

**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 Examination
December 31, 2005**

**Performed as
Special Assistant Auditors
for the Auditor General,
State of Illinois**

Wolf & Company LLP
Certified Public Accountants

**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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**Commuter Rail Division of the Regional Transportation Authority
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Metra Officials

BOARD OF DIRECTORS

| | |
|---------------------------|---------------------------------------|
| Jeffrey R. Ladd, Chairman | Kane, Lake, McHenry and Will Counties |
| James V. Dodge | Suburban Cook County |
| Carole R. Doris | DuPage County |
| Elonzo W. Hill | Suburban Cook County |
| Larry A. Huggins | City of Chicago |
| Arlene J. Mulder | Suburban Cook County |
| Michael K. Smith | Kane, Lake, McHenry and Will Counties |

OFFICIALS

| | |
|--------------------|---------------------------|
| Philip A. Pagano | Executive Director |
| G. Richard Tidwell | Deputy Executive Director |
| Frank Racibozynski | Chief Financial Officer |
| Mike Noland | General Counsel |

METRA'S ADMINISTRATIVE OFFICES ARE LOCATED AT:

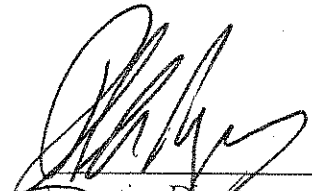
547 W. Jackson Boulevard
Chicago, Illinois 60661
Main Phone Number: (312) 322-6900

June 29, 2006

Wolf & Company LLP
Certified Public Accountants
2100 Clearwater Drive
Oak Brook, Illinois 60523

We are responsible for the identification of and compliance with, all aspects of laws and regulations that could have a material effect on the operations of the Metra. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Metra's compliance with the following assertions during the year ended December 31, 2005. Based on this evaluation, we assert that during the year ended December 31, 2005, Metra has materially complied with the assertions below:

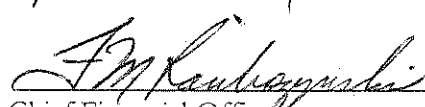
- A. Metra has developed policies and procedures to identify, evaluate and monitor compliance with all applicable laws and regulations which have a material effect on operations.
- B. Metra has obligated, expended, received and used revenues, grants and similar awards in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law or regulation upon obligation, expenditure, receipt or use.
- C. Metra has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. Revenues and receipts collected and expended by Metra are in accordance with applicable state and federal laws and regulations.



Executive Director



General Counsel



Chief Financial Officer

**Commuter Rail Division of the Regional Transportation Authority
and the Northeast Illinois Regional Commuter Railroad Corporation
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Compliance Report
Year Ended December 31, 2005

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITOR'S REPORT

The Independent Accountants' Report on Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

| | <u>This Report</u> | <u>Prior Report</u> |
|--|------------------------|-------------------------|
| Findings | None | * |
| Repeated Findings | * | * |
| Prior Recommendations Implemented or Not Repeated | * | * |

* This is the first compliance examination of Metra conducted under the direction of the Office of the Auditor General in accordance with House Resolution No. 650.

SCHEDULE OF FINDINGS

Metra did not have any current year findings.

EXIT CONFERENCE

Metra management waived having an exit conference with the compliance auditors in correspondence dated January 17, 2007.



INDEPENDENT ACCOUNTANTS' REPORT ON COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined Metra, the Commuter Rail Division of the Regional Transportation Authority's (Metra) compliance with the requirements listed below during the year ended December 31, 2005. The management of Metra is responsible for compliance with these requirements. Our responsibility is to express an opinion on Metra's compliance with these requirements based on our examination.

- A. Metra has developed policies and procedures to identify, evaluate and monitor compliance with all applicable laws and regulations which have a material effect on operations.
- B. Metra has obligated, expended, received and used revenues, grants and similar awards in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law or regulation upon obligation, expenditure, receipt or use.
- C. Metra has complied, in all material respects, with applicable laws and regulations in its financial and fiscal operations.
- D. Revenues and receipts collected and expended by Metra are in accordance with applicable state and federal laws and regulations.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the *Audit Guide* as adopted by the Auditor General pursuant to the Act; and, accordingly, included 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 examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on Metra's compliance with specified requirements.

In our opinion, Metra complied, in all material respects, with the aforementioned requirements during the year ended December 31, 2005. There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

Internal Control

The management of Pace is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered Metra's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the *Audit Guide*, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined 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 internal control over compliance that we consider to be material weaknesses. There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have not applied procedures to the Supplementary Information for State Compliance Purposes and, accordingly, we do not express an opinion on the supplementary information.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.

Wolf & Company LLP

Oak Brook, Illinois
June 29, 2006

**Commuter Rail Division of the Regional Transportation Authority
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Schedule of Findings
Year Ended December 31, 2005

There were no current findings noted during the Compliance Examination for the year ended December 31, 2005.

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Supplementary Information for State Compliance Purposes
Year Ended December 31, 2005

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

Analysis of Operations

- Functions and Planning Program (not examined)
- Average Number of Employees (not examined)
- Service Efforts and Accomplishments (not examined)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have not applied procedures to the Supplementary Information for State Compliance Purposes and, accordingly, do not express an opinion thereon.

**Commuter Rail Division of the Regional Transportation Authority
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Functions and Planning Program (Not Examined)
Year Ended December 31, 2005

Metra Functions Description

The Commuter Rail Board of the Commuter Rail Division is a Service Board of the Regional Transportation Authority created under the Regional Transportation Authority Act, 70 ILCS 3615/3B. It is a division of a unit of local government, body politic, political subdivision, and a municipal corporation. The Board is charged with providing, either directly or through purchase of service agreements with other railroad carriers, commuter rail service in the Counties of Cook, DuPage, Lake, Will, McHenry and Kane. The Board provides commuter rail service, in part, through its operating corporation, the Northeast Illinois Regional Commuter Railroad Corporation ("NIRCRC"), a public corporation. "Metra" is the registered Servicemark for both NIRCRC and the Commuter Rail Division.

The Commuter Rail Board consists of seven board members. Three board members are appointed from suburban Cook County by members of the Cook County Board elected outside the City of Chicago. One member is appointed by the Mayor of the City of Chicago, one member is appointed by the DuPage County Chairman, and two are appointed by the Chairmen of the County Boards of Kane, Lake, McHenry, and Will Counties. The Chairman is elected from the seven board members.

Management and Oversight

The chief executive officer of the Commuter Rail Division is the Executive Director appointed by the Board. The Executive Director is charged with appointing, retaining, and employing the necessary staff to implement the policies of and direction from the Board. The day-to-day operation is run by the Executive Director. The jurisdictional authority of the Board is to oversee commuter rail operations in the Chicago metropolitan area (but it does not include authority over the Chicago Transit Authority ("CTA")). The Board formulates and approves policies and budgets, and it reviews major procurements and acquisitions, including purchase of service agreements with railroad carriers.

Budget Preparation

Budget Development: The budget process begins mid-year with the RTA Budget Call. The call is a request to Metra, CTA and Pace to supply the RTA with budget information.

Development Process: Metra develops budgets based upon analysis of current and anticipated revenues and expenses, economic forecasts, contractual agreements, and planned service levels. Staff obtains information from, and provides budget guidance to the contract Purchase of Service Agreement (PSA) carriers pertaining to their budgeted costs. Departments throughout the NIRCRC organization are also provided guidance necessary to develop budgets for the revenues and costs of system-wide commuter operations.

The information received is compiled, critically evaluated, revised as deemed necessary, and approved by Metra management. Following this internal process, the proposal is presented to the Budget and Financial Management Committee of the Metra Board of Directors for their review, comments and changes, and concurrence to proceed.

Prior to September 15, Metra submits estimates of revenues, expenses, the operating deficit, and the revenue recovery ratio to the RTA. By September 15, the RTA establishes specific budget "marks" for each of the three Service Boards. The marks include estimates of available operating funds, estimated cash flows from Sales Tax and RTA funding sources, and the required farebox recovery ratio.

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Functions and Planning Program (Not Examined) (Cont.)
Year Ended December 31, 2005

By October, Metra prepares and publishes, for public hearing and comment, a preliminary Operating and Capital Program and Budget that conforms to the RTA marks. This document includes Metra's proposed operating program and budget for the forthcoming fiscal year, a financial plan for the two years thereafter, and five-year capital program. In October and early November, Metra presents the preliminary program and budget to the region's six county boards and receives public comment through hearings held in each of the counties.

Budget Adoption: In Mid-November, the Metra Board of Directors considers the public input received, adopts a final program and budget, and submits it to the RTA. The RTA then analyzes and consolidates the programs and budget submitted by Metra, CTA and Pace into an Annual Budget and Five-Year Program. In December, the RTA Board of Directors meet to approve the budgets for the Service Boards.

Planning Programs

The Chicago Area Transportation Study (CATS) is the federally certified Metropolitan Planning Organization (MPO) for Northeastern Illinois. CATS is responsible for both long- and short-term planning for the region. Metra is an active participant in the planning processes for the region in that it serves as a voting member of the CATS Policy Committee as well as providing representation on most working committees of the MPO. The annual Metra capital program development process is put together consistent with the MPO short- and long-term planning processes as well as the Northeastern Illinois Planning Commission (NIPC) land use goals and objectives for the region.

The actual process of developing Metra's capital program requires the efforts, coordination and cooperation of virtually every department in the agency, in addition to input from contract railroads, municipalities, and governmental agencies such as CATS and NIPC throughout the Northeastern Illinois region. Before becoming part of both Metra and regional programs, projects are reviewed for their potential readiness, workforce availability, and their do-ability by analyzing them against the status of all the active projects in their category. If the analysis concurs with the proposed project's funding scenario and schedule, it is then incorporated into the Metra and regionally fiscally constrained program of projects.

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Average Number of Employees (Not Examined)
Year Ended December 31, 2005

PART 1 OF 2

Recap by Administrative and Other Functions Full-Time Employees

Full-Time Equivalents (Operating & Capital)

Total Metra System per NTD Report

| | 2005 Full-time Employees | 2004 Full-time Employees |
|--|--------------------------------|--------------------------------|
| <u>Detail of Full-Time Equivalents</u> | | |
| Administration - Operating per NTD | 327 | 330 |
| Administration - Capital (Note A) | 85 | 84 |
| Subtotal - Administration | 412 | 414 |
| Other Functions - Operating per NTD | 1,865 | 1,870 |
| Other Functions - Capital (Note A) | 403 | 439 |
| Subtotal - Other Functions | 2,268 | 2,309 |
| Total Full-Time Equivalents | 2,680 | 2,723 |

Note A: Calculated using methodology consistent with NTD reporting.

PART 2 OF 2

Recap by Operating and Capital Full-Time Employees

Full-Time Equivalents (Operating & Capital)

Total Metra System per NTD Report

| | 2005 Full-time Employees | 2004 Full-time Employees |
|--|--------------------------------|--------------------------------|
| <u>Detail of Operating Full-Time Equivalents</u> | | |
| Administration - Operating per NTD | 327 | 330 |
| Other Functions - Operating per NTD | 1,865 | 1,870 |
| Subtotal - Operating Full-Time Equivalents | 2,192 | 2,200 |
| <u>Detail of Capital Full-Time Equivalents</u> | | |
| Administration - Capital (Note A) | 85 | 84 |
| Other Functions - Capital (Note A) | 403 | 439 |
| Subtotal - Capital Full-Time Equivalents | 488 | 523 |
| Total Full-Time Equivalents per NTD | 2,680 | 2,723 |

Note A: Calculated using methodology consistent with NTD reporting.

Note B: NTD - National Transportation Data Base

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Service Efforts and Accomplishments (Not Examined)
Year Ended December 31, 2005

Metra operates a 500+ mile system serving more than 230 stations and carries nearly 80 million passengers annually. In regards to ridership alone, Metra is the second largest commuter rail system in the Country. Metra provides service on 11 railroad lines in more than 100 communities and owns more than 50% of the system.

Metra's hub is the downtown Chicago Central Business District, which is served by all 11 lines. Nearly 50% of all commuter trips made from the suburbs to downtown Chicago are made on Metra. Metra's twenty-year average on-time performance is approximately 97%. Without Metra's commuter rail service, the region would require an additional 35 highway traffic lanes to carry the same number of commuters.