

REGIONAL TRANSPORTATION AUTHORITY

CLOSE-OUT AUDIT OF CAPITAL GRANT TO THE CHICAGO
TRANSIT AUTHORITY (“CTA”)

CAPITAL GRANT CTA-2009A-04

SEPTEMBER 30, 2014

REGIONAL TRANSPORTATION AUTHORITY

CAPITAL GRANT CTA-2009A-04

SEPTEMBER 30, 2014

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INDEPENDENT AUDITORS' REPORT

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

Report on Compliance With Grant Agreement Requirements

We have audited the Chicago Transit Authority's ("CTA") compliance with the types of compliance requirements set forth in the attached Summary of Compliance Requirements that could have a direct and material effect on grant CTA-2009A-04 between CTA and the Regional Transportation Authority ("RTA"), as directed by RTA, for the grant period of October 1, 2012 to September 30, 2014.

Management's Responsibility

Management is responsible for the compliance with the requirements of the grant agreement and grant agreement amendments, if any, between CTA and the RTA applicable to grant CTA-2009A-04.

Auditors' Responsibility

Our responsibility is to express an opinion on CTA's compliance based on our audit of compliance with the types of requirements referred to above. 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 that could have a direct and material effect on grant CTA-2009A-04 occurred. An audit includes 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 audit provides a reasonable basis for our opinion. However, our audit does not provide a legal determination on CTA's compliance with those requirements.

Opinion

In our opinion, CTA complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on grant CTA-2009A-04 for the defined scope period October 1, 2012 to September 30, 2014.

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

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the terms of the grant agreement and is described in Note 3. Our opinion is not modified in respect to this matter.

Report on Internal Control Over Compliance

The management of 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 CTA's internal control over compliance with the types of requirements that could have a direct and material effect on grant CTA-2009A-04 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on grant CTA-2009A-04 and to test and report on internal control over 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 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 with a type of compliance requirement 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 material noncompliance with a compliance requirement will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on compliance is solely to describe the scope of our testing of CTA's compliance with the types of compliance requirements described in the Summary of Compliance Requirements. And the results of that testing based on the requirements. Accordingly, this report is not suitable for any other purpose.

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.

Report on the Schedule of Grant Costs Claimed for Reimbursement

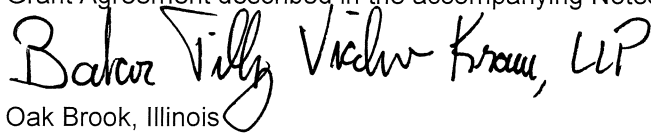
We have audited a portion of the accompanying Schedule of Grant Costs Claimed for Reimbursement ("Schedule") of RTA funded Capital Grant CTA-2009A-04 to CTA as of September 30, 2014 and for the period from April 15, 2010 to September 30, 2014. This Schedule is the responsibility of CTA's management. Our responsibility is to express an opinion on this Schedule based on our audit for the defined scope period of October 1, 2012 to September 30, 2014, as described in the Notes to the Schedule of Grant Costs Claimed for Reimbursement Capital Grant CTA-2009A-04.

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

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*, issued by the Comptroller General of the United States. 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 Notes, this Schedule was prepared for the purpose of complying with Article X, Settlement and Close-out, of the grant CTA-2009A-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-2009A-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 Notes.



Oak Brook, Illinois
October 14, 2015

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SUMMARY OF COMPLIANCE REQUIREMENTS CAPITAL GRANT CTA-2009A-04

The following sections are the governing compliance requirements, as applicable to the grant close out audit, with respect to Capital Grant CTA-2009A-04 from April 15, 2010 through September 30, 2014:

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
- II. Procurement Review
- V. Use of Force Account

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SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT CAPITAL GRANT CTA-2009A-04

For the period from April 15, 2010 to September 30, 2014

Project Element	Project Description	Budget	RTA Portion of Budget	Costs Claimed	RTA Portion of Questioned Costs
67121	Replc/Upgr Powr. Distribution	\$ 29,514,344	\$ 29,514,344	\$ 23,889,171	\$ -
67122	Replc/Upgr Powr. Distribution	13,356,367	13,356,367	13,268,801	-
67125	Land Acquisition	12,151,137	12,151,137	2,307,905	-
67124	Implmt. Secur.&Comm. Brn. Ln	6,000,000	6,000,000	4,306,068	-
67123	Rehab. Rail Station Red Line	1,300,000	1,300,000	415,021	-
68515	Implement Security Camera	10,000,000	10,000,000	10,084,887	-
68514	Construct Bus Stop Pads	5,000,000	5,000,000	3,536,223	-
68549	Perform Bus Overhaul Act	4,185,981	4,185,981	4,133,873	-
68550	Perform Rail Car Overhaul	4,902,878	4,902,878	4,101,514	-
68551	Implement Computer System	9,310,228	9,310,228	2,966,308	-
68554	Improv. Fac-Bus Fueling	2,002,545	2,002,545	260,286	-
68562	Improve Facilities- Rehabilitation	3,100,000	3,100,000	2,482,307	-
68556	Repair Track & Structure	7,655,066	7,655,066	7,637,375	-
68557	North Main Line	3,000,000	3,000,000	1,926,584	-
67173	Perf Mid-Life Overhaul	27,421,567	27,421,567	24,587,009	-
67175	Improve Facilities - Rehab	5,000,000	5,000,000	3,016,454	-
67176	Rehab. Rail Stations	5,000,000	5,000,000	4,995,543	-
67177	Repair Track & Structure	10,838,012	10,838,012	10,118,570	-
67187	Rehab North Main Line	2,777,875	2,777,875	2,777,875	-
67174	Implement Computer System	1,100,000	1,100,000	1,100,000	-
18806	Diesel Part. Filter Bus Retrofit	2,384,000	2,384,000	1,551,905	-
	Total	<u>\$ 166,000,000</u>	<u>\$ 166,000,000</u>	<u>\$ 129,463,679</u>	<u>\$ -</u>
	Costs Reimbursed as of September 30, 2014			<u>\$ 128,235,695</u>	
	Costs Reimbursed during audit scope period of October 1, 2012 through September 30, 2014			<u>\$ 62,566,488</u>	

See accompanying notes to this schedule.

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NOTES TO SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT CAPITAL GRANT CTA-2009A-04

NOTE 1 – SUMMARY OF GRANT COSTS CLAIMED

Through a Grant Agreement dated April 15, 2010, most recently amended January 4, 2013, the Regional Transportation Authority (“RTA”) granted the Chicago Transit Authority (“CTA”) \$166,000,000 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 each project element and submitted to the RTA for reimbursement from project inception through September 30, 2014.

NOTE 2 – AUDIT SCOPE

RTA has defined the audit scope period for CTA-2009A-04 to only include activity occurring between October 1, 2012 and September 30, 2014, which totaled \$62,566,488 through September 30, 2014. The last requisition to the RTA from CTA prior to October 1, 2014 was dated September 15, 2014. According to CTA, the following project was open as of September 30, 2014 and has the following status.

<u>Capital Grant</u>	<u>Project Element</u>	<u>Project Completion Date*</u>
CTA-2009A-04	67121	March 2016
CTA-2009A-04	67125	March 2016
CTA-2009A-04	67124	March 2016
CTA-2009A-04	67123	December 2015
CTA-2009A-04	68549	March 2015
CTA-2009A-04	68550	March 2015
CTA-2009A-04	68551	December 2015
CTA-2009A-04	68554	December 2015
CTA-2009A-04	68562	June 2015
CTA-2009A-04	68556	March 2015
CTA-2009A-04	68557	September 2015
CTA-2009A-04	67173	March 2016
CTA-2009A-04	67175	December 2015
CTA-2009A-04	67176	June 2015
CTA-2009A-04	67177	September 2015
CTA-2009A-04	18806	December 2015

* 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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NOTES TO SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT CAPITAL GRANT CTA-2009A-04

NOTE 3 – COMPLIANCE EXCEPTIONS

CTA closed Project #68514 before the project was fully completed and subsequently expended funds without a matching Project Status Report. Documentation was provided that was used to internally track expenditures at CTA, but these were not reported to RTA. While this results in no questioned costs of expended amounts, CTA did not adhere to the project completion policy per the agreement and this is noted as a compliance exception.

NOTE 4 – INTERNAL CONTROL OVER COMPLIANCE EXCEPTIONS

The compliance exception referenced in Note 3 is due, in part, to a lack of review, which is considered a key control to ensuring accurate project completion and reporting. As such we have noted a control deficiency over the compliance of this aspect of the grant agreement.