

Report on the 2007 Audit of the Intergovernmental Agreement Between the RTA, CTA, and Pace

February 21, 2008

INTRODUCTION

This report summarizes the results of the Audit & Review Division's audit of the Intergovernmental Agreement ("Agreement") between the RTA, CTA, and Pace regarding Pace's acceptance of CTA fare media for calendar year 2007. The CTA fare media is comprised of the following types: 7-day, U-pass, and Visitor/Fun (1-day, 2-day, 3-day, and 5-day) passes (collectively, the "Additional Passes").

The Agreement requires that the CTA and Pace provide the following reports to the RTA no later than 30 days after the end of each calendar quarter (with supporting documentation reasonably acceptable to the RTA) as follows:

- The number of rides by passengers that utilize Additional Passes (CTA and Pace).
- The revenues generated from the sale of Additional Passes (CTA).

The Agreement also requires that:

- The RTA will make a quarterly payment to Pace in an amount equivalent to that which Pace would receive if the CTA and Pace shared the revenue generated by the sale of Additional Passes on a per-ride basis.
- The payments to Pace in 2007 will not exceed \$4,000,000.
- The RTA is required to make these payments to Pace within 30 days of the receipt of the reports submitted by the CTA and Pace.
- The RTA perform an annual audit of the ridership and revenue data provided to its office as described above to determine if any adjustments are necessary.

SCOPE

To verify compliance with the Agreement, the audit consisted of the following steps:

- Reviewed the quarterly Additional Pass *ridership* and *revenue* reports submitted by the CTA and Pace for timeliness and adequacy of supporting documentation.
- Verified the quarterly *ridership* figures provided by the CTA and Pace by reconciling them to the supporting documentation.
- Verified the quarterly *revenue* figures provided by the CTA by reconciling them to the supporting documentation.
- Based on the above results determined if any adjustments are needed to the payments made by the RTA to Pace for 2007.
- Reviewed check requisitions and Accounts Payable vouchers to determine the timeliness of the payments made by the RTA to Pace.

RESULTS

Our audit disclosed the following:

1. Both the CTA and Pace provided separate reports each quarter of the number of Additional Pass *trips* by each type, and provided supporting documentation as required by the Agreement for each quarter, which consisted of reports generated by their respective electronic fare reporting systems. Comparing this documentation to the quarterly reports submitted to the RTA did not disclose any discrepancies.
2. The CTA provided a report each quarter of the *revenue* figures generated by the sales of the Additional passes, and provided supporting documentation as required by the Agreement for each quarter, which consisted of printouts from the CTA's general ledger and visitor pass vending machine reports. Comparing this documentation to the quarterly reports submitted to the RTA did not disclose any discrepancies.
3. The quarterly reports and supporting documentation submitted by Pace were filed timely with the RTA. In the CTA's case, that documentation was filed timely for three of the four quarters. We noted that the CTA was late for the second quarter by three days.
4. Pace received only three quarterly payments in 2007, as the \$4,000,000 limitation was reached in the third quarter. The payments for the second and third quarters were paid timely by the RTA; however, the payment for the first quarter was late by four days. That payment was due on May 30, 2007, but it was not mailed until June 5, 2007, although the check itself was dated June 1, 2007.

CONCLUSIONS

1. The payments to Pace during calendar year 2007 are correctly calculated and based on supportable data.
2. Based on the \$4,000,000 budget limit, Pace experienced a revenue shortfall of approximately \$2,322,251 for its acceptance of the Additional Passes.

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