

# ***Internal Audit Update***

*Community Oversight Panel*

*8/13/25*

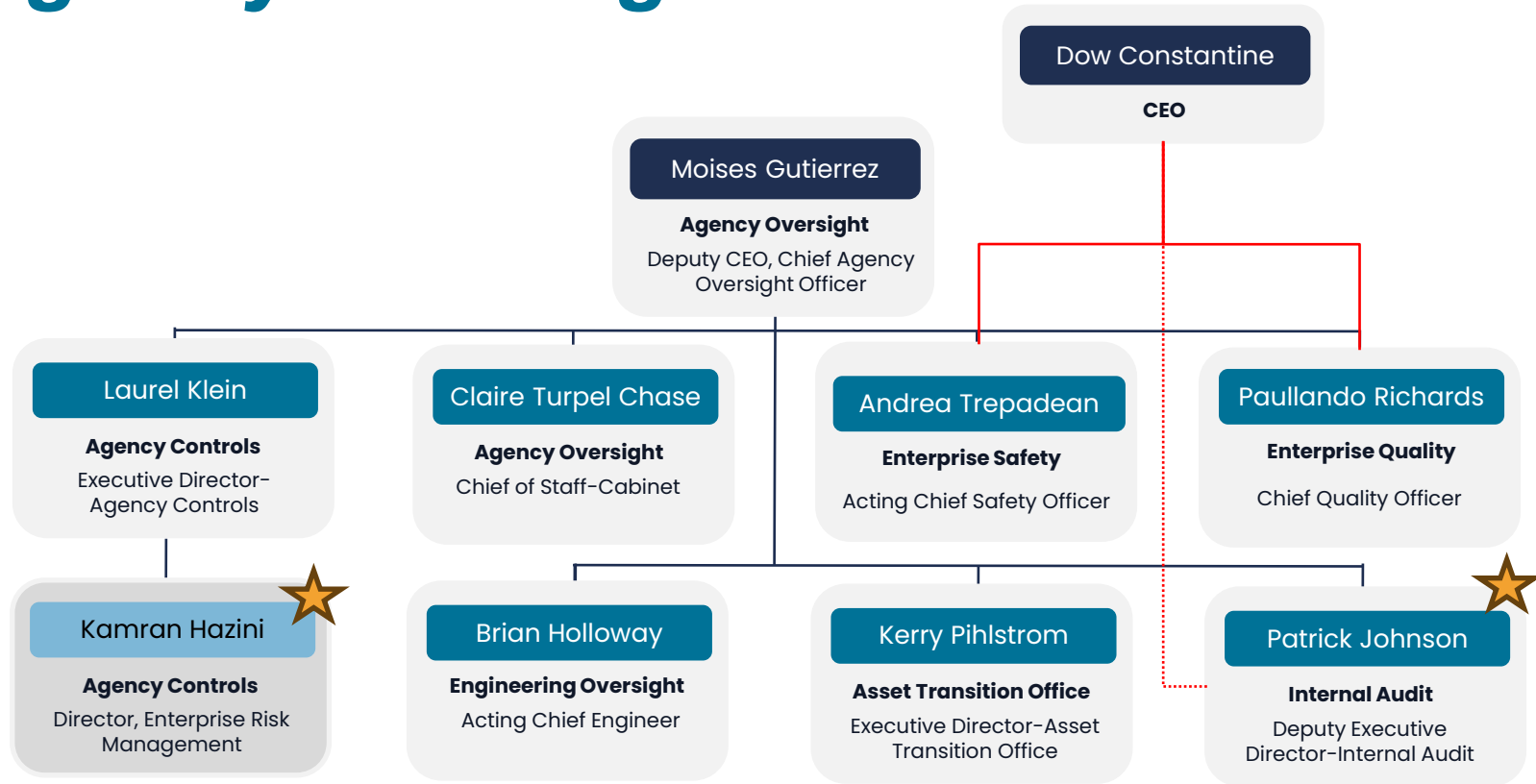
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# *Why we are here*

- Enterprise Risk Management (ERM) Update
- Internal Audit Update
  - 2024 Performance Audit Status Report
  - 2025 Comprehensive Audit Plan Progress Report
  - 2026 – 2028 Audit Planning Update

# Agency Oversight Structure



# ***Enterprise Risk Management (ERM) Update***

# Enterprise Risk Management (ERM)

## Established following Project MOST:

DEPARTMENT:  
AGENCY  
OVERSIGHT

DIVISION:  
AGENCY  
CONTROLS

BUSINESS UNIT:  
ENTERPRISE RISK  
MANAGEMENT (ERM)

## Purpose:

- ✓ Build a structured, agency-wide approach to risk management
- ✓ Identify, assess, and manage risks that could impact Sound Transit's goals and strategic priorities

Identify



Assess



Manage

## Goals:

- ✓ Support better decision-making
- ✓ Improve risk visibility
- ✓ Promote risk management accountability across the agency

## Alignment to Audit:

- ✓ Provide a foundation for aligning risk insights with audit planning
- ✓ Surface high-priority risks and control gaps
- ✓ Ensure that Internal Audit focuses on areas of greatest strategic importance

# *ERM Update*

- Developing the Enterprise Risk Management (ERM) framework to guide agency-wide risk management practices.
- Establishing an enterprise risk register to capture and track high-level risks.
- Defining impact categories, consistent assessment scales, scoring criteria, and risk rating methodology.
- Creating heat-maps and reporting dashboards to visualize risk exposure.
- Collaborating closely with departments to identify and assess risks, assign risk owners, and develop response strategies that promote risk accountability across the agency.

# ***Internal Audit Update***

# *Internal Audit Division*

Sound Transit's **Internal Audit Division** was re-established in 2020 as a centralized oversight function under the *Design for Growth (D4G)* initiative. This structure was further strengthened with the launch of the **Agency Oversight Department** as part of *Project MOST* in 2024.

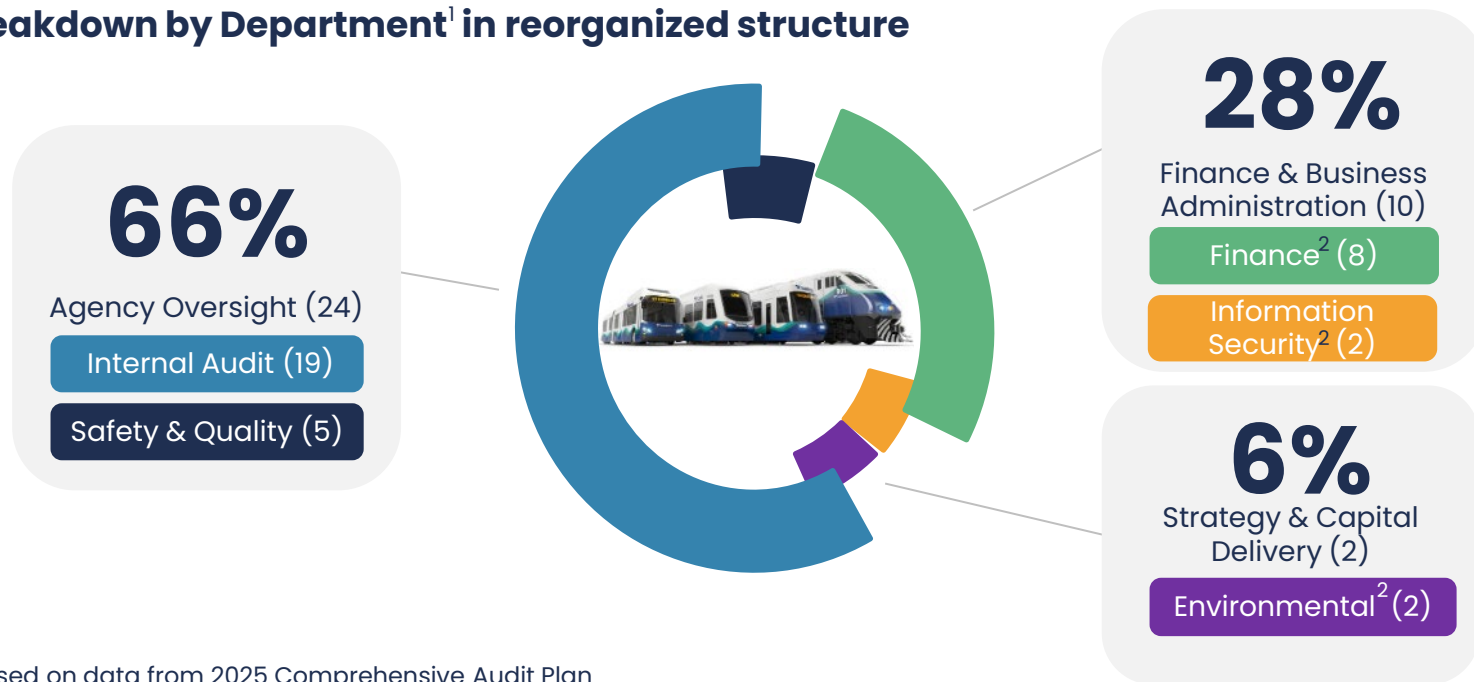
To reinforce the agency's commitment to compliance and audit excellence across all departments, the Internal Audit Division is focused on two key goals:

- 1. Serve as the central point of coordination** for all audit activity—both internal and external—related to Sound Transit.
- 2. Enhance transparency and accountability** through improved reporting processes that communicate the status and outcomes of audit engagements across the agency.



# Agency Audit Function

Breakdown by Department<sup>1</sup> in reorganized structure



<sup>1</sup> Based on data from 2025 Comprehensive Audit Plan

<sup>2</sup> Audits performed on the agency (external) are owned by Department and its Cabinet member, with Agency Oversight (Audit team) awareness.

# ***2024 Performance Audit status report***

# ***2024 Performance Audit – Status Report***

## **Background:**

- Audit performed was Capital Project Time-Coding.
- Performed between August & October 2024, results reported to Finance & Audit Committee (FAC) in November 2024.

## **Audit Outcomes:**

- Identify inconsistencies or discrepancies in employee time-charging practices.
- Provide recommendations to improve consistency and accuracy in time-charging practices.
- **Six (6) findings**

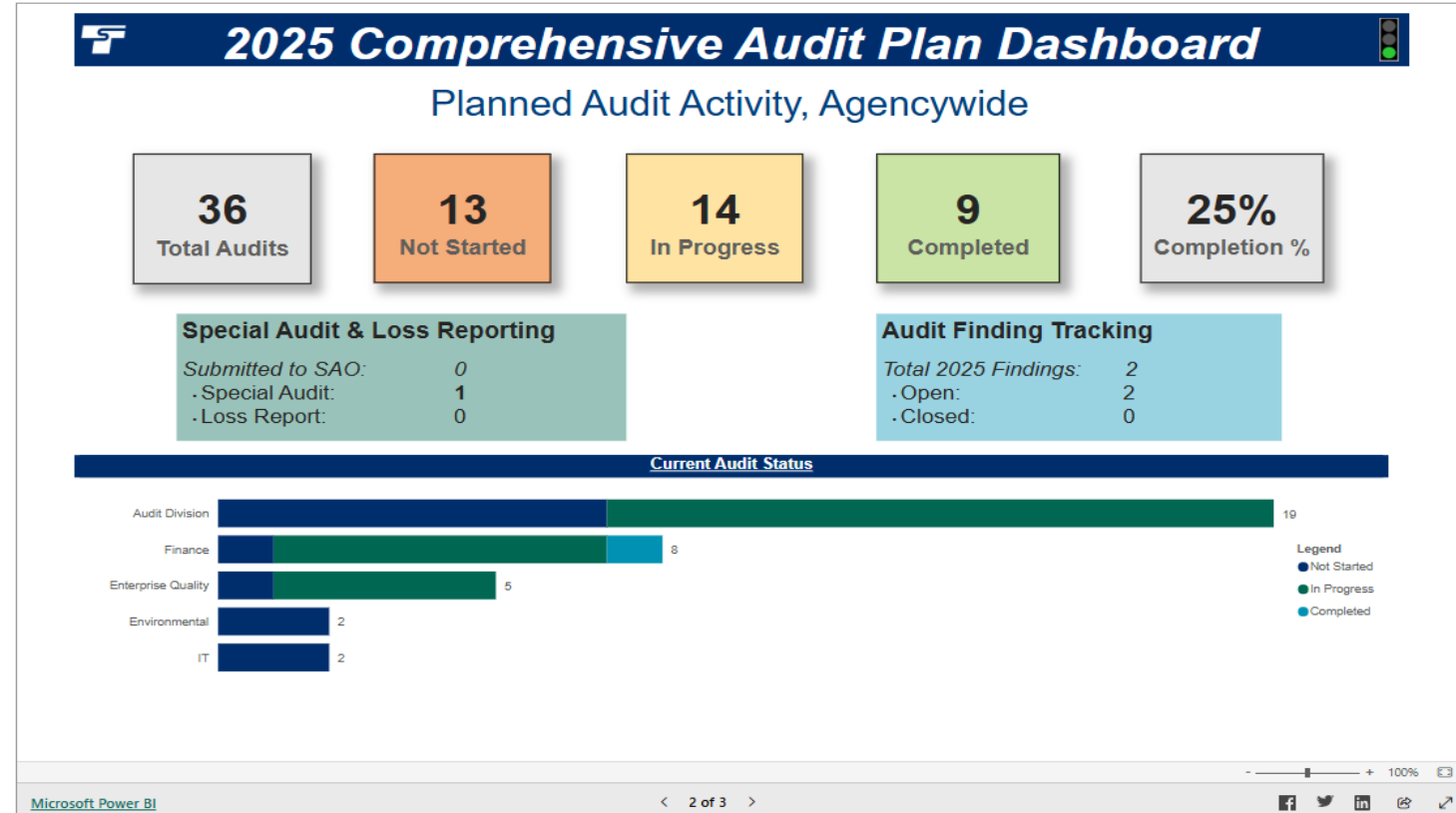
# 2024 Performance Audit - Status Report

Policies & Procedures	Owner(s)	Mgmt. Response	Status
<b>Finding 1:</b> Employees are generally unaware of Agency-wide policies and procedures related to project time charging.	Finance	Agreed	Open
<b>Finding 2:</b> Sound Transit lacks key policies and procedures for reporting, tracking, and reviewing charged time.	Agency Oversight & Finance	Agreed	Open
Time Charging Practices	Owner(s)	Mgmt. Response	Status
<b>Finding 3:</b> Overhead costs may include project-specific staff time, and project labor costs may be underreported, while operational labor costs may thus be overrepresented.	Finance	Agreed	Open
<b>Finding 4:</b> Non-project administrative time is generally charged to a specific project, which may cause project and operational labor charges to be inaccurate.	Finance	Partially Agreed	Open

# 2024 Performance Audit - Status Report

Labor Reporting & Monitoring	Owner(s)	Mgmt. Response	Status
<b>Finding 5:</b> Timecards are approved by individual supervisors rather than project supervisors, which limits the ability to verify charged time.	Finance	Agreed	Open
<b>Finding 6:</b> Limited project reporting and labor budget updates, in addition to the use of consultant labor, contribute to risk of project labor inaccuracies.	Finance & Project Controls	Agreed	Open

# ***2025 Comprehensive Audit Plan Progress Report***



# 2025 Audit Plan Projects – Completed

Current Audit Projects – Agencywide		
Audit Project Title	Performed by	Comments
Downtown Redmond Link Construction Certification Audit	Audit	1 finding
Downtown Redmond Link Readiness Certification Audit	Audit	1 finding
Sounder Accident & Incident Reporting Audit	Audit	No findings
East Link (E130) Construction Certification Audit	Audit	No findings
Tacoma Link Annual Safety Compliance	Audit	No findings



# 2025 Audit Plan Projects – Completed

Current Audit Projects – Agencywide		
Audit Project Title	Performed by	Comments
Single Audit	Finance	No findings
ORCA Financial Audit	Finance	No findings
Financial Audit	Finance	No findings
Sumner Station Parking & Access Improvements Construction Surveillance Audit	Quality	No findings
STRIDE Design Quality Bus Rapid Transit Construction	Quality	No findings

# 2025 Audit Plan Projects – In Progress

Current Audit Projects – Agencywide			
Audit Project Title	Performed by	Status	Expected Report
Sounder Safety Compliance Audit	Audit	✓	September 2025
Fare Compliance Performance Audit	Audit	✓	September 2025
ESMS Internal Audit	Audit	✓	September 2025
Agreed Upon Procedures for NTD	Finance	✓	September 2025
SOC 1 Examination – ORCA (INIT & ROOT)	Finance	✓	September 2025
Agreed Upon Procedures (Subarea Equity)	Finance	✓	September 2025
<b>Follow-up:</b> East Link (E130) Construction Site Surveillance Audit	Quality	✓	September 2025
Non-Revenue Vehicle Fleet ( <b>Special Audit</b> )	Audit	✓	October 2025
<b>Follow-up:</b> 11/26/21 Link Incident Audit	Audit	✓	October 2025

# 2025 Audit Plan Projects – In Progress

## Current Audit Projects – Agencywide

Audit Project Title	Performed by	Status	Expected Report
FEMA Financial Monitoring Review ( <b>External</b> )	Finance	✓	October 2025
Auburn Station Access Improvements Design Quality Audit	Quality	✓	October 2025
East Link (E130) Construction Site Surveillance	Quality	✓	October 2025

# ***2026 – 2028 Audit Planning Update***

# 2026–2028 Audit Planning

- In this time of agency transition, we're temporarily shifting our performance audit resources toward **advisory consulting services**.
  - **Advisory consulting services:** Not formal audits, so judgment about whether controls work well is not included. Internal auditors stay independent by giving advice and support.
  - Final deliverables will be a summary of work performed and recommendations that Internal Audit will monitor.
- This shift helps us support teams through change and strengthen internal controls as the agency continues to shift and mature.
- We will continue to deliver all **required compliance audits**.

# **2026–2028**

## ***Audit Planning***

### **Building Maturity & Alignment**

- Our goal is to build a responsive and future-ready Internal Audit Program.
- 2026-28 Audit Planning is grounded in audit function maturity and building One ST assurance alignment with new requirements and standards.

### **New Policies & Practices**

- Internal Audit is partnering with the Government Accountability Office (GAO) Center for Audit Excellence to build expertise and alignment with new federal requirements.
- Over the next year, we will strengthen agency audit practices as well as update policies, tools and methods to build assurance alignment across the agency.

*Thank you.*



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