



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

Single Audit

September 30, 2020

(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 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 auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of Metropolitan Transit Authority of Harris County, Texas (METRO), which comprise the statement of net position as of September 30, 2020 and the related statements of revenues, expenses, and changes in net position, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated March 25, 2021.

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 opinion 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 and all deficiencies in internal control that might be material weakness or significant deficiencies. Given these limitations, during our audit we did not identify and deficiencies in internal control that we consider to be material weakness. However, material weaknesses may exist that have not been identified.

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 METRO's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering METRO's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Houston, Texas
March 25, 2021



KPMG LLP
811 Main Street
Houston, TX 77002

Independent Auditors' Report on Compliance for the 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 the Major Federal Program

We have audited the Metropolitan Transit Authority of Harris County, Texas' (METRO) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on METRO's major federal program for the year ended September 30, 2020. METRO's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for METRO's major federal program based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about METRO's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of METRO's compliance.

Opinion on the Major Federal Program

In our opinion, Metropolitan Transit Authority of Harris County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of Metropolitan Transit Authority of Harris County, Texas' is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered METRO's internal control over



compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of METRO's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 financial statements of METRO as of and for the year ended September 30, 2020, and have issued our report thereon dated March 25, 2021, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the 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 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 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 financial statements or to the 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 financial statements as a whole.

KPMG LLP

Houston, Texas
May 20, 2021

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

Schedule of Expenditures of Federal Awards

Year ended September 30, 2020

CFDA number	Grant number	Program/project descriptions	Subrecipient expenditures	Total expenditures
		U.S. Department Transportation, Federal Transit Administration (Direct):		
		Federal Transit Cluster:		
		Federal Transit Capital Investment Grants:		
20.500	TX-03-0268	North Corridor PE (Sect. 5309 New Starts)	\$ —	3,753,329
20.500	TX-03-0269	Southeast Corridor PE (Sect. 5309 New Starts)	—	6,896,920
20.500	TX-04-0025	FY 2006-2008-2009 Bus & Bus Facilities (Sect. 5309)	—	752,438
20.500	TX-05-0138	FY 2007-2008-2009 Fixed Guideway Mod.(Sect. 5309)	—	1,039,608
		Federal Transit Capital Investment Grants Subtotal	—	12,442,295
		Bus and Facilities Formula Grants:		
20.526	TX-34-0002	FY2013-FY2014 Bus and Bus Facilities Formula Grant (Sect. 5339)	—	2,299,656
20.526	TX-2019-068-00	Houston METRO Lapsing FY2016 Grant (Sect. 5339)	—	8,163
20.526	TX-2020-116-00	Redesign N. Post Oak Rd. & Construct NW Transit Center	—	17,718,999
		Bus and Bus Facilities Formula Grants Subtotal	—	20,026,818
		Federal Transit Formula Grants:		
20.507	TX-95-X006	Bike Racks & New Service(Quickline, Cypress, & Katy Mills) (Sect. 5307)	—	161,899
20.507	TX-2017-046	CMAQ Cypress L Ramp & Magnolia Transit Center-FY2017 FHWA CMAQ Flex to FTA	—	1,729,832
20.507	TX-2019-077-01	Urbanized Area Formula Program FY2017 and FY2018 (Sect. 5307)	—	27,099,063
20.507	TX-2020-070-01	COVID-19 Houston METRO Cares ACT Operating Assistance (Sect. 5307)	—	248,835,226
20.507	TX-2020-109-00	Urbanized area Formula Program FY 2019 (Sect. 5307)	—	27,303,266
		Total Federal Transit Formula Grants	—	305,129,286
		State of Good Repair Grants Program (Sect. 5337):		
20.525	TX-54-0003	State of Good Repair (Sect. 5337)	—	35,366
20.525	TX-2020-134-00	Houston METRO Preventive Maintenance FY2019 (Sect. 5337)	—	3,820,185
		Total State of Good Repair Grants Program	—	3,855,551
		Total Federal Transit Cluster	—	341,453,950
		Transit Services Programs Cluster:		
20.516	TX-37-X059	Job Access and Reverse Commute (JARC) (Sect. 5316)	2,806	2,806
20.516	TX-37-X103	FY2011-FY2012 JARC (Sect. 5316)	32,366	34,212
		Job Access and Reverse Commute Program Subtotal	35,172	37,018
20.521	TX-57-X006	FY2006 New Freedom (Sect. 5317)	18,237	21,716
20.521	TX-57-X038	FY2010-2011 New Freedom (Sect. 5317)	43,471	43,471
		New Freedom Program Subtotal	61,708	65,187
20.513	TX-2016-046	Sect. 5310 Enhanced Mobility of Seniors & Individuals with Disabilities	156,725	156,725
20.513	TX-16-X025	FY2013-FY2014 Enhanced Mobility of Seniors & Individuals with Disabilities	256,939	256,939
		Enhanced Mobility of Seniors & Individuals with Disabilities Subtotal	413,664	413,664
		Total Transit Services Programs Cluster	510,544	515,869
		Other direct federal funds – United States Department of Transportation:		
		Public Transportation Research, Technical Assistance, and Training Grants:		
20.514	VA-2019-004-00	OLI FY2019 FTA Rail Safety Education & Public Awareness Competitive Grant	—	2,687
		Total other direct funds	—	2,687
		Total Direct U.S. Department of Transportation	510,544	341,972,506
		Highway Planning and Construction Cluster:		
		Funds passed through from Texas Department of Transportation (TXDOT):		
20.205	0912-00-553	Regional Van Pool Program – CMAQ	—	(135,590)
20.205	0912-00-547	Regional Van Pool Program – CMAQ	—	1,147,409
20.205	0912-00-502	Regional Van Pool Program – CMAQ	—	(45,915)
20.205	0912-00-546	Regional Van Pool Program – STP	—	1,461,996
		Total Highway Planning and Construction Cluster	—	2,427,900
		Other direct federal funds – United States Department of Homeland Security:		
97.036	DR-4269-TX	Disaster Grants-Public Assistance (Presidentially Declared)	—	55,963
97.036	FEMA-1791-DR-TX	FEMA – Public Assistance – Hurricane Ike	—	67,240
97.067	EMW-2018-SS-00022-S01	HSGP – Bomb Robot	—	179,552
		Total other direct federal funds	—	302,755
		Total federal awards	\$ 510,544	344,703,161

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, 2020

(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 \$39.1 million and nonoperating grant proceeds of \$305.6 million for total federal financial assistance in the amount of approximately \$344.7 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 Findings and Questioned Costs

Year ended September 30, 2020

(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**
- (b) Internal control deficiencies over financial reporting disclosed by the audit of the financial statements:
 - Material weaknesses: **No**
 - Significant deficiencies: **No**
- (c) Noncompliance material to the financial statements: **No**
- (d) Internal control deficiencies over major programs disclosed by the audit:
 - Material weaknesses: **No**
 - Significant deficiencies: **No**
- (e) Type of report issued on compliance for major program: **Unmodified**
- (f) Audit findings that are required to be reported in accordance with 2 CFR 200.516(a): **No**
- (g) Major programs:
 - Federal Transit Cluster – CFDA 20.500, 20.507, 20.525, and 20.526
- (h) Dollar threshold used to distinguish between Type A and Type B programs: \$3,000,000
- (i) Auditee qualified as a low-risk auditee: **Yes**

(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