

**REGIONAL TRANSPORTATION AUTHORITY**

**CAPITAL GRANT CTA-098-98-9D-04**

**MAY 31, 2007**

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## **Independent Auditors' Report**

To the Chairman and Members of  
the Board of Directors of  
the Regional Transportation Authority

### **Schedule of Grant Costs Claimed for Reimbursement**

We have audited the accompanying Schedule of Grant Costs Claimed for Reimbursement ("Schedule") of Regional Transportation Authority ("RTA") funded Capital Grant CTA-098-98-9D-04 to the Chicago Transit Authority ("CTA") as of May 31, 2007 and for the period from September 11, 1998 to May 31, 2007. This Schedule is the responsibility of the CTA's management. Our responsibility is to express an opinion on this Schedule based on our audit.

We conducted our audit of the Schedule in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedule is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Schedule. An audit also includes assessing the accounting principles used and significant estimates made by CTA's management as well as evaluating the overall Schedule presentation. We believe our audit provides a reasonable basis for our opinion.

As described in the accompanying Note, this Schedule was prepared for the purpose of complying with Article X, Settlement and Close-out, of the CTA-098-98-9D-04 Grant Agreement and is not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the Schedule of Grant Costs Claimed for Reimbursement of RTA Capital Grant CTA-098-98-9D-04 referred to above presents fairly, in all material respects, the information set forth therein in accordance with the Grant Agreement described in the accompanying Note.

### **Internal Control**

The management of the CTA is responsible for establishing and maintaining effective internal control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control policies and procedures. The objectives of internal control are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of the Schedule of Grant Costs Claimed for Reimbursement in accordance with the terms of the CTA-098-98-9D-04 Grant Agreement between the CTA and the RTA. Because of the inherent limitations in any internal control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the internal control to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of the policies and procedures may deteriorate.

In planning and performing our audit of the Schedule of Grant Costs Claimed for Reimbursement, we obtained an understanding of the internal control. With respect to the internal control, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the Schedule, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express such an opinion.

Our study included procedures related to purchasing and accounts payable, time and expense reporting, requisitions, external reporting, and capital grant administrative procedures including those related to budget revisions. For all of these internal control categories, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with Article X, Settlement and Close-out of the CTA-098-98-9D-04 Grant Agreement, such that there is more than a remote likelihood that a misstatement of the organization's financial reports that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial reports will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the second paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

### **Compliance with the Grant Agreement**

We have examined CTA management's assertion, included in its representation letter dated April 17, 2008, that the CTA complied with the requirements set forth in the attached Summary of Compliance Requirements that are applicable to the CTA-098-98-9D-04 Grant Agreement between the CTA and the RTA during the period from September 11, 1998 to May 31, 2007. As discussed in that representation letter, the CTA's management is responsible for its compliance with those requirements. Our responsibility is to express an opinion on CTA management's assertion about its compliance based on our examination.

Our examination was made in accordance with standards established by the American Institute of Certified Public Accountants and, accordingly, included examining, on a test basis, evidence about CTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on CTA's compliance with specified requirements.

In our opinion, CTA management's assertion that it has complied with all aspects of contractual agreements and Grant Agreements that in the event of noncompliance would have a material effect on the Schedule of Grant Costs Claimed for Reimbursement of RTA funded Capital Grant CTA-098-98-9D-04 as of May 31, 2007 and for the period from September 11, 1998 to May 31, 2007 is fairly stated in all material respects.

This report is intended for the information of the RTA's Management and Board of Directors. However, this report is a matter of public record, and its distribution is not limited.

*Vickroy, Krause & Company, LLC*

Chicago, Illinois  
April 17, 2008

REGIONAL TRANSPORTATION AUTHORITY

SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT  
CAPITAL GRANT CTA-098-98-9D-04

For the period from September 11, 1998 to May 31, 2007

Project Element	Project Description	Budget	RTA Portion of Budget	Costs Claimed	RTA Portion of Questioned Costs
8585	Purchase / Install End User Computer Systems	\$ 1,000,000	\$ 200,000	\$ 200,000	\$ -
8587	Perform Bus Overhaul	3,534,763	706,953	706,953	-
8589	Perform Railcar Overhaul	2,998,996	599,799	599,799	-
8591	Purchase BSMS Modules for Approximately 720 Buses	4,699,294	939,859	939,859	-
8592	Implement Data Processing Systems	4,840,334	968,067	892,886	-
8594	Upgrade Bus Washers - Forest Glen	191,374	38,275	37,796	-
8595	Purchase Maintenance Equipment	400,416	80,083	80,083	-
8596	Purchase Non-Revenue Vehicles	2,486,878	497,376	497,376	-
8597	Improve System Signage - Systemwide	4,400,218	880,044	834,443	-
8599	Reconstruct Rail Station - Wilson/Howard	750,000	150,000	35,254	-
8603	Implement Quality Assurance Program	309,182	61,836	61,836	-
8605	Implement Flexible Service Initiatives	221,476	44,295	44,295	-
8606	Purchase BSMS Radios/Computers for 1,520 Buses	2,146,137	429,227	331,455	-
8611	Provide for Contingencies	402	80	-	-
8616	Provide for Project Administration	48,840	367,249	367,249	-
	<b>Total</b>	<b>\$ 28,028,310</b>	<b>\$ 5,963,144</b>	<b>\$ 5,629,284</b>	<b>\$ -</b>
	<b>Costs Reimbursed</b>			<b>\$ 5,629,284</b>	

See accompanying note to this schedule.

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**NOTE TO SCHEDULE OF GRANT  
COSTS CLAIMED FOR REIMBURSEMENT  
CAPITAL GRANT CTA-098-98-9D-04**

Through a Grant Agreement dated September 11, 1998, most recently amended on October 3, 2003, the Regional Transportation Authority ("RTA") granted the Chicago Transit Authority ("CTA") \$5,963,144, as its 20% local share for the capital improvement projects listed in the preceding Schedule of Grant Costs Claimed for Reimbursement. The Schedule of Grant Costs Claimed for Reimbursement includes the local share of amounts incurred for each project element through May 31, 2007 and submitted to the RTA for reimbursement. The latest requisition to the RTA from the CTA prior to June 1, 2007 was dated January 31, 2007. According to the CTA, the following projects are open as of June 1, 2007 and have the following status.

<u>Capital Grant</u>	<u>Project Element</u>	<u>Project Completion Date*</u>
CTA-098-98-9D-04	8592	March 2008
CTA-098-98-9D-04	8597	April 2008
CTA-098-98-9D-04	8599	March 2008
CTA-098-98-9D-04	8606	December 2007

\*Project completion date refers to the date that the project element within this specific grant is expected to close. All other project elements are closed and no additional amounts for those projects will be submitted to the RTA for reimbursement.

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**SUMMARY OF COMPLIANCE REQUIREMENTS**  
**CAPITAL GRANT CTA-098-98-9D-04**

The following sections are the governing compliance requirements with respect to Capital Grant CTA-098-98-9D-04 from September 11, 1998 through May 31, 2007:

**General Terms and Conditions**

Article II	- The Grantee's Commitment
Article III	- Capital Grant
Article IV	- Method of Funding
Article V	- Accomplishment of the Project(s)
Article VI	- Local Share Provisions
Article VII	- Project Administration and Management
Article VIII	- Requisition, Payment Procedures, and Record Keeping
Article IX	- Right of the RTA to Terminate
Article X	- Settlement and Close-out
Article XI	- Procurement
Article XII	- Settlement of Third Party Contract Disputes or Breaches
Article XIII	- Assignment of Contract-Subcontractors
Article XV	- Non-collusion
Article XVI	- Labor Law Compliance
Article XVII	- Civil Rights
Article XIX	- Restrictions on Lobbying
Article XXII	- Amendment
Article XXV	- Special Conditions

**Program Management Guidelines (May 29, 1990, November 19, 1998, January 11, 2002, and March 21, 2002)**

- I. Project Reporting
- II. Procurement Review
- III. Contract Change Orders
- IV. Real Property Procurement
- V. Use of Force Account