
***Commuter Rail Division of
the Regional Transportation
Authority and the Northeast
Illinois Regional Commuter
Railroad Corporation
(A Public Corporation), (Both
d/b/a Metra)***

*Single Audit Report for the
Year Ended December 31, 2005*

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION AUTHORITY AND
THE NORTHEAST ILLINOIS REGIONAL COMMUTER RAILROAD CORPORATION
(A Public Corporation), (Both d/b/a Metra)

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Crowe Chizek and Company LLC
Member Horwath International

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS

Honorable William G. Holland
Auditor General
State of Illinois

and

To the Board of Directors of the Commuter Rail Division of the
Regional Transportation Authority and the Northeast Illinois Regional
Commuter Railroad Corporation (A Public Corporation), (Both d/b/a Metra)

As Special Assistant Auditors for the Auditor General, we have audited the basic financial statements of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, a public corporation, both d/b/a Metra ("Metra"), as of and for the year ended December 31, 2005, and have issued our report thereon dated April 14, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metra's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metra's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Auditor General, General Assembly, the Legislative Audit Commission, the Governor, the Finance/Audit Committee, and management of Metra and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company, LLC
Crowe Chizek and Company LLC

Oak Brook, Illinois
April 14, 2006



Crowe Chizek and Company LLC
Member Horwath International

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

Honorable William G. Holland
Office of the Auditor General
State of Illinois

and

To the Board of Directors of the Commuter Rail Division of the
Regional Transportation Authority and the Northeast Illinois Regional
Commuter Railroad Corporation (A Public Corporation), (Both d/b/a Metra)

Compliance

As Special Assistant Auditors for the Auditor General, we have audited the compliance of the Commuter Rail Division of the Regional Transportation Authority and the Northeast Commuter Railroad Corporation, a public corporation, both d/b/a Metra ("Metra"), with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. Metra's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Metra's management. Our responsibility is to express an opinion on Metra's compliance based on our audit.

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 *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metra'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. Our audit does not provide a legal determination on Metra's compliance with those requirements.

In our opinion, Metra complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of Metra is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Metra's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Metra's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as item 05-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, could not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the basic financial statements of Metra as of and for the year ended December 31, 2005, and have issued our report thereon dated April 14, 2006. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards and other capital financial assistance is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Finance/Audit Committee, management of Metra, and the federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Crowe Chizek and Company LLC

Oak Brook, Illinois
April 14, 2006

COMMUTER RAIL DIVISION OF THE REGIONAL TRANSPORTATION
AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER
RAILROAD CORPORATION (A Public Corporation),
(Both d/b/a Metra)

SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND OTHER CAPITAL FINANCIAL ASSISTANCE
Year Ended December 31, 2005

Description	Federal CFDA Number	Grant Number	2005 Federal Expenditures
Federal Transit Administration (FTA)			
FY1994 Sec 5307 Commuter Rail	20.507	IL-90-X244	\$ 248,321
FY1997 Sec 5307 Commuter Rail	20.507	IL-90-X315	16,010
FY1997 Sec 5307 CMAQ	20.507	IL-90-X317	416,408
FY1998 Sec 5307 Commuter Rail	20.507	IL-90-X335	915,805
FY1998 Sec 5307 CMAQ	20.507	IL-90-X337	174,528
FY1999 Sec 5307 Commuter Rail	20.507	IL-90-X351	708,148
FY1999 Sec 5307 CMAQ	20.507	IL-90-X350	50,075
FY2000 Access to Work	20.507	IL-37-X003	94,949
FY2000 Sec 5307 Commuter Rail	20.507	IL-90-X374	921,784
FY2000 Sec 5307 CMAQ	20.507	IL-90-X375	64,415
FY2001 Sec 5307 Commuter Rail	20.507	IL-90-X396	3,982,915
FY2001 Sec 5307 CMAQ	20.507	IL-90-X397	1,761,367
FY2002 Emergency Preparedness	20.507	IL-40-X002	2,180
FY2002 Title One	20.507	IL-40-X422	780,303
FY2002 Sec 5307 Commuter Rail	20.507	IL-90-X415	4,667,481
FY2002 Sec 5307 CMAQ	20.507	IL-90-X416	1,746,555
FY2003 JARC	20.507	IL-37-X019	24,065
FY2003 Sec 5307 Commuter Rail	20.507	IL-70-X001	46,207
FY2003 Sec 5307 Commuter Rail	20.507	IL-90-X442	9,321,964
FY2003 Sec 5307 Commuter Rail	20.507	IL-90-X448	325,603
FY2003 Sec 5307 CMAQ	20.507	IL-90-X443	2,354,413
FY2004 Sec 5307 Commuter Rail	20.507	IL-90-X474	22,716,359
FY2004 Sec 5307 CMAQ	20.507	IL-90-X475	871,542
FY2005 Sec 5307 Operating Assistance	20.507	IL-90-X496	16,472,000
FY2005 Sec 5307 Commuter Rail	20.507	IL-90-X496	10,230,345
FY2005 Sec 5307 CMAQ	20.507	IL-90-X497	<u>2,380,000</u>
Total Under CFDA Number 20.507:			\$ 81,293,742

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SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND OTHER CAPITAL FINANCIAL ASSISTANCE
Year Ended December 31, 2005

Description	Federal CFDA Number	Grant Number	2005 Federal Expenditures
FTA 1997 Sec 5309 Commuter Rail	20.500	IL-03-0194	\$ 53,720
FTA 1998 Sec 5309 Commuter Rail	20.500	IL-03-0197	201,135
FTA 1998 Sec 5309 Commuter Rail	20.500	IL-03-0198	109,201
FTA 1999 Sec 5309 Commuter Rail	20.500	IL-03-0203	1,086,641
FTA 1999 Sec 5309 Commuter Rail	20.500	IL-03-0217	29,299,826
FTA 2000 Sec 5309 Commuter Rail	20.500	IL-03-0214	979,107
FTA 2001 Sec 5309 Commuter Rail	20.500	IL-03-0218	18,638,474
FTA 2001 Sec 5309 Commuter Rail	20.500	IL-03-0219	17,739,364
FTA 2001 Sec 5309 Commuter Rail	20.500	IL-03-0220	691,543
FTA 2002 Sec 5309 Commuter Rail	20.500	IL-03-0226	3,038,440
FTA 2003 Sec 5309 Commuter Rail	20.500	IL-03-0231	4,916,192
FTA 2004 Sec 5309 Commuter Rail	20.500	IL-03-0237	15,754,824
FTA 2005 Sec 5309 Commuter Rail	20.500	IL-03-0250	<u>10,525,163</u>
Total Under CFDA Number 20.500			<u>103,033,630</u>
Total Expenditures of Federal Awards			<u>\$ 184,327,372</u>

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AUTHORITY AND THE NORTHEAST ILLINOIS REGIONAL COMMUTER
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND OTHER CAPITAL FINANCIAL ASSISTANCE
Year Ended December 31, 2005

NOTE 1 - SCOPE OF ENTITY

The Commuter Rail Division of the Regional Transportation Authority and the Northeast Illinois Regional Commuter Railroad Corporation, a public corporation, both d/b/a Metra ("Metra"), was established in 1980 to operate the Regional Transportation Authority's ("RTA") rail service. In 1984, as a result of the restructuring of the RTA, the Commuter Rail Division was formed, governed by the Commuter Rail Board. The Commuter Rail Board has the responsibility for policy making with respect to day-to-day operation, capital investments, finances, fare levels, and service and facilities planning for its operations.

Major Program Background - Metra's cognizant agency is the U.S. Department of Transportation and it receives federal funding from the Federal Transit Administration. The funding relates to the Capital Improvement Grants - Section 5309 and Capital and Operating Assistance Formula Grants - Section 5307. The Capital Improvement Grants objective is to assist in financing capital projects which will maintain, modernize or improve fixed guideway systems. The Capital and Operating Assistance Formula Grants enable the financing and planning of capital projects which entail acquisition, construction, improvement and maintenance of facilities and equipment for transit.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting - The Schedule of Expenditures of Federal Awards and Other Capital Financial Assistance includes the federal grant activity and nonfederal grant activity of Metra and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. All programs outlays, including accrued expenditures and capital outlays, are reported as expenditures. Related revenues are recognized, as earned, up to award amounts for financial statement and program reporting.

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005

Summary of Auditors' Results

The type of report issued on the financial statements: **Unqualified Opinion**

Material weaknesses identified by the audit of the financial statements: **No**
Reportable conditions identified by the audit of the financial statements that are
not considered to be material weaknesses: **None Reported**

Noncompliance which is material to the financial statements: **No**

Material weaknesses identified in internal control over major programs: **No**
Reportable conditions identified in internal controls over major programs that
are not considered to be material weaknesses: **Yes 05-01**

The type of report issued on compliance for major programs: **Unqualified Opinion**

Any audit findings which are required to be reported under section. 510(a) of *OMB*
Circular A-133: **No**

Major programs:
Federal Transit Cluster 20.500 and 20.507

Dollar threshold used to distinguish between Type A and Type B programs:
\$3,000,000

Auditee qualified as a low-risk auditee under section .503 of *OMB circular A-133*:
Yes

Findings related to the financial statements in accordance with *Government Auditing Standards*:
None reported

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005

Federal Award Findings and Questioned Costs

05-01 FINDING: INACCURATE REPORTING OF DISADVANTAGED BUSINESS ENTERPRISES AWARDS

Federal Department:	Department of Transportation
CFDA Number:	20.507
Program Name:	Federal Transit Cluster
Questioned Costs:	None

Metra did not have adequate procedures to ensure that the semi-annual Disadvantaged Business Enterprises ("DBE") Reports submitted to the Federal Transit Administration ("FTA") were accurate based on their record keeping system.

We selected both reports filed during the fiscal year and noted three errors in total. The errors resulted in a net understatement of Metra's percentage of DBE participation. Specifically, the first report should have shown the percentage of total dollars to DBE's as 28% rather than the 16% that was reported. The second report should have shown the percentage of total dollars to DBE's as 20.6% instead of the 20.3% that was reported.

49 CFR Section 26.11 requires that, in order to monitor the progress of the DBE program, semi-annual reports are to be filed based on a recordkeeping system. Good business practice requires that these reports be accurate.

The errors were a result of human error in transcribing numbers from a spreadsheet to the report form. The recordkeeping system used to compile and report the DBE statistics is adequate.

As a result of the errors, Metra's DBE program was reported as being further from meeting their goals than they actually were. This resulted in the FTA receiving incorrect information as to the progress of Metra's DBE program. The FTA was informed of the situation and Metra has since resubmitted the correct reports. There was no penalty for this situation.

Recommendation: We recommend that additional procedures be implemented in the DBE reporting process to ensure that reports submitted to the FTA are mathematically accurate and accurately report the progress of the program. These procedures should include management review of the completed report prior to submission.

Agency Response: The errors that occurred were, in sequence, a staff person transcribed the number "16" from the source report into the wrong box on a new form that had previously not been filed. Then the person failed to enter the number "12" into the box that had been incorrectly filled as just noted. The result was a total of 16% for this section. The next omission occurred because the department manager who reviewed the completed form did not verify the total of 16% on the form to the source report, which had a total of 28%. Lastly, the manager did not send this report to Accounting to be verified, because the staff person with whom the manager had been previously working to review for errors was no longer employed by the Company.

Corrected reports have been submitted to the FTA. All reports were filed timely and as indicated above, based on a reliable recordkeeping system. In order to minimize the possibility of transcription errors and ensure the mathematical accuracy of the report, the Office of DBE Administration has implemented an additional control that requires all work performed by DBE staff is reviewed by another DBE staff member. In addition, the completed report will be reviewed by the Accounting Department before it is submitted to the FTA.

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SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS
Year Ended December 31, 2005

There were no conditions noted in the Single Audit Report from December 31, 2004.