



Summary Minutes

Finance and Audit Committee Meeting May 8, 2025

Call to order

The meeting was called to order at 10:39 a.m. by Committee Chair Nancy Backus and was available for viewing in person and online.

The meeting was recorded and can be found at <https://www.soundtransit.org/get-to-know-us/board-directors/livestream-video>.

Roll call of members

Chair	Vice Chair
(P) Nancy Backus, Auburn Mayor	(P) Christine Frizzell, Lynnwood Mayor

Board Members	
(P) Hunter George, Fircrest Councilmember	(P) Kim Roscoe, Fife Mayor
(P) Ed Prince, Renton Council President	(A) Girmay Zahilay, King County Council Vice Chair

Hunter Rancipher, Board Relations Specialist, announced a quorum of the Committee was present at roll call.

Report of the Chair – None

CEO Report

Chief executive officer Dow Constantine provided the report. He provided remarks detailing a pre-revenue stakeholder tour of the Downtown Redmond Link Extension. He also gave information about opening day events, which includes a speaking program at 10:30 a.m., with the first revenue train scheduled to leave Downtown Redmond Station at 12:00 p.m.

Public comment

Chair Backus announced that public comment would be accepted via email to meetingcomments@soundtransit.org and would also be accepted virtually and in person.

There were no written, in-person, or virtual comments received.

Business Items

For Final Committee Action

March 13, 2025, Finance and Audit Committee meeting minutes

It was moved by Committee Vice Chair Frizzell, seconded by Board member Roscoe, and carried by unanimous voice vote of the committee members present that the minutes of the March 13, 2025, Finance and Audit Committee meeting be approved as presented.

CFO Report

Victoria Wassmer, Finance and Business Administration Deputy CEO, provided the report. DCEO Wassmer provided opening remarks and discussed the importance of financial stewardship at the agency, and introduced Hughey Newsome, Chief Financial Officer, to provide the rest of the report.

Mr. Newsome described the topics usually discussed in the CFO's Report – the quarterly financial performance and asset liability management reports – but noted that financial data from Q1 2025 was not ready for presentation at the meeting. He noted that the asset liability management report was provided in committee members' materials, while highlighting other topics that will be covered: 2026 Budget and Transit Improvement Plan preparation, potential budget policy changes, and an external audit report.

Mr. Newsome provided an overview of 2026 budget preparation. He discussed the completion of Project MOST implementation, the establishment of a workplace hiring freeze, the expansion of zero-base budgeting, and the transition of service delivery projects and state of good repair funding.

Mr. Newsome outlined current work on updating the agency's budget policy, highlighting an update to language surrounding asset management, post Project MOST structure changes, and other additional clarifications. He noted that this work is ongoing and is timed to coincide with the regular 2026 budget review and approval process.

Mr. Newsome also gave a brief overview of the external audit findings and internal financial statements. He noted that the external audit presented a clean audit with no findings, and that 2024 revenues exceeded expenses by \$1.4 billion, which represents a 49 percent decrease from 2023. He also noted that the unrestricted net position of the agency increased by 9.2 percent in the same period, due to increases in cash and investment returns.

Committee Vice Chair Frizzell asked what Project MOST stood for. Mr. Newsome responded that MOST was an acronym for Mobilizing One Sound Transit.

Board member Roscoe asked if there was an intention to bring forward a policy change for the budget. Mr. Newsome responded that a policy change is being developed and is intended to come before the committee at its September meeting date.

Enterprise Resource Planning and Enterprise Asset Management Systems

DCEO Wassmer provided opening remarks and noted that this presentation will be covering a joint effort that is being conducted between the Service Delivery and Finance and Business Administration departments. She then introduced Stephanie Ratko, Business Transformation Director, to provide the report.

Ms. Ratko provided an overview of the Enterprise Resource Planning (ERP) and Enterprise Asset Management (EAM) systems, noting that these two systems are being replaced and integrated into one new function.

Ms. Ratko explained that the ERP system is an underpinning technological function that supports finance, human resources, payroll, and purchasing functions at the agency. She noted that it is a unified database which has limited visibility for individual employees and provides an automated business workflow.

Ms. Ratko gave an overview of the EAM system, noting that it is the agency's primary asset management tool that creates and tracks work orders for various agency properties, facilities, and other assets. Ms. Ratko outlined the current progress of the program, which began in 2023. She noted that the effort had recently progressed into the procurement phase, with a current expectation for full implementation in Q1 and Q2 of 2026.

Ms. Ratko noted the expected outcomes of the ERP and EAM replacement program, including the streamlining of various processes, improvements in user experience and accessibility, better oversight support and management, and other optimization functions. She also gave details on the work being done between Sound Transit and partners at King County Metro, including collaboration on the intended end-state of the program, requests for proposals, and change transformation via targeted communications and training initiatives.

Board member Roscoe asked for clarification on what processes are being automated as part of the program, and how others are self-service. Ms. Ratko responded that most automation is being done on the internal side of the program, with a focus on workflows being automatically passed between responsible parties throughout a single effort, whereas the self-service aspect is meant for external vendors to be able to interact with the agency in a more streamlined, accessible way.

CEO Constantine noted the difficulty of the work being done as part of this effort, while expressing optimism in the choice of external consultants and agency leadership in their ability to successfully execute the planned goals of the ERP/EAM replacement.

Chair Backus asked which phase of the replacement program would be the most difficult to complete. Ms. Ratko responded that the data preparation and migration phase will most likely be the most difficult aspect of the effort. She noted that having that step occur before implementation, instead of alongside it, will assist in ensuring a smooth transition.

Chair Backus asked whether this effort would involve parallel processes as the replacement effort is implemented, or if the intention is to have a full transfer at once. Ms. Ratko responded that the intention is to maintain parallel structures while early testing and verification of new processes occurs.

External Audit Report

2024 Financial and Single Audit Exit Presentation – Crowe LLC

CFO Hughey Newsome introduced Brad Schelle to provide the presentation. Mr. Schelle provided an overview of Crowe LLC's work, the scope and objectives of the external audit, and the timeline of the audit process. He noted that a new accounting standard was required for the 2024 financial year, although it would not have a significant impact.

Mr. Schelle reviewed the deliverables for the 2024 audit, spread across three categories. The Financial Statements Audit includes an independent auditor's report and two letters communicating findings. The Federal Compliance Audit includes two independent auditor's reports, an electronic certification of data collection, and a letter communicating the opinion of the auditor in relation to the expenditures of federal awards. The Agreed-Upon Procedures Reports includes a form to be submitted to the National Transit Database and a schedule of sources and uses of funds by subarea.

Mr. Schelle presented findings for fraud considerations, noting that no issues were found across all categories. He also noted that there were no findings across any other required communications.

Mr. Schelle noted that there were no new accounting standards that will require implementation for the 2025 financial year, although a new standard will need to be implemented by the 2026 financial year.

Q1 2025 Internal Audit Report

Patrick Johnson, Audit Director, provided the report. Mr. Johnson gave an overview of the agency's audit function. He noted that the audit division will be reporting on all internal audits, as well as other audits being conducted by other agency departments. He noted that of all 36 planned 2025 audits, 10 come from Finance and Business Administration, two from Strategy/Capital Delivery, and 24 from Agency Oversight.

Mr. Johnson gave a preview of the in-development Comprehensive Audit Plan Dashboard, which will be an interactive tool that will showcase the progress of all audits across the agency. He noted that six of the planned 2025 audits have been completed, with a further 13 in progress. Mr. Johnson also highlighted that there have been five observations noted in 2025, and that one Special Audit had been requested by the CEO's Office into the agency's Non-Revenue Vehicle (NRV) Program.

Mr. Johnson reported the currently completed audits as of Q1 2025. He noted the completion of a Tacoma Link Annual Safety Compliance audit, three financial audits (one external, one internal, and one of ORCA finances), and two quality audits (Sumner Station Parking and Access Improvements Construction Surveillance and Stride Design Quality Bus Rapid Transit Construction). He noted that there were no findings from any of the audits.

Mr. Johnson noted that nine audits were scheduled to conclude in July 2025: six from the audit division and a further three from finance. He also noted that an additional five audits are scheduled to conclude in September 2025: three from quality, one from finance, and one from audit.

Committee Vice Chair Frizzell asked whether the Audit Dashboard will be a publicly available tool or for staff only. Mr. Johnson replied that the dashboard will be available to staff and Board members.

Board member Roscoe asked whether CEO Constantine or Interim CEO Goran Sparrman requested the NRV audit. Mr. Johnson replied that the audit was requested by Interim CEO Sparrman. Board member Roscoe also asked how external audits were being captured and reported. Mr. Johnson replied that external audits occur across different parts of the agency, with other departments reporting audit progress to him on a quarterly basis.

Board member Roscoe asked for clarification on the modal operating partner review covers. Mr. Johnson replied that the scope of that review is to provide additional scrutiny into the maintenance functions and responsibilities of Sound Transit's operating partners. Board member Roscoe further asked how those audits fit into the audit plan. Mr. Johnson replied that those audits are divided up by their function, providing an example that an audit of King County Metro finances would occur through the finance division, whereas a safety audit of an operating partner would go through the safety division.

Executive session – None

Other business – None

Next meeting

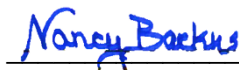
Thursday, July 10, 2025

10:30 a.m. to 12:00 p.m.

Ruth Fisher Boardroom and Virtually via an online meeting platform

Adjourn

The meeting adjourned at 11:40 a.m.



Nancy Backus
Finance and Audit Committee Chair

ATTEST:



Kathryn Flores
Board Administrator

APPROVED on July 10, 2025 HRR.