



METROPOLITAN TRANSIT AUTHORITY OF HARRIS COUNTY

September 30, 2014



KPMG LLP
811 Main Street
Houston, TX 77002

March 27, 2015

The Board of Directors
Metropolitan Transit Authority
Harris County, Texas

Ladies and Gentlemen:

We have audited the financial statements of Metropolitan Transit Authority of Harris County (the Authority), as of and for the year ended September 30, 2014, and have issued our report thereon dated March 27, 2015. In planning and performing our audit of the financial statements of the Authority, in accordance with auditing standards generally accepted in the United States of America, we considered the Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

During our audit we noted a certain matter involving internal control and other operational matters that is presented for your consideration. This comment and recommendations, all of which have been disclosed with the appropriate members of management, are intended to improve internal control or result in other operational efficiencies and are summarized as follows:

Other Post-Employment Benefit (OPEB) Union Census Data

In connection with the audit, we tested the accuracy of the census data provided to the Authority's actuary for the Union OPEB plan. We did not identify any exceptions in the retiree population. However, out of the 15 nonretirees tested, the hire dates provided to the actuary for two participants did not agree to personnel information on file. The hire dates provided to the actuary indicated that the employees were hired approximately 4 years and 6 months, respectively, after the actual hire dates. These exceptions are not expected to have a material impact on the actuarial analysis and OPEB liability.

Pension Union and Non-Union Census Data

Additionally, we tested the accuracy of the census data provided to the Authority's actuary for the Union and Non-Union Pension plans. As the Pension plans were audited by other external auditors, we did not provide an opinion on those plans or the census data. We identified three exceptions during our testing relating to two retirees from the Pension Union plan and one nonretiree from the Pension Non-Union plan. One retiree's name provided to the actuary did not agree to the personnel information on file. The other retiree's date of birth provided to the



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actuary was approximately 11 years later than the personnel information on file. The nonretiree's hire date provided to actuary was approximately 2 years later than the hire date per the personnel information on file.

We recommend that the Authority's management perform the following as part of ensuring the completeness and accuracy of the census data for all of its defined benefit plans, with a specific focus on the retiree population:

- Prior to submission to the actuary, complete a thorough review of the census data to ensure the integrity of the information, including the start date, retirement date, and date of birth.
- While we know that there are existing procedures in place with regards to the recordkeeping of censuses data, we recommend enhancing the procedures to help mitigate the risk of error for the manual components of the recordkeeping process.
- Consider computerizing retiree personnel records which are currently being maintained manually.

Management Response

We have implemented additional review and approval procedures which will minimize discrepancies in census data and actuarial reports.

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Our audit procedures are designed primarily to enable us to form an opinion on the financial statements, and therefore may not bring to light all weaknesses in policies or procedures that may exist. We aim, however, to use our knowledge of the Company's organization gained during our work to make comments and suggestions that we hope will be useful to you.

We would be pleased to discuss these comments and recommendations with you at any time.

This communication is intended solely for the information and use of management, the Audit Committee, others within the organization, and the Authority, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

KPMG LLP