



Certified Public Accountants  
Specialized Services  
Business Solutions

Board of Commissioners  
Transportation District Commission of Hampton Roads

We have audited the financial statements of *Transportation District Commission of Hampton Roads* for the year ended June 30, 2010. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and Government Auditing Standards and OMB Circular A-133, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter dated September 22, 2010. Professional standards also require that we communicate to you the following information related to our audit.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by *Transportation District Commission of Hampton Roads* are described in Note 2 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2010. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimate affecting the Commission's financial statements relates to the estimated liability for self-insurance claims. Management accrues an amount for self-insurance claims based on responses from its attorneys and evaluation of each case. We evaluated the factors and assumptions used to develop these estimates in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were the disclosures concerning debt balances and terms.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

*Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 8, 2010.


*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Authority's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Commission's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the Board of Directors and management of *Transportation District Commission of Hampton Roads* and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Caron J. Lennard, LLP". The signature is written in a cursive, flowing style.

Newport News, Virginia  
December 8, 2010



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Audit Committee  
Transportation District Commission of Hampton Roads

In planning and performing our audit of the financial statements of the Transportation District Commission of Hampton Roads (Commission) as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Commission's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

However, during our audit we became aware of the following matters. These circumstances and the possible solutions have been reviewed with the Chief Accounting Officer, and we believe they present an opportunity to strengthen internal controls and improve operating efficiency.

#### **Posting of Cash Receipts to PeopleSoft**

In connection with our audit, it was noted that posting of cash receipts to the general ledger was not performed in a timely manner. The cash receipts were deposited in the bank in a timely manner but the general ledger was not updated until several days later. This issue leaves the potential for cash to be understated in the general ledger and possibly accounts receivable overstated. While some personnel issues caused delays in the posting process, it is recommended that this process is delegated to appropriate staff to handle.

#### **Procurement Search for Suspension and Disbarment**

In connection with our audit of A-133 compliance testing for federal grants, it was noted the search for excluded parties for suspension and disbarment in connection with awarding contracts was not routinely performed. In addition, when the search was performed, the documentation was not maintained with contract documents. Not performing a search for excluded parties leaves the potential of awarding contracts to vendors that may have been disbarred or suspended from conducting business in Virginia. This would be a direct violation of federal grant awards and could potentially reduce funding. It is recommended that all contract award documentation include the search for excluded parties report.

This communication is intended solely for the information and use of the management of the Transportation District Commission of Hampton Roads and is not intended to be and should not be used by anyone other than these specified parties.

Newport News, Virginia  
December 8, 2010

Fountain Plaza One  
701 Town Center Drive, Suite 700  
Newport News, VA 23606

ph 757.873.1033  
fax 757.873.1106