

November 19, 2025

To the Honorable Commission Board Members
Potomac and Rappahannock Transportation Commission
Woodbridge, Virginia

In connection with our audit of the financial statements of the Potomac and Rappahannock Transportation Commission (Commission) for the year ended June 30, 2025, we have the following comments and suggestions for your consideration.

OMB Guidance for Grants and Agreements

In April 2024, the United States Office of Management and Budget (OMB) issued a comprehensive revision to the OMB Guidance for Grants and Agreements, now titled the OMB Guidance for Federal Financial Assistance. This update represents the most significant overhaul of the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (commonly referred to as the “Uniform Guidance”) since its original release in 2013.

The revised guidance, codified in 2 CFR Part 200, becomes effective for federal awards issued on or after October 1, 2024. Federal agencies may elect to apply the guidance to awards issued prior to this date, but are not required to do so.

Key changes include:

- **Cybersecurity Requirements:** Entities receiving federal financial assistance must now implement appropriate cybersecurity measures to safeguard data and systems.
- **Threshold Adjustments:** Increases to the de minimis indirect cost rate, audit threshold, and Type A program threshold aim to reduce administrative burden.
- **Procurement Standards:** Clarifications and updates to procurement requirements, including micro-purchase and simplified acquisition thresholds.
- **Subrecipient Monitoring:** Enhanced expectations for oversight and documentation of subrecipient activities.
- **Plain Language and Accessibility:** The guidance has been rewritten to improve clarity and reduce ambiguity, making it more accessible to recipients and stakeholders.

We recommend the Commission take proactive steps to ensure compliance with the revised guidance. Specifically, the Commission should:

- Review all existing federal awards to determine applicability of the new guidance, especially for awards issued on or after October 1, 2024.
- Conduct a gap analysis of current policies and procedures against the revised requirements, including cybersecurity, procurement, and subrecipient monitoring.
- Update internal policies and procedures to reflect the new thresholds and standards.
- Engage with granting agencies to clarify expectations and confirm applicability of the revised guidance to current and future awards.
- Communicate whistleblower protections and other compliance-related updates to employees and subrecipients.
- Train relevant staff on the new requirements and ensure documentation practices align with the updated standards.

These actions will help the Commission maintain compliance and reduce risk under the new federal framework.

ERP System Review

As the Commission has been utilizing the MUNIS ERP system (“the System”) for approximately fifteen years now and many updates to the System have occurred over the years, we recommend the Commission consider conducting a comprehensive review of key business processes and reporting workflows to ensure continued alignment with the System’s capabilities and evolving financial reporting requirements.

While the System is well-established, periodic evaluations can help identify:

- Inefficiencies or gaps in how the System is being used
- Areas where data accuracy, internal controls, or compliance could be strengthened
- Opportunities to leverage additional features of the System to improve reporting and decision-making

As part of this review at a minimum management should consider the following:

- System configuration and setup – to confirm it still supports current operations and reporting goals
- User access and control settings – to ensure proper security, segregation of duties, and alignment with internal control objectives
- Process alignment – to verify policies and workflows reflect both current practices and system capabilities

The goal of this review is to ensure the System is being used effectively, internal controls remain strong, and the System continues to support accurate, efficient, and secure financial reporting. This review would also provide management with the opportunity to ensure its accounting policies and procedures manual is current and aligns with how financial information is processed within the System. By ensuring all policies and procedures are documented and align with the System, this will provide the Commission with resources to train staff during periods of onboarding, transition, turnover and succession planning.

New GASB Pronouncements

As of June 30, 2025, the Governmental Accounting Standards Board (GASB) had issued several statements not yet implemented by the Commission. The statements which might impact the Commission are as follows:

GASB Statement No. 103, Financial Reporting Model Improvements

This Statement will improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.

Statement No. 103 will be effective for the Commission beginning with its year ending June 30, 2026.

GASB Statement No. 104, Disclosure of Certain Capital Assets

The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnership and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

Statement No. 104 will be effective for the Commission beginning with its year ending June 30, 2026.

This communication is intended solely for the information and use of management, the Commission, and others within the Commission and is not intended to be and should not be used by anyone other than these specified parties.

If you have any questions concerning any of these items or if we can be of further assistance, please contact us. We thank you for the opportunity to conduct your audit for the year ended June 30, 2025 and express our appreciation to everyone for their cooperation during this engagement.

PBMares, LLP

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