

ST3 Oversight and Audits

SOUND TRANSIT 3

SEPTEMBER 2016

Rigorous independent oversight along with demanding internal cost and project controls ensure that Sound Transit spends taxpayers' dollars wisely.

Sound Transit 3 (ST3) will carry forward the same independent audits, citizen oversight and internal cost controls that reinforce a culture of accountability. Since 2001 Sound Transit has delivered every regional light rail extension on schedule and within budget.

At Sound Transit accountability comes in many layers: oversight by a 15-member Citizen Oversight Panel (COP) and locally-elected Sound Transit Board members; regular audits by state and federal government agencies and independent private-sector firms, including Deloitte, KPMG, Moss Adams, Booz Allen Hamilton and others; and legally binding commitments that tax dollars raised in each area are used on local priorities.

Since 1994 Sound Transit has undergone 171 audits by state, federal and independent private sector auditors. This puts Sound Transit among the most heavily-audited agencies in the state.

Sound Transit 3

The assumed costs, schedules, revenues and other elements of the Sound Transit 3 ballot measure have been thoroughly and independently evaluated and found appropriate by an Expert Review Panel appointed by the State of Washington. The reports are available at wsdot.wa.gov/partners/erp/. The overall Sound Transit 3 plan and four appendices, including

detailed analysis of benefits, costs, revenue sources and financial policies are available at soundtransit3.org/document-library and at local public libraries.

Taxes stay local

Sound Transit's subarea equity policy ensures that taxes raised in each of the Sound Transit District's five geographic subareas are used on projects that benefit the people of that area. Sources and uses of Sound Transit 3 revenues by subarea are detailed in Appendix A of the Sound Transit 3 plan at soundtransit3.org/document-library

Annual audit procedures for subarea equity are performed by outside independent audit firms KPMG and Deloitte for the COP and the Sound Transit Board to ensure that revenues and expenditures are properly reported. These audits will continue through Sound Transit 3. To date there have been 19 such audits performed with no major exceptions.

Public oversight

Sound Transit's eighteen-member Board of Directors is comprised of locally-elected officials representing residents of the Sound Transit District in addition to the Washington State Director of Transportation. The Board's Audit and Reporting Committee, comprised of representatives of the Board and the Chair of the COP, meets regularly to review results of independent performance and financial audits.

State and local oversight

Every year since 1994 the State Auditor's Office has performed an accountability audit on Sound Transit's compliance with state laws and regulations and its own policies and procedures.

To receive the necessary permits to build and operate its bus and train services, Sound Transit goes through a rigorous permitting process from cities, counties and other agencies.

Federal oversight

Sound Transit has earned \$3.8 billion in federal loans and grants since 1993. With these federal funds comes a high level of ongoing scrutiny by the Federal Transit Administration (FTA) to assure that Sound Transit complies with all requirements for accountability and transparency.

Sound Transit recently received its 22nd annual Federal Single Audit, conducted by the independent outside auditing firm KPMG. No material weaknesses were found since these audits began in 1994.

In addition to annual audits, the FTA performs quarterly reviews of project performance and every three years, the FTA conducts an intense review of Sound Transit's compliance with 17 subject areas, including financial management and capacity, technical capacity, maintenance and procurement. This Triennial Review includes the study of hundreds of documents, plans, policies and procedures followed by an onsite visit that includes tours and inspections.

As a result of its performance, Sound Transit continues to earn federal grant funding and is on track for a \$1.2 billion grant to fund the Lynnwood Link extension, the largest for which Sound Transit has ever qualified.

State of good repair

In addition to construction, Sound Transit is responsible for operations and maintenance of the mass transit system, with the obligation to assure that the public's investment continues to perform in excellent condition well into the future. Sound Transit's financial plan assumes that all of its project assets, such as buses, trains and equipment, will be replaced at the end of their useful life, maintaining a minimum of \$300 million reserve to keep the system in good working condition.

Examples of regular independent financial, performance and compliance audits:

Audit Type	Auditor	Years Completed
Annual Financial Statement	KPMG; Deloitte; State Auditor's Office (SAO)	1994 - 2015
Annual State Accountability and Compliance Reports	SAO	1994 – 2014
Performance Audits	SAO, Deloitte, Booz Allen, Moss Adams LLP and others	1998 – 2015
Annual Federal Single Audit	KPMG, Deloitte, State Auditors	1998 – 2015 *
Triennial Review	FTA; WSDOT	1998, 2001, 2004, 2007, 2010, 2013, 2016
Periodic Procurement System Reviews	FTA	1999, 2001, 2012
Annual National Transit Database	KPMG	2005 - 2015

*limited reports or no reports required prior to 1998