



Summary Minutes

Finance and Audit Committee Meeting December 17, 2020

Call to order

The meeting was called to order at 11:01 a.m. by Committee Chair Nancy Backus virtually on WebEx.

Due to the Governor’s Safe Start, Stay Healthy Order, public viewing of the meeting was only available via WebEx. The meeting was streamed on

<https://soundtransit.webex.com/soundtransit/onstage/g.php?MTID=ef76ee5522b72594ef362046b4ccbfbd0>.

Roll call of members

Chair	Vice Chair
(P) Nancy Backus, Auburn Mayor	(A) Bruce Dammeier, Pierce County Executive

Board Members	
(A) Dow Constantine, King County Executive	(A) Roger Millar, WSDOT Secretary
(P) Joe McDermott, King County Councilmember	(P) Patty Rubstello, WDOT Secretary alternate
	(P) Ed Prince, Renton Councilmember
	(P) Dave Somers, Snohomish County Executive

Adam Montee, Board Administration Program Manager, announced that a quorum of the Committee was present at roll call.

Report of the Chair

2021 Proposed Budget Action – Chair Backus reminded the Committee that it would be forwarding the proposed 2021 Budget and Transit Improvement Plan to the Board of Directors.

CEO Report

Federal and State Update – CEO Rogoff announced that Congress appeared to be reaching a deal on a COVID-19 relief package which included \$15 billion for public transit, \$97 million of which would be earmarked for Sound Transit. The agency would also be working with the FTA to secure a portion of the \$628 million in emergency relief for projects with Full Funding Grant Agreements. Congress was also working on an omnibus spending bill for Fiscal Year 2021 included the \$100 million annual installment for both the Federal Way and Lynnwood Link Full Funding Grant Agreements. Finally CEO Rogoff applauded the announcement of Mayor Pete Buttigieg as his Secretary of Transportation.

Public comment

Chair Backus announced that due to the Governor’s stay home stay healthy order, public comment would only be accepted via email to emailtheboard@soundtransit.org. The following people provided written comment:

Bill Hirt

Citizen Oversight Panel Report to the Finance and Audit Committee

Citizen Oversight Panel Chair, Scott Lampe, provided the report. He advised that the Citizen Oversight Panel was charged with monitoring the seven major areas of Sound Transit's performance. He informed the Committee that the panel reviewed the 2021 Audit Plan and supported the topics and timelines proposed, as well as extending the 2020 performance audit into 2021.

Business Items

October 14, 2020, Finance and Audit Committee Special meeting minutes

It was moved by Boardmember Prince, seconded by Boardmember Somers, and carried by majority vote of the committee members present that the minutes of the October 14, 2020, Finance and Audit Committee special meeting be approved as presented.

Resolution No. R2020-27: Adopting an annual budget for the period from January 1 through December 31, 2021 and adopts the 2021 Transit Improvement Plan (TIP).

Ryan Fisher, Director of Financial Planning, Analysis, and Budget, provided the staff report.

Boardmember Somers asked whether the agency had a five-year financial plan to plan for future budgeting beyond just the next year. Mr. Fisher explained that the agency developed and maintained financial plan through 2041.

It was moved by Boardmember Prince, seconded by Boardmember Somers and carried by a majority vote of the committee members present that Resolution No. R2020-27 be forwarded to the Board with a do-pass recommendation.

Chief Financial Officer Report

Chief Financial Officer Tracy Butler gave the report. She provided a general economic update, noting that the recovery of tax revenue collections slowed in September, reversing course from the improvements seen in previous months. She advised that the rise in COVID-19 cases and the related impact on the economy was likely the cause of this, and it was uncertain how impacts would continue. There was no change in revenue loss estimates, as cost pressures continued on capital projects.

She reviewed October year-to-date tax revenue performance, noting that revenues were down eight percent as compared to 2019. Total revenue came in around 99 percent of budget, primarily due to the \$167 million in CARES Act funding. Without the CARES Act funding, the agency would be underperforming the budget by approximately nine percent.

2020 operating expenses were at 94 percent of budget, but Ms. Butler advised that current year payments were fixed and would be reconciled at the end of the year, so true performance would be known after that took place. She expected some reduced expenses due to service reductions in Sounder and Link due to the pandemic. Project Expenses were at 93 percent of budget, she noted that Link construction was able to advance faster than planned, while other budgets were under budget because projects were paused in anticipation of realignment discussions in 2021.

She reviewed the asset and liabilities management performance, noting that cash reserves were being drawn down to make up the gap between ongoing revenue collections and expenditures. She advised that she was closely monitoring any potential credit risks as the larger economic situation was so uncertain.

Audit Update

(Boardmember McDermott arrived at this time)

2019 Accountability Audit Results – State Auditor's Office

Daniel Thompson, Audit Lead, reviewed the topics covered and advised that the audit had no findings.

Internal Audit Update

Patrick Johnson, Audit Director provided the presentation. He outlined the 2020 audit plan, noting that three audits were not expected to be completed due to COVID-19 restrictions. He outlined the results of the Information Security Governance Audit, commending Sound Transit for increasing the Information Security Program Maturity Level from zero to 3.5 in a four year period. The audit found control weaknesses related to reporting and monitoring performance actions and that information security governance had not been formally defined within the agency. The audit recommended that agency leadership and information security staff collaborate to evaluate the governance structure to determine a suitable level of oversight to meet Sound Transit's needs and its risk posture.

Alex Di Giacomo, Chief Information Security Officer, provided the management response. He advised that staff agreed with the findings and observations noted. He outlined the steps being taken to strengthen communication, reporting, and monitoring controls and informed the committee that evaluations were underway to implement the appropriate level of executive oversight.

Mr. Johnson outlined the Consultant On and Off Boarding Practices audit. The audit found that agency policies, procedures, and processes did not provide clear guidance to stakeholders at the time of on-boarding and off-boarding consultants, contractors, and external users, and that records of such staff were incomplete or inaccurate, and that they were not off-boarded properly. The Audit recommended that: the agency define non Sound Transit users who should be tracked and recorded; that policies be refined and updated on a regular basis; that management educate and train key stakeholders and users on how to add disable consultants from its systems; that communication between teams be improved to ensure that exit tickets are submitted properly; and that better controls are put in place to disable system access and update space planning.

Ted Lucas, Chief Procurements and Contracts Officer, provided the management response. He advised that staff agreed with the findings, that actions were underway to address the recommendations, triggered by both the results of the audit and the unique circumstances of the COVID-19 pandemic. To-date, staff had: developed an inventory of all active and inactive consultants; created a new email assignment practice for consultants and implemented changes allowing for easier identification and targeted communication with co-located consultants; created a process for deactivation of building access for inactive or temporarily inactive consultants; and management created a tracking system for mandatory COVID-19 training, which must be completed by co-located consultants or any non-Sound Transit employee who have a need to work onsite at the Sound Transit campus. Management also created a cross functional task force to identify process and control improvement areas.

Mr. Johnson reviewed the 2021 audit plan. He noted that two of the three 2020 audits would be carried over to 2021. The third audit on employee travel practices would not be performed due to agency COVID-19 travel restrictions. The number of audits was reduced from 13 in 2020 to eight in 2021, allowing for completion of all while still being attentive to the agency's highest risks.

Mr. Johnson advised that because of the risks posed by COVID-19, he did not want to put agency staff and contractors in danger by carrying out the 2020 performance audit. He recommended carrying over the 2020 performance audit to 2021.

Discussion and Potential Action to carry over 2020's Performance Audit Topic to 2021

Chair Backus explained that the Finance and Audit Committee was responsible for selection of the performance audit topic per the committee responsibilities established by the Board in 2018.

Boardmember Somers agreed with the recommendation to carry over the 2020 performance audit.

It was moved by Boardmember Somers, seconded by Boardmember McDermott and carried by majority vote to carry over the 2020 Performance Audit topic to 2021.

Executive session

None.

Other business

None.

Next meeting

Thursday, March 18, 2021
11:00 a.m. to 12:30 p.m.
Virtually via WebEx

Adjourn

The meeting adjourned at 11:57 a.m.

Nancy Backus
Finance and Audit Committee Chair

ATTEST:

Kathryn Flores
Board Administrator

APPROVED on _____. AM.