

**FINANCIAL MANAGEMENT OVERSIGHT PROGRAM**

**Full Scope Systems Review**

**of**

**Central Puget Sound Regional Transit Authority**

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**PERFORMED FOR**

**U.S. DEPARTMENT OF TRANSPORTATION**

**FEDERAL TRANSIT ADMINISTRATION**



**Prepared by**

**Sasvata, LLC**

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**U.S. DEPARTMENT OF TRANSPORTATION  
FEDERAL TRANSIT ADMINISTRATION**

**FINANCIAL MANAGEMENT OVERSIGHT PROGRAM  
FULL SCOPE SYSTEMS REVIEW**

**CENTRAL PUGET SOUND REGIONAL TRANSIT AUTHORITY**

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**INDEPENDENT ACCOUNTANTS REPORT**

## **INDEPENDENT ACCOUNTANTS REPORT**

To the Regional Administrator  
Federal Transit Administration Region 10:

We understand that the Federal Transit Administration (FTA) has awarded Central Puget Sound Regional Transit Authority (Sound Transit) the awards listed in Section I of this report. We have examined management's assertion, included in its representation letter dated February 20, 2026, that Sound Transit maintained effective internal control over its compliance with FTA financial management system requirements during the period October 1, 2023, through September 30, 2025, as set forth in Section VI of this report, based on the following:

For grants awarded or modified on or after December 26, 2014, [2 CFR § Part 200](#), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, Section [200.302](#), *Financial Management*.

Management is responsible for maintaining effective internal control over Sound Transit's compliance with FTA financial management system requirements. Our responsibility is to express an opinion on management's assertion based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and, accordingly, included obtaining an understanding of the financial management system, testing, and evaluating the design and operating effectiveness of the financial management system, and performing such other procedures, as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Sound Transit's compliance with FTA financial management system requirements.

Because of inherent limitations in any internal control structure or financial management system, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the financial management system to future periods are subject to the risk that the financial management system may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assertion that Sound Transit maintained effective internal control over its compliance with FTA financial management system requirements during the period October 1, 2023, to September 30, 2025, is fairly stated, in all material respects, based on the criteria established by the FTA as set forth in Section VI of the report.

Our examination identified significant deficiencies in Sound Transit’s internal controls over compliance with FTA financial management system requirements. A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. Significant deficiencies are discussed in Section III of this report. Certain advisory comments regarding procedures that do not affect our opinion or impact the criteria cited in the first paragraph of this report are described in Section IV of this report

As discussed in Section II of this report, our examination did not identify material weaknesses in Sound Transit’s internal control over compliance with FTA financial management system requirements. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that instances of material noncompliance with the FTA Financial Management system requirements may have occurred and were not prevented or detected and corrected on a timely basis.

*The Joachim Group, CPAs & Consultants, LLC*

Certified Public Accountants  
Roanoke, VA  
February 20, 2026

**SECTION I**

**BRIEF DESCRIPTION OF CENTRAL PUGET SOUND REGIONAL TRANSIT  
AUTHORITY**

## **Background**

The Central Puget Sound Regional Transit Authority (also referred to as Sound Transit) was formally established in 1993 under state law to plan, build, and operate a high-capacity regional transit system for the urban areas of King, Pierce, and Snohomish Counties. The agency's statutory authority is set out primarily in Chapters 81.104 and 81.112 of the Revised Code of Washington, which authorizes regional transit authorities to plan and finance high-capacity transportation systems. Following initial planning work in the mid-1990s and voter approval of the first regional system plan in 1996, the agency adopted the "Sound Transit" brand name in 1997 and began planning, building, and operating regional express bus, commuter rail, and light rail services as a single, integrated regional transit network.

Funding mechanisms include dedicated local taxes, federal Capital Investment Grants (CIG), and federal low-interest loans, with Sound Transit serving as the largest borrower under the Transportation Infrastructure Finance and Innovation Act (TIFIA) program. Notably, Sound Transit receives no dedicated state funding. The agency has issued major sales tax-backed bonds, undertaken strategic refunding, and completed nearly \$1 billion in green bonds in 2015, the largest municipal green bond issuance at the time. Sound Transit's TIFIA portfolio includes approximately \$658 million for the Lynnwood Link Extension (LLE), \$629 million for the Federal Way Link Extension (FWLE), and \$1.33 billion for the East Link Extension (ELE). From 2018 through 2024, Sound Transit received an average of approximately \$235.6 million per year in federal Capital Investment Grants (CIG) Program funding, including \$1.17 billion for LLE and \$790 million for FWLE.

Sound Transit's multimodal system now includes 63 miles of Link light rail in service, supported by a fleet of 214 vehicles consisting of 62 Kinkisharyo cars and 152 Siemens S700 vehicles. The Tacoma T Line provides a 4-mile, 12-station streetcar corridor connecting the Tacoma Dome, downtown Tacoma, and Hilltop. Sounder commuter rail operates on two corridors totaling approximately 83 miles with 12 stations, powered by 14 locomotives and more than 60 bi-level coaches. ST Express regional bus service operates more than 20 routes with a fleet of roughly 300 buses, and the upcoming Stride BRT system will further expand service through all-door boarding and specialized freeway-based operations.

Sound Transit is governed by an 18-member Board of Directors consisting of 17 locally elected officials and the Washington State Secretary of Transportation. Board members are appointed by county executives and confirmed by county councils, with representation proportional to population. Sound Transit employs between 1,500 and 1,600 staff across engineering, project management, operations, planning, finance, information technology, human resources, and public engagement, with partner agencies providing additional operating personnel.

Historically, Sound Transit has evolved from an early focus on establishing core services to executing a long-term, voter-mandated program of ambitious system expansion. As the agency advances major projects, including the full 2 Line, the Federal Way Link Extension, Stride BRT, and the West Seattle and Ballard Link Extensions, Sound Transit remains deeply engaged in a multi-decade effort to transform regional mobility and support economic development

throughout the Puget Sound region. Sound Transit has undertaken a number of significant capital projects, as described below.

#### East Link Extension

The 2 Line is a 14-mile project with 10 stations connecting Seattle, Mercer Island, Bellevue, and Redmond. Constructed under the name East Link, the project's baseline budget is approximately \$3.68 billion. In April 2024, Sound Transit opened the initial 2 Line segment, serving eight stations between South Bellevue and Redmond Technology. In May 2025, the route added two additional stations: Marymoor Village and Downtown Redmond. On March 28, 2026, the final portion of the 2 Line is scheduled to open for service. The Crosslake Connection will carry the 2 Line across I-90 as the world's first rail transit operating on a floating bridge and will include two new 2 Line stations at Judkins Park and Mercer Island. The expanded 2 Line will integrate with the existing 1 Line service, doubling capacity between the International District/Chinatown and Lynnwood City Center stations and enhancing regional mobility in advance of the 2026 Fédération Internationale de Football Association (FIFA) Men's World Cup.

#### Lynnwood Link Extension

The Lynnwood Link Extension opened on August 20, 2024, adding 8.5 miles and four stations north of Northgate and extending the 1 Line to three new cities: Shoreline in King County, and Mountlake Terrace and Lynnwood in Snohomish County. The capital cost estimate increased from approximately \$2.77 billion to about \$3.1 billion due to market pressures and design refinements.

#### Federal Way Link Extension

The Federal Way Link Extension opened on December 6, 2025, adding 7.8 miles and three stations, two in Kent and one in Federal Way.

#### Hilltop Tacoma Link Extension

In Pierce County, Sound Transit opened the 2.4-mile Hilltop Tacoma Link Extension in September 2023, doubling the Tacoma streetcar system and adding seven stations. Future 1 Line expansion from Federal Way to Tacoma is in the project development phase.

#### Stride Bus Rapid Transit

Sound Transit is also developing the Stride Bus Rapid Transit (BRT) network to provide 45 miles of high-frequency, limited-stop service on key corridors such as I-405 and SR-522. A major design-build contract valued at approximately \$228.3 million, with \$45.7 million in contingency, has been awarded for a new operations base to support future battery-electric buses. The total facility investment is approximately \$274 million. The three planned Stride lines, S1, S2, and S3, are expected to open in phases toward the late 2020s.

#### Future Extensions

Continued project development is underway for future extensions to West Seattle, Ballard, and Everett. The Ballard Link Extension will provide 7.7 miles of track and nine new stations between the Chinatown–International District and Ballard, including a new rail-only downtown tunnel. Construction is planned through the 2030s, with revenue service targeted for 2039. In addition, the Everett Link Extension will add 16 miles of light rail to Snohomish County by

2041. The six-station expansion will include Operations and Maintenance Facility North (OMF North), which will support the northern corridor of the Link system and its expansion. This project is undergoing the environmental review phase of planning, with an Environmental Impact Statement expected to be released to the public in 2026.

**Active Federal Transit Administration (FTA) Awards**

**Table 1: Sound Transit’s open FTA awards as of September 29, 2025:**

Award Number	Description	Total Award Value	Remaining Award Balance
<a href="#"><u>WA-2019-001-09</u></a>	Lynnwood Link Extension FFGA	\$1,172,730,000	\$80,219,434
<a href="#"><u>WA-2023-016-01</u></a>	FY 2022 Section 5307 for the SR 522/NE 145th Bus Rapid Transit Service Bus Procurement	\$7,000,000	\$7,000,000
<a href="#"><u>WA-03-0237-11</u></a>	FY 2015 5309NS University Link FFGA	\$684,370,641	\$63,871,360
<a href="#"><u>WA-2023-014-00</u></a>	FY 2021 CMAQ transfer to Section 5307 Next Generation ORCA and ORCA LIFT Programs	\$4,152,000	\$1,734,938
<a href="#"><u>WA-2018-013-01</u></a>	ST Tacoma Link Extension - Tacoma, Washington	\$74,999,999	-
<a href="#"><u>WA-2020-001-06</u></a>	Federal Way Link Extension FFGA	\$790,000,000	\$252,658,261
<a href="#"><u>WA-2025-045-00</u></a>	FY 2024 CPF funds for South Renton Transit Center Construction	\$500,000	\$500,000
<a href="#"><u>WA-2025-078-00</u></a>	FY 2024 Community Project Funding - Preliminary Engineering & Design for West Seattle Link Extension (2024-CMPJ-134)	\$3,000,000	\$3,000,000
<a href="#"><u>WA-2021-012-00</u></a>	FY 2020 Section 5339(b) SR 522/NE 145th Bus Rapid Transit (BRT) Vehicles	\$4,800,000	\$4,800,000
<a href="#"><u>WA-2025-083-00</u></a>	FY 2024 Community Project Funding - Preliminary Engineering & Design for Ballard Link Extension (2024-CMPJ-133)	\$3,000,000	\$3,000,000

**Table 1: Sound Transit’s open FTA awards as of September 29, 2025:**

Award Number	Description	Total Award Value	Remaining Award Balance
<a href="#"><u>WA-2023-008-00</u></a>	FY 2021 Section 5339(b) for I-405 Bus Rapid Transit Expansion Double Decker Buses and South Renton Transit Center Construction	\$12,904,801	\$12,904,801
<a href="#"><u>WA-2023-005-00</u></a>	FY 2022 Transit Infrastructure Grant - Community Project Funding for the I-405 Bus Rapid Transit South Renton Construction	\$3,000,000	\$3,000,000
<a href="#"><u>WA-2024-075-01</u></a>	FY 2023 Section 5339(a) - Expansion Battery Electric Bus for SR 522/NE 145th Bus Rapid Transit (BRT) Service	\$2,507,457	\$2,507,457
<a href="#"><u>WA-2023-006-01</u></a>	FY 2022 CMAQ Transferred to Section 5307 / FY2022 Section 5307 Formula: I-405 Bus Rapid Transit Buses and South Renton Transit Center	\$17,462,048	\$17,462,048
<a href="#"><u>WA-2025-002-00</u></a>	FY 2023 RCN - Reconnecting Communities with new BRT Stations in Tukwila and South Renton	\$69,830,356	\$69,830,356
<a href="#"><u>WA-2023-067-00</u></a>	FY 2022 Section 5339(c) for Battery Electric Buses and Charging Infrastructure for SR 522/NE 145th Bus Rapid Transit Service	\$9,264,000	\$9,264,000
<a href="#"><u>WA-2022-065-01</u></a>	FY 2022 Section 5307 Replacement/Upgrades to the Passenger Information Systems (PIMS)	\$7,460,414	-
<a href="#"><u>WA-2021-115-00</u></a>	FY 2021 CMAQ funds transferred to Section 5307 and FY 2021 Section 5307 for I-405 Bus Rapid Transit Expansion Buses	\$7,255,465	\$7,255,465
<a href="#"><u>WA-2020-007-01</u></a>	FY 2019 CMAQ transfer to 5307 for I-405 Bus Rapid Transit - Bus Procurement	\$5,400,000	\$5,400,000

**Table 1: Sound Transit’s open FTA awards as of September 29, 2025:**

Award Number	Description	Total Award Value	Remaining Award Balance
<a href="#"><u>WA-2024-037-00</u></a>	FY 2023 Section 5307 - Regional Express Bus Program Safety Improvements	\$271,538	\$271,538
<a href="#"><u>WA-2024-022-01</u></a>	FY 2019, FY 2021, and FY 2022 Section 5307 - Downtown Redmond Link Extension (DRLE)	\$41,895,402	-
<a href="#"><u>WA-2021-004-00</u></a>	FY 2019 MAP-21 20005(b) Pilot Program for TOD Planning - Everett Link Extension Model Code Partnership	\$2,000,000	\$79,075
<a href="#"><u>WA-2021-085-00</u></a>	FY 2021 CMAQ Transferred to Section 5307 Auburn Sounder Station Access Improvements	\$1,500,000	\$1,026,317
<a href="#"><u>WA-2025-071-00</u></a>	FY 2024 Section 5307 for At-Grade Light Rail Safety Enhancements	\$2,011,070	\$2,011,070
<a href="#"><u>WA-2025-084-00</u></a>	FY 2024 Community Project Funding - Preliminary Design for Ash Way Station of Everett Link Extension (D2024-CMPJ-135)	\$500,000	\$500,000
<a href="#"><u>WA-2025-019-00</u></a>	FY 2023 Community Project Funding - Downtown Seattle Transit Tunnel (DSTT) Safety and Security Improvements	\$3,000,000	\$3,000,000
<a href="#"><u>WA-2024-011-00</u></a>	FY 2023 CMAQ & CRP(UL) Transferred to Section 5307: South Boeing Access Road Infill Station Preliminary Engineering and Design	\$8,230,000	\$6,876,361
<b>Total</b>		<b>\$2,939,045,191</b>	<b>\$558,172,481</b>

**SECTION II**

**MATERIAL WEAKNESSES**

## **MATERIAL WEAKNESSES**

For purposes of this examination, a material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that instances of material noncompliance with the FTA Financial Management system requirement may have occurred and were not prevented or detected and corrected on a timely basis.

We did not identify any material weaknesses in the financial management system of the recipient.

**SECTION III**

**SIGNIFICANT DEFICIENCIES**

## **SIGNIFICANT DEFICIENCIES**

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

These findings and recommendations are provided below, with notation of the standard impacted, discussion of the significance of the condition, a summary of the recipient's proposed corrective actions and evaluations thereof.

## SIGNIFICANT DEFICIENCIES

### 1. **Sound Transit did not Maintain Adequate Physical Controls for the Protection of Information Technology Assets Containing Federal Award Data.**

#### Condition

Sound Transit has issued approximately 550 security access badges providing entry to one or more of the five data centers that house and process federal award financial data. Once inside these facilities, badge holders can directly access information technology hardware without additional physical safeguards, allowing hardware to be removed or damaged and unauthorized devices to be connected, creating a risk of data theft, manipulation, or system compromise.

#### Standard(s) Impacted.

#### **2 CFR § 200.303, *Internal Controls.***

- (a) The recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- (c) Evaluate and monitor the recipient’s or subrecipient’s compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified.
- (e) The recipient must take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

#### **FTA Circular 5010.1F, *Recipient Obligations Award Management Requirements.***

Recipients have a responsibility to comply with regulatory requirements and to be aware of all pertinent materials to assist in the management of their federally assisted awards. Recipients should familiarize themselves with all applicable legal authorities relevant to their transit operations and Federal awards.

## SIGNIFICANT DEFICIENCIES

### **FTA Circular 5010.1F Chapter VI (2)(a)(2), *Financial Management Internal Controls*.**

Internal controls are the processes, implemented by a recipient or subrecipient, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations, (2) reliability of reporting for internal and external use, and (3) compliance with applicable laws and regulations. Internal control over compliance requirements for the Federal award is the process implemented by a recipient or subrecipient designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards [and](2) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

### **FTA Circular 5010.1F Chapter VI (2)(f), *Financial Management Internal Controls Necessary Elements*.**

The following objectives and standards facilitate the recipient's use of internal controls:

- (1) Reasonable assurance that internal controls are an integral part of the recipient's management systems;
- (2) Assignment of internal control functions to competent and qualified employees;
- (3) Identification of specific internal control objectives to ensure that needs are identified and that valid controls are planned and implemented;
- (4) Adoption of internal control policies, plans, and procedures that reasonably ensure their effectiveness, such as organizational separation of duties and physical arrangements (e.g., locks and fire alarms); and
- (5) Regular program of testing to identify vulnerabilities in the internal control system.

#### Recommendation(s)

Sound Transit should complete the following within 180 days from the date of the Final Report:

1. Install physical access barriers (e.g., locked rooms, cages, or secured enclosures) and equipment locking mechanisms to prevent unauthorized access to, removal of, or tampering with, information technology hardware supporting federal awards.

#### Discussion

Sound Transit has five sites that function as data centers that store and process federal award and financial accounting data. Access to these data centers is controlled through a badge access system, and Sound Transit issued access credentials to a substantial number of individuals across all five facilities. Specifically, 287 badges are active for Data Center 1 (Door 705), 264 badges are active for Data Center 2 (Door 909), 341 badges are active for Data Center 3 (Door M01), 410 badges are active for Data Center 4 (Door M04), and 412 badges are active for Data Center 5 (Door M05). Given that Sound Transit employs less than 1,600 people, the number of badges appears to be excessive. Although Sound Transit advised that a "significant number" of the badges have been issued to King County employees for cleaning and maintenance, the question arises as to the need for this number of badges being issued for each data center and the roles of

## SIGNIFICANT DEFICIENCIES

the individual accessing the centers. Although Sound Transit conducts background checks for their own personnel, they do not require background checks for non-employees who are issued badges to access the data center.

Each data center was accessible to individuals included on the applicable access list through a single badge-controlled entry point. Once access was gained through this entry point, individuals had immediate and unrestricted physical access to all information technology hardware and data within the data center. The data centers did not utilize layered or dual-entry access controls requiring authorization through multiple secured doors. All five data centers are reportedly configured in a similar manner, allowing any individual provisioned for access to enter the data center and access the equipment within.

One data center also contained a secondary door providing access from the Link light rail control center. Although this door was locked on the data center side, it was unsecured on the Link light rail control center side. As a result, any individual with access to the Link light rail control center could enter the data center through this secondary door, regardless of whether their badge authorization permitted data center access.

A total of 32 distinct access badge levels permitted entry to the data centers. Several of these access levels, including facilities and maintenance-related roles, were not indicative of information technology personnel typically requiring unrestricted access to data center hardware. Pursuant to an intergovernmental agreement, King County Metro personnel were granted access to the data centers for maintenance and repair activities. In addition, a third-party contractor responsible for equipment maintenance was also granted access. Individuals granted access for these purposes were not required to be escorted, and this access model was applied consistently across all five data centers.

Physical and environmental controls were in place to protect server equipment from risks related to fire, heat, and water damage. However, there were no compensating physical controls within the data center rooms to restrict direct access to the information technology hardware. Server equipment was reportedly not enclosed in cages or otherwise physically secured, and any individual with access to the room had unrestricted physical access to the equipment. As a result, individuals with access to the data centers could connect unauthorized devices, manipulate or disconnect equipment, introduce malicious code, or remove equipment containing federal award data.

### Recipient's Response

Sound Transit agrees with the audit report finding.

### **Management Response / Action Plan:**

Thank you for the opportunity to respond to this finding for the FTA FMO review. Sound Transit agrees with this finding and plans to take the following action to remediate the condition:

## SIGNIFICANT DEFICIENCIES

1. The primary mitigation strategy will be focused on the reduction of risk footprint through the elimination of on-premise infrastructure, leveraging a migration to cloud-based infrastructure (IaaS).
2. For any systems remaining on premise, IT Management will review the feasibility of installing locking server racks in the data centers and, if feasible, install the racks within 180 days of the issuance of the final report. If infeasible, IT Management will install a comparably suitable securing technology on the same timeline.
3. IT Management will work with King County Rail management to determine the correct level of access for each user and reduce the number of users with access, as appropriate.
4. IT Management re-commits to completing the quarterly user access reviews for data center access.

### **Timeline for Corrective Action:**

**Task 1:** IT Management will work through removal of as much onsite equipment as possible within 180 days of the issuance of the final report.

**Task 2:** Research into the feasibility of installing locking server racks will conclude by June 2026 and installation of the racks, if feasible, or comparable technology if not, will conclude within 180 days of the issuance of the final report.

**Task 3:** IT Management commits to meet with King County Rail by June 2026 to determine what roles have business justification to access the data centers and to subsequently address access accordingly by end of August 2026.

**Task 4:** IT management will perform all future quarterly user access reviews for data center access beginning in Q2 2026.

### Evaluation of Recipient's Response

The recipient's response is considered to be adequate.

## SIGNIFICANT DEFICIENCIES

### 2. Sound Transit did not Establish a Business Continuity Plan (BCP) to Safeguard Federal Awards, Assets, and Investment and to Ensure Continuity of Transit Services

#### Condition

Sound Transit does not have a Business Continuity Plan (BCP).

#### Standard(s) Impacted

#### **2 CFR § 200.302, *Financial Management*.**

- (b) (b) The 'recipient's and 'subrecipient's financial management system must provide for the following (see [§§ 200.334](#), [200.335](#), [200.336](#), and [200.337](#)):... (4) Effective control over and accountability for all funds, property, and assets. The recipient or subrecipient must safeguard all assets and ensure they are used solely for authorized purposes. See [§ 200.303](#).

#### **2 CFR §§ 200.303, *Internal Controls*.**

The recipient and subrecipient must:

- (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- (c) Evaluate and monitor the recipient's or subrecipient's compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified.
- (e) Take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

## SIGNIFICANT DEFICIENCIES

### Recommendation(s)

Sound Transit should complete the following by December 31, 2026:

1. Design, implement, document, and maintain a formal Business Continuity Management System (BCMS) to ensure the organization's ability to continue critical operations during and after disruptive events. The BCMS should be aligned with recognized standards (e.g., ISO 22301-2019 or equivalent) and include, at a minimum, the following core components:
  - a. Business Continuity Plan (BCP): A documented plan that identifies critical business functions, defines recovery time objectives, outlines continuity strategies, and establishes roles, responsibilities, and communication protocols to sustain operations during disruptions.
  - b. Disaster Recovery Plan (DRP): A documented and tested plan focused on the recovery and restoration of information systems, applications, and infrastructure necessary to support critical business processes following a disaster or major system outage.
  - c. Governance, periodic testing, training, maintenance, and regular updates to reflect changes in operations, systems, and risk profiles.

### Discussion

Sound Transit Information Technology (IT) management initially stated that a Business Continuity Plan (BCP) was documented. Upon request of the BCP, Sound Transit IT personnel clarified that a BCP has not been documented. Upon further inquiry, Sound Transit management further explained that a plan is under development in response to internal audit findings issued in 2024 and 2025, with an anticipated completion date of December 31, 2026.

Sound Transit personnel stated that the organization undergoes periodic ISO 9000/ISO 9001 quality management audits and that no findings have been issued related to business continuity or disaster recovery planning. However, ISO 9000/ISO 9001 standards pertain primarily to quality management systems and do not establish requirements for a Business Continuity Management System (BCMS). While Sound Transit maintains a documented Disaster Recovery Plan (DRP), the plan does not address information technology recovery processes. Sound Transit's internal audit report in 2024 recommended that a BCP be developed as an advisory comment. However, in 2025, the internal audit report raised the absence of a BCP to a deficiency to be corrected by December 31, 2026.

With respect to data protection and system recovery, Sound Transit IT personnel stated that Cohesity DataProtect is used in a two-tier backup configuration. On-premises data is fully backed up every 24 hours and replicated to Microsoft Azure. Backups operate continuously, with full backups performed every 24 hours. Backup restoration procedures are tested during an annual restoration exercise. Sound Transit maintains a contract with Microsoft for Azure backup services and uses Microsoft SharePoint for working and other files under the Azure agreement.

## SIGNIFICANT DEFICIENCIES

The backup process is automated, and backup configurations for the financial and grant management systems were reviewed and confirmed to be consistent with documented backup policies and procedures. Evidence supporting periodic restoration testing in accordance with established backup policy requirements were reviewed. No exceptions were identified with respect to backup execution or restoration testing.

Based on the documentation reviewed, the IT department has established and implemented adequate procedures for file backup and data restoration. However, backup and recovery processes alone do not constitute a comprehensive Business Continuity or Business Contingency capability. They do not address broader operational continuity requirements, including governance, identification of critical functions, defined recovery time objectives, business process continuity strategies, crisis management protocols, or enterprise-wide coordination during disruptive events.

A BCMS provides the overarching governance framework through which an organization identifies, prepares for, responds to, and recovers from disruptive events. The BCMS establishes policy; defines roles and responsibilities; requires risk assessments and business impact analyses; and mandates testing, maintenance, and continuous improvement. Within this framework, continuity and recovery plans are developed, coordinated, and maintained to ensure an organized and effective response to disruptions.

The BCP is a core component of the BCMS and focuses on maintaining or rapidly resuming critical business operations during a disruption. The BCP identifies essential processes, establishes recovery priorities and recovery time objectives, and defines operational strategies and communication protocols necessary to sustain services until normal operations are restored.

The DRP supports the BCP by addressing the recovery of information technology systems, applications, data, and infrastructure that enable critical business functions. The DRP outlines technical recovery procedures, system restoration priorities, and coordination with third-party service providers to ensure that technology capabilities are restored within timeframes aligned with business continuity requirements.

Contingency plans complement both the BCP and DRP by documenting predefined response actions for specific scenarios or operational risks. These plans provide tactical guidance for localized or short-term disruptions and are intended to be activated within the broader BCMS framework.

Together, the BCMS, BCP, DRP, and contingency plans form an integrated resilience structure. For entities administering federal awards, such a structure is critical to safeguarding federal award data, maintaining system availability, protecting financial and grant management processes, and ensuring continued compliance with federal requirements during and after disruptive events. Without a formal BCMS and supporting continuity plans, the organization lacks a comprehensive framework to ensure sustained operations and protection of federally funded programs in the event of significant disruption.

## SIGNIFICANT DEFICIENCIES

### Recipient's Response

Sound Transit partially agrees with the audit report finding.

### **Management Response / Action Plan:**

Sound Transit appreciates the review and identification of areas for continuous improvement. Agency Safety and IT Management also agree that at the time of the review, the agency Business Continuity Plan was under development but not signed nor fully in place.

The Reviewers point to two concerns documented as part of the discussion with regards to IT Management's statements. Sound Transit agrees that the Business Continuity Plan was not in place, but disagrees that IT Management stated that we had a Business Continuity Plan, nor pointed to the agency's quality management system ISO 9000/ISO 9001. In terms of applicable controls context, IT Management referenced use of an Information Security Management System (ISMS) that followed ISO 27001, with periodic audits conducted by third party auditors. IT Management also noted that Sound Transit has a Technology Resilience function that operates in support of the ISMS, to address the ISO 27001 A.17 "Information security aspects of business continuity management" control objective. These statements demonstrate the agency plan for restoration of technology that will ultimately play a part of the overall Business Continuity Management System.

The agency Continuity Plan was signed on February 17, 2026. This is the base plan and the beginning of the agency Continuity Program that will provide a formal Business Continuity Management System (BCMS) equivalent set up that is aligned with recognized standards (e.g., ISO 22301-2019 or equivalent). Planning and development of Divisional/Departmental annexes that will cover the specific roles, responsibilities, and actions for each division has begun and will include review and partnership with the IT team. The FEMA continuity planning course was held for continuity planners delegated to work on the development of these plans and the continuity management course was held in March.

Development of the annexes will begin with a template and work backward from there to identify and document essential functions of the agency and divisions. Business processes, impacts and vulnerabilities, and recovery times for the essential functions will be determined along with gaps in ideal recovery times and actual capabilities.

After the completion of the plan's annexes, a training and exercise program will be introduced to ensure that all ST personnel understand their roles during planned or unplanned events that impact ST services. The exercise program will be incorporated into existing ST exercises along with continuity-specific exercises.

The Agency Continuity Plan, including annexes and the training and exercise program are Sound Transit Safety controlled documents that require periodic reviews every two years. These documents can be updated prior to the two-year periodic review cycle as needed to document changes in operations, systems and risk profile.

## SIGNIFICANT DEFICIENCIES

### **Timeline for Corrective Action:**

The annexes along with an updated version of the Agency Continuity Plan inclusive of all Business Continuity Management System minimum requirements is scheduled and on track to be complete and published in December 2026. The review and maintenance schedule for the Agency Continuity Plan and annexes thereafter is every two years.

### Evaluation of Recipient's Response

The recipient's response is considered to be adequate.

## SIGNIFICANT DEFICIENCIES

### 3. Sound Transit's Enforcement of Procurement Documentation and Approval Controls in Accordance with Established Policies and Procedures for Federal Awards Was Ineffective.

#### Condition

Sound Transit's procurement files contained incomplete or unclear supporting documentation, including incomplete forms, and unclear evidence of supervisory review. One procurement file was incorrectly identified as being a "piggyback" and lacked a clearly documented procurement history. Although procurement activities were generally performed, direct reviews and approvals were not consistently applied or documented.

#### Standard(s) Impacted

**2 CFR § 200.303, *Internal Control*.**

The recipient and subrecipient must:

- (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in "Standards for Internal Control in the Federal Government" issued by the Comptroller General of the United States or the "Internal Control-Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- (c) Evaluate and monitor the recipient's or subrecipient's compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified.
- (e) Take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

**2 CFR § 200.318, *General procurement standards*.**

- (a) Documented procurement procedures. The recipient or subrecipient must maintain and use documented procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services.

## SIGNIFICANT DEFICIENCIES

These documented procurement procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in §§ 200.317 through 200.327....(i)The recipient or subrecipient must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.

### **FTA C 4220.1G Chapter I (8),(5)(s), *Introduction and Role of the Federal Transit Administration.***

***Joint Procurement*** (sometimes called “cooperative procurement”) means a method of contracting in which two or more purchasers agree from the outset to use a single solicitation document and enter into a single contract with a vendor for delivery of property or services in a fixed quantity, even if expressed as a total minimum and total maximum. Unlike a State or local government purchasing schedule or contract, a joint procurement is not drafted for the purpose of accommodating the needs of other parties that may later choose to participate in the benefits of that contract.

This circular prefers the term joint procurement to avoid confusion with the U.S. General Services Administration’s (GSA) “Cooperative Purchasing Program” and with similar State or local government purchasing programs that the State or local government might refer to as “cooperative.””

***State or Local Government Purchasing Schedule or Purchasing Contract*** means a procurement framework established by a State or local government with multiple vendors. Under this framework, vendors commit to providing an option for the State or local government, along with its subordinate entities and any other participants designated in its program, to procure specified goods or services in the future at pre-established prices. These frameworks bear resemblance to the GSA’s Cooperative Purchasing Program but are specifically designed for State and local government use. While ‘cooperative’ is sometimes used to describe these arrangements due to their similarities to the GSA’s Cooperative Purchasing Program, it is important to differentiate these from ‘Joint Procurement’ as delineated in this chapter.

### **FTA Circular 4220.1G Chapter III 3(d)(1-2), *The Recipient’s Responsibility - Third Party Contracting Capacity - Record Keeping - Procurement History.***

- d. **Record Keeping.** Under 2 CFR 200.334 – 200.338 and the FTA Master Agreement § 9, recipients must prepare and maintain detailed and accessible project performance and financial records, including procurement transactions and other project implementation aspects. Records must be retained for three years after final payment and closure of all pending matters.

## SIGNIFICANT DEFICIENCIES

- (1) Procurement History. Recipients must maintain records sufficient to detail the history of each procurement and, upon request, make them available to FTA. Under 2 CFR 200.318(i), these records must include at a minimum:
  - (a) Procurement Method. Recipients must document the rationale for the procurement method used for each contract. If the recipient awarded a contract without competition, its records must document the circumstances that justified the noncompetitive award. See 2 CFR 200.320(c) for specific information regarding noncompetitive procurements.
  - (b) Contract Type. The recipient's records must document its rationale for selecting the contract type it used (fixed price, cost reimbursement, and so forth).
  - (c) Contractor Selection. Justifications for contractor selection or rejection, especially for noncompetitive awards, are required. For procurements above the simplified acquisition threshold, a written responsibility determination for the chosen contractor should be included.
  - (d) Cost or Price. Each recipient must evaluate and state its justification for the contract cost or price.
- (2) Reasonable Documentation. FTA recognizes that these written records will vary greatly for different procurements. Documents included in a procurement history should be commensurate with the size and complexity of the procurement itself. Procurements that are more substantial should require extensive documentation. For example, a receipt or bill accompanying a \$100 credit card purchase might contain all the required information to support that procurement.

**FTA C 4220.1G Chapter VI (3)(h)(1)(e)(1) *Procedural Guidance for Open Market Procurements – Methods of Procurement – Other Than Full and Open Competition – As Authorized by FTA – Team, Consortium, Joint Venture, or Partnership.***

When FTA awards a grant agreement or enters into a cooperative agreement with a team, consortium, joint venture, or partnership, or provides FTA assistance for a research project in which FTA has approved the participation of a particular firm or combination of firms in the project work, the grant agreement or cooperative agreement constitutes approval of those arrangements. Typically, this occurs in FTA's discretionary funding programs. In such cases, the recipient must adhere to competition requirements to select other contractors. The recipient should be explicit

## SIGNIFICANT DEFICIENCIES

in its application whether it is applying as part of a team, the members of the team, their commitment to the project, and each member's role. Because FTA awards funding to such applications based on the strength of the team, the withdrawal of a team member may be cause for FTA to terminate the award.

### **FTA C 4220.1G Chapter V 8(b), *Sources – Existing Contracts (Assignments) – Assignments Permitted.***

When a recipient finds it has unintentionally acquired contract rights, including unexercised options, in excess of its needs, other recipients may make use of the unneeded contract rights via assignment. This practice is sometimes referred to as the assignee-recipient "piggybacking" on the assignor-recipient's contract. See FTA's "Best Practices Procurement & Lessons Learned Manual" for further information about procurements through assignment of another's contract rights.

#### Recommendation(s)

Sound Transit should complete the following within 120 days from the date of the Final Report:

1. Provide targeted training to procurement staff and supervisors on the Federal Transit Administration (FTA) *Best Practices Procurement Guide* and ensure its guidance is consistently applied throughout the procurement process.
2. Ensure that all required procurement forms are fully completed and that any non-applicable fields are clearly marked as "N/A" to demonstrate documentation completeness and clarity.
3. Establish, document, and consistently apply a defined process for Independent Cost Estimate (ICE) review and approval, including retention of evidence of supervisory review and approval within the procurement file.
4. Require completion of the "Rationale" section within the Requisition Approval process or formally revise the requisition form to remove this section if it is not applicable.
5. Provide training to procurement staff and supervisors on the distinctions between piggyback procurements, state or local government purchasing schedule or purchasing contract, and cooperative agreement purchases, including correct identification and documentation of the procurement method used.
6. Conduct post-award periodic random supervisory reviews of procurement files across all dollar thresholds to verify documentation completeness, proper approvals, and a clearly documented procurement history.

#### Discussion

Nine Federal Transit Administration (FTA)-funded procurement files were reviewed to assess compliance with Sound Transit's procurement policies and procedures and applicable federal

## SIGNIFICANT DEFICIENCIES

procurement requirements. Of the nine procurements reviewed, eight generally complied with FTA requirements and generally aligned with Sound Transit's policies and procedures. Five of the nine procurements were appropriately reviewed, approved, and adequately documented, demonstrating compliance with applicable requirements for the procurement methods used.

The five adequately documented procurement files contained sufficient documentation of the procurement history, including the procurement method and contract type, contractor selection and responsibility determinations, verification that contractors were not suspended or debarred, required lobbying disclosures, and support for contract cost or price reasonableness.

However, four of the nine procurement files reviewed did not contain adequate documentation to demonstrate compliance with Sound Transit's policies and procedures. Specifically, these files lacked evidence of review and approval for the related Independent Cost Estimate (ICE) process. Procurement staff acknowledged that Sound Transit procurement policies and procedures were not followed in these instances.

In addition, review of eight of the nine procurement files determined that the Requisition Approval rationale section was not completed, limiting the ability to demonstrate that supervisory review and approval were consistently performed and documented in accordance with Sound Transit requirements.

One procurement file reviewed exhibited more significant documentation deficiencies than the other eight samples selected. The procurement was identified by Sound Transit as an FTA-funded procurement at the time the sample population was provided and was therefore selected for review. The procurement was initiated on March 14, 2025, for the purchase of snow removal equipment totaling \$15,344.22, and was initially described by Sound Transit as a piggyback procurement.

Review of the procurement file determined that the supporting documentation was incomplete, inconsistent, and poorly organized, and did not clearly identify the procurement method used or sufficiently documented the procurement process performed. Although procurement staff initially stated that the transaction was a piggyback procurement using a State of Minnesota contract, review of the documentation determined that the procurement was more accurately classified as a state or local government purchasing schedule or purchasing contract.

The procurement summary documentation did not align with the supporting materials provided, and the procurement history was not sufficiently documented to demonstrate compliance with Sound Transit's policies and procedures. Procurement staff stated that the contract specialist responsible for this procurement was new at the time and that additional training and supervisory oversight had since been implemented.

During the review process and in response to questions regarding the adequacy of the documentation, Sound Transit stated that federal funds would no longer be drawn for this procurement and that other funding sources would be used instead. However, because the

## SIGNIFICANT DEFICIENCIES

procurement was initially intended to be FTA-funded and was identified by Sound Transit as such, it remained subject to applicable federal and internal procurement requirements at the time it was conducted. It was noted that no federal funds had yet been drawn down related to this procurement.

Removing a procurement from federal funding after the fact does not negate the requirement that procurement activities be performed in accordance with established Sound Transit policies and procedures. All procurements, regardless of funding source, are required to adhere to the same documentation, review, and approval standards to ensure consistency, transparency, and effective internal control.

The documentation deficiencies identified in this procurement reflect weaknesses in the execution of established procurement controls, including supervisory review and documentation standards, rather than deficiencies in policy design.

### Recipient's Response

Sound Transit agrees with the audit report finding.

Sound Transit's Procurement, Contracts and Agreements (PCA) Management appreciates the time and effort invested by the Reviewers in identifying areas of concern and providing recommendations.

We acknowledge that several files reviewed contained documentation gaps, particularly around supervisory review and procurement history. However, we would like to clarify that one of the procurements receiving heightened scrutiny was valued at approximately \$16,000 — below the Simplified Acquisition Threshold. This dollar range is intentionally used as a training ground for junior staff, and while the documentation may not have been perfect, we believe the level of review and oversight applied was appropriate for the size and complexity of the procurement. While we do not agree that the deficiencies noted are significant, we remain committed to reinforcing training and supervision in this area.

Regarding the procurement that was later removed from federal funding, we understood — based on auditor guidance at the time — that if federal funds had not yet been drawn, the procurement could be removed from the federal portfolio. We apologize if this interpretation was incorrect and appreciate the clarification. We will ensure future funding decisions are clearly documented and aligned with applicable requirements.

We also appreciate the feedback regarding the Requisition Approval rationale section. This section is designed as a checkbox for Contract Specialists to document a fair and reasonable determination when a Procurement Summary Memo (PSM) is not present. To improve clarity and consistency, we will revise our procedures to require completion of this section only in the absence of a PSM.

## SIGNIFICANT DEFICIENCIES

We appreciate the opportunity to strengthen our practices and reinforce our commitment to transparency, consistency, and continuous improvement.

### **Action Plan for Implementation:**

PCA Management will:

1. Develop and implement a plan to provide targeted staff training on key areas of the FTA Best Practices Procurement Guide with emphasis on documentation standards and procurement method distinctions (including the distinction between piggyback procurements and cooperative agreements).
2. Ensure all required procurement forms are fully completed, with non-applicable fields clearly marked “N/A.”
3. Establish and document a consistent Independent Cost Estimate (ICE) review and approval process.
4. Revise the Requisition Approval rationale section to clarify its use and ensure it is completed when a PSM is not present.
5. Conduct periodic post-award supervisory reviews across all dollar thresholds to verify documentation completeness and proper approvals.

### **Timeline for Corrective Action:**

The Action Plan will be completed within 120 days from the date of the Final Report.

### Evaluation of Recipient’s Response

The recipient’s response is considered to be adequate.

**SECTION IV**

**ADVISORY COMMENTS**

## ADVISORY COMMENTS

For purposes of this review, an advisory comment represents a minor control deficiency in the design or operation of the financial management system that is not significant enough to adversely affect Sound Transit's ability to record, process, summarize, and report financial and related data consistent with the requirements of [2 CFR § Part 200.302](#).

The advisory comments presented in this section represent matters that came to our attention during the course of the review and are offered to Sound Transit's management as an opportunity for improvement. The advisory comments are provided along with recommendations and discussion of the significance of the comments.

## ADVISORY COMMENTS

### **1. Sound Transit Should Ensure that Vehicle Title Information for FTA-funded Vehicles Is Maintained in Its Financial Management System**

#### Condition

During testing to confirm that Sound Transit holds title to FTA-funded vehicles, Sound Transit provided a listing of FTA-funded vehicles from its financial accounting system. Of the 15 vehicles selected for testing, we were able to confirm that Sound Transit holds title to each vehicle; however, the accounting system records were incomplete. Specifically, the data field indicating possession of title was left blank for 5 of the 15 vehicles tested. We subsequently reviewed the full listing of 242 FTA-funded vehicles and noted that 93 vehicles had incomplete information in the title possession field. Recipient management stated that the missing information was the result of the field being left blank during data entry.

#### Recommendation(s)

Sound Transit should implement procedures to ensure that all required fields within the financial accounting system are completed accurately and consistently. This should include a review of existing records to verify completeness and the establishment of controls to prevent incomplete data entry in the future.

#### Discussion

For all required fields, postings from the fixed asset module in the financial accounting system were traced to the grants management and project management systems to verify that assets were recorded in the fixed asset ledger in an accurate, timely, and complete manner. No exceptions were identified as a result of these procedures.

However, for 93 FTA-funded vehicles, the financial accounting system field used to indicate whether Sound Transit holds title to the vehicles was blank. Upon inquiry, Sound Transit management acknowledged the matter and stated that efforts were underway to complete the missing data fields. Management indicated that the incomplete information resulted from the field being left blank during data entry. Management also was able to evidence that Sound Transit holds title to the FTA-funded vehicles. We also understand that Sound Transit is currently reviewing information in the current financial management system for a potential future change in systems away from JD Edwards (also known as E1).

## ADVISORY COMMENTS

### 2. Sound Transit Used a Fringe Benefit Rate that Increased by More Than 20% Prior to Obtaining FTA Approval for the Revised Rate

#### Condition

Sound Transit charged FTA a fringe benefit rate that had increased by more than 20% from the most recently approved fringe benefit rate.

#### Recommendation(s)

Sound Transit should ensure that all indirect and fringe benefit rates are appropriately approved by the FTA before charging to federal awards.

#### Discussion

##### *Indirect Cost Rate:*

Sound Transit does not currently charge indirect costs. As of the date of this review, a Cost Allocation Plan/Indirect Cost Rate Proposal (CAP/ICRP) has been submitted for review and approval of an indirect cost rate.

##### *Fringe Benefit Rate:*

Sound Transit received FTA approval of a fringe benefit rate in 2015 at 61.0%. In subsequent years, Sound Transit applied carry-forward adjustments to the originally approved rate. In 2025, Sound Transit submitted a proposed fringe benefit rate of 76.87%, representing an increase of more than 20% over the 2015 approved rate.

An ECHO draw was selected to test the fringe benefit rate charged. The calculated fringe benefit rate applied to the selected draw was 75.07%, representing a 26.02% increase over the 2015 approved rate. Discussions were held with Sound Transit staff regarding the increase, and a copy of the Fringe Benefit Provisional Rate approval was requested. Sound Transit provided a letter notifying the FTA of its intent to use the proposed rate; however, a provisional rate approval from the FTA was not available at the time of review. On December 10, 2025, Sound Transit advised the testing team that a request for provisional fringe benefit rate approval had been submitted to the FTA.

With respect to the calculation of the 75.07% rate, Sound Transit staff reviewed the transaction and demonstrated that the rate applied in the original entry was based on current-month activity and subsequently adjusted upward or downward based on revised calculations. No exceptions were noted with respect to the recalculation methodology. However, an exception was noted regarding the use of the 2025 fringe benefit rate, because the rate of 75.07% represents an increase of more than 20% since FTA's last approved fringe benefit rate, and this new rate has not received FTA approval.

## ADVISORY COMMENTS

### **3. Sound Transit Did Not Report Unliquidated Obligations in the Federal Financial Report on One Award**

#### Condition

Of the 11 awards selected for testing, for 1 award (specifically WA-2019-001), the Unliquidated Obligation (ULO) amount did not agree between the recipient records and the Federal Financial Report (FFR) in the Transit Award Management System (TrAMS) and the ULO listed in Sound Transit's documentation.

#### Recommendation(s)

Sound Transit should, going forward, report the ULO amount consistent with its supporting documentation to accurately reflect outstanding obligations and the remaining federal share available for drawdown.

#### Discussion

For 1 of 11 awards selected for testing (specifically WA-2019-001), the Unliquidated Obligation (ULO) amount did not agree between the FFR in TrAMS and the ULO reflected in Sound Transit's supporting documentation. Sound Transit's award FFR supporting documentation package (page 2) reported unliquidated obligations of \$9,285,679, whereas the filed FFR in TrAMS reflected a ULO balance of \$0.

Based on discussions with Sound Transit's personnel, the amount was not entered on the Federal line of the FFR because the award was overmatched, and entering the ULO would have resulted in a negative balance on Sound Transit's share, which the system does not permit. The supporting documentation provided by Sound Transit confirmed the federal share of Sound Transit's award available to be drawn down.

## ADVISORY COMMENTS

### **4. Sound Transit Should Consider Full Bi-Annual Wall-to-Wall Counts for Spare Parts**

Sound Transit does not conduct bi-annual wall-to-wall inventory counts of spare parts.

#### Recommendation(s)

As best practice, Sound Transit should conduct a comprehensive, wall-to-wall inventory of spare parts at least bi-annually.

#### Discussion

Sound Transit currently performs cycle counts of spare parts but does not currently perform a regularly scheduled annual or bi-annual wall-to-wall inventory count of spare parts. Upon further inquiry, management stated that they were currently in the process of an initial wall-to-wall inventory. As of February 20, 2026, during the exit conference, management reported that the wall-to-wall inventory was completed. Management also stated they are considering bi-annual wall-to-wall inventory counts. While a wall-to-wall inventory of spare parts is not required, performing such inventories on a regularly scheduled basis is considered best practice and would enhance inventory oversight and internal control.

**SECTION V**

**SUMMARY OF FINDINGS**

## SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Material Weaknesses	None of the matters identified during the review were considered to be a material weakness in Sound Transit’s financial Management system.			
Significant Deficiency 1	<b>Sound Transit did not maintain adequate Physical Controls for the Protection of Information Technology Assets Containing Federal Award Data.</b>	<ul style="list-style-type: none"> <li>• 2 CFR §§200.303 Internal Controls</li> <li>• FTA Circular 5010.1F Recipient Obligations Award Management Requirements</li> <li>• FTA Circular 5010.1F Chapter VI (2)(a)(2) Financial Management Internal Controls</li> <li>• FTA Circular 5010.1F Chapter VI (2)(f) Financial Management Internal Controls Necessary Elements.</li> </ul>	<p>Sound Transit should complete the following within 180 days from the date of the Final Report:</p> <ol style="list-style-type: none"> <li>1. Install physical access barriers (e.g., locked rooms, cages, or secured enclosures) and equipment locking mechanisms to prevent unauthorized access to, removal of, or tampering with, information technology hardware supporting federal awards.</li> </ol>	Within 180 days from the date of receipt of this report.
Significant Deficiency 2	<b>Sound Transit did not establish a Business Continuity Plan (BCP) to safeguard federal awards, assets, and investment and to</b>	<ul style="list-style-type: none"> <li>• 2 CFR § 200.302 Financial Management</li> <li>• 2 CFR §§ 200.303, Internal Controls</li> </ul>	<p>Sound Transit should complete the following by December 31, 2026</p> <ol style="list-style-type: none"> <li>1. Management will design, implement, document, and maintain a formal Business Continuity Management System (BCMS) to ensure the organization’s ability to continue critical operations during and after disruptive</li> </ol>	By December 31, 2026.

**SUMMARY OF FINDINGS**

<b>Finding Reference</b>	<b>Finding</b>	<b>Standards Impacted</b>	<b>Recommendation(s)</b>	<b>Corrective Action Implementation Date</b>
	<b>ensure continuity of transit services.</b>		<p>events. The BCMS should be aligned with recognized standards (e.g., ISO 22301-2019 or equivalent) and include, at a minimum, the following core components:</p> <ul style="list-style-type: none"> <li>a. Business Continuity Plan (BCP): A documented plan that identifies critical business functions, defines recovery time objectives, outlines continuity strategies, and establishes roles, responsibilities, and communication protocols to sustain operations during disruptions.</li> <li>b. Disaster Recovery Plan (DRP): A documented and tested plan focused on the recovery and restoration of information systems, applications, and infrastructure necessary to support critical business processes following a disaster or major system outage.</li> <li>c. Governance, periodic testing, training, maintenance, and regular updates to reflect changes in operations, systems, and risk profiles.</li> </ul>	

**SUMMARY OF FINDINGS**

<b>Finding Reference</b>	<b>Finding</b>	<b>Standards Impacted</b>	<b>Recommendation(s)</b>	<b>Corrective Action Implementation Date</b>
<p>Significant Deficiency 3</p>	<p><b>Sound Transit’s enforcement of procurement documentation and approval controls in accordance with established policies and procedures for federal awards was ineffective.</b></p>	<ul style="list-style-type: none"> <li>• 2 CFR § 200.303, Internal Control.</li> <li>• 2 CFR § 200.318, General procurement standards.</li> <li>• FTA C 4220.1G Chapter I (8)(5)(s) Introduction and Role of the Federal Transit Administration.</li> <li>• FTA Circular 4220.1G Chapter III 3(d) (1-2), The Recipient’s Responsibility - Third Party Contracting Capacity - Record Keeping - Procurement History.</li> <li>• FTA C 4220.1G Chapter VI (3)(h)(1)(e)(1) Procedural Guidance for Open Market Procurements – Methods of Procurement – Other Than Full and Open Competition – As</li> </ul>	<p>Sound Transit should complete the following within 120 days from the date of the Final Report:</p> <ol style="list-style-type: none"> <li>1. Provide targeted training to procurement staff and supervisors on the Federal Transit Administration (FTA) <i>Best Practices Procurement Guide</i> and ensure its guidance is consistently applied throughout the procurement process.</li> <li>2. Ensure that all required procurement forms are fully completed and that any non-applicable fields are clearly marked as “N/A” to demonstrate documentation completeness and clarity.</li> <li>3. Establish, document, and consistently apply a defined process for Independent Cost Estimate (ICE) review and approval, including retention of evidence of supervisory review and approval within the procurement file.</li> <li>4. Require completion of the “Rationale” section within the Requisition Approval process or formally revise the requisition form to remove this section if it is not applicable.</li> <li>5. Provide training to procurement staff and supervisors on the distinctions between</li> </ol>	<p>Within 120 days from the date of receipt of this report.</p>

**SUMMARY OF FINDINGS**

<b>Finding Reference</b>	<b>Finding</b>	<b>Standards Impacted</b>	<b>Recommendation(s)</b>	<b>Corrective Action Implementation Date</b>
		<p>Authorized by FTA – Team, Consortium, Joint Venture, or Partnership.</p> <ul style="list-style-type: none"> <li>FTA C 4220.1G Chapter V 8(b), Sources – Existing Contracts (Assignments) – Assignments Permitted.</li> </ul>	<p>piggyback procurements, state or local government purchasing schedule or purchasing contract, and cooperative agreement purchases, including correct identification and documentation of the procurement method used.</p> <p>6. Conduct periodic random supervisory reviews of procurement files across all dollar thresholds to verify documentation completeness, proper approvals, and a clearly documented procurement history.</p>	
Advisory Comment 1	<b>Sound Transit should ensure that vehicle title information for FTA-funded vehicles is maintained in its financial management system.</b>	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	Sound Transit should implement procedures to ensure that all required fields within the financial accounting system are completed accurately and consistently. This should include a review of existing records to verify completeness and the establishment of controls to prevent incomplete data entry in the future.	Not applicable.
Advisory Comment 2	<b>Sound Transit used a fringe benefit rate that increased by more than 20% prior to obtaining FTA approval for the revised rate.</b>	<ul style="list-style-type: none"> <li>Not applicable.</li> </ul>	Sound Transit should ensure that all indirect and fringe benefit rates are appropriately approved by the FTA before charging federal awards.	Not applicable.

## SUMMARY OF FINDINGS

Finding Reference	Finding	Standards Impacted	Recommendation(s)	Corrective Action Implementation Date
Advisory Comment 3	<b>Sound Transit did not report unliquidated obligations in the Federal Financial Report on one award.</b>	<ul style="list-style-type: none"> <li>• Not applicable.</li> </ul>	Sound Transit should, going forward, report the ULO amount consistent with its supporting documentation to accurately reflect outstanding obligations and the remaining federal share available for drawdown.	Not applicable.
Advisory Comment 4	<b>Sound Transit should consider full bi-annual wall-to-wall counts for spare parts.</b>	<ul style="list-style-type: none"> <li>• Not applicable.</li> </ul>	As best practice, Sound Transit should conduct a comprehensive, wall-to-wall inventory of spare parts at least bi-annually.	Not applicable.

**SECTION VI**

**CRITERIA ESTABLISHED BY THE FTA FOR RECIPIENTS' FINANCIAL  
MANAGEMENT SYSTEMS**

## CRITERIA ESTABLISHED BY THE FTA FOR RECIPIENTS' FINANCIAL MANAGEMENT SYSTEMS

The following criteria have been set forth by the Federal Transit Administration (FTA) as standards for the financial management systems of FTA recipients. The criteria for grants awarded or modified on or after December 26, 2014, are located in [2 CFR § Part 200](#), *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Additional guidance for applying many of these criteria is provided in various circulars issued by the FTA, U.S. Department of Treasury, and the Office of Management of Budget (OMB).

### **2 CFR § 200.302, *Financial Management*.**

- (a) Each State must expend and account for the Federal award in accordance with State laws and procedures for expending and accounting for the State's funds. All recipient and subrecipient financial management systems, including records documenting compliance with Federal statutes, regulations, and the terms and conditions of the Federal award, must be sufficient to permit the preparation of reports required by the terms and conditions; and tracking expenditures to establish that funds have been used in accordance with Federal statutes, regulations, and the terms and conditions of the Federal award. See [§ 200.450](#).
- (b) The recipient's and subrecipient's financial management system must provide for the following (see [§§ 200.334](#), [200.335](#), [200.336](#), and [200.337](#)):
  - (1) Identification of all Federal awards received and expended and the Federal programs under which they were received. Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number, year the Federal award was issued, and name of the Federal agency or pass-through entity.
  - (2) Accurate, current, and complete disclosure of the financial results of each Federal award or program in accordance with the reporting requirements in [§§ 200.328](#) and [200.329](#). When a Federal agency or pass-through entity requires reporting on an accrual basis from a recipient or subrecipient that maintains its records other than on an accrual basis, the recipient or subrecipient must not be required to establish an accrual accounting system. This recipient or subrecipient may develop accrual data for its reports based on an analysis of the documentation on hand.
  - (3) Maintaining records that sufficiently identify the amount, source, and expenditure of Federal funds for Federal awards. These records must contain information necessary to identify Federal awards, authorizations, financial obligations, unobligated balances, as well as assets, expenditures, income, and interest. All records must be supported by source documentation.

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- (4) Effective control over and accountability for all funds, property, and assets. The recipient or subrecipient must safeguard all assets and ensure they are used solely for authorized purposes. See [§ 200.303](#).
- (5) Comparison of expenditures with budget amounts for each Federal award.
- (6) Written procedures to implement the requirements of [§ 200.305](#).
- (7) Written procedures for determining the allowability of costs in accordance with subpart E and the terms and conditions of the Federal award.

**2 CFR § 200.303, *Internal Controls*.**

- (a) The recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- (c) Evaluate and monitor the recipient’s or subrecipient’s compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified.
- (e) The recipient must take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

**2 CFR § 200.318, *General procurement standards*.**

- (a) *Documented procurement procedures*. The recipient or subrecipient must maintain and use documented procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services. These documented

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procurement procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in §§ [200.317](#) through [200.327](#).

- (b) *Oversight of contractors.* Recipients and subrecipients must maintain oversight to ensure that contractors perform in accordance with the terms, conditions, and specifications of their contracts or purchase orders. See also [§ 200.501\(h\)](#).
- (c) *Conflicts of interest.*
- (1) The recipient or subrecipient must maintain written standards of conduct covering conflicts of interest and governing the actions of its employees engaged in the selection, award, and administration of contracts. No employee, officer, agent, or board member with a real or apparent conflict of interest may participate in the selection, award, or administration of a contract supported by the Federal award. A conflict of interest includes when the employee, officer, agent, or board member, any member of their immediate family, their partner, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in or a tangible personal benefit from an entity considered for a contract. An employee, officer, agent, and board member of the recipient or subrecipient may neither solicit nor accept gratuities, favors, or anything of monetary value from contractors. However, the recipient or subrecipient may set standards for situations where the financial interest is not substantial or a gift is an unsolicited item of nominal value. The recipient's or subrecipient's standards of conduct must also provide for disciplinary actions to be applied for violations by its employees, officers, agents, or board members.
  - (2) If the recipient or subrecipient has a parent, affiliate, or subsidiary organization that is not a State, local government, or Indian Tribe, the recipient or subrecipient must also maintain written standards of conduct covering organizational conflicts of interest. Organizational conflicts of interest mean that because of relationships with a parent company, affiliate, or subsidiary organization, the recipient or subrecipient is unable or appears to be unable to be impartial in conducting a procurement action involving a related organization.
- (d) *Avoidance of unnecessary or duplicative items.* The recipient's or subrecipient's procedures must avoid the acquisition of unnecessary or duplicative items. Consideration should be given to consolidating or breaking out procurements to obtain a more economical purchase. When appropriate, an analysis should be made between leasing and purchasing property or equipment to determine the most economical approach.
- (e) *Procurement arrangements using strategic sourcing.* When appropriate for the procurement or use of common or shared goods and services, recipients and subrecipients

## CRITERIA ESTABLISHED BY THE FTA FOR RECIPIENTS' FINANCIAL MANAGEMENT SYSTEMS

are encouraged to enter into State and local intergovernmental agreements or inter-entity agreements for procurement transactions. These or similar procurement arrangements using strategic sourcing may foster greater economy and efficiency. Documented procurement actions of this type (using strategic sourcing, shared services, and other similar procurement arrangements) will meet the competition requirements of this part.

- (f) *Use of excess and surplus Federal property.* The recipient or subrecipient is encouraged to use excess and surplus Federal property instead of purchasing new equipment and property when it is feasible and reduces project costs.
- (g) *Use of value engineering clauses.* When practical, the recipient or subrecipient is encouraged to use value engineering clauses in contracts for construction projects of sufficient size to offer reasonable opportunities for cost reductions. Value engineering means analyzing each contract item or task to ensure its essential function is provided at the overall lowest cost.
- (h) *Responsible contractors.* The recipient or subrecipient must award contracts only to responsible contractors that possess the ability to perform successfully under the terms and conditions of a proposed contract. The recipient or subrecipient must consider contractor integrity, public policy compliance, proper classification of employees (see the Fair Labor Standards Act, [29 U.S.C. 201](#), chapter 8), past performance record, and financial and technical resources when conducting a procurement transaction. See also [§ 200.214](#).
- (i) *Procurement records.* The recipient or subrecipient must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.
- (j) *Time-and-materials type contracts.*
  - (1) The recipient or subrecipient may use a time-and-materials type contract only after a determination that no other contract is suitable and if the contract includes a ceiling price that the contractor exceeds at its own risk. Time-and-materials type contract means a contract whose cost to a recipient or subrecipient is the sum of:
    - (i) The actual cost of materials; and
    - (ii) Direct labor hours charged at fixed hourly rates that reflect wages, general and administrative expenses, and profit.
  - (2) Because this formula generates an open-ended contract price, a time-and-materials contract provides no positive profit incentive to the contractor for cost control or labor efficiency. Therefore, each contract must set a ceiling price that the contractor exceeds at its own risk. Further, the recipient or

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subrecipient awarding such a contract must assert a high degree of oversight to obtain reasonable assurance that the contractor is using efficient methods and effective cost controls.

(k) *Settlement of contractual and administrative issues.* The recipient or subrecipient is responsible for the settlement of all contractual and administrative issues arising out of its procurement transactions. These issues include, but are not limited to, source evaluation, protests, disputes, and claims. These standards do not relieve the recipient or subrecipient of any contractual responsibilities under its contracts. The Federal agency will not substitute its judgment for that of the recipient or subrecipient unless the matter is primarily a Federal concern. The recipient or subrecipient must report violations of law to the Federal, State, or local authority with proper jurisdiction.

(l) *Examples of labor and employment practices.*

(1) The procurement standards in this subpart do not prohibit recipients or subrecipients from:

- (i) Using Project Labor Agreements (PLAs) or similar forms of pre-hire collective bargaining agreements;
- (ii) (Requiring construction contractors to use hiring preferences or goals for people residing in high-poverty areas, disadvantaged communities as defined by the Justice40 Initiative (see OMB Memorandum M-21-28), or high-unemployment census tracts within a region no smaller than the county where a federally funded construction project is located. The hiring preferences or goals should be consistent with the policies and procedures of the recipient or subrecipient, and must not prohibit interstate hiring;
- (iii) Requiring a contractor to use hiring preferences or goals for individuals with barriers to employment (as defined in section 3 of the Workforce Innovation and Opportunity Act ([29 U.S.C. 3102\(24\)](#)), including women and people from underserved communities as defined by Executive Order 14091;
- (iv) Using agreements intended to ensure uninterrupted delivery of services; using agreements intended to ensure community benefits; or
- (v) Offering employees of a predecessor contractor rights of first refusal under a new contract.

**FTA Circular 5010.1F, *Recipient Obligations Award Management Requirements.***

## **CRITERIA ESTABLISHED BY THE FTA FOR RECIPIENTS' FINANCIAL MANAGEMENT SYSTEMS**

Recipients have a responsibility to comply with regulatory requirements and to be aware of all pertinent materials to assist in the management of their federally assisted awards. Recipients should familiarize themselves with all applicable legal authorities relevant to their transit operations and Federal awards.

### **FTA Circular 5010.1F Chapter VI (2)(a)(2), *Financial Management Internal Controls*.**

Internal controls are the processes, implemented by a recipient or subrecipient, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations, (2) reliability of reporting for internal and external use, and (3) compliance with applicable laws and regulation. Internal control over compliance requirements for the Federal award is the process implemented by a recipient or subrecipient designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards [and] (2) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

### **FTA Circular 5010.1F Chapter VI (2)(f), *Financial Management Internal Controls Necessary Elements*.**

The following objectives and standards facilitate the recipient's use of internal controls:

- (6) Reasonable assurance that internal controls are an integral part of the recipient's management systems;
- (7) Assignment of internal control functions to competent and qualified employees;
- (8) Identification of specific internal control objectives to ensure that needs are identified and that valid controls are planned and implemented;
- (9) Adoption of internal control policies, plans, and procedures that reasonably ensure their effectiveness, such as organizational separation of duties and physical arrangements (e.g., locks and fire alarms); and
- (10) Regular program of testing to identify vulnerabilities in the internal control system.

### **FTA C 4220.1G Chapter I (8),5 (s) *Introduction and Role of the Federal Transit Administration*.**

***Joint Procurement*** (sometimes called "cooperative procurement") means a method of contracting in which two or more purchasers agree from the outset to use a single solicitation document and enter into a single contract with a vendor for delivery of property or services in a fixed quantity, even if expressed as a total minimum and total maximum. Unlike a State or local government purchasing schedule or contract, a joint procurement is not drafted for the purpose of accommodating the needs of other parties that may later choose to participate in the benefits of that contract.

## CRITERIA ESTABLISHED BY THE FTA FOR RECIPIENTS' FINANCIAL MANAGEMENT SYSTEMS

This circular prefers the term joint procurement to avoid confusion with the U.S. General Services Administration's (GSA) "Cooperative Purchasing Program" and with similar State or local government purchasing programs that the State or local government might refer to as "cooperative."

***State or Local Government Purchasing Schedule or Purchasing Contract*** means a procurement framework established by a State or local government with multiple vendors. Under this framework, vendors commit to providing an option for the State or local government, along with its subordinate entities and any other participants designated in its program, to procure specified goods or services in the future at pre-established prices. These frameworks bear resemblance to the GSA's Cooperative Purchasing Program but are specifically designed for State and local government use. While "cooperative" is sometimes used to describe these arrangements due to their similarities to the GSA's Cooperative Purchasing Program, it is important to differentiate these from "Joint Procurement" as delineated in this chapter.

### **FTA Circular 4220.1G Chapter III 3(d) (1-2), *The Recipient's Responsibility - Third Party Contracting Capacity - Record Keeping - Procurement History.***

- e. **Record Keeping.** Under 2 CFR 200.334 – 200.338 and the FTA Master Agreement § 9, recipients must prepare and maintain detailed and accessible project performance and financial records, including procurement transactions and other project implementation aspects. Records must be retained for three years after final payment and closure of all pending matters.
- (3) **Procurement History.** Recipients must maintain records sufficient to detail the history of each procurement and, upon request, make them available to FTA. Under 2 CFR 200.318(i), these records must include at a minimum:
  - (a) **Procurement Method.** Recipients must document the rationale for the procurement method used for each contract. If the recipient awarded a contract without competition, its records must document the circumstances that justified the noncompetitive award. See 2 CFR 200.320(c) for specific information regarding noncompetitive procurements.
  - (b) **Contract Type.** The recipient's records must document its rationale for selecting the contract type it used (fixed price, cost reimbursement, and so forth).
  - (c) **Contractor Selection.** Justifications for contractor selection or

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rejection, especially for noncompetitive awards, are required. For procurements above the simplified acquisition threshold, a written responsibility determination for the chosen contractor should be included.

(d) Cost or Price. Each recipient must evaluate and state its justification for the contract cost or price.

(4) Reasonable Documentation. FTA recognizes that these written records will vary greatly for different procurements. Documents included in a procurement history should be commensurate with the size and complexity of the procurement itself. Procurements that are more substantial should require extensive documentation. For example, a receipt or bill accompanying a \$100 credit card purchase might contain all the required information to support that procurement.

**FTA C 4220.1G Chapter VI (3)(h)(1)(e)(1), *Procedural Guidance for Open Market Procurements – Methods of Procurement – Other Than Full and Open Competition – As Authorized by FTA – Team, Consortium, Joint Venture, or Partnership.***

When FTA awards a grant agreement or enters into a cooperative agreement with a team, consortium, joint venture, or partnership, or provides FTA assistance for a research project in which FTA has approved the participation of a particular firm or combination of firms in the project work, the grant agreement or cooperative agreement constitutes approval of those arrangements. Typically, this occurs in FTA's discretionary funding programs. In such cases, the recipient must adhere to competition requirements to select other contractors. The recipient should be explicit in its application whether it is applying as part of a team, the members of the team, their commitment to the project, and each member's role. Because FTA awards funding to such applications based on the strength of the team, the withdrawal of a team member may be cause for FTA to terminate the award.

**FTA C 4220.1G Chapter V 8(b), *Sources – Existing Contracts (Assignments) – Assignments Permitted.***

When a recipient finds it has unintentionally acquired contract rights, including unexercised options, in excess of its needs, other recipients may make use of the unneeded contract rights via assignment. This practice is sometimes referred to as the assignee-recipient "piggybacking" on the assignor-recipient's contract. See FTA's "Best Practices Procurement & Lessons Learned Manual" for further information about procurements through assignment of another's contract rights.

**SECTION VII**

**RECIPIENT'S RESPONSE (FULL TEXT)**



April 7, 2026

Susan Fletcher  
FTA Region 10 Regional Administrator  
Federal Transit Administration  
915 Second Avenue  
Federal Bldg. Suite 3192  
Seattle, WA, 98174-1002

**Subject: Financial Management Oversight Full Scope Review Draft Report Response**

Dear Ms. Fletcher

We welcomed the opportunity for a review of the Sound Transit's financial management oversight processes as part of the FTA's Financial Management Oversight Program, in support of Sound Transit's continued learning and commitment to continual improvement. We are grateful for the thorough remote and onsite review, the positive comments and sound systems noted to staff in several areas of the report and will devote full attention and focus to both the noted deficiencies and advisory comments. We found the work of Sasvata, LLC, the assigned contractor for this review to be professional and helpful, and we appreciated their clear communication, insights and the opportunity for the agency's learning and growth.

Sound Transit appreciates our strong and long-term partnership with the FTA and commits to resolving the deficiencies noted in this review and in line with outlined timelines and fully responsive to review comments. We welcome our continued work together, bringing transit to the region.

Sincerely,

A handwritten signature in black ink that reads 'Dow Constantine'.

Dow Constantine or Designee  
Chief Executive Officer

Enclosure: Combined FMO Findings & Responses  
Sound Transit FSR Management Representation Letter

cc:

Kristy Ziglar, Director, Office of Financial Management and Program Oversight  
Scot Rastelli, Deputy Regional Administrator  
Curtis Joachim, President TJG  
Jed Stancato, Associate Director, TFC

## SIGNIFICANT DEFICIENCIES

### 1. **Sound Transit did not Maintain Adequate Physical Controls for the Protection of Information Technology Assets Containing Federal Award Data.**

#### Condition

Sound Transit has issued approximately 550 security access badges providing entry to one or more of the five data centers that house and process federal award financial data. Once inside these facilities, badge holders can directly access information technology hardware without additional physical safeguards, allowing hardware to be removed or damaged and unauthorized devices to be connected, creating a risk of data theft, manipulation, or system compromise.

#### Standard(s) Impacted.

#### **2 CFR § 200.303, *Internal Controls.***

- 2 The recipient and subrecipient must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 3 Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- 4 Evaluate and monitor the recipient’s or subrecipient’s compliance with statutes, regulations, and the terms and conditions of Federal awards.
- 5 Take prompt action when instances of noncompliance are identified.
- 6 The recipient must take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

#### **FTA Circular 5010.1F, *Recipient Obligations Award Management Requirements.***

Recipients have a responsibility to comply with regulatory requirements and to be aware of all pertinent materials to assist in the management of their federally assisted awards. Recipients should familiarize themselves with all applicable legal authorities relevant to their transit operations and Federal awards.

## SIGNIFICANT DEFICIENCIES

### **FTA Circular 5010.1F Chapter VI (2)(a)(2), *Financial Management Internal Controls*.**

Internal controls are the processes, implemented by a recipient or subrecipient, designed to provide reasonable assurance regarding the achievement of objectives in the following categories: (1) effectiveness and efficiency of operations, (2) reliability of reporting for internal and external use, and (3) compliance with applicable laws and regulations. Internal control over compliance requirements for the Federal award is the process implemented by a recipient or subrecipient designed to provide reasonable assurance regarding the achievement of the following objectives for Federal awards [and](2) Funds, property, and other assets are safeguarded against loss from unauthorized use or disposition.

### **FTA Circular 5010.1F Chapter VI (2)(f), *Financial Management Internal Controls Necessary Elements*.**

The following objectives and standards facilitate the recipient's use of internal controls:

- (1) Reasonable assurance that internal controls are an integral part of the recipient's management systems;
- (2) Assignment of internal control functions to competent and qualified employees;
- (3) Identification of specific internal control objectives to ensure that needs are identified and that valid controls are planned and implemented;
- (4) Adoption of internal control policies, plans, and procedures that reasonably ensure their effectiveness, such as organizational separation of duties and physical arrangements (e.g., locks and fire alarms); and
- (5) Regular program of testing to identify vulnerabilities in the internal control system.

#### Recommendation(s)

Sound Transit should complete the following within 180 days from the date of the Final Report:

1. Install physical access barriers (e.g., locked rooms, cages, or secured enclosures) and equipment locking mechanisms to prevent unauthorized access to, removal of, or tampering with, information technology hardware supporting federal awards.

#### Discussion

Sound Transit has five sites that function as data centers that store and process federal award and financial accounting data. Access to these data centers is controlled through a badge access system, and Sound Transit issued access credentials to a substantial number of individuals across all five facilities. Specifically, 287 badges are active for Data Center 1 (Door 705), 264 badges are active for Data Center 2 (Door 909), 341 badges are active for Data Center 3 (Door M01), 410 badges are active for Data Center 4 (Door M04), and 412 badges are active for Data Center 5 (Door M05). Given that Sound Transit employs less than 1,600 people, the number of badges appears to be excessive. Although Sound Transit advised that a "significant number" of the badges have been issued to King County employees for cleaning and maintenance, the question arises as to the need for this number of badges being issued for each data center and the roles of

the individual accessing the centers. Although Sound Transit conducts background checks for their own personnel, they do not require background checks for non-employees who are issued badges to access the data center.

Each data center was accessible to individuals included on the applicable access list through a single badge-controlled entry point. Once access was gained through this entry point, individuals had immediate and unrestricted physical access to all information technology hardware and data within the data center. The data centers did not utilize layered or dual-entry access controls requiring authorization through multiple secured doors. All five data centers are reportedly configured in a similar manner, allowing any individual provisioned for access to enter the data center and access the equipment within.

One data center also contained a secondary door providing access from the Link light rail control center. Although this door was locked on the data center side, it was unsecured on the Link light rail control center side. As a result, any individual with access to the Link light rail control center could enter the data center through this secondary door, regardless of whether their badge authorization permitted data center access.

A total of 32 distinct access badge levels permitted entry to the data centers. Several of these access levels, including facilities and maintenance-related roles, were not indicative of information technology personnel typically requiring unrestricted access to data center hardware. Pursuant to an intergovernmental agreement, King County Metro personnel were granted access to the data centers for maintenance and repair activities. In addition, a third-party contractor responsible for equipment maintenance was also granted access. Individuals granted access for these purposes were not required to be escorted, and this access model was applied consistently across all five data centers.

Physical and environmental controls were in place to protect server equipment from risks related to fire, heat, and water damage. However, there were no compensating physical controls within the data center rooms to restrict direct access to the information technology hardware. Server equipment was reportedly not enclosed in cages or otherwise physically secured, and any individual with access to the room had unrestricted physical access to the equipment. As a result, individuals with access to the data centers could connect unauthorized devices, manipulate or disconnect equipment, introduce malicious code, or remove equipment containing federal award data.

#### Recipient's Response

Sound Transit agrees with the audit report finding.

#### **Management Response / Action Plan:**

Thank you for the opportunity to respond to this finding for the FTA FMO review. Sound Transit agrees with this finding and plans to take the following action to remediate the condition:

1. The primary mitigation strategy will be focused on the reduction of risk footprint through the elimination of on-premise infrastructure, leveraging a migration to cloud-based infrastructure (IaaS).
2. For any systems remaining on premise, IT Management will review the feasibility of

installing locking server racks in the data centers and, if feasible, install the racks within 180 days of the issuance of the final report. If infeasible, IT Management will install a comparably suitable securing technology on the same timeline.

3. IT Management will work with King County Rail management to determine the correct level of access for each user and reduce the number of users with access, as appropriate.
4. IT Management re-commits to completing the quarterly user access reviews for data center access.

**Timeline for Corrective Action:**

**Task 1:** IT Management will work through removal of as much onsite equipment as possible within 180 days of the issuance of the final report.

**Task 2:** Research into the feasibility of installing locking server racks will conclude by June 2026 and installation of the racks, if feasible, or comparable technology if not, will conclude within 180 days of the issuance of the final report.

**Task 3:** IT Management commits to meet with King County Rail by June 2026 to determine what roles have business justification to access the data centers and to subsequently address access accordingly by end of August 2026.

**Task 4:** IT management will perform all future quarterly user access reviews for data center access beginning in Q2 2026.

Evaluation of Recipient's Response

*To be determined.*

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**2. Sound Transit did not Establish a Business Continuity Plan (BCP) to Safeguard Federal Awards, Assets, and Investment and to Ensure Continuity of Transit Services.**

Condition

Sound Transit does not have a Business Continuity Plan (BCP).

Standard(s) Impacted

**2 CFR § 200.302, *Financial Management.***

- (b) (b) The 'recipient's and 'subrecipient's financial management system must provide for the following (see [§§ 200.334](#), [200.335](#), [200.336](#), and [200.337](#)):... (4) Effective control over and accountability for all funds, property, and assets. The recipient or subrecipient must safeguard all assets and ensure they are used solely for authorized purposes. See [§ 200.303](#).

## 2 CFR §§ 200.303, *Internal Controls*.

The recipient and subrecipient must:

- (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- (c) Evaluate and monitor the recipient’s or subrecipient’s compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified.
- (e) Take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

### Recommendation(s)

Sound Transit should complete the following by December 31, 2026:

1. Design, implement, document, and maintain a formal Business Continuity Management System (BCMS) to ensure the organization’s ability to continue critical operations during and after disruptive events. The BCMS should be aligned with recognized standards (e.g., ISO 22301-2019 or equivalent) and include, at a minimum, the following core components:
  - a. Business Continuity Plan (BCP): A documented plan that identifies critical business functions, defines recovery time objectives, outlines continuity strategies, and establishes roles, responsibilities, and communication protocols to sustain operations during disruptions.
  - b. Disaster Recovery Plan (DRP): A documented and tested plan focused on the recovery and restoration of information systems, applications, and infrastructure necessary to support critical business processes following a disaster or major system outage.
  - c. Governance, periodic testing, training, maintenance, and regular updates to reflect changes in operations, systems, and risk profiles.

## Discussion

Sound Transit Information Technology (IT) management initially stated that a Business Continuity Plan (BCP) was documented. Upon request of the BCP, Sound Transit IT personnel clarified that a BCP has not been documented. Upon further inquiry, Sound Transit management further explained that a plan is under development in response to internal audit findings issued in 2024 and 2025, with an anticipated completion date of December 31, 2026.

Sound Transit personnel stated that the organization undergoes periodic ISO 9000/ISO 9001 quality management audits and that no findings have been issued related to business continuity or disaster recovery planning. However, ISO 9000/ISO 9001 standards pertain primarily to quality management systems and do not establish requirements for a Business Continuity Management System (BCMS). While Sound Transit maintains a documented Disaster Recovery Plan (DRP), the plan does not address information technology recovery processes. Sound Transit's internal audit report in 2024 recommended that a BCP be developed as an advisory comment. However, in 2025, the internal audit report raised the absence of a BCP to a deficiency to be corrected by December 31, 2026.

With respect to data protection and system recovery, Sound Transit IT personnel stated that Cohesity DataProtect is used in a two-tier backup configuration. On-premises data is fully backed up every 24 hours and replicated to Microsoft Azure. Backups operate continuously, with full backups performed every 24 hours. Backup restoration procedures are tested during an annual restoration exercise. Sound Transit maintains a contract with Microsoft for Azure backup services and uses Microsoft SharePoint for working and other files under the Azure agreement.

The backup process is automated, and backup configurations for the financial and grant management systems were reviewed and confirmed to be consistent with documented backup policies and procedures. Evidence supporting periodic restoration testing in accordance with established backup policy requirements were reviewed. No exceptions were identified with respect to backup execution or restoration testing.

Based on the documentation reviewed, the IT department has established and implemented adequate procedures for file backup and data restoration. However, backup and recovery processes alone do not constitute a comprehensive Business Continuity or Business Contingency capability. They do not address broader operational continuity requirements, including governance, identification of critical functions, defined recovery time objectives, business process continuity strategies, crisis management protocols, or enterprise-wide coordination during disruptive events.

A BCMS provides the overarching governance framework through which an organization identifies, prepares for, responds to, and recovers from disruptive events. The BCMS establishes policy; defines roles and responsibilities; requires risk assessments and business impact analyses; and mandates testing, maintenance, and continuous improvement. Within this framework, continuity and recovery plans are developed, coordinated, and maintained to ensure an organized and effective response to disruptions.

The BCP is a core component of the BCMS and focuses on maintaining or rapidly resuming critical business operations during a disruption. The BCP identifies essential processes,

establishes recovery priorities and recovery time objectives, and defines operational strategies and communication protocols necessary to sustain services until normal operations are restored.

The DRP supports the BCP by addressing the recovery of information technology systems, applications, data, and infrastructure that enable critical business functions. The DRP outlines technical recovery procedures, system restoration priorities, and coordination with third-party service providers to ensure that technology capabilities are restored within timeframes aligned with business continuity requirements.

Contingency plans complement both the BCP and DRP by documenting predefined response actions for specific scenarios or operational risks. These plans provide tactical guidance for localized or short-term disruptions and are intended to be activated within the broader BCMS framework.

Together, the BCMS, BCP, DRP, and contingency plans form an integrated resilience structure. For entities administering federal awards, such a structure is critical to safeguarding federal award data, maintaining system availability, protecting financial and grant management processes, and ensuring continued compliance with federal requirements during and after disruptive events. Without a formal BCMS and supporting continuity plans, the organization lacks a comprehensive framework to ensure sustained operations and protection of federally funded programs in the event of significant disruption.

#### Recipient's Response

Sound Transit partially agrees with the audit report finding.

#### **Management Response / Action Plan:**

Sound Transit appreciates the review and identification of areas for continuous improvement. Agency Safety and IT Management also agree that at the time of the review, the agency Business Continuity Plan was under development but not signed nor fully in place.

The Reviewers point to two concerns documented as part of the discussion with regards to IT Management's statements. Sound Transit agrees that the Business Continuity Plan was not in place, but disagrees that IT Management stated that we had a Business Continuity Plan, nor pointed to the agency's quality management system ISO 9000/ISO 9001. In terms of applicable controls context, IT Management referenced use of an Information Security Management System (ISMS) that followed ISO 27001, with periodic audits conducted by third party auditors. IT Management also noted that Sound Transit has a Technology Resilience function that operates in support of the ISMS, to address the ISO 27001 A.17 "Information security aspects of business continuity management" control objective. These statements demonstrate the agency plan for restoration of technology that will ultimately play a part of the overall Business Continuity Management System.

The agency Continuity Plan was signed on February 17, 2026. This is the base plan and the beginning of the agency Continuity Program that will provide a formal Business Continuity Management System (BCMS) equivalent set up that is aligned with recognized standards (e.g.,

ISO 22301-2019 or equivalent). Planning and development of Divisional/Departmental annexes that will cover the specific roles, responsibilities, and actions for each division has begun and will include review and partnership with the IT team. The FEMA continuity planning course was held for continuity planners delegated to work on the development of these plans and the continuity management course was held in March.

Development of the annexes will begin with a template and work backward from there to identify and document essential functions of the agency and divisions. Business processes, impacts and vulnerabilities, and recovery times for the essential functions will be determined along with gaps in ideal recovery times and actual capabilities.

After the completion of the plan's annexes, a training and exercise program will be introduced to ensure that all ST personnel understand their roles during planned or unplanned events that impact ST services. The exercise program will be incorporated into existing ST exercises along with continuity-specific exercises.

The Agency Continuity Plan, including annexes and the training and exercise program are Sound Transit Safety controlled documents that require periodic reviews every two years. These documents can be updated prior to the two-year periodic review cycle as needed to document changes in operations, systems and risk profile.

**Timeline for Corrective Action:**

The annexes along with an updated version of the Agency Continuity Plan inclusive of all Business Continuity Management System minimum requirements is scheduled and on track to be complete and published in December 2026. The review and maintenance schedule for the Agency Continuity Plan and annexes thereafter is every two years.

Evaluation of Recipient's Response

*To be determined.*

**3. Sound Transit's Enforcement of Procurement Documentation and Approval Controls in Accordance with Established Policies and Procedures for Federal Awards Was Ineffective.**

Condition

Sound Transit's procurement files contained incomplete or unclear supporting documentation, including incomplete forms, and unclear evidence of supervisory review. One procurement file was incorrectly identified as being a "piggyback" and lacked a clearly documented procurement history. Although procurement activities were generally performed, direct reviews and approvals were not consistently applied or documented.

Standard(s) Impacted

**2 CFR § 200.303, *Internal Control.***

The recipient and subrecipient must:

- (1) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (2) Comply with the U.S. Constitution, Federal statutes, regulations, and the terms and conditions of the Federal award.
- (3) Evaluate and monitor the recipient’s or subrecipient’s compliance with statutes, regulations, and the terms and conditions of Federal awards.
- (4) Take prompt action when instances of noncompliance are identified.
- (5) Take reasonable cybersecurity and other measures to safeguard information including protected personally identifiable information (PII) and other types of information. This also includes information the Federal agency or pass-through entity designates as sensitive or other information the recipient or subrecipient considers sensitive and is consistent with applicable Federal, State, local, and tribal laws regarding privacy and responsibility over confidentiality.

**2 CFR § 200.318, *General procurement standards.***

- (a) Documented procurement procedures. The recipient or subrecipient must maintain and use documented procedures for procurement transactions under a Federal award or subaward, including for acquisition of property or services. These documented procurement procedures must be consistent with State, local, and tribal laws and regulations and the standards identified in §§ 200.317 through 200.327....
  - (i) The recipient or subrecipient must maintain records sufficient to detail the history of each procurement transaction. These records must include the rationale for the procurement method, contract type selection, contractor selection or rejection, and the basis for the contract price.

**FTA C 4220.1G Chapter I (8),(5)(s), *Introduction and Role of the Federal Transit Administration.***

***Joint Procurement*** (sometimes called “cooperative procurement”) means a method of contracting in which two or more purchasers agree from the outset to use a single solicitation document and enter into a single contract with a vendor for delivery of property or services in a fixed quantity, even if expressed as a total minimum and total maximum. Unlike a State or local government purchasing schedule or contract, a joint procurement is not drafted for the purpose of accommodating the needs of other parties that may later choose to participate in the benefits of that contract.

This circular prefers the term joint procurement to avoid confusion with the U.S. General Services Administration’s (GSA) “Cooperative Purchasing Program” and with similar State or local government purchasing programs that the State or local government might refer to as “cooperative.””

***State or Local Government Purchasing Schedule or Purchasing Contract*** means a procurement framework established by a State or local government with multiple vendors. Under this framework, vendors commit to providing an option for the State or local government, along with its subordinate entities and any other participants designated in its program, to procure specified goods or services in the future at pre-established prices. These frameworks bear resemblance to the GSA’s Cooperative Purchasing Program but are specifically designed for State and local government use. While ‘cooperative’ is sometimes used to describe these arrangements due to their similarities to the GSA’s Cooperative Purchasing Program, it is important to differentiate these from ‘Joint Procurement’ as delineated in this chapter.

**FTA Circular 4220.1G Chapter III 3(d)(1-2), *The Recipient’s Responsibility - Third Party Contracting Capacity - Record Keeping - Procurement History.***

- d. Record Keeping. Under 2 CFR 200.334 – 200.338 and the FTA Master Agreement § 9, recipients must prepare and maintain detailed and accessible project performance and financial records, including procurement transactions and other project implementation aspects. Records must be retained for three years after final payment and closure of all pending matters.
  - (1) Procurement History. Recipients must maintain records sufficient to detail the history of each procurement and, upon request, make them available to FTA. Under 2 CFR 200.318(i), these records must include at a minimum:
    - (a) Procurement Method. Recipients must document the rationale for the procurement method used for each contract. If the recipient awarded a contract without competition, its records must document the circumstances that justified the noncompetitive award. See 2 CFR 200.320(c) for specific information regarding noncompetitive procurements.
    - (b) Contract Type. The recipient’s records must document its rationale for selecting the contract type it used (fixed price, cost reimbursement, and so forth).
    - (c) Contractor Selection. Justifications for contractor selection or rejection, especially for noncompetitive awards, are required. For procurements above the simplified acquisition threshold, a written responsibility determination for the chosen contractor should be included.

(d) Cost or Price. Each recipient must evaluate and state its justification for the contract cost or price.

(2) Reasonable Documentation. FTA recognizes that these written records will vary greatly for different procurements. Documents included in a procurement history should be commensurate with the size and complexity of the procurement itself. Procurements that are more substantial should require extensive documentation. For example, a receipt or bill accompanying a \$100 credit card purchase might contain all the required information to support that procurement.

**FTA C 4220.1G Chapter VI (3)(h)(1)(e)(1) *Procedural Guidance for Open Market Procurements – Methods of Procurement – Other Than Full and Open Competition – As Authorized by FTA – Team, Consortium, Joint Venture, or Partnership.***

When FTA awards a grant agreement or enters into a cooperative agreement with a team, consortium, joint venture, or partnership, or provides FTA assistance for a research project in which FTA has approved the participation of a particular firm or combination of firms in the project work, the grant agreement or cooperative agreement constitutes approval of those arrangements. Typically, this occurs in FTA's discretionary funding programs. In such cases, the recipient must adhere to competition requirements to select other contractors. The recipient should be explicit in its application whether it is applying as part of a team, the members of the team, their commitment to the project, and each member's role. Because FTA awards funding to such applications based on the strength of the team, the withdrawal of a team member may be cause for FTA to terminate the award.

**FTA C 4220.1G Chapter V 8(b), *Sources – Existing Contracts (Assignments) – Assignments Permitted.***

When a recipient finds it has unintentionally acquired contract rights, including unexercised options, in excess of its needs, other recipients may make use of the unneeded contract rights via assignment. This practice is sometimes referred to as the assignee-recipient "piggybacking" on the assignor-recipient's contract. See FTA's "Best Practices Procurement & Lessons Learned Manual" for further information about procurements through assignment of another's contract rights.

**Recommendation(s)**

Sound Transit should complete the following within 120 days from the date of the Final Report:

1. Provide targeted training to procurement staff and supervisors on the Federal Transit Administration (FTA) *Best Practices Procurement Guide* and ensure its guidance is consistently applied throughout the procurement process.
2. Ensure that all required procurement forms are fully completed and that any non-applicable fields are clearly marked as "N/A" to demonstrate documentation completeness and clarity.

3. Establish, document, and consistently apply a defined process for Independent Cost Estimate (ICE) review and approval, including retention of evidence of supervisory review and approval within the procurement file.
4. Require completion of the “Rationale” section within the Requisition Approval process or formally revise the requisition form to remove this section if it is not applicable.
5. Provide training to procurement staff and supervisors on the distinctions between piggyback procurements, state or local government purchasing schedule or purchasing contract, and cooperative agreement purchases, including correct identification and documentation of the procurement method used.
6. Conduct post-award periodic random supervisory reviews of procurement files across all dollar thresholds to verify documentation completeness, proper approvals, and a clearly documented procurement history.

### Discussion

Nine Federal Transit Administration (FTA)-funded procurement files were reviewed to assess compliance with Sound Transit’s procurement policies and procedures and applicable federal procurement requirements. Of the nine procurements reviewed, eight generally complied with FTA requirements and generally aligned with Sound Transit’s policies and procedures. Five of the nine procurements were appropriately reviewed, approved, and adequately documented, demonstrating compliance with applicable requirements for the procurement methods used.

The five adequately documented procurement files contained sufficient documentation of the procurement history, including the procurement method and contract type, contractor selection and responsibility determinations, verification that contractors were not suspended or debarred, required lobbying disclosures, and support for contract cost or price reasonableness.

However, four of the nine procurement files reviewed did not contain adequate documentation to demonstrate compliance with Sound Transit’s policies and procedures. Specifically, these files lacked evidence of review and approval for the related Independent Cost Estimate (ICE) process. Procurement staff acknowledged that Sound Transit procurement policies and procedures were not followed in these instances.

In addition, review of eight of the nine procurement files determined that the Requisition Approval rationale section was not completed, limiting the ability to demonstrate that supervisory review and approval were consistently performed and documented in accordance with Sound Transit requirements.

One procurement file reviewed exhibited more significant documentation deficiencies than the other eight samples selected. The procurement was identified by Sound Transit as an FTA-funded procurement at the time the sample population was provided and was therefore selected for review. The procurement was initiated on March 14, 2025, for the purchase of snow removal equipment totaling \$15,344.22, and was initially described by Sound Transit as a piggyback procurement.

Review of the procurement file determined that the supporting documentation was incomplete, inconsistent, and poorly organized, and did not clearly identify the procurement method used or sufficiently documented the procurement process performed. Although procurement staff initially stated that the transaction was a piggyback procurement using a State of Minnesota contract, review of the documentation determined that the procurement was more accurately classified as a state or local government purchasing schedule or purchasing contract.

The procurement summary documentation did not align with the supporting materials provided, and the procurement history was not sufficiently documented to demonstrate compliance with Sound Transit's policies and procedures. Procurement staff stated that the contract specialist responsible for this procurement was new at the time and that additional training and supervisory oversight had since been implemented.

During the review process and in response to questions regarding the adequacy of the documentation, Sound Transit stated that federal funds would no longer be drawn for this procurement and that other funding sources would be used instead. However, because the procurement was initially intended to be FTA-funded and was identified by Sound Transit as such, it remained subject to applicable federal and internal procurement requirements at the time it was conducted. It was noted that no federal funds had yet been drawn down related to this procurement.

Removing a procurement from federal funding after the fact does not negate the requirement that procurement activities be performed in accordance with established Sound Transit policies and procedures. All procurements, regardless of funding source, are required to adhere to the same documentation, review, and approval standards to ensure consistency, transparency, and effective internal control.

The documentation deficiencies identified in this procurement reflect weaknesses in the execution of established procurement controls, including supervisory review and documentation standards, rather than deficiencies in policy design.

#### Recipient's Response

Sound Transit agrees with the audit report finding.

Sound Transit's Procurement, Contracts and Agreements (PCA) Management appreciates the time and effort invested by the Reviewers in identifying areas of concern and providing recommendations.

We acknowledge that several files reviewed contained documentation gaps, particularly around supervisory review and procurement history. However, we would like to clarify that one of the procurements receiving heightened scrutiny was valued at approximately \$16,000 — below the Simplified Acquisition Threshold. This dollar range is intentionally used as a training ground for junior staff, and while the documentation may not have been perfect, we believe the level of review and oversight applied was appropriate for the size and complexity of the procurement. While we do not agree that the deficiencies noted are significant, we remain committed to reinforcing training and supervision in this area.

Regarding the procurement that was later removed from federal funding, we understood — based on auditor guidance at the time — that if federal funds had not yet been drawn, the procurement could be removed from the federal portfolio. We apologize if this interpretation was incorrect and appreciate the clarification. We will ensure future funding decisions are clearly documented and aligned with applicable requirements.

We also appreciate the feedback regarding the Requisition Approval rationale section. This section is designed as a checkbox for Contract Specialists to document a fair and reasonable determination when a Procurement Summary Memo (PSM) is not present. To improve clarity and consistency, we will revise our procedures to require completion of this section only in the absence of a PSM.

We appreciate the opportunity to strengthen our practices and reinforce our commitment to transparency, consistency, and continuous improvement.

### **Action Plan for Implementation:**

PCA Management will:

1. Develop and implement a plan to provide targeted staff training on key areas of the FTA Best Practices Procurement Guide with emphasis on documentation standards and procurement method distinctions (including the distinction between piggyback procurements and cooperative agreements).
2. Ensure all required procurement forms are fully completed, with non-applicable fields clearly marked “N/A.”
3. Establish and document a consistent Independent Cost Estimate (ICE) review and approval process.
4. Revise the Requisition Approval rationale section to clarify its use and ensure it is completed when a PSM is not present.
5. Conduct periodic post-award supervisory reviews across all dollar thresholds to verify documentation completeness and proper approvals.

### **Timeline for Corrective Action:**

The Action Plan will be completed within 120 days from the date of the Final Report.

### Evaluation of Recipient’s Response

*To be determined.*