

**REGIONAL TRANSPORTATION
AUTHORITY**

CLOSE-OUT AUDITS OF CAPITAL
GRANTS TO SUBURBAN BUS DIVISION
("PACE")

September 30, 2014

REGIONAL TRANSPORTATION AUTHORITY

CLOSE-OUT AUDITS OF CAPITAL GRANTS TO SUBURBAN BUS DIVISION ("PACE")

September 30, 2014

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CLOSE-OUT AUDIT OF CAPITAL GRANT
TO SUBURBAN BUS DIVISION (“PACE”)

CAPITAL GRANT SBD-2006-LSCII-02

SEPTEMBER 30, 2014

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**CLOSE-OUT AUDIT OF CAPITAL GRANT TO SUBURBAN BUS
DIVISION (“PACE”)**

CAPITAL GRANT SBD-2006-LSCII-02

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 Suburban Bus Division of the Regional Transportation Authority's ("PACE") 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 SBD-2006-LSCII-02 between PACE and the Regional Transportation Authority ("RTA"), as directed by RTA, for the grant period of January 1, 2011 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 PACE and the RTA applicable to grant SBD-2006-LSCII-02.

Auditors' Responsibility

Our responsibility is to express an opinion on PACE'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 SBD-2006-LSCII-02 occurred. An audit includes examining, on a test basis, evidence about PACE'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 PACE's compliance with those requirements.

Opinion

In our opinion, PACE complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on grant SBD-2006-LSCII-02 for the defined scope period January 1, 2011 to September 30, 2014.

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

Report on Internal Control Over Compliance

The management of PACE 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 PACE's internal control over compliance with the types of requirements that could have a direct and material effect on grant SBD-2006-LSCII-02 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on grant SBD-2006-LSCII-02 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 PACE'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 PACE'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 SBD-2006-LSCII-02 to PACE as of September 30, 2014 and for the period from September 13, 2006 to September 30, 2014. This Schedule is the responsibility of PACE's management. Our responsibility is to express an opinion on this Schedule based on our audit for the defined scope period of January 1, 2011 to September 30, 2014, as described in the Notes to the Schedule of Grant Costs Claimed for Reimbursement Capital Grant SBD-2006-LSCII-02.

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 PACE'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 SBD-2006-LSCII-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 SBD-2006-LSCII-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 Notes.

Baker Tully Victor Kraun, LLP

Oak Brook, Illinois
September 30, 2015

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SUMMARY OF COMPLIANCE REQUIREMENTS

CAPITAL GRANT SBD-2006-LSCII-02

The following sections are the governing compliance requirements with respect to Capital Grant SBD-2006-LSCII-02 from September 13, 2006 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
- III. Contract Change Orders

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SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT CAPITAL GRANT SBD-2006-LSCII-02

For the period from September 13, 2006 to September 30, 2014

Project Element	Project Description	Budget	RTA Portion of Budget	Costs Claimed	RTA Portion of Questioned Costs
4101	Purchase Fixed Route Buses	\$ 4,498,070	\$ 4,498,070	\$ 4,302,978	\$ -
4102	Purchase Paratransit Buses	700,000	700,000	688,334	-
4111	Purchase Computer Hardware & Software Systems	751,930	751,930	730,025	-
4116	Construct Transportation Centers & Transfer Facilities	1,000,000	1,000,000	373,993	-
4119	Implement Bus Rapid Transit & Transit Signal Priority Projects	2,000,000	2,000,000	595,451	-
	Total	<u>\$ 8,950,000</u>	<u>\$ 8,950,000</u>	<u>\$ 6,690,781</u>	<u>\$ -</u>
	Costs Reimbursed as of September 30, 2014			<u>\$ 6,629,841</u>	
	Costs Claimed for Reimbursement during audit scope period of January 1, 2011 through September 30, 2014			<u>\$ 1,856,943</u>	

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NOTES TO SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT

CAPITAL GRANT SBD-2006-LSCII-02

NOTE 1 – SUMMARY OF GRANT COSTS CLAIMED

Through a Grant Agreement dated September 13, 2006, most recently amended on November 4, 2014, the Regional Transportation Authority (“RTA”) granted the Suburban Bus Division (“PACE”) \$8,950,000 as its 100% 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 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 SBD-2006-LSCII-02 to only include activity occurring between January 1, 2011 and September 30, 2014, which totaled \$1,856,943 through September 30, 2014. The last requisition to the RTA from PACE prior to October 1, 2014 was dated September 18, 2014. According to PACE, the following projects are open as of September 30, 2014 and have the following status:

<u>Capital Grant</u>	<u>Project Element</u>	<u>Project Completion Date*</u>
SBD-2006-LSCII-02	4111	March 2016
SBD-2006-LSCII-02	4116	January 2017
SBD-2006-LSCII-02	4119	February 2017

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