



Meeting of the Audit & Budget Review Committee of Hampton Roads

Monday, October 24, 2022, • 10:00 a.m.
2nd Floor Board Room, 509 E 18th Street, Norfolk, VA
Hybrid In Person Zoom Tele/Video Conference

MEETING MINUTES

Call to Order

Jimmy Gray, Chair – City of Hampton, welcomed everyone and called the meeting to order at 10:03 am.

Attendance was taken for the meeting.

Commissioners in attendance In-person:

Commissioner Gray, Chair - City of Hampton
Commissioner Woodbury, City of Newport News

Commissioners in attendance virtual:

Commissioner Carey, City of Chesapeake
Commissioner Ross-Hammond, City of Virginia Beach

Alternate Commissioners in attendance In-person:

Commissioner Velissarios, City of Newport News

Alternate Commissioners in attendance virtual:

Commissioner Jackson, City Portsmouth

Hampton Roads Transit Staff In-person:

Conner Burns, Chief Financial Officer
Angela Glass, Director of Budget and Financial Analysis
Donna Brumbaugh, Director of Finance
Brenda Green, Accounting Coordinator (recorder)
John Powell, Telecommunications Specialist
Sonya Luther, Director of Procurement
Ray Amoruso, Chief Planning and Development Office
Keisha Branch, Director of Capital Programs



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Brain Smith, Deputy Chief Executive Officer
Alexis Majied, Chief Communications and External Affairs Officer

Hampton Roads Transit Staff virtual:

Shelley Harris, Budget Analyst
Sibyl Pappas, Chief Engineering and Facilities Officer
Ashley Johnson, Capital Improvement Plan Analyst III
James Lyons, Staff Accountant
Robert Lee, Regional Transit System Manager
Kristy Lockhart, Management Analyst
Robert Travers, Attorney
Kim Wolcott, Chief Human Resources Officer

Others in attendance:

Jeff Raliski, Hampton Roads Transportations Planning Organization (HRTPO)
Danielle Nikolaisen, Brown Edwards & Company
Leslie Roberts, Brown Edwards & Company
Megan Gribble, City of Virginia Beach
Milo Magno, WSP USA, Inc
Christian Zimmer, WSP USA, Inc
Simon Mosbah, WSP USA, Inc.

Call to Order

The October 2022 Audit & Budget Review Committee meeting package was posted to HRT's website and distributed electronically to the ABRC members and Commissioners in advance of the meeting. The meeting package consisted of:

- Meeting Agenda
- Meeting Minutes for May 23, 2022
- September 2022 FY23 Financial Report



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Additional presentation distributed to the ABRC members after today's meeting.

- October 24, 2022 Audit status Summary – Brown Edwards & Company
- Quarterly Grants Projects Update (Distributed electronically on September 29, 2022)

Approval of May 23, 2022, ABRC Meeting Minutes:

The October 24, 2022, ABRC was unable to vote on the approval of May 23, 2022, meeting minutes due to lack of a quorum.

Jimmy Gray, Chair – City of Hampton announced that due to time restraints of HRT's visiting Auditors from Brown Edwards & Company, he will start with "Old Business" first. This included updates on the FY2021 and FY2022 Financial Audits.

FY2021 and FY2022 Financial Audit Status Update

Danielle Nikolaisen, Brown Edwards & Company, presented a status update of the FY2021 and FY2022 Financial Audit to the ABRC members. Ms. Nikolaisen outlined the initial audit procedures that Brown Edwards performed, including communication and work papers received from the Cherry Bekaert Accounting Firm, HRT's previous auditing team. The audit comprised of testing financial balances and reconciliations, understanding transactions in an internal control environment, and financial reporting process and procedures. The compliance audit process involved the reviewing of the federal expenditures, examining VRS (Virginia Retirement System) samples, and testing the Virginia law and regulations as they align with the Auditor of Public Accounts (APA) specifications. HRT management is still processing the reconciliation of federal and state grant activity, specifically revenues, receivable and unearned amounts, pending items related to the payables, other minor open items, and pending entries. Based on the preliminary figures, the single audit testing is completed but cannot be finalized until the grant reconciliation is completed. The current preliminary status of the financial audit's findings is that there are no indications that Brown Edwards will not be able to issue an unmodified opinion, as it relates to the financial audit. The report will state that there was an analyzing control deficiency issue related to the reconciliation and audit adjustments. The auditing team will also be reporting difficulties when conducting the audit such as system issues and material entries related to capital asset balances, which could be contributed to system errors that occurred when there were transferring of balances from the old system to the new in prior years. The auditing team will also be reporting that



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there were no changes in the accounting policies and that no other accountants were involved in the auditing process. In addition, Ms. Nikolaisen reported that there were no disagreements with the management staff. Brown Edwards hopes to wrap up with the FY2021 audit late November 2022 and anticipates starting FY2022 shortly afterwards.

September 2022 FY 2023 Financials

Conner Burns, Chief Financial Officer, welcomed everyone to the meeting. Mr. Burns presented the Draft Financial Statement, ending September 30, 2022, to the Committee Members. The September 2022 financials include the operating financial statement, RTS financial statement, farebox revenue/expenses, consolidated crosswalk, and locality crosswalk. Mr. Burns also presented the locality reconciliations which reflect the estimated year-to-date Locality Service Reliability Plan credit for each of the cities. The Statement of Operations is structured to reflect the traditional operating budget without specific COVID spending. In addition, the Regional Transit System (RTS) expenses and operations are added into this statement. Page three addresses RTS specifically while the non-operating revenue and specific spending related to COVID is \$49,843.00 and is reflected in the footnotes. The Agency's line of credit balance as of September 30, 2022, is \$5,176,734.47. The financial operating crosswalk reflects the Hampton Roads Regional Transit Funding (RTF) for the Metro Area Express (MAX), Peninsula Commuter Service (PSC), and the 15-minute increment services. The year-to-date estimate of the locality Service Reliability Plan (SRP) credits were included in the budget status totals, as it relates to the financial crosswalk.

FY2024-2033 Capital Improvement Plan (CIP) Update

Brian Smith, Deputy Chief Executive Officer, presented a brief overview of the FY2024-2033 CIP Update to the MFAC members. The overview outlined the program's 10-year capital improvements projects, annual updates, scoring process and needs, prioritizations, program requirements, and the financial constraints based on the revenue projections. Mr. Smith also reviewed the federal, state, local and Hampton Roads Regional Transit Fund (HRRTF) contributions and investments, as well as the projected "other" discretionary funding sources needed for the CIP program. Currently, the Agency has 65 CIP documented projects. Mr. Smith also stated that in order for the Agency to maximize federal and state funding, the highest rated projects that meet regulatory and eligibility requirements are funded first. An overview of how the CIP funding will be allocated by project type and by category over the 10-year span was also presented. The next steps for the 10-year CIP program would include the Commission Work Session on



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October 27, 2022. On November 10, 2022, the additional CIP Summary documents will be available. A vote to adopt the resolution motion, as well as seeking the approval of the Annual Transit Strategic Plan Update (TSP), will be presented to the Transportation District Commission of Hampton Roads (TDCHR) Board at the December 8, 2022, meeting. On February 1, 2023, the CIP is scheduled to be adopted; this adoption is part of the Agency's application submission to the State Merit Program.

Adjournment

Chairman Gray stated that the next ABRC will be held on January 23, 2023.

With no further business to discuss, the October 24, 2022, ABRC Committee meeting was adjourned at 10:59 am.