



**KPMG LLP**  
811 Main Street  
Houston, TX 77002

March 14, 2016

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

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of Metropolitan Transit Authority of Harris County (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 matter involving internal control 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 and are summarized as follows:

***Census Data***

***Union and Non-Union Pension Plans***

In connection with the audit, we tested the completeness and accuracy of the census data provided to the Authority's actuary for the Union and Non-Union Pension plans. Out of a sample size of 50, we identified the following exceptions:

- Union plan – 3 active member's date of hire per source documents did not match the census data. Differences ranged from 3 days to 124 days.
- Union plan – 5 retiree's dates of birth per source documents did not match the census data. Differences ranged from 10 days to 24 days.
- Union plan – 3 retiree's benefit start dates per source documents did not match the census data. Differences ranged from 14 days to 32 days.
- Non-Union plan – 2 retiree's dates of birth per source documents did not match the census data. Differences ranged from 2 days to 21 days.



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- Non-Union plan – 2 retiree’s benefit start dates per source documents did not match the census data. Differences ranged from 1 day to 31 days.

These exceptions did not have a material impact on the actuarial analysis and pension liabilities.

The Authority recently initiated a project to review its census data files and make adjustments to its data, as appropriate. In connection with this project, the Authority identified approximately 58 Union plan participants that had improperly been excluded from census data submitted to the actuary for the December 31, 2013 valuation. These participants were properly included in the December 31, 2014 valuation.

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.
- Implement controls to mitigate risk of error in data processing the manual components of the recordkeeping process.
- Consider computerizing retiree personnel records which are currently being maintained manually.
- Conduct an inventory of personnel records to confirm that all eligible employees have properly been included in the census data submitted to the actuary.

#### ***Management Response***

- Management will perform a complete audit of pension files before the end of December 31, 2016 to ensure that any additional errors are found and corrected. The work will be completed by the two Retirement Plan Analysts within the Benefits group, and signed off by the Plan Administrator and the Director of Benefits, Pension and Wellness prior to submittal for the next valuation.
- Retiree data is being loaded into the SAP system, which will allow further automation of the process of creating the census and fewer errors as a result of manual entry. Target date for completion is December 31, 2016.
- We have upgraded our record keeping system with the State Street Trust which has added further control features to our system. Additionally, we have made changes to the security system and have limited access. Previously, there were two instances in which one user could enter and approve the same data. This has been corrected to allow each user to have only the function of entering or approving data in the system, thus ensuring that all data is reviewed before final submission.



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- The Authority's IT and HRIS teams are reviewing options for digitizing employee and pension records in the future.

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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 Authority'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 this comment and recommendation with you at any time.

This communication is intended solely for the information and use of management, the Board of Directors, 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**