



Transportation District Commission of Hampton Roads

Report on Single Audit

June 30, 2023

Transportation District Commission of Hampton Roads

Contents

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.....	3
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards.....	8
Schedule of Findings and Questioned Costs.....	9
Corrective Action Plan	12
Summary Schedule of Prior Audit Findings	13

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based
on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards***

To the Commissioners of
Transportation District Commission of Hampton Roads
Hampton, Virginia

We have audited, in accordance with the auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Specifications for Audits of Authorities, Boards and Commissions*, issued by the Auditor of Public Accounts of the Commonwealth of Virginia, the financial statements of Transportation District Commission of Hampton Roads (the "Commission"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated March 25, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2023-001 and 2023-002, that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Transportation District Commission of Hampton Roads' Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Commission's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Commission's responses were not subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
June 30, 2025

Independent Auditor's Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

To the Commissioners of
Transportation District Commission of Hampton Roads
Hampton, Virginia

Report on Compliance for Each Major Federal Program

Opinion on Compliance for Each Major Federal Program

We have audited Transportation District Commission of Hampton Roads' (the "Commission") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Commission's major federal programs for the year ended June 30, 2023. The Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Commission, compiled, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commission and to meet our other ethical responsibilities, in accordance with relevant ethical requirements related to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commission's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grants agreements applicable to the Commission's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commission's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Commission's compliance the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that have not been identified.

Our audit was designed for the purpose of expressing an opinion on the effectiveness of internal controls over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purposes.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the Transportation District Commission of Hampton Roads, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements. We issued our report thereon dated March 25, 2025, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion,

the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Brown, Edwards & Company, L.L.P.

CERTIFIED PUBLIC ACCOUNTANTS

Newport News, Virginia
June 30, 2025

Transportation District Commission of Hampton Roads

Schedule of Expenditures of Federal Awards

June 30, 2023

Federal Granting Agency/Recipient State Agency/Grant Program		Assistance Listing Number	Grant Number	Total Awards Expended
DEPARTMENT OF TRANSPORTATION				
Direct payments				
Federal Transit Administration Formula Grants	FY14 Passenger Ferry Discretionary Grant	20.507	VA-90-X546	\$ 20,367
	FFY 2017, FFY 2018, And FFY 2019 Section 5307 Capital Grant	20.507	VA-90-X576	1,232,906
	COVID-19 - Hampton Roads Transit Section 5307 CRRSAA Operating Grant	20.507	VA-90-X618	3,147,961
	HRT's 5337, 5307, 5309, STIP and CMAQ Grant	20.507	VA-90-X533	93,883
	FFY 2020 Section 5307 Purchase of Enterprise Asset Management System and Replacement of badge access control system	20.507	VA-95-X619	207,168
	COVID-19 -Hampton Roads Transit (HRT) FFY 2021 Section 5307 American Rescue Plan (ARP) Operating	20.507	VA-90-X628	19,320,843
	Hampton Roads Transit (HRT) FFY 2020 Section 5307 Vehicle Purchase and Capital Projects	20.507	VA-90-X647	6,144,208
	HRT FFY 18 STP and CMAQ	20.507	VA-95-X192	1,358,439
	Hampton Road Transit (HRT) FFY 2020 STP Bus Purchase and Victoria Boulevard Upgrade Phase 2 - CMAQ - Replacement Buses and Ferries	20.507	VA-95-X209	1,031,408
Total Federal Transit Administration Formula Grants				32,557,183
State of Good Repair Grants Program	HRT's 5339, 5337, 5307, STP and CMAQ Grant	20.525	VA-54-0006	513,466
	Hampton Roads Transit (HRT) FFY 2018, FFY 2019, FFY 2020, and FFY 2021 Section 5337 HIMB	20.525	VA-54-0012	91,081
	Hampton Roads Transit (HRT) FFY 19 and FFY 20 Section 5337 Fixed Guideway Repairs and upgrades of LRV, Systems, Bridge and Equip Upgrade and Replacement Ferry Boat	20.525	VA-54-0015	10,819
Total State of Good Repair Grants Program				615,366
Bus Facilities Formula Program	HRT's 5337, 5307, 5309, STIP and CMAQ Grant	20.526	VA-34-0011	77,552
Total Federal Transit Cluster				33,250,101
Highway Planning and Construction	FFY 2013, FFY 2014, FFY 2015, FFY 2018 Ferry Boat Flex Program - Repairs and upgrades to Ferry Docks	20.205	VA-70-X002	134,047
				\$ 33,384,148

Note: FFY denotes Federal Fiscal Year, and FY denotes the Commission's Fiscal Year

Transportation District Commission of Hampton Roads

Notes to Schedule of Expenditures of Federal Awards

June 30, 2023

Note 1 – General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal award programs of the Transportation District Commission of Hampton Roads.

Note 2 – Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual method of accounting.

Note 3 – Indirect Cost Rate

The Commission does not elect to use 10% de minimis indirect cost rate allowed under Section 2 CFR 200.331(a)(4).

Transportation District Commission of Hampton Roads

Schedule of Findings and Questioned Costs

June 30, 2023

A – Summary of Auditor’s Results

1. The auditor’s report expresses an unmodified opinion on the financial statements.
2. Two material weaknesses relating to the audit of financial statements were reported in the Independent Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on the Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements were disclosed.
4. No significant deficiencies and no material weaknesses relating to the audit of the major federal award programs were reported in the Independent Auditor’s Report on Compliance for Each Major Federal Program, Report on Internal Control Over Compliance, and Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance.
5. The auditor’s report on compliance for the major federal award program expresses an unmodified opinion.
6. The audit disclosed no audit findings related to the major program.
7. The program tested as major was:

Name of Program	Assistance Listing Number
Federal Transit Cluster:	
Federal Transit - Formula Grants	20.507
State of Good Repair Grants Program	20.525
Bus and Bus Facilities Formula Program	20.526

8. The threshold for distinguishing Type A and Type B programs was \$1,001,524.
9. The Commission was not determined to be a low-risk auditee.

Transportation District Commission of Hampton Roads

Schedule of Findings and Questioned Costs

June 30, 2023

B – Findings – Financial Statement Audit

2023-001: Proposed Audit Adjustments (Material Weakness)

Condition:

Yearly, the Commission's Finance Department oversees the preparation, processing, and recordation of thousands of financial transactions that ultimately will be reflected in the yearly Annual Comprehensive Financial Report produced within the Finance Department. In order to ensure that transactions are fairly presented, procedures must be in place and functioning effectively to produce complete and accurate financial statements. During the year end-close and financial audit process, we identified misstatements, some of which were considered material, to the financial statements resulting in the adjustment of the Commission's financial records.

Criteria:

In order to prepare financial statements in accordance with U.S. GAAP, accurate and complete general and subsidiary ledgers, along with supporting records, must be maintained to support the existence, completeness, accuracy, and valuation of all assets, liabilities, revenues, and expenses to ensure an accurate presentation of the financial position and activity of the Commission for the fiscal year ended.

Cause:

During the second quarter of fiscal year 2020, the Commission implemented a new general ledger accounting system. Significant issues stemming from the implementation of an unstable system, coupled with staff turnover and lack of staff resulted in a lack of technical critical mass to analyze the myriad of transactions the Commission entered into yearly, curtailing the Commission's ability to provide auditable and timely financial records.

Effect:

The Commission's financial statements were misstated.

Repeat Finding:

This is a repeat finding.

Recommendation:

We recommend that regular reconciliations be performed over the major general ledger accounts and reviewed by individuals other than those who performed those reconciliations and that the reviewers have the necessary background and understanding to ensure that balances are accurate, and that evidence of this review be documented.

Views of Responsible Officials:

Recommendations made by auditors will be implemented. See corrective action plan.

Transportation District Commission of Hampton Roads

Schedule of Findings and Questioned Costs

June 30, 2023

2023-002: Grant Activity (Material Weakness)

Condition:

During our testing over grant revenues, expenditures, receivables, and liabilities, we noted that grant activity was not appropriately tracked and reconciled throughout the year. The activity was reconciled at year end, but some of the schedules had to be revised during the audit. Also, there was no evidence of review of the reconciliations by someone other than the preparer. Further, the audit team noted errors in the reconciliations requiring the need for the client to research and revise the reconciliations. As a result, there were several material adjustments that needed to be recorded to adjust and correct balances as a result of discrepancies noted in the audit procedures performed.

Criteria:

Grant activity, including receivables, liabilities, revenues and expenditures, should be appropriately tracked and reconciled regularly to ensure accuracy.

Cause:

There are continued, lingering issues from the implementation of the new accounting system from the prior year that are still being corrected, combined with staff turnover that resulted in a lack of appropriate tracking over grant activity.

Effect:

There is potential that balances related to grants, including receivables, liabilities, revenues, and expenses, could be materially misstated.

Repeat Finding:

This is a repeat finding.

Recommendation:

We recommend that a system be implemented to track grant activity and compare grant expenditures to grant revenue along with a comparison of cash receipts to reimbursement requests. We also recommend that grant activity be reconciled on a monthly basis and that reconciliations be reviewed by someone other than the preparer and evidence of this review be documented.

Views of Responsible Officials:

Recommendations made by auditors will be implemented. See corrective action plan.

C – Findings and Questioned Costs - Major Federal Award Program Audit

None noted.

Transportation District Commission of Hampton Roads

Corrective Action Plan

June 30, 2023



HAMPTON ROADS TRANSIT

CORRECTIVE ACTION PLAN PURSUANT TO FINANCIAL AUDIT JUNE 30, 2023

Item 2023-001

View of Management and Planned Corrective Action:

Recommendations made by auditors have been incorporated and implemented. Account reconciliation completion is now a monthly requirement. Accounts have been assigned to specific accountants, and each is required to complete reconciliations for each month within 30 days of the last day of the month. Training in proper account reconciliation processes and procedures is being provided to all participants and is on-going. Reconciliations are required to include complete detail of the account balance as well as the correction/resolution for each reconciling item. The reconciliations are reviewed by the Assistant Director of Finance and approved by the Director of Finance, and these individuals confer on any corrective entries needed. The timely reconciliation of accounts and correction of any errors found during the reconciliation process will allow the delivery of more accurate financial statements at the beginning of an audit and should also reduce the length of time needed to complete an audit.

Item 2023-002

View of Management and Planned Corrective Action:

Recommendations made by auditors were made policy HRT FIN-201-3 – Grant and Projects Accounting Management Policy, implemented on July 1, 2023, and amended March 13, 2025. Per procedure, HRT is reconciling State grants on a monthly basis. This process requires that all expenses and reimbursements be verified and linked to D365 data. The reconciliation of Federal grants utilizes a standardized template and process to ensure consistency. HRT has engaged the consulting firm of WSP to assist in this process and facilitate the reconciliation of all Federal grants. Monthly expenses will be reviewed and the appropriate amounts drawn down, supported by a template containing all relevant information (e.g., project, grant, FTA PO, expense line-item detail). The corresponding information will be added to the grant reconciliation. Project accountants are receiving weekly training on the reconciliation of both State and Federal grants. All reconciliations are reviewed and approved by the Director of Finance. Training is also underway department-wide to stress the importance of recording both project revenue and expenses in the correct period, which will immediately improve the data quality of grants and project revenues and expenses.

Person Responsible: Donna Brumbaugh, Director of Finance
dbrumbaugh@hrtransit.org
(757) 222-6000 ext. 6611

Date of Corrective Action implementation: March 12, 2025

Transportation District Commission of Hampton Roads

Summary Schedule of Prior Audit Findings

June 30, 2023



HAMPTON ROADS TRANSIT

JUNE 30, 2023

Summary Schedule of Prior Audit Findings

Finding 2022-001: Proposed Audit Adjustments

Material Weakness in Internal Control over Financial Reporting

Condition: See Finding 2023-001.

Status: Not yet corrected. Due to the delayed timing of the FY21 audit, management was not able to implement changes to its processes and procedures prior to the FY23 audit being performed. See planned corrective action for FY23 finding FY 2023-001.

Finding 2022-002: Grant Activity

Material Weakness in Internal Control over Financial Reporting

Condition: See Finding 2023-002.

Status: Not yet corrected. Due to the delayed timing of the FY21 audit, management was not able to implement changes to its processes and procedures prior to the FY23 audit being performed. See planned corrective action for FY23 finding FY 2023-002.

Finding 2022-003: Grant Activity

Material Weakness over Schedule of Expenditures of Federal Awards

Condition: During our testing over major federal program expenditures, we noted a number of expenditures misclassified between grants which caused material misstatements to the schedule of expenditures of federal awards (the "Schedule"). As a result, material adjustments were required in order to present the Schedule accurately.

Status: This is no longer a finding in the current year.