



January 2, 2014

Mr. Ivan Samstein, Chief Financial Officer
The Honorable Toni Preckwinkle, President
The Honorable John P. Daley, Chairman, Cook County Audit Committee
Cook County
118 North Clark Street, Room 1127
Chicago, IL 60602-1423

Attention: Ivan Samstein, CFO

The Objective and Scope of the Audit of the Financial Statements

Management has requested that we audit the financial statements of Cook County (the "County"), which comprise governmental activities, business-type activities, aggregate discretely presented component units, each major fund and aggregate remaining fund information as of and for the year-ended November 30, 2013, which collectively comprise the basic financial statements and you acknowledge that we are the principal auditor of Cook County's basic financial statements as of and for the year ended November 30, 2013. We will not audit the financial statements of the County Employees and Officers' Annuity and Benefit Fund (County's Pension Trust and Postemployment Benefit Healthcare Trust Funds), the discretely presented component units, (the Emergency Telephone System and the Forest Preserve District of Cook County), and the Clerk of the Circuit Court Agency Fund. Those financial statements will be audited by other auditors. The engagement will involve reporting on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole. We will also perform an audit of the following financial statements to be issued by the County as of November 30, 2013; the Cook County Health and Hospital System (CCHHS) and the Treasurer's Office Agency Funds A, B and D. We will issue separate arrangement letter for those 2 engagements. We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter.

Our audit will be conducted with the objective of our expressing an opinion on the financial statements.

The Responsibilities of the Auditor

We will conduct our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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You have informed us that you desire us to issue a report on the basic financial statements of Cook County, Illinois as of and for the year ended November 30, 2013 conforming only to the requirements of auditing standards generally accepted in the United State of America (GAAS). It is our understanding that this report will be used for purposes of submission to the GFOA and other reporting requirements not associated with the single audit. This GAAS only report will not be used for purposes to comply with the requirement calling for an audit in accordance with *Government Auditing Standards*, and will not be used in the single audit reporting package filed with the single audit clearing house. We will also provide a report on the basic financial statements of Cook County, Illinois as of and for the year ended November 30, 2013 conforming to both GAAS and *Government Auditing Standards* (GAS). This opinion should be included in the reporting package submitted to the single audit clearing house.

Because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk that some material misstatements may not be detected exists, even though the audit is properly planned and performed in accordance with GAAS. Also, an audit is not designed to detect errors or fraud that are immaterial to the financial statements. The determination of abuse is subjective; therefore, *Government Auditing Standards* do not expect us to provide reasonable assurance of detecting abuse.

In making our risk assessments, we consider internal control relevant to the County's preparation and fair presentation of the financial statements 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 entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies or material weaknesses in internal control relevant to the audit of the financial statements that we have identified during the audit.

We will also communicate to the County Board of Commissioners (a) any fraud involving senior management and fraud (whether caused by senior management or other employees) that causes a material misstatement of the financial statements that becomes known to us during the audit, and (b) any instances of noncompliance with laws and regulations that we become aware of during the audit (unless they are clearly inconsequential).

The funds that you have told us are maintained by the County and that are to be included as part of our audit have not changed significantly from those reported in the FY2012 CAFR.

The component units whose financial statements you have told us are to be included as part of the County's basic financial statements are: the Cook County Forest Preserve District and the Emergency Telephone System.

Our report on internal control will include any significant deficiencies and material weaknesses in controls of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with requirements of the standards identified above. Our report on compliance matters will address material errors, fraud, abuse, violations of compliance obligations, and other responsibilities imposed by state and federal statutes and regulations or assumed by contracts, of which we become aware, consistent with requirements of the standards identified above.

The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework

Our audit will be conducted on the basis that management acknowledge and understand that they have responsibility:

- a. For the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America;
- b. 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;
- c. For establishing and maintaining effective internal control over financial reporting and for informing us of all significant deficiencies and material weaknesses in the design or operation of such controls of which it has knowledge;
- d. To provide us with:
 - (1) Access to all information of which management is aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation, and other matters;
 - (2) Additional information that we may request from management for the purpose of the audit;
 - (3) Unrestricted access to persons within the entity from whom we determine it necessary to obtain audit evidence;
 - (5) If applicable, responses to any findings reported.

As part of our audit process, we will request from management written confirmation concerning representations made to us in connection with the audit including among other items:

- a. That management has fulfilled its responsibilities as set out in the terms of this letter; and
- b. That it believes the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

Management is responsible for identifying and ensuring that the County complies with the laws and regulations applicable to its activities, and for informing us about all known material violations of such laws or regulations. In addition, management is responsible for the design and implementation of programs and controls to prevent and detect fraud or abuse, and for informing us about all known or suspected fraud or abuse affecting the entity involving management, employees who have significant roles in internal control, and others where the fraud or abuse could have a material effect on the financial statements or compliance. Management is also responsible for informing us of its knowledge of any allegations of fraud or abuse or suspected fraud or abuse affecting the entity received in communications from employees, former employees, analysts, regulators, or others.

Management is responsible for the preparation of the supplementary information in accordance with accounting principles generally accepted in the United States of America. Management agrees to include the auditor's report on the supplementary information in any document that contains the supplementary information and that indicates that the auditor has reported on such supplementary information. Management also agrees to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with audited financial statements, to make the

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audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.

The County Board of Commissioners is responsible for informing us of its views about the risks of fraud or abuse within the entity, and its knowledge of any fraud or abuse or suspected fraud or abuse affecting the entity.

Except for the inclusion of our Independent Auditors' Reports, or as otherwise provided herein, the County shall make no reference to us in any public or private securities offering. If the County includes our reports in any public or private securities offering, the County shall clearly advise us in advance, indicate that we are not associated with the contents of the official statement or memorandum, and prominently display the following statement in the official statement or memorandum:

McGladrey LLP, our independent auditor, has not been engaged to perform, and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. McGladrey LLP also has not performed any procedures relating to this official statement or memorandum.

Our association with an official statement or memorandum beyond the inclusion of our reports, or for work done after the completion of our reports, is a matter for which separate arrangements will be necessary. has not performed any procedures relating to this official statement (or memorandum).

Because McGladrey LLP will rely on the County and its management and the County Board of Commissioners to discharge the foregoing responsibilities the County holds harmless and releases McGladrey LLP, its partners, and employees from all claims, liabilities, losses, and costs arising in circumstances where there has been a knowing misrepresentation by a member of the County's management which has caused, in any respect, McGladrey LLP's breach of contract or negligence. This provision shall survive the termination of this arrangement for services.

Cook County's Records and Assistance

If circumstances arise relating to the condition of the County's records, the availability of appropriate audit evidence, or indications of a significant risk of material misstatement of the financial statements because of error, fraudulent financial reporting, or misappropriation of assets, which in our professional judgment, prevent us from completing the audit or forming an opinion, we retain the unilateral right to take any course of action permitted by professional standards, including declining to express an opinion, issue a report, or withdraw from the engagement.

During the course of our engagement, we may accumulate records containing data that should be reflected in the County's books and records. The County will determine that all such data, if necessary, will be so reflected. Accordingly, the County will not expect us to maintain copies of such records in our possession.

The assistance to be supplied by County personnel was provided to John Schick, Deputy Comptroller, including the dates when the information should be available to us. The timely and accurate completion of this work is an essential condition to our completion of the audit and issuance of our audit report.

In connection with our audit, you have requested us to perform certain non-audit services necessary for the preparation of the financial statements. These services will entail making edits to the draft financial statements (report) prepared by the County, and printing and binding the financial statements. The

independence standards of "Government Auditing Standards" issued by the Comptroller General of the United States GAS require that the auditor maintain independence so that opinions, findings, conclusions, judgments, and recommendations will be impartial and viewed as impartial by reasonable and informed third parties. Before we agree to provide a non-audit service to the County, we determine whether providing such a service would create a significant threat to our independence for GAS audit purposes, either by itself or in aggregate with other non-audit services provided. A critical component of our determination is consideration of management's ability to effectively oversee the non-audit service to be performed. The County has agreed that Maria Mendoza, Director of Financial Reporting, possesses suitable skill, knowledge, or experience and that she understands the editing and production services to be performed sufficiently to oversee them. Accordingly, the management of Cook County agrees to the following:

1. Cook County has designated Maria Mendoza, Director of Financial Reporting, a senior member of management, who possesses suitable skill, knowledge, and experience to oversee the services.
2. Maria Mendoza, Director of Financial Reporting will assume all management responsibilities for subject matter and scope of the report editing and production services.
3. The County will evaluate the adequacy and results of the services performed.
4. The County accepts responsibility for the results and ultimate use of the services.

GAS further requires we establish an understanding with the management (and those charged with governance) of the County, of the objectives of the non-audit service, the services to be performed, the entity's acceptance of its responsibilities, the auditor's responsibilities, and any limitations of the non-audit service. We believe this letter documents that understanding.

Other Relevant Information

From time to time and depending upon the circumstances, we may use third-party service providers to assist us in providing professional services to you. In such circumstances, it may be necessary for us to disclose confidential client information to them. We enter into confidentiality agreements with all third-party service providers and we are satisfied that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In addition, we may utilize financial information you have provided to us in connection with this engagement for purposes of creating benchmarking data to be used by McGladrey LLP professionals and other clients. This benchmarking data is aggregated with data from a minimum of five other entities so that users of the data are unable to associate the data with any single entity in the database.

In accordance with *Government Auditing Standards*, a copy of our most recent peer review report is enclosed for your information.

Fees, Costs, and Access to Workpapers

Our fees for the audit and accounting services described above are detailed in Attachment A. Interim billings will be submitted as work progresses. Billings are due upon submission. All fees will be billed by McGladrey LLP, however services performed for the separately issued reports (Treasurer, CCHHS, Single Audit, Grant Audits and Agreed-Upon Procedures and Clerk of the Circuit Court) will require separate arrangements (separate arrangement letters). Our fee quote and completion of our work is based upon the following criteria:

- a. Anticipated cooperation from County personnel
- b. Timely responses to our inquiries

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- c. Timely completion and delivery of client assistance requests
- d. Timely communication of all significant accounting and financial reporting matters
- e. The assumption that unexpected circumstances will not be encountered during the engagement

Our professional standards require that we perform certain additional procedures, on current and previous years' engagements, whenever a partner or professional employee leaves the firm and is subsequently employed by or associated with a client in a key position. Accordingly, the County agrees it will not hire a McGladrey LLP Partner or employee during the period of our contract with the County, or until the engagements are complete and all reports have been issued, whichever is later, unless mutually agreed.

In the event we are requested or authorized by the County or are required by government regulation, subpoena, or other legal process to produce our documents or our personnel as witnesses with respect to our engagement for the County, the County will, so long as we are not a party to the proceeding in which the information is sought, reimburse us for our professional time and expenses, as well as the fees and expenses of our counsel, incurred in responding to such requests.

The documentation for this engagement is the property of McGladrey LLP. However, you acknowledge and grant your assent that representatives of the cognizant or oversight agency or their designee, other government audit staff, and the U.S. Government Accountability Office shall have access to the audit documentation upon their request and that we shall maintain the audit documentation for a period of at least three years after the date of the report, or for a longer period if we are requested to do so by the cognizant or oversight agency. Access to requested documentation will be provided under the supervision of McGladrey LLP audit personnel and at a location designated by our Firm.

You have informed us that you intend to prepare a comprehensive annual financial report (CAFR) and submit it for evaluation by the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting. Our participation in the preparation of the CAFR is to consist of review of all sections for compliance with the reporting requirements, and advise the County as requested, on implementing GFOA recommendations.

Claim Resolution

The County and McGladrey LLP agree that no claim arising out of services rendered pursuant to this agreement shall be filed more than two years after the date of the audit report issued by McGladrey LLP or the date of this arrangement letter if no report has been issued. McGladrey LLP's liability for all claims, damages and costs of the County arising from this engagement is limited to three times the amount of fees paid by the County to McGladrey LLP for the services rendered under this arrangement letter.

If any term or provision of this Agreement is determined to be invalid or unenforceable, such term or provision will be deemed stricken, and all other terms and provisions will remain in full force and effect.

Reporting

We will issue a written report upon completion of our audit of the County's financial statements. Our report will be addressed to the County Board of Commissioners. We cannot provide assurance that an unmodified opinion will be expressed. Circumstances may arise in which it is necessary for us to modify our opinion, add an emphasis-of-matter or other-matter paragraph(s), or withdraw from the engagement.

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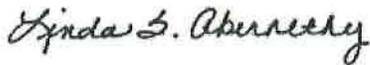
In addition to our report on the County's financial statements, we will also issue the following types of reports:

- A report on supplementary information, in relation to the financial statements taken as a whole and a report on the limited procedures performed on the Required Supplementary Information.
- Report on internal control related to the financial statements. This report will describe the scope of testing of internal control and the results of our tests of internal controls.
- Report on compliance with laws, regulations, and the provision of contracts or grant agreements. We will report on any noncompliance which could have a material effect on the financial statements.
- A schedule of findings and responses.

This letter and our contract #11-88-031 for professional auditing services, constitutes the complete and exclusive statement of agreement between McGladrey LLP and the County, superseding all proposals, oral or written, and all other communications, with respect to the terms of the engagement between the parties.

Please sign and return the attached copy of this letter to indicate your acknowledgment of, and agreement with, the arrangements for our audit of the financial statements including our respective responsibilities.

McGladrey LLP



Linda S. Abernethy, Partner

Confirmed on behalf of Cook County Management:



Toni Preckwinkle, President



Date



Ivan Samstein, Chief Financial Officer



Date

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Attachment A

Fee Schedule

| | |
|---|----------------------------|
| CAFR | \$ 764,400 |
| DHS AUP | 10,800 |
| CCHHS | 333,900 |
| A-133 Single Audit | 282,900 |
| Clerk of the Circuit Court | 111,000 |
| Treasurer's Office | 92,000 |
| CAFR editing, printing and binding, if requested | <u>7,500</u> |
| Total | <u><u>\$ 1,602,500</u></u> |