

REGIONAL TRANSPORTATION AUTHORITY
(ADDITIONAL ASSISTANCE GRANT COMPLIANCE AUDITS)
Chicago, Illinois

COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE
AND MANAGEMENT

June 30, 2017

REGIONAL TRANSPORTATION AUTHORITY

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REQUIRED COMMUNICATIONS BY THE AUDITOR WITH THOSE CHARGED WITH GOVERNANCE

To the Board of Directors
Regional Transportation Authority
Chicago, Illinois

Thank you for using Baker Tilly Virchow Krause, LLP as your auditor.

We have completed the compliance audits of the 2017 Additional Assistance (“AA”) grants (the “grants”) for the periods ended June 30, 2017 and have issued our reports thereon dated August 21, 2018. This letter presents communications required by our professional standards.

***OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED
IN THE UNITED STATES OF AMERICA***

The objective of these audits is the expression of an opinion on the compliance with the requirements of the grant agreements and grant agreement amendments, if any, between the Illinois Department of Transportation (“IDOT”) and the Regional Transportation Authority (“RTA”) that are applicable to the grants as set forth in the grant agreements and the accompanying Schedules of Grant Revenues and Expenditures (the “Schedules”) as of June 30, 2017. We conducted the audit in accordance with auditing standards generally accepted in the United States of America. These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the Schedules prepared by management with your oversight are free of material misstatement, whether caused by error or fraud. Our audits include examining, on a test basis, evidence supporting the amounts and disclosures in the Schedules, assessing accounting principles used and significant estimates made by management, and evaluating the overall presentation of the Schedules. Our audits do not relieve management or the Board of their responsibilities.

As part of the audit we obtained an understanding of your organization and its operating environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing and extent of further audit procedures. The audit was not designed to provide assurance on internal control or to identify deficiencies in internal control.

As part of obtaining reasonable assurance about whether the Schedules are free of material misstatement, we performed tests of RTA’s compliance with certain provisions of its grant agreements with IDOT. While our audits provide a reasonable basis for our opinions, they do not provide a legal determination on your compliance with those requirements.

OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED SCHEDULES OF GRANT REVENUES AND EXPENSES

Our responsibility does not extend beyond the audited Schedules identified in this report. We do not have any obligation to and have not performed any procedures to corroborate other information contained in client prepared documents.

Board of Directors
Regional Transportation Authority

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audits according to the planned scope and timing previously communicated to you in our prior year's Communication to Those Charged with Governance and Management.

QUALITATIVE ASPECTS OF THE ENTITY'S SIGNIFICANT ACCOUNTING PRACTICES

Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. No new accounting policies were adopted and the application of existing policies was not changed during the period audited.

We noted no transactions entered into by RTA during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

We are not aware of any particularly sensitive accounting estimates utilized by management in its preparation of the Schedules.

Schedule of Grant Revenues and Expenses Disclosures

The disclosures in the Schedules are neutral, consistent, and clear.

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

We encountered no significant difficulties in dealing with management in performing our audits.

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the Schedules that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on RTA's financial reporting process. Matters underlying adjustments proposed by the auditor could potentially cause future Schedules to be materially misstated. There were no such misstatements identified.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the Schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audits.

Board of Directors
Regional Transportation Authority

CONSULTATIONS WITH OTHER INDEPENDENT ACCOUNTANTS

In some cases, management may decide to consult with other accountants about auditing and accounting matters. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditors' opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter. This letter follows this required communication.

INDEPENDENCE

We are not aware of any relationships between Baker Tilly Virchow Krause, LLP and RTA that, in our professional judgment, may reasonably be thought to bear on our independence.

Relating to our audit of the Schedules as of June 30, 2017, Baker Tilly Virchow Krause, LLP hereby confirms that we are, in our professional judgment, independent with respect to RTA in accordance with the Code of Professional Conduct issued by the American Institute of Certified Public Accountants, and provided no services to RTA other than audit services provided in connection with the audit of the current year's Schedules of Grant Revenues and Expenditures and certain nonaudit services which in our judgment do not impair our independence. The nonaudit services consisted of preparation of the Grant Close-Out Audit Reports.

OTHER AUDIT FINDINGS OR ISSUES

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as RTA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

OTHER MATTERS

Restrictions in Use

This information is intended solely for the use of RTA's management, IDOT, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

Baker Tilly Virchow Krause, LLP

Oak Brook, Illinois
August 21, 2018

OTHER COMMUNICATIONS WITH THOSE CHARGED WITH GOVERNANCE

TWO WAY COMMUNICATIONS REGARDING YOUR AUDIT

As part of our compliance audits of the 2017 Additional Assistance (“AA”) grants (the “grants”), we are providing communications to you throughout the audit process. Auditing requirements provide for two-way communication and are important in assisting the auditor and you with more information relevant to the audit.

As this past audit is concluded, we use what we have learned to begin the planning process for next year’s audits. It is important that you understand the following points about the scope and timing of our next audits.

With respect to the audit of your Schedules:

- a. We address the significant risks or material misstatement, whether due to fraud or error, through our detailed audit procedures.
- b. We will obtain an understanding of the five components of internal control sufficient to assess the risk of material noncompliance whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures. We will obtain a sufficient understanding by performing risk assessment procedures to evaluate the design of controls relevant to a compliance audit of grants and to determine whether they have been implemented. We will use such knowledge to:
 - > Identify types of potential misstatements.
 - > Consider factors that affect the risks of material misstatement.
 - > Design tests of controls, when applicable, and substantive procedures.

We will not express an opinion on the effectiveness of internal control over financial reporting or compliance with laws, regulations, and provisions of contracts or grant programs.

- c. The concept of materiality recognizes that some matters, either individually or in the aggregate, are important for fair presentation of Schedules in conformity with generally accepted accounting principles while other matters are not important. In performing the audit, we are concerned with matters that, either individually or in the aggregate, could be material to the Schedules. Our responsibility is to plan and perform the audit to obtain reasonable assurance that material misstatements, whether caused by errors or fraud, are detected.

TWO WAY COMMUNICATION REGARDING YOUR AUDIT (cont.)

We are very interested in your views regarding certain matters. Those matters are listed here:

- a. We typically will communicate with your top level of management unless you tell us otherwise.
- b. We understand that the Regional Transportation Authority (RTA) has the responsibility to oversee the strategic direction of your organization, as well as the overall accountability of the entity. Management has the responsibility for achieving the objectives of the entity.
- c. We need to know your views about your organization's objectives and strategies, and the related business risks that may result in material misstatements.
- d. Which matters do you consider warrant particular attention during the audit, and are there any areas where you request additional procedures to be undertaken?
- e. Have you had any significant communications with regulators or grantor agencies?
- f. Are there other matters that you believe are relevant to the compliance audits of the grants?

Also, is there anything that we need to know about the attitudes, awareness, and actions of RTA concerning:

- a. RTA's internal control and its importance in the entity, including how those charged with governance oversee the effectiveness of internal control?
- b. The detection or the possibility of fraud?

We also need to know if you have taken actions in response to developments in financial reporting, laws, accounting standards, governance practices, or other related matters, or in response to previous communications with us.

Keep in mind that while this communication may assist us with planning the scope and timing of the audits, it does not change the auditor's sole responsibility to determine the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.

We realize that you may have questions or wish to provide other feedback. We welcome the opportunity to talk with you.

MANAGEMENT REPRESENTATIONS



**Regional
Transportation
Authority**

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Suite 1650
Chicago, IL 60604
312-913-3200
RTAChicago.org

August 21, 2018

Baker Tilly Virchow Krause, LLP
1301 West 22nd Street
Suite 400
Oak Brook, IL 60523

Dear Baker Tilly Virchow Krause, LLP:

We are providing this letter in connection with your audit of the Illinois Department of Transportation ("IDOT") funded Additional Assistance Grants, Grant AFA-17-001-ILL and Grant ASA-17-001-ILL, to the Regional Transportation Authority ("RTA") as of June 30, 2017 and for the grant periods from July 1, 2016 to June 30, 2017 for the purpose of expressing your opinion on the compliance with the requirements set forth in the grant agreements and the Schedules of Grant Revenues and Expenditures and for the purpose of expressing an opinion as to whether the Schedules of Grant Revenues and Expenditures present fairly, in all material respects, the grant revenues and expenditures in accordance with the terms set forth in Part Three of the grant agreements. We confirm that we are responsible for the grant compliance and the fair presentation of the previously mentioned Schedules of Grant Revenues and Expenditures in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

Schedule of Grant Revenues and Expenditures

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules of Grant Revenues and Expenditures that are free from material misstatement, whether due to fraud or error and for the purpose of complying with the grant agreements.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
4. Significant assumptions we used in making accounting estimates, if any, are reasonable.



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5. All events subsequent to the date of the Schedules of Grant Revenues and Expenditures and for which require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the report date and through the date of this letter that would require adjustment to or disclosure in the aforementioned Schedules of Grant Revenues and Expenditures.
6. All material transactions have been recorded in the accounting records and are reflected in the Schedules of Grant Revenues and Expenditures.
7. We are not aware of any known actual, possible, pending, or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be reported or disclosed in the Schedules of Grant Revenues and Expenditures in accordance with the grant agreements, and we have not consulted a lawyer concerning litigation, claims, or assessments.

Information Provided

8. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the Schedules of Grant Revenues and Expenditures, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
9. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
 - a. Management,
 - b. Employees who have significant roles in internal control, or
 - c. Others where the fraud could have a material effect on the Schedules of Grant Revenues and Expenditures.
10. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
11. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing Schedules of Grant Revenues and Expenditures.
12. We have disclosed to you all known related parties and all the related party relationships and transactions of which we are aware.

Other

13. There have been no communications from IDOT concerning noncompliance with, or deficiencies in, financial reporting practices.
14. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
15. We have a process to track the status of audit findings and recommendations.

16. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of the Schedules of Grant Revenues and Expenditures amounts or other financial data significant to the audit objectives.

17. There are no:

- a. Violations or possible violations of laws or regulations, provisions of contracts and grant agreements, and any related debt covenants whose effects should be considered for disclosure in the note to the Schedules of Grant Revenues and Expenditures
- b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed in the note to the Schedules of Grant Revenues and Expenditures.

18. In regards to the nonattest services performed by you listed below, we have 1) accepted all management responsibility; 2) designated an individual with suitable skill, knowledge, or experience to oversee the services; 3) evaluated the adequacy and results of the services performed, and 4) accepted responsibility for the results of the services.

- a. Grant Close-Out Audit Report preparation

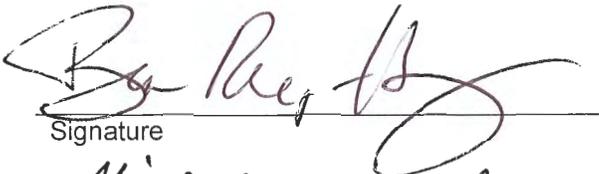
None of these nonattest services constitute an audit under generally accepted auditing standards, including *Government Auditing Standards*.

19. With respect to the Additional Assistance Grants, Grant AFA-17-001-ILL and Grant ASA-17-001-ILL,:

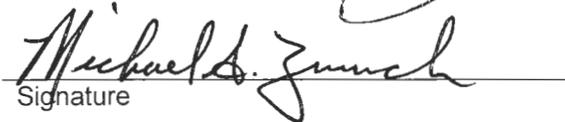
- a. We are responsible for understanding and complying with and have complied with the requirements of the grant agreements, including requirements relating to preparation of the Schedules of Grant Revenues and Expenditures.
- b. We acknowledge our responsibility for presenting the Schedules of Grant Revenues and Expenditures in accordance with the requirements of the grant agreements, and we believe the Schedules of Grant Revenues and Expenditures, including its form and content, is fairly presented in accordance with the grant agreements. The methods of measurement and presentation of the Schedules of Grant Revenues and Expenditures have not changed from those used in the prior period.
- c. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of the Additional Assistance Grants, Grant AFA-17-001-ILL and Grant ASA-17-001-ILL, and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal and state program.
- d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal and state programs that provide reasonable assurance that we are administering our federal and state awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on the Additional Assistance Grants, Grant AFA-17-001-ILL and Grant ASA-17-001-ILL,. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control.
- e. We have made available to you all grant agreements (including amendments, if any) and any other correspondence with IDOT relevant to the Additional Assistance Grants, Grant AFA-17-001-ILL and Grant ASA-17-001-ILL, and related activities.

- f. We have complied with the direct and material compliance requirements relating to the Additional Assistance Grants, Grant AFA-17-001-ILL and Grant ASA-17-001-ILL, and have identified and disclosed to you all amounts questioned and any known noncompliance with the direct and material compliance requirements of the grant agreements.
- g. We have made available to you all documentation related to the compliance with the direct and material compliance requirements.
- h. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- i. We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- j. No changes have been made in internal control over compliance or other factors that might significantly affect internal control.
- k. The Additional Assistance Grants, Grant AFA-17-001-ILL and Grant ASA-17-001-ILL, financial reports and claims for advances and reimbursements are supported by the books and records from which the Schedules of Grant Revenues and Expenditures have been prepared.
- l. The copies of financial records provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal and state agency or pass-through entity, as applicable.

Sincerely,


Signature

CFO
Title


Signature

Deputy Executive Director - Audit
Title


Signature

Treasurer
Title