



KPMG LLP  
811 Main Street  
Houston, TX 77002

June 25, 2019

The Board of Directors  
Metropolitan Transit Authority  
Harris County, Texas

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Metropolitan Transit Authority of Harris County, Texas (METRO) as of and for the year ended September 30, 2018, in accordance with 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, we considered the 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 the METRO's internal control. Accordingly, we do not express an opinion on the effectiveness of the METRO's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses and/or significant deficiencies and therefore, material weaknesses and/or significant deficiencies may exist that were not identified. In accordance with *Government Auditing Standards*, we issued our report dated March 14, 2019 on our consideration of the METRO's internal control over financial reporting.

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. During our audit, we identified the following deficiency in internal control:

**METRO's Cash Held by a Third-Party Vendor**

From October 2016 through December 2017 the cash balances held at the end of each month by 2Plus, the third-party vendor who managed Vanpool operations, ranged from \$1,211,000 to \$3,917,000. The cash primarily resulted from Vanpool ridership collections and was held in a bank account established and maintained by 2Plus. METRO had no direct access to cash held by 2Plus

Changes in the month-end cash balance generally related to the timing of payment of 2Plus' Vanpool operating expenses and the periodic remittance of excess cash to METRO. 2Plus remitted two payments totaling \$2,700,000 to METRO during the transition where METRO assumed full responsibility for Vanpool operations in early 2018. This remittance related to cash collected by 2Plus from riders while METRO was paying most of the operating expenses.

The Vanpool program is partially funded through a federal grant (passed through the Texas Department of Transportation). Management performed a detailed assessment and determined that the money held by 2Plus belonged to METRO and did not result from excess billings to the Texas Department of Transportation.

We recommend METRO establish and document the appropriate levels of cash to be held by the third-party vendors and related controls to ensure excess cash is remitted to METRO at least monthly.



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**Management Response**

METRO agrees and has assigned the responsibility to the Office of the Controller to monitor the cash requirements of third-party vendors and ensure excess amounts are remitted to METRO at least monthly.

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METRO's response to the finding identified in our audit is described above. METRO's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This purpose of this letter is solely to describe the deficiency in internal control identified during our audit. Accordingly, this letter is not suitable for any other purpose.

Very truly yours,

**KPMG LLP**