Cook County, Illinois

Report to the County President, Board of
Commissioners and the Audit Committee
May 31, 2016

RSM US LLP

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May 31, 2016

The Honorable Toni Preckwinkle, County Board President and
Members of the County Board of Commissioners, and
The Honorable John P. Daley, Chairman, Cook County Audit Committee
Cook County, Illinois
118 North Clark Street, Room 1127
Chicago, Illinois 60602-1423

We are pleased to present this report related to our audit of the basic financial statements of Cook County, Illinois (the County) as of and for the year ended November 30, 2015, and the audit of the Treasurer's Agency Funds A and D. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the County's financial reporting process.

This report is intended solely for the information and use of the County Board President and County Board of Commissioners, the Audit Committee and management, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the County.

RSM US LLP

Contents

Required Communications

Generally accepted auditing standards (AU-C 260, *The Auditor's Communication With Those Charged With Governance)* require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the basic financial statement audit for the County and for the Treasurer's Agency A and D fund audits, (hereinafter "financial statement audit") as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Area	Comments
Our Responsibilities With Regard to the Financial Statement Audit	Our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States have been described to you in our arrangement letter dated February 29, 2016. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.
Overview of the Planned Scope and Timing of the Financial Statement Audit	We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of, and planned audit response to, significant risks of material misstatement.
Accounting Policies and Practices	**Preferability of Accounting Policies and Practices** Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice. **Adoption of, or Change in, Accounting Policies** Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Organization. Effective December 1, 2014, the County adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. With this implementation, management changed its accounting policy for recording pension expense and the related pension liability by allocating a proportionate share to governmental activities and business type activities (and the CCHHS Fund) based on covered payroll. Additionally, beginning in FY2015, self-insurance claims pertaining to the operations of CCHHS which are expected to be paid from the CCHHS Fund and liabilities for self-insurance claims have been allocated to the CCHHS Fund. Management believes this change in policy is preferable because the CCHHS Fund is an enterprise fund reporting using the accrual basis of accounting. Allocating self-insurance liabilities to the fund better measures the net position of CCHHS as well as the increases (decrease) in net position from year to year. Management has disclosed the impact of the implementation and change in accounting policy in Note X of the financial statements.

Area	Comments
Accounting Policies and Practices (Continued)	**Significant or Unusual Transactions** We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus. **Management's Judgments and Accounting Estimates** Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates is in the attached Summary of Significant Accounting Estimates.
Financial Statement Disclosures	At your request, we will meet with you to discuss the following items as they relate to the neutrality, consistency and clarity of the disclosures in the financial statements: 1) Subsidies provided to CCHHS and how they are reported. 2) The impact of implementing GASB 68, which was implemented in FY 2015. 3) The change in accounting policy for self-insurance claims.
Audit Adjustments	Audit adjustments proposed by us and recorded by the County are listed in Exhibit B.
Uncorrected Misstatements	Uncorrected misstatements are summarized in the attached Management Representation Letter (Exhibit A) in the Summary of Uncorrected Misstatements (Schedule A).
Disagreements With Management	We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the basic financial statements.
Consultations With Other Accountants	We are not aware of any consultations management had with other accountants about accounting or auditing matters.
Significant Issues Discussed With Management	No significant issues arising from the audit were discussed with or were the subject of correspondence with management.
Significant Difficulties Encountered in Performing the Audit	We did not encounter any significant difficulties in dealing with management during the audit.
Letter Communicating Material Weakness in Internal Control Over Financial Reporting	We have separately communicated a material weakness in internal control over financial reporting identified during our audit as required by *Government Auditing Standards*. All our findings are reported in the Basic Financial Statements and are also included herein as Exhibit C.
Significant Written Communications Between Management and Our Firm	Copies of material written communications between our firm and the management of the County, including the signed representation letter provided to us by management, are attached as Exhibit A.

Summary of Significant Accounting Estimates

Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. There were no significant estimates for the Treasurer's Agency Funds A and D. The following describes the significant accounting estimates reflected in the County's November 30, 2015 financial statements.

Estimate	Accounting Policy	Management's Estimation Process	Basis for Our Conclusions on Reasonableness of Estimate
Depreciation of Capital Assets	The County reports its capital assets at book value, or fair value if contributed to the County. Depreciation of capital assets is over the estimated useful life of the asset on the straight-line basis.	The County establishes estimated useful lives of individual assets based on their expected life and use. The County uses all relevant facts available to them to make the best judgment about useful lives of assets.	We tested the depreciation calculation and determined it was appropriate. We communicated a control deficiency to the County (Exhibit C) related to accumulated depreciation. We reviewed the established useful lives of assets and found them to be reasonable.
Self-Insured Risk Liabilities and Expense	The County recognizes an estimate of the probable loss for worker's compensation, medical malpractice, liability and other claims. The accrued liability and expense represent an estimate of the eventual loss on claims including claims incurred but not yet reported (IBNR). Amounts are reported in governmental activities and business-type activities (and the CCHHS Fund) based on the nature of the claim.	The County's risk management and legal departments provide details of open cases, loss estimates, claims payment activity and other information to the actuary. This data is used by the actuary to estimate the probable liabilities and related expense based on historical trends and other loss factor data.	We obtained the actuary's report directly from the actuary. We tested certain source data (information on claims and claims payments) provided to the actuary. An RSM actuary reviewed the methods and assumptions used by the County's actuary for reasonableness. We concluded the estimates were reasonable.

Net Pension Liability	Net pension liability, deferred outflows of resources, deferred inflows of resources and pension expense are reported by the County in accordance with GASB Statement No 68 in governmental activities and business-type activities (and the CCHHS Fund) based on the proportionate share of each.	The County works with the Plan and the actuary to develop reasonable assumptions such as the long-term rate of return on investments, mortality tables and assumptions about future cash flows that impact the discount rate projection. County management obtains a Schedule of Pension Amounts from the Pension Plan's auditor, which is based on the actuary's calculations, to determine the total amounts related to the County. The County uses covered payroll for the measurement period to allocate the pension amounts to governmental activities and business-type activities (and the CCHHS Fund).	We obtained the actuary's report and Schedule of Pension Amounts directly from the actuary and pension plan auditor together with confirmation of their objectivity. We also obtained a copy of the employee census data provided to the actuary. On a sample basis, we tested that the census data provided was accurate. An RSM actuary reviewed the methods and assumptions used by the County's actuary. We tested the covered payroll data. We concluded the estimate was reasonable.
Other Post-Retirement Benefit Obligations	The County accounts for its OPEB plan in accordance with GASB 45. The OPEB obligation is reported in governmental activities. The OPEB liability is recognized for the cumulative difference between actual contributions made in relation to the actuarially determined required contribution.	Based on current economic conditions, management determines a discount rate, termination and retirement rates, health care cost trend rates, mortality rates, plan participation rates and other assumptions. They submit employee census data to the actuary with the underlying assumptions. From this, the actuary calculates the actuarially required contribution.	We obtained a copy of the actuary's report, together with confirmation of their objectivity. We also obtained a copy of the employee census data provided to the actuary. On a sample basis, we tested that the census data provided was accurate. We concluded the estimate was reasonable.

Property Tax Objections Liability	The County records an estimated liability for future refunds related to property tax objections in governmental activities and business-type activities (and the CCHHS Fund).	The County assesses historical refund activity by refund type and levy year to estimate the life cycle of refunds for any given levy year. The term of the life cycle is then used to estimate future refunds for levy years in which refunds are still anticipated.	We reviewed the methodology used and tested the historical tax collection and refund activity and recalculated the estimate and concluded it to be reasonable.
Property Tax Allowance	The County reports property tax revenues and receivables net of uncollectible amounts. Each year the County identifies the portion of the property tax levy that is estimated to be uncollectible and records an allowance for uncollectible property taxes.	The County estimates the uncollectible percentage of each tax levy each year based on historical tax collection data. Once the provision is determined, it is included for approval in the Annual Appropriation Bill.	We tested the data used by management in their calculation and concluded the allowance estimate is reasonable.

Exhibit A— Significant Written Communications Between Management and Our Firm

Bureau of Finance | Office of the Chief Financial Officer
IVAN SAMSTEIN
CHIEF FINANCIAL OFFICER
118 N. CLARK STREET • Chicago, Illinois 60602 • (312) 603-6846

May 31, 2016

RSM US LLP
One South Wacker Drive
Chicago, IL 60006

This representation letter is provided in connection with your audit of the basic financial statements of Cook County, Illinois as of and for the year ended November 30, 2015 for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

We confirm, to the best of our knowledge and belief, that as of May 31, 2016:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated February 18, 2016, for the preparation and fair presentation of the financial statements referred to above in accordance with U.S. GAAP.

2. We acknowledge our responsibility 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.

3. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable and reflect our judgment based on our knowledge and experience about past and current events, and our assumptions about conditions we expect to exist and courses of action we expect to take.

5. Related-party transactions, including those with fiduciary funds and component units for which Cook County is accountable, other organizations for which the nature and significance of their relationship with Cook County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete, and interfund transactions, including interfund accounts, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees, have been recorded in accordance with the economic substance of the transaction and appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

6. Allocations of liabilities to the Cook County Health and Hospital System (CCHHS) are based on the intention that CCHHS will ultimately pay those liabilities in future periods. Liabilities that are not expected to be paid by CCHHS are not reported in the CCHHS fund or business type activities.

7. All events subsequent to the date of the financial statements, and for which U.S. GAAP requires adjustment or disclosure, have been adjusted or disclosed.

8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

9. We have no direct or indirect legal or moral obligation for any debt of any organization, public or private that is not disclosed in the financial statements.

10. To the best of our knowledge we have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance. In connection therewith, we specifically represent that we are responsible for determining that we are subject to the requirements of the Single Audit Act and U.S. Office of Management and Budget Circular No. A-133 and have engaged Washington, Pittman & McKeever, LLC to perform this engagement.

11. To the best of our knowledge we have informed you of all uncorrected misstatements. As of and for the Year ended November 30, 2015 management believes that the effects of the uncorrected misstatements aggregated by you and summarized in Schedule A, are immaterial both individually and in the aggregate, to the opinion units of the basic financial statements. For purposes of this representation, we consider items to be material, regardless of their size, if they involve the misstatement or omission of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Information Provided

12. We have provided you with:

a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

b. Additional information that you have requested from us for the purpose of the audit;

c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence; and

d. Minutes of the meetings of the governing boards and committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.

13. All transactions have been recorded in the accounting records and are reflected in the financial statements.

14. We have disclosed to you the results of our assessment of risk that the financial statements may be materially misstated as a result of fraud.

15. We have no knowledge of allegations of fraud or suspected fraud affecting the entity's financial statements involving:

a. Management.

b. Employees who have significant roles in internal control.

c. Others where the fraud could have a material effect on the financial statements.

16. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators or others.

17. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects were considered when preparing financial statements.

18. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

19. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.

20. We have informed you of all significant deficiencies, including material weaknesses, in the design or operation of internal controls that could adversely affect the County's ability to record, process, summarize and report financial data.

21. We are aware of no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

Supplementary Information

22. With respect to supplementary information presented in relation to the financial statements as a whole:

a. We acknowledge our responsibility for the presentation of such information.

b. We believe such information, including its form and content, is fairly presented in accordance with U.S. GAAP.

c. The methods of measurement or presentation have not changed from those used in the prior period.

23. With respect to required supplementary information presented as required by Governmental Accounting Standards Board (GASB) to supplement the basic financial statements:

a. We acknowledge our responsibility for the presentation of such required supplementary information.

b. We believe such required supplementary information is measured and presented in accordance with guidelines prescribed by U.S. GAAP.

c. The methods of measurement or presentation have changed from those used in the prior period due to the implementation of GASB Statement Nos. 68 and 71.

Compliance Considerations

In connection with your audit conducted in accordance with *Government Auditing Standards*, we confirm that management:

24. Is responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework.

25. Is responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the County.

26. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.

27. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.

28. Has identified and disclosed to the auditor all instances that have occurred, or are likely to have occurred, of abuse that could be quantitatively or qualitatively material to the financial statements.

29. Is responsible 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.

30. Acknowledges its responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.

31. Has taken timely and appropriate steps to remedy fraud; noncompliance with provisions of laws, regulations, contracts and grant agreements; or abuse that the auditor reports.

32. Has a process to track the status of audit findings and recommendations.

33. Has identified for the auditor previous audits, attestation engagements and other studies related to the audit objectives and whether related recommendations have been implemented.

34. Has provided views on the auditor's reported findings, conclusions and recommendations, as well as management's planned corrective actions, for the report.

35. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including a statement that it assumes all management responsibilities; that it oversees the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge or experience; that it evaluates the adequacy and results of the services performed; and that it accepts responsibility for the results of the services.

36. During the course of your audit, you may have accumulated records containing data that should be reflected in our books and records. All such data have been so reflected. Accordingly, copies of such records in your possession are no longer needed by us.

Cook County, Illinois

Toni Preckwinkle

Toni Preckwinkle,
Chief Executive Officer

Ivan Samstein,
Chief Financial Officer

Schedule A
Summary of Uncorrected Misstatements

Governmental Activities

Description	Assets	Liabilities	Net Position	Revenue	Expenses	Transfers
	Debit (Credit)					
Carryover impact from previous year	$ -	$ -	$ 7,246,478	$ -	$ (7,246,478)	$ -
Current Year Misstatements						
Record State's reported overpayment of personal property tax	-	(6,545,312)	-	-	6,545,312	-
Record liability for self insurance claims - employee health	-	(4,709,571)	-	-	4,709,571	-
Remove accruals for fiscal year 2016 expense	-	2,956,986	-	-	(2,956,986)	-
Correct other recorded liabilities	-	(563,542)	-	-	563,542	-
Correct recorded depreciation	(2,037,956)	-	-	-	2,037,956	-
Record home rule tax revenues and receivables	1,548,240	-	-	(1,548,240)	-	-
Correct classification of transfers	-	-	-	1,087,695	(1,087,695)	-
Adjust fair value of recorded investment	(82,659)	-	-	82,659	-	-
Reduce recorded grant receivables	(2,554,189)	-	-	2,554,189	-	-
	$ (3,126,564)	**$ (8,861,439)**	**$ 7,246,478**	**$ 2,176,303**	**$ 2,565,222**	**$ -**

Note: There is also an uncorrected classification error which would reduce recorded cash by $1,245,854 and increase accounts receivable by $1,245,854

Business-Type Activities and Enterprise Fund (CCHHS)

Description	Assets	Liabilities	Net Position	Revenue	Expenses	Transfers
	Debit (Credit)					
Carryover impact from previous year	$ -	$ -	$ 2,495,106	$ (2,495,106)	$ -	$ -
Non-reversed PY overstatement of other liabilities	-	4,800,000	(4,800,000)	-	-	-
						-
Current Year Misstatements						-
Record liability for self insurance claims - employee health	-	(1,200,000)	-	-	1,200,000	-
Adjust Provident access payment revenue	9,500,000	(4,750,000)	-	(4,750,000)	-	-
Record liability for CountyCare Claims	-	(1,750,000)	-	-	1,750,000	-
	$ 9,500,000	**$ (2,900,000)**	**$ (2,304,894)**	**$ (7,245,106)**	**$ 2,950,000**	**$ -**

General Fund

Description	Assets	Liabilities	Net Position	Revenue	Expenses	Transfers
	Debit (Credit)					
Carryover impact from previous year	$ -	$ -	$ 6,477,928	$ (2,629,207)	$ (3,848,721)	$ -
Current Year Misstatements						
Record State's reported overpayment of personal property tax	-	(6,545,312)	-	-	6,545,312	-
Remove accruals for fiscal year 2016 expense	-	2,956,986	-	-	(2,956,986)	-
Correct other recorded liabilities	-	(563,542)	-	-	563,542	-
Record home rule tax revenues and receivables	1,548,240	-	-	(1,548,240)	-	-
Correct classification of transfers	-	-	-	-	(1,087,695)	1,087,695
	$ 1,548,240	**$ (4,151,868)**	**$ 6,477,928**	**$ (4,177,447)**	**$ (784,548)**	**$ 1,087,695**

Note: There is also an uncorrected classification error which would reduce recorded cash by $1,245,854 and increase accounts receivable by $1,245,854

Aggregate Non-major Funds

Description	Debit (Credit)					
	Assets	Liabilities	Net Position	Revenue	Expenses	Transfers
Carryover impact from previous year	$ -	$ -	$ -	$ -	$ -	$ -
<u>Current Year Misstatements</u>						
Reduce recorded grant receivables	(2,554,189)	-	-	(2,554,189)	-	-
	$ (2,554,189)	**$ -**	**$ -**	**$ (2,554,189)**	**$ -**	**$ -**

Debt Service Fund

Description	Debit (Credit)					
	Assets	Liabilities	Net Position	Revenue	Expenses	Transfers
Carryover impact from previous year	$ -	$ -	$ -	$ -	$ -	$ -
<u>Current Year Misstatements</u>						
Adjust fair value of recorded investment	(82,659)	-	-	82,659	-	-
	$ (82,659)	**$ -**	**$ -**	**$ 82,659**	**$ -**	**$ -**

Exhibit B—Recorded Audit Adjustments

Exhibit B - Recorded Audit Adjustments
Cook County
Year End: November 30, 2015
Adjusting Journal Entries

Account Description	Account No	Debit	Credit
Non-Titled Use Tax	422146-1100 GF01B		$ (3,680,730)
Printing and Publishing	520495-1100 GF01B	$ 3,680,730	
(To reclassify debit balance Non-Titled Use Tax revenue to expense account)			
Non Retailer Trans Use Tax	421252-1100 GF01B		$ (3,198,595)
Non Retailer Trans Use Tax	421252-1100 GF01B	$ 1,213,072	
Cigarette Tax	422112-1100 GF01B	3,198,595	
Cigarette Tax	422112-1100 GF01B		(1,213,072)
		$ 4,411,667	$ (4,411,667)
(To reclassify Home Rule adjustment that was recorded to the wrong revenue account)			
Cash - Salary Disbursement	110120-2040 2040		$ (52,551,002)
P/R JDE Interfund Settlement	133005-2040 2040	$ 52,551,002	
P/R JDE Interfund Settlement	133005-2040 2040		(52,551,002)
Accrued Payroll	231010-2040 2040	52,551,002	
		$ 105,102,004	$ (105,102,004)
(To correct overstatement of cash related to the accrued payroll entry)			
Accrued Accounts Payable	221040-1300 SRF01		$ (3,049,223)
Accrued Accounts Payable	221040-1566 1566		(1,122,733)
Accrued Accounts Payable	221040-1569 1569		(192,308)
Accrued Accounts Payable	221040-1618 1618		(65,719)
Accrued Accounts Payable	221040-1619 1619		(1,554,951)
Computer Equipment	560451-1569 1569	$ 192,308	
Property Acquisition	562110-1300 SRF01	61,367	
Easement Acquisition	562115-1300 SRF01	27,500	
Incidental Fees	562120-1300 SRF01	11,960	
Contractual - Base Fee	562140-1300 SRF01	2,948,396	
Contractual - Base Fee	565140-1566 1566	1,122,733	
Contractual - Add'l Services	565140-1618 1618	65,719	
Contractual - Base Fee	565140-1619 1619	1,554,951	
		$ 5,984,934	$ (5,984,934)
(To accrue unrecorded A/P)			
Deferred Revenue	280920-1100 GF01B	$ 3,643,965	
Social Service - Salaries	460015-1100 GF01B		$ (438,161)
Juvenile Ct - Salaries	460020-1100 GF01B		(955,635)
Adult Probation - Salaries	460025-1100 GF01B		(780,310)
Pre-Trial Court Salaries	460030-1100 GF01B		(440,025)
JTDC-Juvenile Temp Detenti	460070-1100 GF01B		(1,029,834)
		$ 3,643,965	$ (3,643,965)
(To correct double reversal of a PY entry)			
Deferred Revenue	280920-1100 GF01B	$ 1,213,072	
Non Retailer Trans Use Tax	421252-1100 GF01B		$ (1,213,072)
(To correct deferral of earned and available revenue)			
Due From Others	131010-1100 GF01B		$ (10,347,784)
Deferred Revenue	280920-1100 GF01B	$ 10,347,784	
(To correct receivable and deferral set up for FY16 revenue)			
Program Income	470002-1274 SRF48		$ (3,792,149)
Grant Disbursements	580170-1274 SRF48	$ 3,792,149	
(To reclassify value adjustments to land held for resale from crediting expense to crediting revenue)			
Accrued Payroll	231010-1000 GF01A		$ (477,204)
Accrued Payroll	231010-1100 GF01B		(8,566,613)
Appropriation Adjustment	501180-1000 GF01A	$ 477,204	
Appropriation Adjustment	501180-1100 GF01B	8,566,613	
		$ 9,043,817	$ (9,043,817)
(To recorded additional payroll related liabilities)			

Account Description	Account No	Debit	Credit
Cash - Cook County	110110-2040 2040		$ (157,809,428)
Cash - Salary Disbursement	110120-2040 2040	$ 81,018,920	
Cash - Supply A/P Disburse	110130-2040 2040	85,055,292	
Accrued Accounts Payable	221040-2040 2040		(145,168)
Accrued Payroll	231010-2040 2040		(696,715)
Deferred Compensation	231040-2040 2040		(11,899)
Cash Paid Employee Fringes	231070-2040 2040		(11,012)
Benefits Clearing	231080-2040 2040		(416,311)
Medicare Taxes	231162-2040 2040	1,813	
Federal Income Taxes	231170-2040 2040	376,160	
Illinois Income Taxes	231180-2040 2040	51,650	
County Pension	231200-2040 2040		(343)
Union Dues	231220-2040 2040		(237)
Savings Bonds	231240-2040 2040	170	
Wage Withholding-Citation	231260-2040 2040	19,495	
Student Loan	231265-2040 2040		(6,826)
Wage Withholding-Child Sup	231270-2040 2040		(66,619)
Tax Levy	231280-2040 2040		(1,896)
Bankruptcy	231290-2040 2040		(4,521)
United Way/Crusade	231300-2040 2040	23	
Unemployment Tax	231330-2040 2040	437,247	
Miscellaneous Account	231335-2040 2040	14,116	
Due to Others	280410-2040 2040		(7,803,911)
		$ 166,974,886	$ (166,974,886)
(Entry to balance cash)			
Accrued Accounts Payable	221040-1300 SRF01		$ (553,734)
Accrued Accounts Payable	221040-1566 1566		(308,025)
Accrued Accounts Payable	221040-1618 1618		(83,833)
Accrued Accounts Payable	221040-1619 1619		(1,325,352)
Computer Equipment	560451-1566 1566	$ 308,025	
Computer Equipment	560451-1618 1618	83,833	
Computer Equipment	560451-1619 1619	1,325,352	
Contractual - Base Fee	562140-1300 SRF01	553,734	
		$ 2,270,944	$ (2,270,944)
(To record retainage payable)			
Cash - Cook County	110110-1747 1747		$ (15,000,000)
Cash - Cook County	110110-1747 1747		(14,605,000)
Cash Restricted GOB 2010	110585-1619 1619	$ 15,000,000	
Cash Restricted GOB 2010	110585-1619 1619	14,605,000	
Bond & Interest Transfer In	801012-1747 1747	15,000,000	
Bond & Interest Transfer In	801012-1747 1747	14,605,000	
Bond and Interest Fund	801910-1619 1619		(15,000,000)
Bond and Interest Fund	801910-1619 1619		(14,605,000)
		$ 59,210,000	$ (59,210,000)
(To correct transfer entries)			

Exhibit C—Material Weakness Letter

The Honorable Toni Preckwinkle, County Board President
and Members of the County Board of Commissioners
Cook County, Illinois

In planning and performing our audit of the financial statements of Cook County, Illinois (the "County") as of and for the year ended November 30, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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 discussed below, 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 following deficiency in the County's internal control to be a material weakness:

Finding 2015–01: Financial Accounting and Reporting

The County continues to have difficulties in the execution of its year-end financial reporting close process (which includes modified accrual based entries).

Certain general ledger account balances and supporting information and documentation were not adequately reviewed by County supervisory personnel resulting in numerous County and auditor adjustments after the trial balances were provided to the auditors.

During our audit we noted the following:

- Journal entries prepared by County personnel after the initial trial balances were provided to the auditors' adjusted 33 funds and 94 general ledger accounts. The entries decreased total fund balance for governmental funds by approximately $9 million.
- Liabilities were understated due to a combination of cut-off errors when reviewing invoices received after year-end ($3.6 million).
- The retainages portion of construction invoices were not accrued ($2.3 million).
- Estimated liabilities for the County's employee health plan were not accrued ($5.9 million).

- Other payroll related liabilities were not properly accrued ($2.8 million).

- Certain year-end accrual/closing entries were recorded to incorrect accounts for non-retailer transaction use tax and non-titled use tax ($8.1 million).

- A portion of non-transaction use tax and salary reimbursements were improperly classified as unavailable revenue instead of revenue ($4.9 million).

- FY16 cigarette stamp transactions ($10.3 million) were recorded as receivables and unavailable revenues in FY15.

- A portion of FY15 home rule sales tax receivables and revenue ($1.5 million) were not recorded.

- Pooled cash was not properly reconciled at year-end requiring adjustments ($44.3 million), and amounts received after November 30 were improperly considered deposit in transit reconciling items ($1.2 million). The most significant adjustment to cash was to correct the year end entry for accrued payroll which was recorded in the individual governmental funds, without eliminating the corresponding entry in the agency fund.

- Transfers between the General Fund and the Governmental Grant fund were recorded as normal revenues and expenditures ($1.0 million). Additionally, movement of cash and investments between 2 restricted funds was inappropriately recorded as a transfer ($29 million).

- Receivables were recorded for individual grants which had either disallowed the expenditure or had expired in prior fiscal years ($2.6 million).

- There was an error in the formula used by the County to calculate depreciation expense which understated current year expense and accumulated depreciation ($2.0 million).

All material items noted above were corrected in the final financial statements.

County management stated that the current accounting software does not properly accommodate accrual based accounting, requires a massive amount of manual entries, and is not integrated with all fee offices. The degree of manual intervention necessary to close the largely cash basis general ledger, record year-end accrual based entries and conversion entries necessary for the government-wide financial statements leaves inadequate time for the County's accounting professionals to sufficiently reconcile all accounts, prepare all year-end close entries, review the supporting documentation, etc. This contributes to the number of errors and omissions.

The County's policies for year-end financial reporting require that accounting staff reconcile account balances to supporting information/documentation and that account balances and the related support are reviewed and approved by a supervisor. Good internal controls suggest that all significant accounts be reconciled on a regular basis, preferably monthly, to underlying documentation. In addition, all account reconciliations and accruals should be reviewed by another employee to help ensure that the information is accurately accumulated, reported and reconciles to the general ledger. Furthermore, any necessary adjustments should be made in a timely manner and all significant estimates, including assumptions should be assessed annually and reviewed and approved by management.

The accounting software used by the County should be capable of meeting internal and external reporting needs, including the proper basis of accounting, budgetary and other controls, and an "adjusting period" to post, close and rollup year-end entries. Software should minimize the need for manual entries and allow integration with other departments. The financial statements should be prepared in draft form with adequate time for upper management to thoroughly review and resolve any questions or concerns.

Unless controls are improved, the County may continue to have material misstatements in its Financial Statements.

Recommendation

In order to improve the County's year-end financial reporting close process which includes improving the quality and timeliness of preparing the year-end CAFR, we recommend the following:

- County personnel should perform more thorough reviews of year-end general ledger account balances, supporting reconciliations, closing entries, schedules and other documentation.

- The County needs to accelerate the date it begins its year-end close process to meet its established reporting goals and timeline. Cash accounts for the month of November should be reconciled by mid-January. Various departments and elected offices should have all vendor invoices for the fiscal year charged to the correct fiscal year, approved and forwarded for payment no later than January 15. On February 1 of each year, close procedures and entries should begin. Trial balances, capital assets and long-term obligation documentation should be complete and ready for audit no later than March 15. Entries required after this date should be minimal. Financial statements should be available in draft form by April 15.

Management Response

Management agrees with the recommendations and will continue its strategic plan to implement process improvements that will ensure effective business systems exist in conjunction with implementing a new County-wide ERP system. The County plans to implement the County-wide ERP system for FY2017.

During FY2015, The Comptroller's Office continued to make significant improvements to its year-end reporting process as County-wide communication and follow-up was performed on a regular basis which resulted in the timely submission of requested financial information by most agency and fee offices.

The year-end closing process should become most efficient once the new County-wide ERP is implemented with the further automation and streamlining of existing manual County-wide accounting and financial reporting processes.

Although significant improvements continue to be made, the Comptroller's Office recognizes that other areas still require improvements and is committed to take the necessary steps to achieve best practice processes that ensure the financial statements continue to be issued accurately within six months.

The Comptroller's Office will continue to analyze and implement best practices regarding the County-wide year end closing and CAFR preparation process to ensure it's as efficient as possible with our current financial systems by:

- Communicating and working with County-wide fee offices and agencies on the timely and proper recording of year end accrual and closing entries to minimize audit adjustments.
- Improved execution and review of year-end schedules, account reconciliations and preparation of the necessary adjustments to determine accurate balances in a timely manner with the assistance of the County-wide departments, including:
    - Better communication internally and externally in regards to monthly reconciliations to identify transactions and issues that need to be resolved prior to year-end close that have an impact on Financial Reporting;
    - A detailed review of CAFR schedules to determine financial report presentation concerns are corrected; and
    - Reviewing our revenue recognition policy in relation to year end closing entries.

Note Regarding Use of This Communication

This communication is intended solely for the information and use of the County Board, the members of the Audit Committee, management and others within the organization, and Federal and State granting agencies and is not intended to be and should not be used by anyone other than these specified parties.

RSM US LLP

Chicago, Illinois
May 31, 2016