



INTERNAL MEMORANDUM

TO: Allan Sharkey, Treasurer

DATE: July 18, 2011

FROM: Catherine Clark, Division Manager, Internal Audit & Review *CC*

RE: POST-BOND ISSUANCE TAX COMPLIANCE

In accordance with our 2011 work plan, Audit & Review is to perform a review to determine the measures the RTA has in place that would ensure Post-Bond Issuance Tax Compliance.

Audit Objectives

To determine if the RTA has an adequate system in place which ensures bonds remain tax-exempt after issuance.

Audit Procedures

The steps taken during the course of this review to accomplish the audit objectives are as follows:

1. Interviewed the RTA Treasurer, along with the recently hired Deputy General Counsel.
2. Reviewed the applicable IRS Publications regarding tax-exempt bonds.
3. Reviewed the processes followed by RTA and Amalgamated Bank of Chicago staff regarding bond related transactions and the applicable supporting documentation.

Audit Conclusions

As of April 21, 2011, the RTA Board passed Ordinance 2011-24 that outlines the Post Tax Compliance Policy to be followed for all bond series. In addition to that, we recommend the following:

- A formal RFP should be issued to retain bond counsel. The RFP should adequately list the scope of services for the vendor selected.
- Completion of the National Association of Bond Lawyers (NABL) and Government Finance Officers Association (GFOA) Post Issuance Compliance Checklist and/or the IRS Post-Issuance Compliance Questionnaire for Governmental Bonds to determine if the RTA has the proper procedures and documentation supporting the bonds issued.

- Staff involved with the process should attend the appropriate training sessions to be properly aware of pertinent rules and regulations regarding bond issuance and proceeds usage.

Management Response (provided by Allan Sharkey): RTA management agrees with the recommendations. A RFP has been issued to retain bond counsel. The RTA Deputy General Counsel developed a compliance checklist which is being utilized by the Treasurer for each new bond issue. The applicable RTA staff will attend the appropriate training sessions regarding bond issuance and proceeds usage, when practicable.

copy→ Joe Costello
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