

RESOLUTION NO. R2010-19
Establishing Audit and Reporting Committee Responsibilities

MEETING:	DATE:	TYPE OF ACTION:	STAFF CONTACT:	PHONE:
Audit and Reporting Committee	09/16/10	Recommendation to Board	Brian McCartan, Executive Director	206-398-5100
Board	09/23/10	Final Action		

PROPOSED ACTION

Establishes Audit and Reporting Committee responsibilities and supersedes Resolution No. R2001-03.

KEY FEATURES

- In 2001, the Sound Transit Board adopted Resolution No. R2001-03 establishing an Audit and Reporting Subcommittee that reported to the Finance Committee, the resolution also established policies and procedures for the Subcommittee.
- Resolution No. R2010-03 established the Audit and Reporting Committee (ARC) as a permanent committee of the Sound Transit Board as part of a committee restructuring. Responsibilities for the ARC were not established at that time.
- This action supersedes Resolution No. R2001-03 and establishes updated ARC responsibilities. The new policy is consistent with agency financial policies.
- ARC responsibilities include reviewing external, internal, performance, and other audits, and reviewing Agency financial statements and reports.

PROJECT DESCRIPTION

Recognizing the importance of public accountability, the Sound Transit Board established the Audit and Reporting Subcommittee in 2001 to review the financial audits and performance audits. The Sound Transit Board established the Audit and Reporting Committee as a permanent committee when a new committee structure was adopted by the Board.

FISCAL INFORMATION

Not applicable to this action.

BACKGROUND

The current policies and procedures contained in Resolution No. R2001-03 need to be updated to be aligned with the Agency's financial policies. This resolution establishes responsibilities for the newly formed Audit and Reporting Committee. The attachment spells out the duties and responsibilities of the Committee, how the members are selected, and frequency of meetings.

The responsibilities include guidelines for the ARC's review of the annual financial statements and quarterly financial reports. As a public agency which collects taxes and accesses the bond market, Sound Transit is subject to audits and reviews by external firms and federal and state agencies. The committee will oversee external audits conducted by the state auditor's office on grant compliance, financial compliance and compliance with state law and Sound Transit policies. FTA triennial reviews and other oversight will be reviewed by the ARC as well as various other state and federal entities.

The ARC will also oversee internal audits covering financial compliance, grant compliance and performance audits.

The ARC will meet at least quarterly and will be made up of Sound Transit Boardmembers and a representative from the Citizen Oversight Panel.

ENVIRONMENTAL COMPLIANCE

Jl 9/14/2010

PRIOR BOARD/COMMITTEE ACTIONS

Resolution No. R2010-03 – Modifying the permanent committees of the Board.

Resolution No. R2001-03 – Establishing an Audit and Reporting Subcommittee and related policies, and superseding Resolution No. 98-19.

TIME CONSTRAINTS

A three-month delay would not create a significant impact.

PUBLIC INVOLVEMENT

Not applicable to this action.

LEGAL REVIEW

JW 9/14/10



RESOLUTION NO. R2010-19

A RESOLUTION of the Board of the Central Puget Sound Regional Transit Authority establishing Audit and Reporting Committee responsibilities, and superseding Resolution No. R2001-03.

WHEREAS, the Central Puget Sound Regional Transit Authority, commonly known as Sound Transit, was formed under RCW Chapters 81.104 and 81.112 for the Pierce, King, and Snohomish Counties region by action of their respective county councils pursuant to RCW 81.112.030; and

WHEREAS, Sound Transit is authorized to plan, construct, and permanently operate a high-capacity system of transportation infrastructure and services to meet regional public transportation needs in the Central Puget Sound region; and

WHEREAS, in general elections held within the Central Puget Sound Regional Transit Authority district on November 5, 1996 and November 8, 2008, voters approved local funding to implement a regional high-capacity transportation system for the Central Puget Sound region; and

WHEREAS, Sound Transit's adopted ST2 financial policies provide that the agency will implement a performance audit program; and

WHEREAS, by Resolution No. R98-19 the Sound Transit Board adopted performance audit policies and updated them by Resolution R2001-03; and

WHEREAS, by Resolution No. R2001-03 the Sound Transit Board established the Audit and Reporting Subcommittee under the Finance Committee; and

WHEREAS, by Resolution No. R2010-3 the Sound Transit Board disbanded the Finance Committee and created an Audit and Reporting Committee; and

WHEREAS, pursuant to prudent business practices for public sector entities, Sound Transit recognizes that establishing an Audit and Reporting Committee that encompasses performance and financial audits along with a prospective review of reports, budgets, forecasts, and estimates will assist in creating a framework of public accountability;

WHEREAS, it is necessary to update the policies and procedures that were originally adopted for the the Audit and Reporting Subcommittee; and

NOW, THEREFORE, BE IT RESOLVED by the Board of the Central Puget Sound Regional Transit Authority that

1. Resolution No. R2001-03 establishing an Audit and Reporting Subcommittee of the Finance Committee is superceded by this resolution; and the Audit and Reporting Committee responsibilities, attached to this Resolution as Attachment "A" are adopted.

ADOPTED by the Board of the Central Puget Sound Regional Transit Authority at a regular meeting thereof held on September 23, 2010.



Aaron Reardon
Board Chair

ATTEST:



Marcia Walker
Board Administrator

**RESOLUTION NO. R2010-19
ATTACHMENT A**

Audit and Reporting Committee Responsibilities

1.0 Purpose and Authority

The Audit and Reporting Committee (ARC) is a permanent committee of the Sound Transit Board. Its purpose is to review and oversee matters relating to Sound Transit's financial reporting and audit process.

The ARC Chair will report to the Board on key issues relevant to financial reporting, auditing, and internal controls as appropriate.

2.0 Duties

The ARC will carry out the following responsibilities:

2.1 Financial Reporting

2.1.1 Annual Financial Statements

The ARC will review the agency's annual financial statements including any significant accounting or reporting issues, including complex or unusual transactions.

2.1.2 Quarterly Financial Reports

The ARC will review on a quarterly basis financial reports which detail performance against capital and operating budgets; performance of agency's investments and its compliance with its investment policies; review of the agency's asset and liability program to monitor net debt and investment performance and risks; and contract activities, including sole source contracts.

2.2 Audits

2.2.1 External Financial Audits

Prior to the start of the annual financial audit, the ARC will review the external auditor's proposed audit scope and approach, including coordination of audit effort with internal audit. Upon completion of the annual audit, the ARC will review the annual independent financial audit results with Sound Transit management and the external auditors, including all matters required to be communicated to the committee under generally accepted auditing standards. The ARC will monitor the expenditure of funds for financial audits and review the performance and competitive selection of the external auditors. The engagement partner will have a direct reporting relationship with the Chair of the ARC.

2.2.2 Internal Audits

The ARC will review the charter, plans, activities and staffing of the internal audit function with management. The Committee will review the annual internal audit workplan and monitor the progress of the internal audit function against its charter. The Internal Audit Director will report results of the audit program to the ARC and Citizen Oversight Panel on a periodic basis. The Committee will ensure there are no unjustified restrictions or limitations placed on the internal audit function in performance of duties. The Internal Audit Director will have direct access and communication with the ARC Chair.

2.2.3 Performance Audits

The ST2 Financial Policies establish that Sound Transit will implement a performance audit program. The ARC will review and approve the performance audits to be conducted by the Internal Audit Division and will receive and review the final audit reports. The ARC will also review any performance audits conducted by the Washington State Auditor or other agencies.

2.2.4 SAO Compliance Audits

The ARC will review the results of the State Auditor's Office annual compliance audit with the State Auditor's Office staff and Sound Transit management.

2.2.5 Other Audits

The CFO will provide a summary of status and results of federal and other audits to the ARC.

2.2.6 Audit Follow-up

The Internal Audit Director and Controller will provide periodic reporting to the ARC and Citizen Oversight Panel on the status of prior audit findings (financial, performance and other) and management's response and follow up to those findings. The ARC will monitor implementation of audit recommendations.

2.3 Internal Control

2.3.1 The ARC will consider the effectiveness of the agency's systems of internal control.

2.3.2 Staff and auditors will present to the ARC the scope of internal and external auditors' review of internal control.

3.0 Composition

The members of the ARC will be designated by the Chair of the Sound Transit Board. The Chair will appoint at least four Sound Transit Boardmembers to serve on the ARC. A member of the Citizen Oversight Panel, as designated by the Chair of the Panel, will also serve on the ARC.

4.0 Meetings

The ARC will meet at least quarterly. Meeting will be open to the public and the ARC will accept public comment related to the ARC's meeting agenda.