



**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS**

Single Audit

September 30, 2022

(With Independent Auditors' Reports Thereon)

**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS**

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KPMG LLP  
811 Main Street  
Houston, TX 77002

## **Independent Auditors' 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***

The Board of Directors  
Metropolitan Transit Authority of Harris County, Texas:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and fiduciary activities of Metropolitan Transit Authority of Harris County, Texas (METRO), as of and for the year ended September 30, 2022, and the related notes to the financial statements, which collectively comprise METRO's basic financial statements, and have issued our report thereon dated March 17, 2023.

Our report includes a reference to other auditors who audited the financial statements of the Non-Union Pension Plan and Trust, as described in our report on METRO's financial statements. The financial statements of the Non-Union Pension Plan and Trust were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the Non-Union Pension Plan and Trust or that are reported on separately by those auditors who audited the financial statements of the Non-Union Pension Plan and Trust.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered METRO's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of METRO's internal control. Accordingly, we do not express an opinion on the effectiveness of METRO'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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether METRO'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 or other matters that are required to be reported under *Government Auditing Standards*.

**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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Houston, Texas  
March 17, 2023



KPMG LLP  
811 Main Street  
Houston, TX 77002

**Independent Auditors' Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

The Board of Directors  
Metropolitan Transit Authority of Harris County, Texas:

**Report on Compliance for Each Major Federal Program**

*Opinion on Each Major Federal Program*

We have audited Metropolitan Transit Authority of Harris County, Texas' (METRO) 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 METRO's major federal programs for the year ended September 30, 2022. METRO's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, METRO complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2022.

*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 (GAAS); 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 the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of METRO and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating 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 METRO'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 grant agreements applicable to METRO's federal programs.

*Auditors' 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 METRO'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 GAAS, *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 judgment made by a reasonable user of the report on compliance about METRO's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks 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 METRO'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 METRO'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 METRO'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 a 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 Auditors' 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 were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control 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 purpose.



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

We have audited the basic financial statements of METRO as of and for the year ended September 30, 2022, and have issued our report thereon dated March 17, 2023, which contained an unmodified opinion on those basic financial statements. Our audit was conducted for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic 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 basic 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 GAAS. 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.

*KPMG LLP*

Houston, Texas  
June 28, 2023

**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS**

Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

Assistance Listing Number	Grant Number	Program/project descriptions	Subrecipient expenditures	Total expenditures
U.S. Department Transportation, Federal Transit Administration (Direct):				
Federal Transit Cluster:				
Federal Transit Capital Improvement Grants:				
20.500	TX-03-0268	North Corridor PE (Sect. 5309 New Starts)	\$ —	1,860,453
20.500	TX-03-0269	Southeast Corridor PE (Sect. 5309 New Starts)	—	4,928,916
20.500	TX-05-0138	FY 2007-2008-2009 Fixed Guideway Mod.(Sect. 5309)	—	1,282
Federal Transit Capital Improvement Grants Subtotal			—	6,790,651
Bus and Facilities Formula, Competitive, and Low and No Emissions Programs:				
20.526	TX-2019-068-00	Houston METRO Lapsing FY2016 Grant (Sect. 5339)	—	123,283
20.526	TX-2020-144-00	Houston METRO FY2018 Sect. 5339 Bus and Buses Facilities	—	6,876,817
20.526	TX-2021-045-00	Houston METRO FY2020 Sect. 5339 Discretionary Bus Regional Fare Collection System	—	100,899
Bus and Bus Facilities Formula Grants Subtotal			—	7,100,999
Federal Transit Formula Grants:				
20.507	TX-95-X006	Bike Racks & New Service (Quickline, Cypress, & Katy Mills) (Sect. 5307)	—	666,133
20.507	TX-2017-046-00	CMAQ Cypress L Ramp & Magnolia Transit Center FY2017 FHWA CMAQ Flex to FTA	—	(23,359)
20.507	TX-2021-008-00	CMAQ Construction of ADA Projects (Universal Accessibility Project)	—	8,510,293
20.507	TX-2021-125-00	Houston METRO FY2020 CMAQ West Belfort Park & Ride Construction	—	298,560
Federal Transit Formula Grants Subtotal			—	9,451,627
Total Federal Transit Cluster			—	23,343,277
Transit Services Programs Cluster:				
Enhanced Mobility of Seniors and Individuals with Disabilities:				
20.513	TX-2016-046-00	Sect. 5310 Enhanced Mobility of Seniors & Individuals with Disabilities	165,434	165,434
20.513	TX-2020-115-00	Sect. 5310 Enhanced Mobility of Seniors & Individuals with Disabilities	151,490	151,490
Enhanced Mobility of Seniors and Individuals with Disabilities Subtotal			316,924	316,924
Total Transit Services Programs Cluster			316,924	316,924
Other Direct Federal Funds – U.S. Department of Transportation:				
Public Transportation Innovation:				
20.530	TX-2020-108-00	Bus Monitoring Equipment (FY19 Innovation in TPS FTA Section 5312)	—	160,000
20.530	TX-2021-028-00	Sect. 5312 Research, Dev, Demo/deplo., and Evaluation Projects (2018 and forward)	177,530	177,530
Public Transportation Innovation Subtotal			177,530	337,530
Total Other Direct Federal Funds – U.S. Department of Transportation			177,530	337,530
Highway Planning and Construction Cluster:				
Funds passed through from Texas Department of Transportation (TXDOT):				
20.205	0912-00-547	Regional Van Pool Program – CMAQ	—	990,412
20.205	0912-00-553	Regional Van Pool Program – CMAQ	—	693,605
20.205	0912-00-546	Regional Van Pool Program – STP	—	760,528
20.205	0912-00-504	Regional Van Pool Program – STP	—	1,508,800
Funds passed through from Texas Department of Transportation (TXDOT) Subtotal			—	3,953,345
Total Highway Planning and Construction Cluster			—	3,953,345
Total U.S. Department of Transportation			494,454	27,951,076
U.S. Department of Homeland Security (Direct):				
Rail and Transit Security Grant Program:				
97-075	EMW-2019-RA-00008	FEMA – See Something, Say Something	—	17,487
Rail and Transit Security Grant Program Subtotal			—	17,487
Homeland Security Grant Program:				
97-067	4124601	Houston Urban Area Security Initiative (UASI)-Portable X-Ray Systems	—	99,900
97-067	4124701	Houston Urban Area Security Initiative (UASI)-Active Shooter Training Equipment	—	37,581
Homeland Security Grant Program Subtotal			—	137,481
Total U.S. Department of Homeland Security			—	154,968
Total Federal Awards			\$ 494,454	28,106,044

See accompanying notes to schedule of expenditures of federal awards.



**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS**

Notes to Schedule of Expenditures of Federal Awards

Year ended September 30, 2022

**(1) Reporting Entity**

The Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the Metropolitan Transit Authority of Harris County, Texas (METRO).

**(2) Basis of Accounting**

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to METRO's basic financial statements.

**(3) Relationship to the Basic Financial Statements**

Financial assistance revenue is reported in METRO's basic financial statements as capital grant proceeds of \$ 23.5 million and nonoperating grant proceeds of \$4.6 million for a total federal financial assistance of approximately \$28.1 million.

**(4) Loans and Loan Guarantees**

METRO did not have any loans payable to, or guaranteed by, the U.S. Government or an agency thereof as of fiscal year-end.

**(5) Indirect Costs**

METRO did not use the 10% de minimis indirect cost rate.

**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS**

Schedule of Finding and Questions Costs

Year ended September 30, 2022

**(1) Summary of Auditor's Results**

- (a) Type of report issued on whether the financial statements were prepared in accordance with generally accepted accounting principles: **Unmodified for both business-type activities and fiduciary activities**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
  - Material weaknesses: **No**
  - Significant deficiencies: **None reported**
- (e) Type of report issued on compliance for major programs: **Unmodified for all major programs**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
  - Federal Transit Cluster – Assistance Listing 20.500, 20.507, and 20.526
  - Highway Planning and Construction Cluster – Assistance Listing 20.205
- (h) Dollar threshold used to distinguish between Type A and Type B programs: **\$843,181**
- (i) Auditee qualified as a low-risk auditee: **No**

**(2) Findings Related to the Financial Statements Reported in Accordance with Government Auditing Standards**

None

**(3) Findings and Questioned Costs Relating to Federal Awards**

None.

**METROPOLITAN TRANSIT AUTHORITY  
OF HARRIS COUNTY, TEXAS**

Summary Schedule of Prior Audit Findings

Year ended September 30, 2022



**Mission Statement**

*"Provide safe, clean, reliable, accessible and friendly public transportation services to our region."*

**Board of Directors**

Sanjay Ramabhadran (Ram), P.E.  
*Chair*

Don Elder, Jr.  
*First Vice-Chair*

Roberto Treviño, P.E.  
*Second Vice-Chair*

Troi Taylor  
*Secretary*

Lex Frieden

Bob Fry

Christopher G. Hollins

Diann L. Lewter

Terry Morales

**President & Chief Executive Officer**

Thomas C. Lambert



May 19, 2023

KPMG LLP  
811 Main Street  
Suite 4400  
Houston, Texas

Ladies and Gentlemen:

RE: Summary Schedule of Prior Audit Findings

Please accept the following information as a follow-up on audit finding #2021-001 within the Schedule of Finding and Questioned Costs of METRO's Single Audit Report for the year ended September 30, 2021, and the status of the corrective action plan proposed by the Grants Programs Division.

**Finding Reference Number:** 2021-001:

**Finding:** Material Non-compliance and Material Weakness in Internal Control

**Federal Program:** Federal Transit Formula Grants: ALN 20.507 COVID-19

**Description of the Finding:**

- Two accrued expenditure transactions for \$308,508 and \$31,000, respectively, were incorrectly included in a request for federal reimbursement but not supported by vendor documentation or evidence of prior payment.
- One expenditure transaction associated with a legal settlement for \$58,295 was incorrectly included in a request for reimbursement and thus failed to support the allowability of the expenditure with either an exclusion to the general rule or prior approval from FTA.
- One expenditure transaction for \$7,100 representing a component requisitioned from inventory was incorrectly included in a request for reimbursement. This item was repaired and subsequently returned to inventory.

**Status:** Corrected

**Contact:** Philip Brenner, Deputy Chief Financial Officer