

REGIONAL TRANSPORTATION AUTHORITY

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

CAPITAL GRANT SBD-2010

SEPTEMBER 30, 2014

REGIONAL TRANSPORTATION AUTHORITY

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DIVISION (“PACE”)**

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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-2010 between PACE and the Regional Transportation Authority ("RTA"), as directed by RTA, for the grant period of September 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-2010.

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-2010 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-2010 for the period September 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-2010 to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance on grant SBD-2010 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

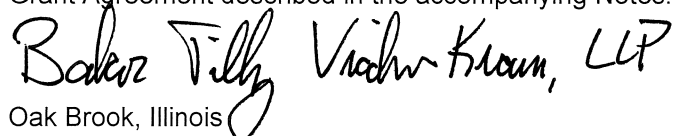
We have audited the accompanying Schedule of Grant Costs Claimed for Reimbursement ("Schedule") of RTA funded Capital Grant SBD-2010 to PACE as of September 30, 2014 and for the period from September 1, 2011 to September 30, 2014. This Schedule is the responsibility of PACE's management. Our responsibility is to express an opinion on this Schedule based on our audit for the period of September 1, 2011 to September 30, 2014, as described in the Notes to the Schedule of Grant Costs Claimed for Reimbursement Capital Grant SBD-2010.

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-2010 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-2010 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
September 30, 2015

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SUMMARY OF COMPLIANCE REQUIREMENTS

CAPITAL GRANT SBD-2010

The following sections are the governing compliance requirements, as applicable to the grant close out audit, with respect to Capital Grant SBD-2010 from September 1, 2011 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 Accounts

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SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT CAPITAL GRANT SBD-2010

For the period from September 1, 2011 to September 30, 2014

Project Element	Project Description	Budget	RTA Portion of Budget	Costs Claimed	RTA Portion of Questioned Costs
4501	Purchase Fixed Route Accessible Buses	\$ 6,000,000	\$ 6,000,000	\$ 5,253,463	\$ -
4509	Purchase Replacement Radio System	10,000,000	10,000,000	9,337,799	-
4529	Engineer and Construct Transit Center	2,000,000	2,000,000	1,030,102	-
4561	Purchase Paratransit Replacement Vehicles	5,000,000	5,000,000	3,739,699	-
4562	Purchase Paratransit Replacement Vehicles	<u>9,000,000</u>	<u>9,000,000</u>	<u>7,348,582</u>	<u>-</u>
	Total	<u>\$ 32,000,000</u>	<u>\$ 32,000,000</u>	<u>\$ 26,709,645</u>	<u>\$ -</u>
	Costs Reimbursed as of September 30, 2014			<u>\$ 23,846,050</u>	
	Costs Claimed for Reimbursement during audit scope period of September 1, 2011 through September 30, 2014			<u>\$ 26,709,645</u>	

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NOTES TO SCHEDULE OF GRANT COSTS CLAIMED FOR REIMBURSEMENT

CAPITAL GRANT SBD-2010

NOTE 1 – SUMMARY OF GRANT COSTS CLAIMED

Through a Grant Agreement dated September 1, 2011, the Regional Transportation Authority (“RTA”) granted the Suburban Bus Division (“PACE”) \$32,000,000 as its 100% 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 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-2010 to only include activity occurring between September 1, 2011 and September 30, 2014, which totaled \$26,709,645 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-2010	4501	Complete ¹
SBD-2010	4509	June 2015
SBD-2010	4529	December 2016
SBD-2010	4561	Complete ¹
SBD-2010	4562	Complete ¹

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

¹Project is complete. Budget Revision/Scope modification pending RTA approval.