

Clerk of the Circuit Court of Cook County, Illinois

Financial Statements

November 30, 2022

Clerk of the Circuit Court of Cook County, Illinois
For the Year Ended November 30, 2022

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Independent Auditors' Report

To the Board of Commissioners
Cook County, Illinois

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Clerk of the Circuit Court of Cook County, Illinois (the "Circuit Clerk"), a custodial fund of Cook County, Illinois as of and for the year ended November 30, 2022, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities, and fiduciary net position of the Circuit Clerk's custodial fund as of November 30, 2022, and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Circuit Clerk and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Circuit Clerk's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2023 on our consideration of the Circuit Clerk's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Circuit Clerk's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Circuit Clerk's internal control over financial reporting and compliance.

A handwritten signature in black ink, reading "David J. Renteria". The signature is written in a cursive style with a large, stylized 'D' and 'R'.

Chicago, Illinois
May 19, 2023

CLERK OF THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
STATEMENT OF FIDUCIARY NET POSITION - CUSTODIAL FUND
As of November 30, 2022

ASSETS

Cash	\$ 115,386,007
Receivables	
Receivables, net of allowance of \$ 3,852,732	413,593
Other receivable	1,857,123
Total receivables	<u>2,270,716</u>
Investments - certificates of deposit	21,678,343
Other Assets	
Items held in Safekeeping	272,166
Securities in trust	331,500
Total other assets	<u>603,666</u>
Total Assets	<u>139,938,732</u>

LIABILITIES

Fees and fines due to other governments	7,421,352
Items held in Safekeeping	272,166
Bond deposits	6,340,212
Court-ordered deposits	1,489,615
Securities in trust	331,500
Total Liabilities	<u>15,854,845</u>

NET POSITION

Restricted to individuals and other governments for:	
Bond deposits	67,230,706
Court-ordered deposits	56,853,181
Total Net Position	<u>124,083,887</u>

CLERK OF THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION - CUSTODIAL FUND
For the Year Ended November 30, 2022

ADDITIONS:

Bond amounts received from individuals	\$ 42,721,828
Court-ordered payments received	15,014,655
Fees and fines - (other government agencies)	22,953,952
Total additions	80,690,435

DEDUCTIONS:

Bond money returned to individuals	45,517,891
Bond money distributed to other governments	3,079,519
Court-ordered deposits returned to individuals	22,179,787
Distribution of fines and fees to other governments	22,953,952
Total deductions	93,731,149

CHANGE IN NET POSITION	(13,040,714)
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NET POSITION - RESTRICTED

Beginning of year	137,124,601
End of year	\$ 124,083,887

Clerk of the Circuit Court of Cook County, Illinois
Notes to Financial Statements
November 30, 2022

1. Summary of Significant Accounting Policies

Reporting Entity

The Clerk of the Circuit Court of Cook County, Illinois (the “Clerk of the Circuit Court”) is administered by a countywide elected official. The Clerk of the Circuit Court is responsible for administering the courts of Cook County. The operating expenditures of the Clerk of the Circuit Court are reported within the Cook County’s General Fund. This report is intended to present the Custodial Fund activities of the Clerk of the Circuit Court and is not intended to present fairly the financial position of Cook County, and changes in its net position and its cash flows.

Summarized below are the more significant accounting policies of the Clerk of the Circuit Court.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accompanying custodial fund financial statements of the Clerk of the Circuit Court have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units.

Custodial Funds are custodial in nature and do not present the results of operations or have a measurement focus. Custodial Funds are accounted for using the accrual basis of accounting.

Description of Custodial Fund Financial Statements

The Clerk of the Circuit Court uses a Custodial Fund to report on its financial position. The custodial fund statements include a statement of fiduciary net position and a statement of changes in fiduciary net position.

The Statement of Fiduciary Net Position - Custodial Fund is used to account for assets that the Clerk of the Circuit Court holds on behalf of others as their agent. Net position is restricted for individuals and other governments for bond deposits and court-ordered payments received. Bond deposits and court-ordered deposits released by a court order and pending distribution are reported as liabilities.

The Statement of Changes in Fiduciary Net Position - Custodial Fund reflects the amounts received by the Clerk of the Circuit Court as “Additions” and disbursements made as “Deductions”. Additions generally include bond deposits received from individuals, court-ordered payments received, and fees and fines received on behalf of other government agencies. Deductions generally include bond money and court-ordered deposits returned to individuals, bond money distributed to other governments and distribution of fees and fines to other governments.

Clerk of the Circuit Court of Cook County, Illinois
Notes to Financial Statements
November 30, 2022

1. Summary of Significant Accounting Policies – continued

Investments

The Clerk of the Circuit Court measures investments in nonnegotiable certificates of deposit at cost.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets, liabilities and changes therein at the date of the financial statements. Actual results could differ from those estimates.

Bond Deposits

In accordance with the applicable state, city, and other Government statutes, certain offenses require the defendant in a criminal procedure to post bail. The person for whom bail has been set executes the bail bond and deposits with the Clerk of the Circuit Court a sum of money equal to ten percent (10%) of the bail, or \$100, whichever is greater. When a person for whom bail has been set is charged with an offense under the *Illinois Control Substances Act* which is a Class X felony, the court may require the defendant to deposit a sum equal to 100% of the bail.

The Circuit Clerk of the Circuit Court collects and holds 100% of the bond in escrow. At the time the court indicates that the bond is forfeited or refunded, the remaining balance of the bond after deduction of government fees, fines and disbursements, is applied to the payment of the judgment.

Court - Ordered Deposits

In accordance with the applicable state, city, and other Government statutes, a Judge issues a court order, which contains a directive that requires a Person, Organization, or Business to deposit funds with the Clerk of the Circuit Court. These funds are held until a court order instructs the Clerk of the Circuit Court to release the funds.

Clerk of the Circuit Court of Cook County, Illinois
Notes to Financial Statements
November 30, 2022

1. Summary of Significant Accounting Policies - continued

Items Held in Safekeeping

The Clerk of the Circuit Court is directed by court order to accept and hold in safekeeping assets received by the court as part of the case hearing process. The Clerk of the Circuit Court records the receipt of these assets as an addition on the custodial statements. The Clerk of the Circuit Court holds such assets until such time as the court orders the release of an asset. Assets ordered for release are reported as a liability.

2. Cash Deposits and Investments

The Clerk of the Circuit Court is authorized by Illinois State Statutes to invest in interest-bearing savings accounts, interest-bearing certificates, deposit or interest-bearing time deposits, United States Treasury securities, and various tax-exempt municipal securities. The Clerk of the Circuit Court limits its investment activities to nonnegotiable certificates of deposit.

Custodial Credit Risk – Demand Deposits. This is the risk that in the event of a financial institution's failure, the Clerk of the Circuit Court's deposits may not be returned. The Clerk of the Circuit Court's investment policy requires depository institutions to maintain collateral pledges of at least 102% consisting of marketable U.S. Government or approved securities or surety bonds issued by top-rated issuers. Collateral is required as security whenever deposits exceed the insured limits of the FDIC. As of November 30, 2022, Cash – Demand Deposits in the amount of \$779,181 were exposed to custodial credit risk.

Custodial Credit Risk – Investments. This is the risk that, in the event of the failure of the counterparty, the Clerk of the Circuit Court will not be able to recover the value of its investment or collateral securities that are in the possession of a third party. The Clerk of the Court had no custodial credit risk exposure in certificate of deposit investments as of November 30, 2022.

Custodial cash deposits and certificates of deposit balances as of November 30, 2022 were as follows:

	Book Balance	Bank Balance
Demand Deposits	\$129,195,548	\$140,722,045
Certificates of Deposit	<u>21,678,343</u>	<u>21,678,343</u>
Total	\$150,873,891	\$162,400,388

The difference between book and bank balance is due to outstanding checks and/or deposits in transit.

Clerk of the Circuit Court of Cook County, Illinois
Notes to Financial Statements
November 30, 2022

2. Cash Deposits and Investments - continued

Of the \$150.9 million book balance, approximately \$13.8 million is due to Cook County. This amount is not included in the Statement of Fiduciary Net Position – Custodial Fund.

3. Allowance for Uncollectible Receivables

Accounts receivable represent amounts owed to the Clerk of the Circuit Court for fees and costs and amounts due from others. The Clerk of the Circuit Court evaluates the collectability of accounts receivable based on the length of time the receivable is outstanding, the payor category and historical experience. Accounts receivable that are deemed uncollectible are charged against the allowance for uncollectible accounts. As of November 30, 2022, the provision for uncollectible accounts totaled \$3,852,732.

4. Contingent Liabilities

From time to time the Clerk of the Circuit Court may be involved in various litigations relating to claims of collections and or disputed Clerk fees. No estimates for probable claims have been recorded as of November 30, 2022.

5. Subsequent Events

The Clerk of the Circuit Court has evaluated subsequent events through May 19, 2023, which is the date these statements were available to be issued and determined that there were no subsequent events to be recognize or disclosed in the financial statements.



**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***

To the Board of Commissioners
Cook County, Illinois

We have audited, in accordance with the 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, the financial statements of the Clerk of the Circuit Court of Cook County (the "Circuit Clerk"), a custodial fund of Cook County, Illinois as of and for the year ended November 30, 2022, and the related notes to the financial statements and have issued our report thereon dated May 19, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Circuit Clerk's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Circuit Clerk's internal control. Accordingly, we do not express an opinion on the effectiveness of the Circuit Clerk's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* 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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-01 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 2022-02 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Circuit Clerk's financial statements are free from material misstatements, 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 financial statements. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2022-03.

Clerk of the Circuit Court Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Circuit Clerk's response to the findings identified in our audit and described in the accompanying schedule of findings. The Circuit Clerk's responses were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Circuit Clerk's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Circuit Clerk's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Chicago, Illinois
May 19, 2023

Clerk of the Circuit Court of Cook County, Illinois
Schedule of Findings
Year Ended November 30, 2022

2022-01 Incorrect Account Balances

Condition

The auditor identified several instances of incorrect account balances requiring audit adjustments. The following audit adjustments were processed by the Clerk of the Circuit Court (the “Circuit Clerk”) as of November 30, 2022:

- An audit adjustment of \$2.6 million was processed to reduce deductions and liabilities at November 30, 2022. That amount pertained to fiscal year 2023 activity.
- An audit adjustment of \$1.9 million was processed to reduce overstated additions and deductions in the criminal division’s control accounts.
- An audit adjustment of \$535 thousand relating to escheated checks was processed to reduce an overstatement of deductions.

Criteria

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, requires that “a liability to the beneficiaries of a fiduciary activity should be recognized in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources”. Therefore, liabilities are to be recorded in the proper period and in the accurate amount.

Cause

The accounting system structure (general ledger and funds configurations) does not support the preparation of financial statements in accordance with GASB No. 84, and the case management systems are not programmed to capture all case related data and to generate reports to support the financial statement preparation process.

Effect

Account balances were misstated and required audit adjustments.

Recommendations

We recommend the Clerk of the Circuit Court’s office design/update and implement a system of internal controls and financial policies and procedures that can reliably be used to determine liabilities, additions, and deductions in accordance with GASB 84.

Clerk of the Circuit Court of Cook County, Illinois
Schedule of Findings
Year Ended November 30, 2022

2022-01 Incorrect Account Balances - continued

Management's response

To address this Finding, the Clerk of the Circuit Court is upgrading its Accounting Software. This upgrade will improve the analysis of Financials, Data, Disbursements, and Revenue. In addition, Senior Leadership and Selected Staff within the Finance Bureau are being trained on how to navigate this system to specifically identify discrepancies within the Office's Financial Statements.

Clerk of the Circuit Court of Cook County, Illinois
Schedule of Findings
Year Ended November 30, 2022

2022-02 Classification of amounts recorded in Suspense Accounts

Condition

The Clerk of the Circuit Court (the “Circuit Clerk”) records transactions pending allocation to the correct or final account in suspense accounts. As of November 30, 2022, the suspense accounts reported a combined balance of \$7.5 million not classified to the correct payee and fund category. Of this amount, \$3.9 million is accounted for in the Clerk’s Cook County fund and therefore, is not part of the custodial financial statements, and \$3.6 million is reported in a custodial fund for other government entities.

Context

The Circuit Clerk distributed approximately \$113 million of fees, fines, penalties and court costs during the year designated by statute for distribution to Cook County and other government entities. The \$7.5 million in suspense accounts pending classification represents 6% of annual distributions.

Criteria

Compliance

The Illinois Clerks of Courts Act ([710 ILCS 105/27] and the Illinois Office of Administrative Courts’ *Circuit Clerk Audit Guidelines as Amended 2022* require that monies handled by Circuit Clerk be properly administered and that the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with the law.

Internal Controls

A strong system of internal controls over compliance and financial reporting includes timely and effective strategies and approaches for system programming, processing of accounting activity, (including financial statement account balance classification), and timely distribution of fees, fines, penalties and court costs.

Cause

The Circuit Clerk does not have a strong system of internal controls over compliance and financial reporting to ensure all applicable data is captured for accurate classification in accordance with corresponding statutes.

Effect

The Clerk of the Circuit Court is not in compliance with Illinois Compiled Statutes.

Clerk of the Circuit Court of Cook County, Illinois
Schedule of Findings
Year Ended November 30, 2022

2022-02 Classification of amounts recorded in Suspense Accounts - continued

Recommendations

We recommend the Circuit Clerk's office:

- 1) Promptly zero-out the suspense accounts by performing a reconciliation to source document data for proper classification.
- 2) Ensure collections, if any, still in a suspense account are promptly distributed to intended applicable government entity.
- 3) Design/update system of internal controls to incorporate financial policies and procedures over the proper use/treatment of suspense accounts and to ensure collections and disbursements are promptly and accurately recorded for the proper payee and in the appropriate category.

Management's Response

To address this Finding, the Clerk of the Circuit has hired additional Staff who are currently reconciling these accounts. In addition, the Management Information Systems Department, Legal Department, and Finance Bureau are reviewing all aspects associated with the new Cash Management System to ensure transactions are processed accurately.

Clerk of the Circuit Court of Cook County, Illinois
Schedule of Findings
Year Ended November 30, 2022

2022-03 Repeat Finding. Disposition of Abandoned Property - Unclaimed and Uncashed Checks

Condition

The Clerk of the Circuit Court (the “Circuit Clerk”) did not transfer abandoned property, consisting of unclaimed and uncashed checks, to the Treasurer of the State of Illinois in accordance with 765 ILCS 1026/ Revised Uniform Unclaimed Property Act (the “Act”). Furthermore, the Circuit Clerk did not update its abandoned property policy to integrate the requirements of the Act.

As of November 30, 2022 the Circuit Clerk’s accounting records report \$308,466 in abandoned property, consisting of unclaimed and uncashed checks, dating back more than three years.

Context

The Circuit Clerk processed \$184 million in disbursements to various payees during the year ended November 30, 2022.

Criteria

The State of Illinois revised unclaimed property act, [765 ILCS 1026/ Revised Uniform Unclaimed Property Act/], was effective January 18, 2018. Section 15-201(12) of the Act states that property held by a government or governmental subdivision, agency or instrumentality is presumed abandoned 3 years after the property becomes distributable. Furthermore, Sections 15-401(a) & (b) of the Act state that (a) a holder of property presumed abandoned and subject to the custody of the administrator shall report in a record to the administrator concerning the property and that (b) the holder is responsible for paying or delivering to the administrator the abandoned property.

Cause

The Clerk of the Circuit Court’s did not report and deliver abandoned property in accordance with the State of Illinois Revised Uniform Unclaimed Property Act.

Effect

The Clerk of the Circuit Court is not in compliance with Illinois Compiled Statute 765 ILCS 1026/ Revised Uniform Unclaimed Property Act.

Clerk of the Circuit Court of Cook County, Illinois
Schedule of Findings
Year Ended November 30, 2022

2022-03 Repeat Finding. Disposition of Abandoned Property - Unclaimed and Uncashed Checks – continued

Recommendations

We recommend that management develop and implement a plan of action to expedite reporting and transfer of abandoned property to the State of Illinois Treasurer in accordance with the Act.

Management's Response

The Clerk of the Circuit Court identified and transferred unclaimed and uncashed checks to the Illinois State Treasurer prior to the deadline in fiscal year 2022. However, based on this finding this Office in Fiscal Year 2023 will reexamine its policies and procedures associated with the Disposition of Abandoned Property to address this item.