Cook County, Illinois

Report to the County President, Board of Commissioners and the Audit Committee
May 31, 2023

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RSM US LLP

30 South Wacker Dr., Ste. 3300
Chicago, IL 60606-7481

O +1 312 634 3400
F +1 312 634 3410

www.rsmus.com

May 31, 2023

Members of the County Board of Commissioners, and
The Honorable Bridget Degnen, Chairman, Cook County Audit Committee
Cook County, Illinois
118 North Clark Street, Room 1127
Chicago, IL 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, 2022. 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.

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REQUIRED COMMUNICATIONS

Auditing standards generally accepted a in the United States of America (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 as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement and Compliance 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 January 18, 2023. Our audit of the basic 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 dated March 14, 2023 regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices
Under accounting principles generally accepted in the United States of America, 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 County. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

The County implemented the following Governmental Accounting Standards Board (GASB) Statements in the 2022 fiscal year:

- GASB Statement No. 87, *Leases*, was effective for the County in fiscal year 2022. This statement requires the County to recognize certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows and/or outflows of resources based on the payment provisions of the contract. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset; a lessor is required to recognize a receivable and a deferred inflow of resources. This statement had a significant impact on the 2022 statements.

  As a result of implementing this standard, the December 1, 2021 balances for intangible right to use assets and lease liabilities, were restated each from $0, as previously reported, to $8.6 million for Governmental Activities and $57.5 million for Business-type Activities and CCH. Additionally, leases receivable and deferred inflows of resources for leases in which the County/CCH was lessor were $8.5 million and $32.5 million as of the implementation date (December 1, 2021) for Governmental Activities and Business-type Activities/CCH, respectively. The implementation of this standard had no impact on December 1, 2021 fund balances or net position.

- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, was effective for the County in fiscal year 2022. This statement did not have a significant impact on the 2022 statements.

- GASB Statement No. 92, *Omnibus 2020*, was effective for the County in fiscal year 2022. This statement did not have a significant impact on the 2022 statements.

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, was effective for the County in fiscal year 2022. This statement did not have a significant impact on the 2022 statements.

- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 3*, was effective for the County in fiscal year 2022. This statement did not have a significant impact on the 2022 statements.

Significant Accounting Policies
We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions
We did not identify any significant unusual transactions.

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.

Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the County are shown in the attached list of Recorded Audit Adjustments (Exhibit C).

Uncorrected misstatements are summarized in the attached list of Uncorrected Misstatements within Exhibit B. Uncorrected misstatements or matters underlying these uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Departure From the Auditor's Standard Report

Expected Emphasis-of-Matter Paragraph
As of December 1, 2021, the County implemented the provisions of GASB Statement No. 87, *Leases*. In light of this matter, we will include an emphasis-of-matter paragraph in the auditor's report. Below is a draft of the paragraph to be included in the auditor's report:

Emphasis of Matter
As discussed in Note I, the financial statements have been restated for the implementation of GASB Statement No. 87, *Leases*. As a result of the implementation, right to use capital assets and lease obligations were restated as of December 1, 2021, for Governmental Activities, Business-type Activities, and the Cook County Health and Hospital System fund (CCH). Our opinions are not modified with respect to this matter.

Substantial Doubt About the Entity's Ability to Continue as a Going Concern
The financial statements were prepared on the assumption that the County will continue as a going concern. During the audit, we noted the following events or conditions that indicated there could be substantial doubt about the County's ability to continue as a going concern:

- Total net position (deficit) for the County was ($14.2) billion as of November 30, 2022.

We evaluated the events and conditions in the aggregate and concluded that there was not substantial doubt about the County's ability to continue as a going concern for a reasonable period of time.

Other Information Included in Annual Reports

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the County's Introductory and Statistical Sections. We did not identify material inconsistencies with the audited financial statements.

Observations About the Audit Process

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
Except for conversations with other auditors who were engaged to audit components of the County's financial statements, 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 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.

Difficult or Contentious Matters That Required Consultation
We did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

Shared Responsibilities for Independence

Independence is a **joint responsibility** and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with AICPA and *Government Accountability Office* (GAO) independence rules. For RSM to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and RSM each play an important role.

Our Responsibilities
- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. RSM is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

The County's Responsibilities

- Timely inform RSM, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or person in financial reporting and compliance oversight roles.
  - Changes in the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the County and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with RSM.
- Not entering into arrangements of nonaudit services resulting in RSM being involved in making management decisions on behalf of the County.
- Not entering into relationships resulting in RSM, RSM covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the County.

Internal Control and Compliance Matters

We have separately communicated significant deficiencies and material weaknesses in internal control and compliance findings over financial reporting identified during our audit of the basic financial statements, as required by *Government Auditing Standards*. This communication is attached as Exhibit A.

Significant Written Communications Between Management and Our Firm

Copies of significant written communications between our firm and the management of the County, including the representation letter provided to us by management, are attached as Exhibit B.

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. The following summarizes the significant accounting estimates reflected in the County's November 30, 2022 basic financial statements.

Significant Accounting Estimates	
Depreciation of Capital Assets	
Accounting policy	The County reports its capital assets at net book value. Donated capital assets are recorded at acquisition value. Depreciation of capital assets is over the estimated useful life of the asset on the straight-line basis.
Management's estimation process	Management establishes estimated useful lives of individual assets based on their expected life and use. Management uses all relevant facts available to them to make the best judgment about useful lives of assets.
Basis for our conclusion on the reasonableness of the estimate	We tested the depreciation calculation and determined it was appropriate. We reviewed the established useful lives of assets and found them to be reasonable.
Self-Insured Risk Liabilities and Expense	
Accounting policy	The County recognizes an estimate of the probable loss for workers' compensation, medical malpractice, liability, employee health and other claims. The accrued liability and expense represent an estimate of the eventual loss on claims including claims incurred but not reported (IBNR). Amounts are reported in governmental activities and business-type activities (and the CCH Fund) based on the nature of the claim.
Management's estimation process	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. Employee health claim liabilities are estimated based on lag report data. Management reviews and approves the actuarial results.
Basis for our conclusion on the reasonableness of the estimate	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. We communicated control deficiencies to the County (Exhibit A) related to the completeness of claims data sent to the actuary. An RSM actuary reviewed the methods and assumptions used by the County's actuary for reasonableness. We concluded all adjusted estimates were reasonable.
Net Pension Liability and Total OPEB Liability	
Accounting policy	Net pension liability, total OPEB liability, deferred outflows of resources, deferred inflows of resources and Pension/OPEB expense are reported by the County in accordance with GASB Statements No. 68 (pensions) and No. 75 (OPEB) in governmental activities and business-type activities

Significant Accounting Estimates	
	(and the CCH Fund) based on the proportionate share of each (based on covered payroll for pensions and headcount for OPEB).
Management’s estimation process	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, healthcare cost trend rates and assumptions about future cash flows that impact the discount rate projection. County management obtains Schedules of Pension Amounts and OPEB amounts from the Plan’s auditor, which is based on the actuary’s calculations, to determine the total amounts related to the County.
Basis for our conclusion on the reasonableness of the estimate	We obtained the actuary’s pension and OPEB reports and Schedule of Pension/OPEB Amounts directly from the actuary and plan auditor together with confirmation of their independence and 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 and employee headcount data. We concluded the estimates were reasonable.
Property Tax Objections Liability	
Accounting policy	The County records an estimated liability for future refunds related to property tax objections and other matters in governmental activities and business-type activities (and the CCH Fund).
Management’s estimation process	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.
Basis for our conclusion on the reasonableness of the estimate	We reviewed the methodology used and tested the historical tax collection and refund activity and recalculated the estimate. We concluded the estimate was reasonable.
Property Tax Allowance	
Accounting policy	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.
Management’s estimation process	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.
Basis for our conclusion on the reasonableness of the estimate	We tested the data used by management in their calculation and concluded the allowance estimate is reasonable.
Fair Value of Investments	
Accounting policy	The County records its investments in accordance with the provisions of GASB Statement No. 72. Short-term fixed income securities with a final

Significant Accounting Estimates	
	maturity of one year or less from the acquisition date, and investments in the Illinois Funds pool are at cost. Most other investments are at fair value.
Management's estimation process	Fair value is generally provided by the custodian. The County reviews the information received to determine it is reasonable. The County's investments that are not at cost, are valued using a quoted price for an identical security or using matrix pricing. The County does not have Level 3 investments.
Basis for our conclusion on the reasonableness of the estimate	We confirmed the County's investments to verify existence. We used a third-party pricing service to independently determine fair value as of the County's year-end for a sample of investments. We tested fair value estimates and found them to be reasonable.
Housing Loans Allowance	
Accounting policy	The County records loans net of an allowance for uncollectible amounts.
Management's estimation process	The allowance is calculated using a 100% allowance for deferred loans and loans in the non-performing category, and a 75% allowance on the performing loans and new loans.
Basis for our conclusion on the reasonableness of the estimate	We reviewed management's methodology for estimating uncollectible loans and recalculated the allowance in accordance with the policy. We reviewed collections during the year for a sample of loans and determined the associated allowance was appropriate in accordance with the County's policy.
Incremental Borrowing Rate for Leases	
Accounting policy	Management records leases receivable and lease obligations based on the present value of lease receipts (as lessor) or lease payments (as lessee), using an estimated incremental borrowing rate.
Management's estimation process	Management developed an incremental borrowing rate based on other recent debt issuances of the County.
Basis for our conclusion on the reasonableness of the estimate	We reviewed the support for the incremental borrowing rate used by the County and determined it was reasonable.

EXHIBIT A

Internal Control and Compliance Matters

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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*

Independent Auditor's Report

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

We have audited, 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 (*Government Auditing Standards*), the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Cook County, Illinois (County) as of and for the year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 31, 2023. Our report includes an emphasis of matter for the implementation of GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

Our report also includes a reference to other auditors who audited the financial statements of the discretely presented component units (the Forest Preserve District of Cook County and the Emergency Telephone System Board) and the Clerk of the Circuit Court Custodial Fund, as described in our report on Cook County Illinois' financial statements. The financial statements of the County Employees' and Officers' Annuity and Benefit Fund of Cook County (County Pension Trust Fund and County Post-employment Healthcare Trust Fund) were not audited in accordance with *Government Auditing Standards,* and accordingly, this report does not include reporting on internal control over financial reporting or compliance and other matters associated with the County Pension Trust Fund and the County Post-employment Healthcare Trust Fund.

This report does not include the Clerk of the Circuit Court Custodial Fund or the Forest Preserve District of Cook County, that are reported on separately by the auditors who audited the financial statements of the Clerk of the Circuit Court Custodial Fund and the Forest Preserve District of Cook County.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, 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 have not been identified. However, as described in the accompanying Schedule of Findings on Internal Control over Financial Reporting and Compliance, 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 County'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 on Internal Control over Financial Reporting and Compliance as items 2022–001 through 2022–003 to be material weaknesses.

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 on Internal Control over Financial Reporting and Compliance as items 2022–004 and 2022-005 to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

County's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit and described in the accompanying Schedule of Findings on Internal Control over Financial Reporting and Compliance. The County'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 County'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RSM US LLP

Chicago, Illinois
May 31, 2023

Finding 2022–001: Financial Accounting and Reporting - County

Condition followed by Criteria and Cause
Due to insufficient supervisory/management review of the trial balances, draft footnotes, supporting documents, and schedules relating to revenues/accounts receivable, expenditures/payables, self-insurance, and leases there were errors detected by the auditors and corrected by management, as noted below:

- Categories of net position consisting of net investment in capital assets and unrestricted, were overstated and understated, respectively, by $347 million, due to the capital portion of several debt series being excluded from capital related debt in the calculation.

  GASB Codification 2200, *Annual Comprehensive Financial Report*, states the net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets.

  County management indicated the error was due to oversight.

- A $34.3 million receivable for home rule and state disbursed taxes was not recorded, resulting in an understatement of receivables and nonproperty tax revenues in the general fund and governmental activities.

  Additionally, the County did not identify all of the property tax distributions it received from the County Treasurer within 60 days of the County's fiscal year-end. This resulted in a $43.4 million understatement of property tax revenue and taxes receivable in the debt service fund, a $317 thousand and $310 thousand understatement of unavailable revenue and taxes receivable in the A&B fund and aggregate non-major funds, respectively, and a $44 million understatement of taxes receivable and property tax revenue in governmental activities.

  GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* requires governments to record imposed nonexchange transactions, which includes property taxes, as an asset when the government has an enforceable legal claim to the resources, and revenues in the period for which the taxes are levied, subject to availability in governmental fund types.

  Also, under a good system of internal control, all significant accounts should be reconciled on a regular basis to the underlying documentation, and thoroughly reviewed by a supervisory employee (other than the preparer), with any necessary adjustments recorded timely. Additionally, the County's policy for year-end financial reporting requires that accounting staff reconcile account balances to supporting information/documentation and that account balances and the related support be reviewed and approved by a supervisor.

  County management indicated the missed entry and subsequent cash receipts was due to oversight.

Finding 2022–001: Financial Accounting and Reporting – County (Continued)

- The County did not eliminate internal activity from two fiduciary funds (County Clerk and County Clerk Recorder Division) when preparing the draft financial statements. As a result, additions and deductions reported in the Custodial funds were overstated by $95 million.

  In accordance with GASB Statement No. 84, *Fiduciary Activities*, Custodial funds should be used only for assets that are for the benefit of individuals, organizations or other governments that are not part of the financial reporting entity.

  County management indicated the error was due to oversight.

- The County submitted inaccurate claims data to its actuary for use in calculating the County's end of year self-insurance liability. This resulted in a $5.2 million overstatement of expense and long-term liabilities in governmental activities.

  Under a good system of internal control, information is checked for accuracy and reconciled to the underlying source data prior to being provided to outside parties.

  County management indicated the error was due to different systems being used by the department that estimates reserve amounts and the department that records the reserves and provides the information to the actuary.

- The County recorded payables and receivables for grant advance requests that were neither owed or paid prior to November 30, 2022. This overstated other receivables and accounts payable by $27 million in the grants fund and in governmental activities.

  The County also reduced payables for items paid in advance, instead of recording a prepaid asset. This understated accounts payable and prepaid items by $9.6 million in the general fund and governmental activities.

  Additionally, the County inappropriately included fiscal year 2023 invoices in the motor fuel tax fund and the grants fund. This overstated accounts payable and expenditure balances for the motor fuel tax fund by $1.1 million and the grants fund by $309 thousand.

  In accordance with generally accepted accounting principles, expenditures/expenses should be recorded in the period in which they are incurred and prepaids should be recorded when expenditures/expenses related to future fiscal years are paid in advance.

  County management indicated these items were missed due to oversight.

Finding 2022–001: Financial Accounting and Reporting – County (Continued)

- The County recorded lease receivables for several leases which provided both the County (as the lessor) and the tenant the right to cancel the lease after a nominal (60 to 180 days) notice period. This overstated the County's lease receivable and deferred inflow of resources by $16.3 million in the general fund and governmental activities.

  Additionally, the County did not reduce its recorded lease receivable and deferred inflow of resources by the amount it leased back from one of its tenants to be used by CCH. This overstated the County's lease receivable and deferred inflows of resources by $11.0 million in the general fund and governmental activities as of year-end.

  GASB Statement No. 87, *Leases*, states time periods during which both the lessor and the lessee have the right to cancel a lease are excluded from the lease term when determining if a lease is long term (more than 12 months). Lease receivables and deferred inflows are only recorded for long term leases. GASB 87 further states when an asset (or part of an asset) is leased back from the party to which the lessor leased the asset, the lessor should recognize the net of the two transactions.

  County management indicated the errors were due to misunderstanding the requirements of this newly implemented accounting standard.

- The County recorded a transfer to the hospital as an expenditure. This understated transfers and overstated expenditures/expenses in the general fund and governmental activities by $30 million.

  In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, transfers should be reported separately after revenues and expenditures/expenses in governmental funds, proprietary funds and in the government-wide financial statements.

  County management indicated the misclassification was caused by human error.

- The original notes to the financial statements pertaining to the economic gain on the PNC line of credit refunding was overstated by approximately $150 million. The County adjusted the disclosure and a remaining overstatement of $13.3 million was deemed immaterial and not corrected. Additionally, the County omitted the required disclosure of the economic gain related to the Sales Tax Revenue Bonds, Refunding Series 2022B in the amount of $8 million. This disclosure was subsequently added.

  GASB Codification D20, *Debt Extinguishments and Troubled Debt Restructuring*, requires footnote disclosure of the economic gain or loss resulting from the refunding of debt. This Codification section requires the economic gain or loss to be measured as the difference between the present value of the old debt service requirements and the present value of the new debt service requirements, discounted at the effective interest rate and adjusted for additional cash paid.

  County management indicated the omission and incorrect calculation was caused by human error.

Finding 2022–001: Financial Accounting and Reporting – County (Continued)

The following errors noted during the audit were deemed immaterial and not corrected:

- The County included $1.0 million of nonproperty tax revenue and accounts receivable that relates to the fiscal year ending November 30, 2023, in the general fund and governmental activities.

  In accordance with generally accepted accounting principles, revenues should be recorded in the period in which they are earned, as outlined in GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

- An additional error in the claim data provided to the County's self-insurance actuary was not corrected by the County and caused an understatement of $3.2 million in expenses and long-term liabilities in governmental activities.

  In accordance with generally accepted accounting principles, expenditures/expenses should be recorded in the period in which they are incurred.

- The County miscalculated its entries for recording the debt refundings that occurred during fiscal year 2022 which overstated interest income and payments to the refunded bond escrow agent, by $2.0 million in the debt service fund.

  GASB Codification D20, *Debt Extinguishments and Troubled Debt Restructuring* ,states transactions recorded for an advance refunding should use the amounts paid by the entity for the refunding as of the advance refunding date, instead of the amount ultimately paid by the escrow agent to settle the debt.

- In addition to the corrected accounts payable errors, auditors noted invoices relating to fiscal year 2023 were inappropriately included ($232 thousand) in accounts payable as of year-end in the grant fund and governmental activities.

  In accordance with generally accepted accounting principles, expenditures/expenses should be recorded in the period in which they are incurred.

- The County recorded a transfer from the general fund to the grant fund as an expenditure and revenue. This overstated general fund expenditures and grant fund revenues by $1.8 million and understated both funds' transfers by the same amount.

  In accordance with GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis – for State and Local Governments*, transfers should be reported separately after revenues and expenditures/expenses in governmental funds, proprietary funds and in the government wide financial statements.

- The County did not properly identify an office lease for which the County is the tenant. This resulted in a year-end understatement of lease liabilities and right to use assets of $916 thousand in governmental activities.

  GASB Statement No. 87, *Leases*, requires governments to record right to use assets and lease liabilities for leases that qualify as long-term leases.

Finding 2022–001: Financial Accounting and Reporting – County (Continued)

- The County's pooled cash account was not properly reconciled to CCH accounting records. Due to the reconciliation error, cash is overstated and expenses are understated by $6.7 million. This uncorrected misstatement impacts the business-type activities column in the County's financial statements and cash footnote disclosures.

  Under a good system of internal control, all significant accounts should be reconciled on a regular basis to the underlying documentation, and thoroughly reviewed by a supervisory employee (other than the preparer), with any necessary adjustments recorded timely. Additionally, the County's policy for year-end financial reporting requires that accounting staff reconcile account balances to supporting information/documentation and that account balances and the related support be reviewed and approved by a supervisor.

County management indicated the uncorrected errors itemized above were missed due to oversight.

Effect
The financial statements of the County would have been materially misstated without updating the footnote disclosures and recording the material audit adjusting entries noted above. Additionally, lack of sufficient supervisory review of reported balances, footnote disclosures, and supporting documentation could result in future misstatements as well as misstatements that are not identified by the auditors.

Recommendation
To improve the County's year-end financial reporting close process which includes improving the quality and timeliness of preparing the year-end Annual Comprehensive Financial Report, we recommend County personnel perform thorough reviews of year-end general ledger account balances, supporting schedules, reconciliations, closing entries, footnotes and other documentation.

Management Response
Management agrees with the recommendations and will continue its strategic plan to implement process improvements that will ensure effective County-wide accounting and business systems which are accurate and timely. The plan will include the following:

- to restructure and incorporate additional resources in its Financial Reporting and General Accounting areas to enhance accounting and financial reporting processes.
- develop checklists and add multiple levels of review on all year-end workpapers.
- implement a monthly account analysis process with managerial review.
- work with the CFO's office to improve procedures and processes to proper disclosure of debt issuances.
- Increase communication through training and work with County-wide fee offices and agencies on the timely year-end accrual and closing entries to minimize audit adjustments, review balance sheet / general ledger account balances, and prepare the necessary adjustments and reconciliations to determine accurate balances.

Finding 2022–001: Financial Accounting and Reporting – County (Continued)

- implementation of standardized County-wide accounting and financial reporting procedures. This should result in automation and streamlining of existing manual County-wide accounting and financial reporting processes.

- conduct internal training on accounting and financial reporting processes to identify and implement potential process improvements.

- to improve closing process over leases the County will develop checklists and add levels of review in conjunction with the new software used to implement GASB Statement 87, *Leases.*

Finding 2022–002: Transfers from the County - CCH

<u>Condition followed by Criteria and Cause</u>
Due to insufficient supervisory/management review of the trial balances, draft footnotes, supporting documents, and schedules relating to transfers from the County, CCH understated transfers in and overstated expenses by $30 million. In addition, CCH's draft footnotes did not disclose this transaction with the County.

Under a good system of internal control, all significant accounts should be reconciled on a regular basis to the underlying documentation, and thoroughly reviewed by a supervisory employee (other than the preparer), with any necessary adjustments recorded timely.

CCH management indicated the misclassification was caused by human error.

<u>Effect</u>
The financial statements of CCH would have been materially misstated without recording the material audit adjusting entry noted above. Additionally, lack of sufficient supervisory review of reported balances, footnote disclosures, and supporting documentation could result in future misstatements.

<u>Recommendation</u>
To improve CCH's year-end financial reporting close process, we recommend CCH personnel perform thorough reviews of year-end general ledger account balances, supporting schedules, reconciliations, closing entries, footnotes and other documentation.

<u>Management Response</u>
Management Response CCH management will continue to improve its communication and coordination with the County. CCH management will also continue to refine its procedures to ensure adequate review of accounts and proper financial statement presentation.

Finding 2022–003: Implementation of GASB Statement 87, *Leases* - CCH

Condition followed by Criteria and Cause
Due to insufficient supervisory/management review of the trial balances, draft footnotes, supporting documents, and schedules relating to the implementation of GASB Statement No. 87, *Leases* (Statement 87), there were errors detected by the auditors and corrected by management, as noted below:

- CCH is the lessor under a long-term lease agreement with a third-party long-term acute care hospital. The current agreement provides for a total of six five-year renewal periods at the lessee's option; however, CCH included only the first of the six renewal periods in its lease calculations and recording of the lease receivable. Available information indicates that renewal of four renewal periods is reasonably certain. This understated CCH's lease receivable by $24.5 million, deferred inflows by $23.3 million, interest income by $1.0 million and lease revenue by $200 thousand.

  Statement 87 states the lease term should include periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option.

- CCH initially calculated the lease liabilities and right-of-use assets as of December 1, 2020 instead of December 1, 2021. This overstated right-of-use assets by $17.9 million, accumulated amortization by $18.7 million, accrued interest by $74 thousand, and related expenses by $827 thousand.

  Statement 87 states leases should be recognized and measured using the facts and circumstances that exist at the beginning of the period of implementation.

- CCH did not identify and properly disclose a lease-leaseback transaction in which the County leases a building to an external party, and CCH is a lessee for office space from the counterparty to the lease. As of November 30, 2022, the balances of the related lease liability and right-of-use asset are $11.7 million and $11.1 million, respectively.

  Statement 87 states the gross amounts of a lease-leaseback transaction should be disclosed.

CCH management indicated the errors were due to misunderstanding the new standard as this is the year CCH is implementing Statement 87.

Effect
The financial statements of CCH would have been misstated without recording the audit adjusting entries noted above. Additionally, lack of sufficient supervisory review of reported balances, footnote disclosures, and supporting documentation could result in future material misstatements.

Recommendation
To improve CCH's year-end financial reporting close process, we recommend CCH personnel perform thorough reviews of year-end general ledger account balances, supporting schedules, reconciliations, closing entries, footnotes and other documentation. We also recommend CCH personnel thoroughly review new GASB statements and assess their impact on the financial statements.

Management Response
CCH management will continue to refine its procedures to ensure adequate review of accounts and proper financial statement presentation.

Finding 2022–004: Third-party settlements receivable - CCH

Condition followed by Criteria and Cause

Due to insufficient supervisory/management review of the third-party settlements receivable roll forward analysis, CCH overstated third-party settlements receivable and net patient services revenue by $11.1 million. Most of the overstatement is related to adjustments CCH made to its Medicare settlement roll forward, primarily due to internal adjustments to beginning balances.

Under a good system of internal control, all significant accounts should be reconciled on a regular basis to the underlying documentation, and thoroughly reviewed by a supervisory employee (other than the preparer), with any necessary adjustments recorded timely.

CCH management indicated the misstatement was caused by human error.

Effect

Lack of sufficient supervisory review of reported balances and supporting documentation could result in future misstatements.

Recommendation

We recommend CCH personnel perform thorough reviews of year-end third-party settlement receivable reconciliations and roll forward analyses.

Management Response

CCH management will continue to refine its procedures to ensure adequate review of accounts and proper financial statement presentation.

Finding 2022–005: Weaknesses in Information System Controls – County

Condition
The County utilizes an Enterprise Resources Planning (ERP) system, Oracle EBS (the System), to process and record transactions relating to most County-wide departments. In performing a review of the relevant internal controls pertaining to the System, we found:

- The System user access review is not performed at a high enough level of precision and sensitivity, as there is no consideration for segregation of duties implications within the review. Assigned roles are evaluated on a user-by-user basis, but the reviewer does not consider conflicting roles and associated permissions. Further, complete evidence of review is not documented and properly retained.
- Access modifications are not verified by producing a post-review report showing implementation of access.
- Access to the System was not properly terminated for the sample employee selected for testing. While access to Oracle EBS was removed timely, active directory access was removed 167 days after the employee was terminated.

Criteria
The Security and Privacy Controls for Information Systems and Organizations (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), Access Control and System and Communication Protection sections, requires entities to implement adequate controls over access to its environment, applications and data. Further, Cook County Policy and Implementation Guidance for Access Control and Configuration Management requires review of accounts for compliance with account management requirements by authorized approver (direct supervisor or manager) at least annually and alignment of account management processes with personnel termination processes.

Cause
County management indicated the weaknesses are due to the following causes:

a. Lack of formalized processes around periodic review of user rights.
b. Lack of oversight in timely removal of system access of the terminated user.

Effect
A lack of access controls over the ERP system, including potential segregation of duties issues, could lead to unauthorized individuals having access, resulting in potential malicious activity. Outdated policies could lead to stale controls and processes that haven't been adapted to later updates.

Recommendations
We recommend the County:

1) Perform user access reviews at a higher level of precision to include reviewing for segregation of duties conflicts.
2) Maintain evidence documenting the user access review, including the user list used, validation evidence, and evidence of discrepancy resolution.
3) Verify that access modifications were implemented by generating a post-review report.
4) Ensure that all users are terminated timely, and associated documentation is properly maintained.
5) Review and approve the information security policy on an annual basis.

Finding 2022–005: Weaknesses in Information System Controls – County (Continued)

Management Response
The Bureau of Technology (BOT) accurately processes ERP access requests and changes. The business management team for each office is responsible for ensuring there is a proper segregation of duties. On an annual basis, BOT will complete a review of the user role-based system access. BOT will also request that management for each office confirms that there is a proper segregation of duties for their office.

Today there is a semi-automated process in place for removing access to EBS after termination. There is no automation for disabling the Active Directory (AD) accounts. Offices notify BOT of the termination and need to deactivate the AD account. BOT will review an employee termination list periodically and make the requisite changes in AD to ensure AD accounts are disabled in a more timely manner.

Finding 2021-001: Financial Accounting and Reporting (County)

County management did not perform sufficient supervisory/management reviews of the trial balances, draft footnotes, supporting documents and schedules relating to revenues/accounts receivable, expenditures/payables, debt, and pension resulting in errors detected by the auditors.

This finding has been repeated as Finding 2022-001: Financial Accounting and Reporting – County.

County management was able to correct some of the errors reported in the prior year including the errors relating to pension, debt principal overpayment and the line of credit. The remaining errors occur because of the magnitude of information that needs to be prepared and reviewed during the year-end reporting process.

Finding 2021-002: Financial Accounting and Reporting – Cook County Health (CCH)

County management did not perform sufficient supervisory/management reviews of the trial balances, draft footnotes, supporting documents and schedules relating to cash, other receivables, accounts payable, debt, and pension resulting in errors detected by the auditors.

This finding has been partially repeated as Finding 2022-002: Transfers from the County – Cook County Health (CCH).

CCH management believes these issues relate to insufficient communication and coordination with the County, and errors caused by oversight.

Finding 2021-003: Untimely Year-End Accounting Cycle Close and Implementation of GASB Statement No. 84 – *Fiduciary Activities* - Clerk of the Circuit Court

In the prior year, the Clerk of the Circuit Court (CCC) did not complete the year-end accounting cycle close nor implementation of GASB Statement No. 84 in a timely manner.

During the current audit, management improved the timeliness of financial reporting close. As a result, this finding is not repeated.

Finding 2021-004: Disposition of Abandoned Property – Unclaimed and Uncashed Checks - Clerk of the Circuit Court

The Clerk of the Circuit Court 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.

This finding has been repeated as Finding 2022-003: Disposition of Abandoned Property – Unclaimed and Uncashed Checks in the separately issued Clerk of the Circuit Court report.

Management of the Clerk of the Circuit Court did transfer a significant amount of abandoned property during fiscal year 2022; however, not all balances were transferred as required.

EXHIBIT B

Significant Written Communications Between Management and Our Firm

BUREAU OF FINANCE
TANYA S. ANTHONY
CHIEF FINANCIAL OFFICER
118 N. Clark Street, Room 1127 ● Chicago, Illinois 60602-1304 ● (312) 603-4458

May 31, 2023

RSM US LLP
30 South Wacker Drive, Suite 3300
Chicago, IL 60606

This representation letter is provided in connection with your audit of the basic financial statements of Cook County, Illinois (the County) as of and for the year ended November 30, 2022 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, 2023:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit arrangement letter dated January 18, 2023, 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. The methods, data and significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in the context of U.S. GAAP, 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. We acknowledge the significant deficit in net position as displayed in the government-wide financial statements. We have considered the need for an optional note disclosure explaining our plans for addressing the deficit over time; however, we have determined that the financial statements are sufficient for external users.

6. Related-party transactions 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. Types of related party transactions engaged in by the County include:
   a. Those with component units for which the County is accountable.
   b. Those with other organizations for which the nature and significance of their relationship with the County are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
   c. Interfund transactions, including interfund accounts and advances receivable and payable, sale and purchase transactions, interfund transfers, long-term loans, leasing arrangements and guarantees.

7. The methods, assumptions and data used to estimate pension and other post-employment benefits liabilities (OPEB) and related amounts, and self-insured liabilities are as follows, and result in an estimate that is appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimate: County management (self-insured liabilities) and Plan management (pension and OPEB liabilities) engage actuaries to project future liabilities and discount the liabilities to their present value using a discount rate. In addition to the discount rate used, other significant assumptions include mortality rates, healthcare cost trend rates, and ultimate loss estimates. The actuaries use census and other data provided by the County or Plan management. Significant judgments made in making the estimate have taken into account all relevant information of which we are aware. Appropriate specialized skills or expertise has been applied in making the estimate. The assumptions listed above properly reflect our intent and ability to carry out the specific courses of actions previously communicated to you on behalf of the County. We have also appropriately considered alternative assumptions or outcomes through evaluating Sensitivity Analysis. All disclosures related to the estimates, including disclosures describing estimation uncertainty, are complete and reasonable in the context of U.S. GAAP. No subsequent events have occurred that would require adjustment to the estimates and related disclosures included in the financial statements.

8. The methods, assumptions and data used to estimate other balances are as follows, and result in an estimate that is appropriate for financial statement measurement and disclosure purposes and have been consistently selected and applied in making the estimate:

    a. Depreciation of capital assets - Management establishes estimated useful lives of individual assets based on their expected life and use. Management uses all relevant facts available to them to make the best judgment about useful lives of assets.
    b. Property tax objection liability - 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.
    c. Property tax allowance - 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.
    d. Fair value of investments - Fair value is generally provided by the custodian. The County reviews the information received to determine it is reasonable. The County's investments that are not at cost, are valued using a quoted price for an identical security or using matrix pricing. The County does not have level 3 investments.
    e. Housing loan receivable allowance – The County applies an appropriate allowance based on the terms and historic collection rate of each loan.
    f. Lease discount rates - For any leases without a stated rate, the County calculates the implicit rate within each agreement, or used the estimated borrowing rate of a similar term security.

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

10. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, as amended.

11. The County followed either its established accounting policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available or followed paragraph 18 of GASB Statement No. 54 to determine the fund balance classifications for financial reporting purposes.

12. The financial statements include all fiduciary activities required by GASB Statement No. 84*, Fiduciary Activities*, as amended.

13. 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.

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

15. Management has followed applicable laws and regulations in adopting, approving and amending budgets.

16. Risk disclosures associated with deposit and investment securities and derivative transactions are presented in accordance with GASB requirements.

17. Provisions for uncollectible receivables have been properly identified and recorded.

18. Capital assets, including infrastructure, intangible assets, and right of use assets are properly capitalized, reported and, if applicable, depreciated.

19. The County has properly separated information in debt disclosures related to direct borrowings and direct placements of debt from other debt and disclosed any unused lines of credit, collateral pledged to secure debt, terms in the debt agreements related to significant default or termination events with finance-related consequences and significant subjective acceleration clauses in accordance with GASB Statement No. 88.

20. Components of net position (net investment in capital assets, restricted, and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.

21. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

22. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.

23. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.

24. The County's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and appropriately disclosed and that net position is properly recognized under the policy.

24. The County has disclosed the names or types of entities with which it has a tax abatement agreement, the total gross amount of taxes abated during the period, the specific taxes that were abated and whether any commitments other than to reduce taxes were made as part of any tax abatement agreement as required by GASB Statement No. 77.

25. The County has disclosed tax abatements entered into by other governments that affect its revenues, including the names of the governments that entered into the agreements, the specified taxes being abated, and the gross dollar amount of taxes abated during the period, as required by GASB Statement No. 77, if applicable.

26. 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.

27. To the best of our knowledge, we have complied with all aspects of laws, regulations and provisions of contracts and 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 Subpart F of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirement, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and have engaged Washington, Pittman & McKeever, LLC to perform this engagement.

28. We have reviewed the GASB Statements effective for the fiscal year ending November 30, 2022, and concluded the implementation of the following Statements did not have a material impact on the basic financial statements:
    a. GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
    b. GASB Statement No. 92, *Omnibus 2020*
    c. GASB Statement No. 93, *Replacement of Interbank Offered Rates*
    d. GASB Statement No. 97, *Certain Component Unit Criteria*

29. We believe implementation of the GASB Statement listed below is appropriate:
    a. GASB Statement No. 87, *Leases.* The implementation of this standard resulted in the recognition of right-of use assets, lease liabilities, lease receivables, and deferred inflows of resources related to both lessor and lessee leases. The County restated beginning balances in the footnotes related to capitals assets and long-term liabilities.

30. To the best of our knowledge we have informed you of all uncorrected misstatements. As of and for the year ended November 30, 2022, we believe 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.

31. We have requested an unsecured electronic copy of the auditor's report and basic financial statements and agree that the auditor's report and basic financial statements will not be modified in any manner.

Information Provided

32. 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 basic 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 County 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.

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

34. It is our responsibility to establish and maintain internal control over financial reporting. One of the components of an entity's system of internal control is risk assessment. We hereby represent that our risk assessment process includes identification and assessment of risks of material misstatement due to fraud. We have shared with you our fraud risk assessment, including a description of the risks, our assessment of the magnitude and likelihood of misstatements arising from those risks, and the controls that we have designed and implemented in response to those risks.

35. We have disclosed to you the results of our assessment of risk that the basic financial statement may be misstated as a result of fraud and have no knowledge that the basic financial statements may be materially misstated as a result of fraud.

36. We have no knowledge of allegations of fraud or suspected fraud affecting the County's basic 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 basic financial statements.

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

37. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations.

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

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

40. We have informed you of all deficiencies in internal control over financial reporting, including significant deficiencies or 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.

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

42. We agree with the findings of the specialists in evaluating self-insured liabilities, the net pension liability and the OPEB liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give instructions, or cause any instructions to be given, to the specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

43. We believe that the actuarial assumptions and methods used by the actuary for funding purposes and for determining accumulated plan benefits are appropriate in the circumstances. We did not give instructions, or cause any instructions to be given, to the actuary with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the plan's actuary.

44. We believe that the information obtained from the audited financial statements of and other participant information provided by County Employees' and Officers' Annuity and Benefit Fund of Cook County (Plan) is appropriate in the circumstances. We did not give instructions, or cause any

instructions to be given, to the Plan or its auditor in an attempt to bias their work, and we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the Plan or its auditor.

45. 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.

Supplementary Information

46. With respect to supplementary information presented in relation to the basic 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.

    d. When supplementary information is not presented with the audited financial statements, we will make the 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.

47. With respect to Required Supplementary Information presented in relation to the basic financial statements as a whole:

    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 not changed from those used in the prior period.

Compliance Considerations

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

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

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

50. Is not aware of any instances of identified and suspected fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements.

51. 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.

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

53. 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.

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

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

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

57. Has identified for the auditor any investigations or legal proceedings that have been initiated with respect to the period under audit.

58. Acknowledges its responsibilities as it relates to non-audit services performed by the auditor, including 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.

Cook County, Illinois

DocuSigned by:
Toni Preckwinkle
AE682BD33E4C463...

Toni Preckwinkle,
Chief Executive Officer

DocuSigned by:
Tanya Anthony
33A961DF203D4AC...

Tanya S. Anthony
Chief Financial Officer

Schedule A
Cook County
Summary of Uncorrected Misstatements
For the Year Ended November 30, 2022

Governmental Activities

	Debit (Credit)				
Description	Assets	Liabilities	Beg. Net Position	Revenue	Expenses
Carryover impact from previous year	$ -	$ -	$ 1,001,467	$ 2,351,665	$ (3,353,132)
Current Year Misstatements					
Correct error in claim reserves for self insurance	-	(3,156,829)	-	-	3,156,829
Correct amounts relating to debt refunding	-	-	-	2,007,918	(2,007,918)
Correct overstatement of revenues and expenses	-	-	-	1,788,201	(1,788,201)
Correct overstatement of taxes receivable	(993,669)	-	-	993,669	-
Correct accounts payable errors	-	670,961	-	-	(670,961)
	$ (993,669)	$ (2,485,868)	$ 1,001,467	$ 7,141,453	$ (4,663,383)

Business-Type Activities and Enterprise Fund (CCHHS)

	Debit (Credit)				
Description	Assets	Liabilities	Beg. Net Position	Revenue	Expenses
Carryover impact from previous year	$ -	$ -	$ 10,693,458	$ (9,639,897)	$ (1,053,561)
Current Year Misstatements					
Correct understatement of asset retirement obligation	-	(3,007,953)	-	-	3,007,953
Correct understatement of receivable from the State	12,238,278	-	-	(12,238,278)	-
Correct overstatement of lease receivables and payables	(4,360,436)	4,526,194	-	(165,758)	-
Correct overstatement of accounts payable	-	2,019,769	-	-	(2,019,769)
Correct overstatement of property tax receivables	(1,667,511)	-	-	1,667,511	-
Correct overstatement of cash	(6,715,200)	-	-	-	6,715,200
Correct overstatement of third-party settlement receivables	(11,100,000)	-	-	11,100,000	-
	$ (11,604,869)	$ 3,538,010	$ 10,693,458	$ (9,276,422)	$ 6,649,823

General Fund

	Debit (Credit)				
Description	Assets	Liabilities	Beg. Fund Balance	Revenue	Expenses
Carryover impact from previous year	$ -	$ -	$ 2,716,610	$ -	$ (2,716,610)
Current Year Misstatements					
Correct overstatement of taxes receivable	(993,669)	-	-	993,669	-
	$ (993,669)	$ -	$ 2,716,610	$ 993,669	$ (2,716,610)

Passed Classification Error
A transfer out to the grant fund was recorded as an expense instead of as a transfer. This amount of the error was $1,788,201.

Motor Fuel Tax Fund

	Debit (Credit)				
Description	Assets	Liabilities	Net Position	Revenue	Expenses
Carryover impact from previous year	$ -	$ -	$ 1,356,047	$ -	$ (1,356,047)
Current Year Misstatements					
None	-	-	-	-	-
	$ -	$ -	$ 1,356,047	$ -	$ (1,356,047)

Debt Service Fund

	Debit (Credit)				
Description	Assets	Liabilities	Beg. Fund Balance	Revenue	Expenses
Carryover impact from previous year	$ -	$ -	$ -	$ -	$ -
Current Year Misstatements					
Correct amounts relating to debt refunding	-	-	-	2,007,918	(2,007,918)
	$ -	$ -	$ -	$ 2,007,918	$ (2,007,918)

Governmental Grants Fund

	Debit (Credit)				
Description	Assets	Liabilities	Beg. Fund Balance	Revenue	Expenses
Carryover impact from previous year	$ -	$ -	$ (719,525)	$ -	$ 719,525
Current Year Misstatements					
Correct accounts payable errors	-	670,961	-	-	(670,961)
	$ -	$ 670,961	$ (719,525)	$ -	$ 48,564

Passed Classification Error
A transfer in from the general fund was recorded as revenue instead of as a transfer. This amount of the error was $1,788,201.

EXHIBIT C

Recorded Audit Adjustments

Cook County CFO/Treasurer

Year End: November 30, 2022

Recorded Misstatements

Number	Name	Account No	Debit	Credit
AUD #01	Due From Others	11100-0000-110911 GF01B	5,741,460.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	32,302.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	1,391,506.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	3,510,377.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	179,854.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	28.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	3,427,825.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	7,491,588.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	57,153.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	4,183,244.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	525.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	1,010,100.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	612,997.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	16,355.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	85,800.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	2,025.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	3,360,797.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	200,091.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	797,188.00	
AUD #01	Due From Others	11100-0000-110911 GF01B	18,895.00	
AUD #01	Due From Other Governments	11100-0000-111011 GF01B	2,041,313.00	
AUD #01	Non Retailer Trans Use Tax	11100-1007-401136 GF01B		-32,302.00
AUD #01	County Use Tax	11100-1007-401176 GF01B		-7,491,588.00
AUD #01	Gasoline Tax	11100-1007-401197 GF01B		-5,741,460.00
AUD #01	Diesel Tax	11100-1007-401198 GF01B		-1,391,506.00
AUD #01	Alcoholic Beverage Tax	11100-1007-401216 GF01B		-3,510,377.00
AUD #01	New Motor Vehicle Tax	11100-1007-401236 GF01B		-179,854.00
AUD #01	Wheel Tax	11100-1007-401256 GF01B		-18,895.00
AUD #01	Off-Track Betting Comm.	11100-1007-401316 GF01B		-28.00
AUD #01	Il Gaming Des Plaines Casino	11100-1007-401336 GF01B		-1,010,100.00
AUD #01	Amusement Tax	11100-1007-401356 GF01B		-3,427,825.00
AUD #01	Parking Lot and Garage Operation	11100-1007-401376 GF01B		-4,183,244.00
AUD #01	Other Tobacco Products	11100-1007-401456 GF01B		-612,997.00
AUD #01	Gambling Machine Tax	11100-1007-401536 GF01B		-85,800.00
AUD #01	Hotel Accommodations Tax	11100-1007-401556 GF01B		-3,360,797.00
AUD #01	Video Gaming	11100-1007-401572 GF01B		-200,091.00
AUD #01	Sports Wagering Tax	11100-1007-401592 GF01B		-797,188.00
AUD #01	Parking Tickets	11100-1007-402967 GF01B		-16,355.00
AUD #01	Sher Overweight T Al	11100-1007-402969 GF01B		-525.00
AUD #01	Adoption Fees	11100-1007-403106 GF01B		-2,025.00
AUD #01	Imperial Parking - J	11100-1007-407095 GF01B		-57,153.00
AUD #01	Non Retailer Trans Use Tax	11100-1020-401136 GF01B		-2,041,313.00
AUD #01	Due From Others	11287-0000-110911 GF01K	100,973.00	
AUD #01	Firearms Tax	11287-1007-401496 GF01K		-100,973.00

Audit adjustment to record receivables for various nonproperty
taxes that were not recorded by the County in the trial balance provided.

Number	Name	Account No	Debit	Credit
AUD #02	Accounts Payable Trade	11300-0000-200011 SRF01		-1,075,712.00
AUD #02	Non-Capitalizable/Streets and Roadways	11300-1500-521537 SRF01	179,373.00	
AUD #02	Maintenance of Facilities	11300-1500-540380 SRF01	896,339.00	
AUD #02	Due From Other Governments	11900-0000-111011 SRF41A		
AUD #02	Due From Other Governments	11900-0000-111011 SRF41A		
AUD #02	Accounts Payable Trade	11900-0000-200011 SRF41A		-308,609.00
AUD #02	Professional Services	11900-1009-520840 SRF41A	266,928.00	
AUD #02	Professional Services	11900-1265-520840 SRF41A	41,681.00	
	Audit adjustment to correct AP cut-off errors.			
AUD #03	Tax Levy - First Prior Year	11303-0000-110751 SRF02	317,196.00	
AUD #03	Unavailable revenue	11303-0000-202982 SRF02		-317,196.00
AUD #03	Tax Levy - First Prior Year	11306-0000-110751 SRF25	309,847.00	
AUD #03	Unavailable revenue	11306-0000-202982 SRF25		-309,847.00
AUD #03	Tax Levy - First Prior Year	11666-0000-110751 1666	103,639.00	
AUD #03	Property Taxes	11666-1021-400016 1666		-103,639.00
AUD #03	Tax Levy - First Prior Year	11667-0000-110751 1667	77,730.00	
AUD #03	Property Taxes	11667-1021-400016 1667		-77,730.00
AUD #03	Tax Levy - First Prior Year	11668-0000-110751 1668	51,820.00	
AUD #03	Property Taxes	11668-1021-400016 1668		-51,820.00
AUD #03	Tax Levy - First Prior Year	11669-0000-110751 1669	595,929.00	
AUD #03	Property Taxes	11669-1021-400016 1669		-595,929.00
AUD #03	Tax Levy - First Prior Year	11675-0000-110751 1675	25,910.00	
AUD #03	Property Taxes	11675-1021-400016 1675		-25,910.00
AUD #03	Tax Levy - First Prior Year	11677-0000-110751 1677	155,460.00	
AUD #03	Property Taxes	11677-1021-400016 1677		-155,460.00
AUD #03	Tax Levy - First Prior Year	11679-1021-110751 1679	19,351.00	
AUD #03	Property Taxes	11679-1021-400016 1679		-19,351.00
AUD #03	Tax Levy - First Prior Year	11680-1021-110751 1680	285,011.00	
AUD #03	Property Taxes	11680-1021-400016 1680		-285,011.00
AUD #03	Tax Levy - First Prior Year	11683-0000-110751 11683	77,730.00	
AUD #03	Property Taxes	11683-1021-400016 11683		-77,730.00
AUD #03	Tax Levy - First Prior Year	11687-0000-110751 11687	37,672,997.00	
AUD #03	Property Taxes	11687-1021-400016 11687		-37,672,997.00
AUD #03	Tax Levy - First Prior Year	11691-0000-110751 11691	129,550.00	
AUD #03	Property Taxes	11691-1021-400016 11691		-129,550.00
AUD #03	Tax Levy - First Prior Year	11735-0000-110751 1735	155,460.00	
AUD #03	Property Taxes	11735-1021-400016 1735		-155,460.00
AUD #03	Tax Levy - First Prior Year	11737-0000-110751 1737	77,730.00	
AUD #03	Property Taxes	11737-1021-400016 1737		-77,730.00
AUD #03	Tax Levy - First Prior Year	11747-0000-110751 1747	3,958,900.00	
AUD #03	Property Taxes	11747-1021-400016 1747		-3,958,900.00
	Audit adjustmnet to correct property taxes related to improper year-end adjusting entries.			
AUD #04	Accounts Payable Trade	11286-0000-200011 SRF41E	27,011,712.00	
AUD #04	Other Receivables	11286-1027-112011 SRF41E		-27,011,712.00
	Audit adjustment to remove advances to subrecipients not paid as of 11/30 from accounts payable and accounts receivable.			

Number	Name	Account No	Debit	Credit
AUD #05	Prepaid Expenses	11000-0000-112013 GF01A	8,120,684.00	
AUD #05	Accounts Payable Trade	11000-0000-200011 GF01A		-8,120,684.00
AUD #05	Prepaid Expenses	11100-0000-112013 GF01B	1,315,505.00	
AUD #05	Accounts Payable Trade	11100-0000-200011 GF01B		-1,315,505.00
AUD #05	Prepaid Expenses	11282-0000-112013 SRF53	163,401.00	
AUD #05	Accounts Payable Trade	11282-0000-200011 SRF53		-163,401.00
AUD #05	Prepaid Expenses	11287-0000-112013 GF01K	16,820.00	
AUD #05	Accounts Payable Trade	11287-0000-200011 GF01K		-16,820.00
	Adjustment to correct County entry which reduced accounts payable instead of increasing prepaids for amounts paid as of year-end for FY23.			
AUD #06	Property held for resale	11274-1586-112197 SRF48		-1,253,447.00
AUD #06	Other Current Liabilities	11274-1586-200038 SRF48	1,253,447.00	
	To correct entry that the County originally booked backwards.			
AUD #07	Appropriation Transfer	11000-1490-580421 GF01A		-30,000,000.00
AUD #07	Operating Transfer Out	11000-1490-801420 GF01A	30,000,000.00	
	Adjustment to correct transfer that was originally recorded as an expense.			
AUD #08	ST Lease Receivable	11000-1020-112014 GF01A		-3,871,895.00
AUD #08	LT Lease Receivable	11000-1020-112015 GF01A		-23,440,635.00
AUD #08	Unavailable revenue - Leases	11000-1020-202982 GF01A	27,312,530.00	
	To correct overstated lease amounts due to lease-leaseback and cancelable leases.			
AUD #09	Self insurance claims - long-term	34.2632 G34G	5,233,764.00	
AUD #09	Claims expense - GMS	34.8631 G34G		-5,233,764.00
	To adjust impact of data error used by actuary for self-insurance.			
AUD #10	Net position adjustment (unrestricted)	34.7901 G34G	347,409,186.00	
AUD #10	Net position adjustment (net investment)	34.7901 G34G		-347,409,186.00
	To correct the classification of net position for error in net investment in capital assets calculation.			
AUD #11	County Clerk Recorder - AF - Pmts to Other Govts	CCD.PMTSTOGOVTS AF04		-83,604,587.00
AUD #11	County Clerk Redemption - AF - Pmt to Tax Buyers	CCR.PMTTOTAXBUYER AF03		-11,842,560.00
AUD #11	County Clerk Recorder - AF - Tax Collect for Govts	CCD.TAXCOLLECTIONS AF04	83,604,587.00	
AUD #11	County Clerk Redemption - AF - Prop Tax Collect	CCR.PROPTAXCOLLECT AF03	11,842,560.00	
	To eliminate fiduciary transactions with the County.			
CCH AJE 1	Managed Care Capitation	521165 CC	30,000,000.00	
CCH AJE 1	Transfers In	RSM801004 CC		-30,000,000.00
	To reclassify a transfer made from the County to transfers in that was originally recorded as a credit to expense.			

Number	Name	Account No	Debit	Credit
CCH AJE 2	Accrued Interest Receivable	110811 DPH	8,270.00	
CCH AJE 2	ST Leases	112014 DPH		-588,658.00
CCH AJE 2	LT Leases	112015 DPH	25,139,351.00	
CCH AJE 2	Unavailable Revenue - Property Tax	202982 DPH		-23,348,441.00
CCH AJE 2	Rent - Hospital	407034 DPH		-114,304.00
CCH AJE 2	Lease Revenue	407143 DPH		-73,028.00
CCH AJE 2	Interest Income	410152 DPH		-1,023,190.00
	To correct lease receivable balance that was understated by exclusion of renewal periods reasonably certain of being exercised.			
CCH AJE 3	Right of Use Lease Asset	112198 JSH		-17,917,714.00
CCH AJE 3	Accumulated Amortization - Lease	114401 JSH	18,670,409.00	
CCH AJE 3	Accrued Interest Liability - Lease	200019 JSH	74,222.00	
CCH AJE 3	Medical Equip Rental Expense	550081 JSH	20,179,007.00	
CCH AJE 3	Amortization - Leases	568501 JSH		-18,670,409.00
CCH AJE 3	Interest Expense - Leases	570051 JSH		-2,335,515.00
	To properly calcluate lease balances beginning at 12/1/21 instead of 12/1/20.			

EXHIBIT D

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following significant accounting pronouncements have been issued as of the date of this Communication but are not yet effective and may materially affect the future financial reporting the County.

Pronouncement	Summary
GASB Statement No. 91, *Conduit Debt Obligations*, will become effective for the County in fiscal year 2023.	This Statement is intended to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures.
GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, will become effective for the County in fiscal year 2023.	This Statement is intended to improve financial reporting by addressing issues related to public-private and public-public partnerships (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs).
GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, will become effective for the County in fiscal year 2023.	This Statement is intended to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).
GASB Statement No. 101, *Compensated Absences,* will become effective for the County in fiscal year 2025.	This Statement is intended to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.