clarification is needed around the purpose and use of the reports.	Director of Accounting and Finance and Director of Internal Controls August 2026

Accounting and Finance

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
10	A.3	SANDAG should develop or adopt a centralized mechanism or tool to consolidate billing information across all funding sources (local, state, federal, and TransNet), ensuring a system is in place to provide real-time visibility into billing progress, key financial metrics, and compliance deadlines to improve accuracy and timeliness. Management should review the centralized billing tool (on a monthly or quarterly basis) to identify missed or delayed billings.	Agree SANDAG will consolidate existing tracking mechanisms into a consolidated summary of billing activities and review quarterly to identify any missed or delayed billings. The ERP Grant Funding Report can be run real-time to provide visibility into financial metrics for grant billings.	Director of Accounting and Finance March 2026
11	A.3	SANDAG should document and define the expectation for accounting staff to perform either monthly or quarterly reconciliations of cumulative billings to budgeted revenues and funding agreements. Management should review and approve these reconciliations to identify missed billings, discrepancies, or noncompliance in a timely manner.	Agree As with Rec 6.A.2, SANDAG will identify and review existing and/or draft policies that address reconciliation requirements (e.g., bank reconciliation, reconciling cash, etc.). Based on review, SANDAG will develop more robust policy and procedures that include reconciliation of cumulative billings to budgeted revenues and funding agreements.	Director of Accounting and Finance August 2026

Accounting and Finance				
Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
12	A.4	SANDAG should establish formal reconciliation procedures and documentation requirements to ensure consistency, enable secondary review, and reduce reliance on a single individual for toll revenue tracking between FASTLANE and the ERP system.	Agree As with Rec 6.A.2, SANDAG will identify and review existing and/or draft policies that address reconciliation requirements (e.g., bank reconciliation, reconciling cash, etc.). Based on review, SANDAG will develop more robust policy and procedures that include a focus on roles and responsibilities around toll operations reconciliation and documentation requirements. Also, SANDAG will identify additional staff that will be trained on toll revenue reconciliations and tracking.	Director of Accounting and Finance August 2026
13	A.4	SANDAG should evaluate and implement system integration or automation solutions, including compatibility assessments for future and planned upgrades, such as the Deloitte back-end system, to eliminate manual workarounds and improve accuracy, timeliness, and oversight of toll revenue reporting.	Agree SANDAG is currently focused on its immediate goal to maximize and develop mitigations for existing systems. This foundational work is crucial to stabilize work processes and minimize interruptions. Once this stabilization is achieved, more advanced options and complementary user need	Director Data Science and Business Information and Technology Services (BITS) October 2026

Accounting and Finance				
Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
			assessments will be explored for future implementation.	
14	A.5	SANDAG should integrate the Capital Asset Module with Tyler Content Manager (TCM) or implement an alternative centralized tracking system to automatically link supporting documentation (e.g., invoices, contracts, sale records) to corresponding asset records, reducing manual effort and improving accuracy and traceability.	Agree During implementation of the Capital Assets Module, Tyler Technologies indicated that this integration does not work for both SANDAG's governmental and proprietary funds without a larger structure change. The ERP Capital Asset Module uses TCM to link invoices to capital assets with the invoices manually uploaded. Accounting staff manually reviews invoices serving as a secondary control of capital assets identified by the Project Manager and confirming the purchase meets economic and policy requirements for booking capital assets. SANDAG will continue to work with Tyler Technology resources to identify ways to utilize the system for increased automation in identifying capital assets.	Director of Accounting and Finance October 2026

Accounting and Finance

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
15	A.5	SANDAG should require quarterly or semi-annual reconciliations between the Capital Asset Module and supporting project or financial records to confirm completeness and accuracy of asset data and responsible owners. Reviews should include verification of asset existence and the timely recording of economic events such as sales or retirements.	Agree SANDAG will identify and review existing and/or draft policies to include review of Accounts Payable (AP) and Contract activity for potential capital assets on a quarterly or semi-annual basis and require project managers to notify Accounting staff throughout the year of sales and retirements.	Director of Accounting and Finance August 2026
16	A.6	SANDAG should develop a centralized training and certification/credential tracking mechanism that includes role-specific development plans, recurring training schedules, and monitoring of credential status to ensure consistent skill growth tailored to individuals and regulatory compliance.	Agree SANDAG is exploring Learning Management System (LMS) options that would assist with creating, tracking, and monitoring employee training and credential requirements. To maximize the LMS and procure a system that would best address organizational needs, SANDAG must first finalize prerequisite processes. As such, SANDAG will:	Director of Human Resources August 2026

Accounting and Finance

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
			1) Continue its efforts in creating a training program that identifies mandatory (by statute) and required (based on roles and responsibilities) trainings, scheduled frequency, etc. 2) Upon baselining minimum training, additional tailored trainings for departments will be developed and integrated into the training program. 3) Additionally, in the interim, SANDAG will develop a tracking and reporting process for staff with certifications and credentials.	

Budgets. Grants, and Financial Planning

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
1	All	SANDAG should implement and maintain a single, agency-wide reference document (e.g., a RACI matrix) that defines who is Responsible, Accountable, Consulted, and Informed for each step of the budgeting process across capital and non-capital projects, including budget changes made between draft and final stages.	Agree. SANDAG will clearly outline who is responsible, accountable, consulted, and informed for each step in the budgeting process.	Financial Planning, Budgets, & Grants Director June 2026
2	All	SANDAG should implement a mandatory, role-specific budget training program aligned with ERP system requirements to ensure consistent understanding of budgeting processes and expense classifications. Additionally, the agency should promote relevant certifications, such as PMP, to strengthen budgeting expertise and enhance financial oversight.	Agree SANDAG is currently developing a training program that identifies mandatory (by statute) and required (based on roles and responsibilities) trainings, scheduled frequency, etc. As part of the training inventory, we have already forecasted a Budget Series for FY27. Regarding the promotion of certifications, as with Rec 2, SANDAG must first finalize prerequisite processes, including the completion of a job analysis that will inform the defining of the specific education, experience, training, and/or credentialing requirements, or combination thereof, that would demonstrate competency for the job duties and classifications.	Financial Planning, Budgets, & Grants Director In coordination with Human Resources Learning and Development August 2026

Budgets. Grants, and Financial Planning

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
3	B.1	SANDAG should revise the Grant Distribution Program Guide to include a clear 30-day payment timeline expectation in alignment with CFR § 200.305 and establish internal procedures to monitor and report compliance with this standard.	Agree SANDAG will review both the Grant Distribution Program Guide (Guide) and CFR § 200.305. SANDAG will update the Guide to reflect alignment with the regulation, including the 30-day payment timeline expectation. Additionally, SANDAG will establish internal procedures to monitor and report compliance with this standard.	Regional Planning Director September 2026
4	B.1	SANDAG should implement a standardized tracking process across all grant programs to capture key data points, such as actual invoice receipt dates, payment status, and reasons for delays, to improve accountability, timeliness, and oversight of reimbursement processing.	Agree SANDAG agrees that a standardized tracking process for grant management is necessary. SANDAG had previously explored grant management software options but found the options to be either inadequate or cost prohibitive. SANDAG will explore options for standardizing its grant tracking process via short- and long-term solutions.	Regional Planning Director September 2026
5	B.2	SANDAG should consider developing program-specific invoice review checklists tailored to grant's unique requirements, ensuring Program Managers	Agree SANDAG currently utilizes a standardized invoice review checklist, which is used for the grant program.	Regional Planning Director

Budgets. Grants, and Financial Planning

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
		consistently evaluate expenses against all applicable federal, state, and program guidelines.	SANDAG will develop grant checklists that are program specific.	June 2026
6	B.3	SANDAG should develop and implement a policy that clearly defines the frequency, scope, and responsibilities for budget-to-actual monitoring across all projects and departments. The policy should specify who is accountable for preparing, reviewing, and approving budget performance reports and establish clear escalation procedures for significant variances.	Agree SANDAG is in the process of developing a budget to actual monitoring process. As part of the process, SANDAG has assigned administrative analysts to each department to serve as budget coordinators for enhanced coordination and oversight. Additionally, Central Budgets is: 1) establishing regular meetings with the analysts; 2) working with BITs staff to automate relevant reports; and 3) meeting monthly with the Senior Leadership team to review and discuss agency financial health.	Financial Planning, Budgets, & Grants Director June 2026
7	B.3	SANDAG should require monthly or quarterly budget-to-actual reporting and performance monitoring for all active projects, not only major CIP or grant-funded projects, and require Project Managers to review results, document explanations for variances, and outline corrective actions, with oversight from	Agree SANDAG will incorporate budget-to-actual reporting and performance monitoring for all active projects. The cadence (monthly or quarterly) will be determined and incorporated into the	Financial Planning, Budgets, & Grants Director

Budgets. Grants, and Financial Planning

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
		Directors or other leadership personnel as applicable to ensure timely follow-up.	process documented for Recommendation 6.B.3.	June 2026
8	B.3	SANDAG should perform a current user needs assessment to identify reporting challenges across departments and use the results to prioritize and develop ERP or other business intelligence reports that support operational, project management, and executive decision-making, including standardized budget-to-actual reporting.	Agree Similar to Rec 13.A.4, SANDAG is currently focused on its immediate goal to maximize and develop mitigations for existing systems. This foundational work is crucial to stabilize work processes and minimize interruptions. Once this stabilization is achieved will more advanced options and complementary user need assessments be explored for future implementation.	Director Data Science and Business Information and Technology Services (BITS) August 2026
9	B.4	SANDAG should implement a mandatory mid-cycle budget review process for all projects between September and April, with clear accountability assigned in the recommended RACI matrix for initiating, confirming, and approving any budget changes, as outlined in the Budgets, Grants, and Financial Planning Recommendation 1.	Agree SANDAG will explore how best to incorporate a mid-cycle budget review process for all projects, including optimal time for review, clearly assigning roles and responsibilities, and monitoring of budget changes.	Financial Planning, Budgets, & Grants Director June 2026

Enterprise Resource Planning System and Change Management

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
1	All	SANDAG should create a centralized IT governance structure led by a designated executive with a CIO-equivalent role. This position should oversee IT strategy, decision-making, issue escalation, and alignment between IT and business objectives across departments, with clearly documented oversight procedures and accountability mechanisms in alignment with leading practices, such as those outlined by ISACA for IT governance.	Agree SANDAG's IT governance structure is currently led by the Senior Director of Data Science and Business Information and Technology Services (BITS). The duties of this position include oversight of IT strategy, decision-making, issue escalation, and alignment between IT and business objectives across departments. SANDAG is currently bolstering its IT governance efforts, which include: 1) development of data governance policies and procedures and practices; and 2) evolving the IT Change Advisory Board (CAB) process, roles and responsibilities, and deployment.	Director Data Science and Business Information and Technology Services (BITS) April 2026
2	All	SANDAG should document task-level responsibilities for all stakeholders involved in systems implementation and major updates or upgrades, including workflow approvals, testing, and issue resolution. SANDAG should also ensure expectations are communicated consistently across departments to support accountability and reduce confusion.	Agree SANDAG will ensure that the process includes a requirement to document task-level responsibilities and specific procedures for communicating expectations across departments.	Director Data Science and Business Information and Technology Services (BITS) September 2026

Enterprise Resource Planning System and Change Management

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
3	C.1	SANDAG should develop specific, outcome-based goals for stages of systems implementations and major updates or upgrades (e.g., system uptime, user adoption rates, ROI, automation targets). These should be tracked through KPIs and used to monitor progress, evaluate success, and guide decision-making throughout the project lifecycle.	Agree SANDAG will research industry best practices and relevant criteria to identify outcome-based goals and supplementary key performance indicators (KPIs) for monitoring and evaluating the effectiveness of system implementation.	Director Data Science and Business Information and Technology Services (BITS) April 2026
4	C.2	For future phases, SANDAG should develop a standard methodology to rate implementation milestones by risk and criticality (e.g., high, medium, low). Use this framework to highlight critical-path activities, such as data migration and financial close testing, enabling leadership to allocate resources, escalate delays, and proactively mitigate risks.	Agree SANDAG will ensure that the process includes a requirement to document task-level responsibilities and specific procedures for communicating expectations across departments.	Director Data Science and Business Information and Technology Services (BITS) April 2026
5	C.2	For future phases, SANDAG should develop a unified, organization-wide systems implementation project schedule accessible to all stakeholders, consolidating milestone tracking across departments and project managers, ensuring real-time access for all stakeholders to improve visibility and coordination across departments.	Agree SANDAG will develop a project schedule, inclusive of milestone tracking to improve visibility and coordination across departments.	Director Data Science and Business Information and Technology Services (BITS) September 2026

Enterprise Resource Planning System and Change Management

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
6	C.2	For future phases, SANDAG should establish a centralized digital repository for systems implementation and major updates or upgrade documentation, including milestone status, testing logs, configuration settings, and training materials. This will support continuity, especially during staff transitions, and preserve institutional knowledge.	Agree SANDAG will establish a central digital repository for systems implementation, updates, and upgrades documentation.	Director Data Science and Business Information and Technology Services (BITS) April 2026
7	C.2	For future phases, SANDAG should require formal validation of system configurations, such as budget roll-forward settings, prior to go-live for each stage of systems implementation or major module update and upgrade. SANDAG should also consider incorporating milestone-specific testing checklists and sign-off procedures to ensure readiness and prevent post-launch errors that could impact multiple users.	Agree SANDAG will develop and require formal validations of systems configurations prior to go-live for each stage of systems implementation.	Director Data Science and Business Information and Technology Services (BITS) September 2026

		Enterprise Resource Planning System and Change Management		
Action Point	**Ref No.**	**Recommendations**	**Management Corrective Action Plan (CAP)**	**Responsible Owner(s) and Target Completion Date**
8	C.3	SANDAG should develop, or clearly assign responsibility for developing, training materials tailored to a new system or module's customizations and specific user roles, with defined internal approval workflows and designated ownership for reviewing, updating, and distributing content to ensure consistency and accountability. Training should include hands-on exercises, role-based scenarios, and system walkthroughs to prepare users to operate the system effectively.	Agree SANDAG will develop and/or explore training options (e.g., via vendor scope of work) when introducing or updating systems, modules, etc.	Director Data Science and Business Information and Technology Services (BITS) In coordination with Human Resources Learning and Development August 2026
9	C.3	For future phases, SANDAG should establish a structured post-go-live support framework, including a documented support plan that defines roles, responsibilities, escalation paths, and expected response times for user issues. This framework should also include mechanisms to collect user feedback systematically and analyze recurring issues to identify root causes, allowing SANDAG to use insights from trend analysis to refine training, update documentation, and improve system configurations proactively.	Agree SANDAG will explore the best options for establishing a structured post-go-live support framework, to include user feedback mechanisms, response times for user issues, etc.	Director Data Science and Business Information and Technology Services (BITS) September 2026

Enterprise Resource Planning System and Change Management

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
10	C.4	For future phases, establish a documented process for reviewing, validating, and approving all functional, technical, management, and system requirements prior to vendor release. Require sign-off from relevant stakeholders and maintain version-controlled records to ensure traceability and alignment.	Agree SANDAG will establish a documented process for reviewing, validating, and approving all functional, technical, management, and system requirements prior to vendor release, with relevant stakeholder signoffs.	Director Data Science and Business Information and Technology Services (BITS) September 2026
11	C.4	For future implementations or major upgrades and updates, ensure that critical system requirements, especially functional expectations, are explicitly referenced in vendor contracts and amendments. Include provisions for customized modules (e.g., Contract Management) to hold vendors accountable for delivering agreed-upon capabilities.	Agree SANDAG will explore the inclusion of explicitly referencing critical system requirements in vendor contracts and amendments to establish clear vendor expectations by which to hold vendor accountable.	Director Data Science and Business Information and Technology Services (BITS) September 2026

Enterprise Resource Planning System and Change Management				
Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
12	C.4	Perform a formal assessment for selection of new systems and new modules against defined requirements to identify gaps, overlaps, and customization needs, and retain evidence of this analysis to support future implementation decisions.	Agree SANDAG is currently focused on its immediate goal to maximize and develop mitigations for existing systems. This foundational work is crucial to stabilizing work processes and minimize interruptions. Once this stabilization is achieved, more advanced options and complementary user need assessments will be explored for future implementation.	Director Data Science and Business Information and Technology Services (BITS) October 2026
13	C.4	For future systems implementations and major updates or upgrades, create a comprehensive Risk Register that documents potential project risks, their impact, triggers, and mitigation strategies. Update the register throughout the project lifecycle and assign ownership for monitoring and escalation to ensure proactive risk management.	Agree For future projects, SANDAG will develop a risk register documenting key risk, mitigation strategies, etc., and will require the risk register to be updated and monitored.	Director Data Science and Business Information and Technology Services (BITS) September 2026

Implementation Planning and Execution

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
1	D.1	For future systems implementation or major module updates and upgrades, develop a formal process to map all test plans, data validation, end-to-end, and user acceptance, to documented functional requirements. This ensures comprehensive coverage of expected system functions and supports traceability from requirement to test outcome.	Agree SANDAG is currently reviewing and refining its IT Change Management Process to align with systems development life cycle best practices. SANDAG will ensure that the process includes a process to map all test plans, data validation, end-to-end, and user acceptance and a mechanism to ensure that the information is consistently documented.	Director Data Science and Business Information and Technology Services (BITS) April 2026
2	D.1	For future systems implementation or major module updates and upgrades, clearly define testing roles across departments in project planning materials, including responsibilities for validating both numerical and non-numerical data. Require formal review and approval of test plans to confirm they meet organizational needs.	Agree SANDAG is currently reviewing and refining its IT Change Management Process to align with systems development life cycle best practices. SANDAG will ensure that the process includes clearly defined roles and responsibilities for validating data and reviewing and approving test plans.	Director Data Science and Business Information and Technology Services (BITS) April 2026

Implementation Planning and Execution

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
3	D.1	For future systems implementation or major module updates and upgrades, ensure end-to-end testing covers all critical business processes, not just a subset. If certain workflows are excluded, document the rationale and assess potential downstream impacts to system performance and integration.	Agree SANDAG is currently reviewing and refining its IT Change Management Process to align with systems development life cycle best practices. SANDAG will ensure that the process includes clear direction to test all critical business processes and the requirement to document the rationale behind excluded testing.	Director Data Science and Business Information and Technology Services (BITS) April 2026
4	D.1	For future systems implementation or major module updates and upgrades, SANDAG should increase the number and variety of test cases related to reporting capabilities to validate that the system can generate accurate, timely, and relevant outputs across departments.	Agree SANDAG is currently reviewing and refining its IT Change Management Process to align with systems development life cycle best practices. SANDAG will require a variety of use cases to test the accuracy, timeliness, and relevance of system generated outputs. SANDAG will include a methodology for determining the number and type of cases to test.	Director Data Science and Business Information and Technology Services (BITS) April 2026

Implementation Planning and Execution				
Action Point	**Ref No.**	**Recommendations**	**Management Corrective Action Plan (CAP)**	**Responsible Owner(s) and Target Completion Date**
5	D.2	SANDAG should create a comprehensive inventory of Information Technology General Controls applicable to the Tyler ERP system. This should include access controls, change management procedures, system monitoring protocols, and recovery mechanisms, aligned with organizational risk appetite and strategic objectives.	Agree

SANDAG will develop an internal controls framework for IT General Controls (ITGCs). processes. The framework will include risks, controls, mitigations, an assessment of residual risks, and responsible parties. It will also focus on, but not be limited to, access controls, change management procedures, etc.

SANDAG will assess whether the ITGC framework will be completed internally or via consultant. | Director of Internal Controls

 and

Director Data Science and Business Information and Technology Services (BITS)

July 2026 |
| 6 | D.2 | SANDAG should perform a detailed review of Tyler's SOC 1 and SOC 2 reports to identify relevant Complementary User Entity Controls (CUECs). Document and implement these controls to support the integrity and security of financial reporting and system operations. | Agree

SANDAG will review Tyler's SOC 1 and SOC 2 reports.

Upon review, SANDAG will: 1) include relevant CUECs in its ITGCs framework; and 2) incorporate the additions into applicable policies and procedures to assist with implementation. | Director of Internal Controls

 and

Director Data Science and Business Information and Technology Services (BITS)

July 2026 |

Accounting and Finance Independent Assessment
SANDAG's Corrective Action Plan

Implementation Planning and Execution

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
7	D.2	SANDAG should implement a formal user access review process prior to system go-live to ensure access rights are appropriate for each user's role. Revoke or adjust elevated access granted during development or testing to prevent unauthorized use in production.	Agree SANDAG will incorporate the principle of least privilege in its implementation planning and execution to ensure that access granted is the minimum necessary for users to accomplish their respective tasks.	Director Data Science and Business Information and Technology Services (BITS) April 2026
8	D.3	For future systems implementation or major module updates and upgrades, SANDAG should establish a formal process to align each Go-Live checklist item with documented functional requirements, ensuring readiness tasks directly support expected system capabilities and business needs.	Agree SANDAG will explore ways to ensure that go-live checklists align with functional requirements so that tasks, systems capabilities, and business needs are all cohesively supported.	Director Data Science and Business Information and Technology Services (BITS) September 2026
9	D.3	For future systems implementation or major module updates and upgrades, require written rationale for any checklist items marked "not applicable" or "in progress." Include impact assessments and approval from relevant stakeholders to ensure exclusions are appropriate and do not compromise system functionality.	Agree SANDAG will require written rationale for checklist items marked as not applicable or in progress, as well as written approval from relevant stakeholders to review and validate the rationale.	Director Data Science and Business Information and Technology Services (BITS) September 2026

Implementation Planning and Execution

Action Point	Ref No.	Recommendations	Management Corrective Action Plan (CAP)	Responsible Owner(s) and Target Completion Date
10	D.3	For incomplete functions at Go-Live of systems implementation or major module updates and upgrades, create detailed workaround plans that include testing protocols, integration steps, and validation of outputs. Document these plans and confirm they are reviewed and approved before deployment.	Agree For incomplete functions upon go-live implementation or major module updates, SANDAG will develop detailed workaround plans, require documentation of the plans, and require review and approval before deployment.	Director Data Science and Business Information and Technology Services (BITS) September 2026