

**REGIONAL TRANSPORTATION AUTHORITY**

CAPITAL GRANT CTA-2004-9SC2-03

JUNE 30, 2010

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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-2004-9SC2-03 to the Chicago Transit Authority ("CTA") as of June 30, 2010 and for the period from January 23, 2004 to June 30, 2010. 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 and the standards applicable to audits contained in *Government Auditing Standards*. 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-2004-9SC2-03 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-2004-9SC2-03 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.

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

We have audited the CTA's compliance with the types of compliance requirements set forth in the attached Summary of Compliance Requirements that are applicable to the CTA-2004-9SC2-03 Grant Agreement between the CTA and the RTA, as directed by RTA, for the grant period of January 23, 2004 to June 30, 2010. Compliance with the requirements referred to above is the responsibility of the CTA's management. Our responsibility is to express an opinion on the CTA's compliance based on our audit.

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

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the attached Summary of Compliance Requirements as directed by the RTA. Those standards and guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above could have a material effect on grant CTA-2004-9SC2-03. An audit includes examining, on a test basis, evidence about the CTA's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the CTA's compliance with those requirements.

In our opinion, the CTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on grant CTA-2004-9SC2-03 for the grant period January 23, 2004 to June 30, 2010.

### **Internal Control Over Compliance**

The management of the CTA is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit, we considered the CTA's internal control over compliance to determine the auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the CTA's internal control over compliance.

A deficiency in internal control over compliance 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 noncompliance on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph in this section and was not designed to identify all deficiencies in internal control that might be significant deficiencies, significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

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.

*Baker Tully Vichow Krause, LLP*

Oak Brook, Illinois  
July 21, 2011

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**SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT  
CAPITAL GRANT CTA-2004-9SC2-03**

For the period from January 23, 2004 to June 30, 2010

Project Element	Project Description	Budget	RTA Portion of Budget	Costs Claimed	RTA Portion of Questioned Costs
19438	Upgrade Track - Addison	\$ 3,657,213	\$ 731,443	\$ 490,712	\$ -
19440	Rail Car Overhaul	29,150,000	5,830,000	5,830,000	-
19441	Rehab Blue Line - Cermak	-	-	-	-
19458	Upgrade Bus/RT Car Washer	2,273,439	454,688	418,585	-
	Total	<u>\$ 35,080,652</u>	<u>\$ 7,016,131</u>	<u>\$ 6,739,297</u>	<u>\$ -</u>
	Costs Reimbursed			<u>\$ 6,739,297</u>	

See accompanying note to this schedule.

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## NOTE TO SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT CAPITAL GRANT CTA-2004-9SC2-03

Through a Grant Agreement dated January 23, 2004, most recently amended on April 7, 2008, the Regional Transportation Authority ("RTA") granted the Chicago Transit Authority ("CTA") \$7,016,131 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 June 30, 2010 and submitted to the RTA for reimbursement. The last requisition to the RTA from CTA prior to July 1, 2010 was dated June 4, 2010 to CTA, the following project is open as of June 30, 2010 and has the following status.

<u>Capital Grant</u>	<u>Project Element</u>	<u>Project Completion Date*</u>
CTA-2004-9SC2-03	9438	March 2011
CTA-2004-9SC2-03	9440	March 2011
CTA-2004-9SC2-03	9458	March 2011

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



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## SUMMARY OF COMPLIANCE REQUIREMENTS CAPITAL GRANT CTA-2004-9SC2-03

The following sections are the governing compliance requirements, as applicable to the grant close out audit, with respect to Capital Grant CTA-2004-9SC2-03 from January 23, 2004 through June 30, 2010:

### **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 X	- Settlement and Close-out
Article XI	- Procurement
Article XII	- Settlement of Third Party Contract Disputes or Breaches
Article XXII	- Amendment

### **Program Management Guidelines (March 21, 2002)**

- I. Project Reporting
- V. Use of Force Account

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