

**REGIONAL TRANSPORTATION AUTHORITY**

**CAPITAL GRANT CTA-2005-9D-02**

**SEPTEMBER 30, 2008**

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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-2005-9D-02 to the Chicago Transit Authority ("CTA") as of September 30, 2008 and for the period from January 25, 2005 to September 30, 2008. 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-2005-9D-02 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-2005-9D-02 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-2005-9D-02 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-2005-9D-02 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 15, 2009, that the CTA complied with the requirements set forth in the attached Summary of Compliance Requirements that are applicable to the CTA-2005-9D-02 Grant Agreement between the CTA and the RTA during the period from January 25, 2005 to September 30, 2008. 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-2005-9D-02 as of September 30, 2008 and for the period from January 25, 2005 to September 30, 2008 is fairly stated in all material respects.

This report is intended solely for the information and use of the RTA's Management and Board of Directors and is not intended to be, and should not be, used by anyone other than these specified parties.

Chicago, Illinois  
April 15, 2009

REGIONAL TRANSPORTATION AUTHORITY  
 SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT  
 CAPITAL GRANT CTA-2005-9D-02

For the period from January 25, 2005 to September 30, 2008

Project Element	Project Description	Budget	RTA Portion of Budget	Costs Claimed	RTA Portion of Questioned Costs
9682	Implement Maintenance Mgmt Info Sys	\$ 4,161,025	\$ 832,205	\$ 834,123	\$ -
	Total	<u>\$ 4,161,025</u>	<u>\$ 832,205</u>	<u>\$ 834,123</u>	<u>\$ -</u>
	Costs Reimbursed			<u>\$ 834,123</u>	

See accompanying note to this schedule.

**REGIONAL TRANSPORTATION AUTHORITY****NOTE TO SCHEDULE OF GRANT  
COSTS CLAIMED FOR REIMBURSEMENT  
CAPITAL GRANT CTA-2005-9D-02**

Through a Grant Agreement dated January 25, 2005, most recently amended on April 7, 2008, the Regional Transportation Authority ("RTA") granted the Chicago Transit Authority ("CTA") \$832,205 as its 20% local share for the capital improvement project 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 the project element through September 30, 2008 and submitted to the RTA for reimbursement. The last requisition to the RTA from CTA prior to October 1, 2008 was dated September 30, 2008. According to CTA, the following project is open as of September 30, 2008 and has the following status.

<u>Capital Grant</u>	<u>Project Element</u>	<u>Project Completion Date*</u>
CTA-2005-9D-02	9682	December 2008

\*Date that the project element within this specific grant is expected to close.

**REGIONAL TRANSPORTATION AUTHORITY**  
**SUMMARY OF COMPLIANCE REQUIREMENTS**  
**CAPITAL GRANT CTA-2005-9D-02**

The following sections are the governing compliance requirements with respect to Capital Grant CTA-2005-9D-02 from January 25, 2005 through September 30, 2008:

**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 (March 21, 2002)**

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