

REPORT OF THE AUDIT COMMITTEE

October 13, 2011

The Honorable,
The Board of Commissioners of Cook County

ATTENDANCE

Present: Chairman Daley, Commissioners Gainer, Gorman and Schneider (4)

Ex-Officio Members: Laura A. Burman – Cook County Auditor and Tariq Malhance – Chief Financial Officer (2)

Absent: Vice Chairman Goslin, Commissioners Butler and Reyes (3)

Also Present: Commissioner Beavers; Reshma Soni – Deputy Comptroller; Patrick T. Driscoll, Jr. – Deputy State's Attorney, Chief, Civil Actions Bureau; Takashi Reinbold – Interim Comptroller; John Cookinham – Interim Chief Financial Officer, Cook County Health and Hospitals System; Andrea Gibson – Director, Budget and Management Services; Dennis Montgomery – Director of Business and Finance, Cook County Juvenile Temporary Detention Center; Allen B. Truesdell – Partner, Deloitte & Touche LLP

Court Reporter: Anthony W. Lisanti, C.S.R.

Ladies and Gentlemen:

Your Audit Committee of the Board of Commissioners of Cook County met pursuant to notice on Thursday, October 13, 2011 at the hour of 1:00 PM in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Chairman Daley entered into the record a letter to Tariq Malhance, Chief Financial Officer, dated October 13, 2011. Chairman Daley stated that a report regarding the status of efforts to attain compliance with repeated findings and auditor's recommendations will be submitted to the Committee during the month of January, 2012.

Your Committee has considered the following items and upon adoption of this report, the recommendations are as follows:

314394 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDING NOVEMBER 30, 2010. Transmitting a Communication, dated August 11, 2011 from Tariq G. Malhance, Chief Financial Officer and Constance M. Kravitz, CPA, Cook County Comptroller:

submitting herewith a copy of Cook County's Comprehensive Annual Fiscal Report (CAFR) for the fiscal year ending November 30, 2010, prepared by the Cook County Comptroller and audited by Deloitte & Touche, LLP. Respectfully request that the report

be referred to the Cook County Board's Audit Committee for further consideration.

***Referred to the Audit Committee on 9-7-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved to Receive and File Communication No. 314394. The motion carried.

314822 COOK COUNTY BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDING NOVEMBER 30, 2010. Transmitting a Communication dated September 15, 2011 from Tariq Malhance, Chief Finance Officer and Constance M. Kravits, C.P.A., County Comptroller:

submitting the Cook County Basic Financial Statements (with reference to Government Auditing Standards) for the year ending November 30, 2010.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved to Receive and File Communication No. 314822. The motion carried.

314823 COOK COUNTY MANAGEMENT LETTER FOR THE YEAR ENDED NOVEMBER 30, 2010. Transmitting a Communication dated September 15, 2011 from Tariq Malhance, Chief Finance Officer and Constance M. Kravits, C.P.A., County Comptroller:

submitting the Cook County Management Letter for the year ended November 30, 2010.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved to Receive and File Communication No. 314823. The motion carried.

314824 COOK COUNTY HEALTH AND HOSPITAL SYSTEMS OF ILLINOIS FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 2010. Transmitting a Communication dated September 15, 2011 from Tariq Malhance, Chief Finance Officer and Constance M. Kravits, C.P.A., County Comptroller:

submitting the Cook County Health and Hospital System of Illinois Financial Statements for the year ended November 30, 2010.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved to Receive and File Communication No. 314824. The motion carried.

314825 COOK COUNTY HEALTH AND HOSPITAL SYSTEM OF ILLINOIS MANAGEMENT LETTER FOR THE YEAR ENDED NOVEMBER 30, 2010. Transmitting a Communication dated September 15, 2011 from Tariq Malhance, Chief Finance Officer and Constance M. Kravits, C.P.A., County Comptroller:

submitting the Cook County Health and Hospital System of Illinois Management Letter for

the year ended November 30, 2010.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved to Receive and File Communication No. 314825. The motion carried.

314826 COOK COUNTY OMB CIRCULAR A-133 SINGLE AUDIT FOR THE YEAR ENDED NOVEMBER 30, 2010. Transmitting a Communication dated September 15, 2011 from Tariq Malhance, Chief Finance Officer and Constance M. Kravits, C.P.A., County Comptroller:

submitting the Cook County OMB Circular A-133 Single Audit Report for the year ended November 30, 2010.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved to Receive and File Communication No. 314826. The motion carried.

314827 WORKERS' COMPENSATION AND SELF INSURANCE LIABILITY ACTUARIAL FOR THE YEAR ENDED NOVEMBER 30, 2010. Transmitting a Communication dated September 15, 2011 from Tariq Malhance, Chief Finance Officer and Constance M. Kravits, C.P.A., County Comptroller:

submitting the Worker's Compensation and Self Insurance Liability Actuarial Report for the year ended November 30, 2010.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved to Receive and File Communication No. 314827. The motion carried.

314852 AN AMENDMENT TO CHAPTER 2, ARTICLE V, DIVISION 2, SECTION 2-361 - ESTABLISHMENT AND DUTIES (PROPOSED ORDINANCE AMENDMENT). Submitting a Proposed Ordinance Amendment sponsored by Toni Preckwinkle, President and John P. Daley, County Commissioner.

PROPOSED ORDINANCE AMENDMENT

ORDINANCE AMENDMENT TO SECTION 2-361 TO DELETE FUNCTION PRESCRIBED FOR THE COUNTY AUDITOR

NOW THEREFORE, BE IT ORDAINED by the President and the Cook County Board of Commissioners, that Chapter 2, Article V, Division 2, Section 2-361 is hereby amended as follows:

Sec. 2-361. Establishment and duties.

- (a) There is hereby established, a Real Estate Management Division under the

Office of the County President. The Division shall be headed by a Director designated by the President. The Director shall serve at the pleasure of the President and until a successor has been appointed and qualified. The Division shall have the following duties, responsibilities, functions, and authority:

- (1) To negotiate and make recommendations for the purchase or lease of any and all real estate, or any interest therein, necessary for the uses of the County, or for such uses as the County may by law be permitted to undertake, except right-of-way purchases.
- (2) To manage or enter into agreements for the management of all real estate owned by the County except wherein the management of such real estate is otherwise provided by law.
- (3) To negotiate and make recommendations for the sale or lease of all lands and buildings or any interest therein that may be owned or acquired by the County and which is deemed not essential for County purposes.
- (4) To negotiate and make recommendations for sale of any real estate owned by the County and determined to be excess.
- (5) To manage or enter into agreements for the management of all properties acquired, and not immediately needed for right-of-way or other County purposes.
- (6) To maintain an inventory of all real estate in which the County may have an interest. That in order to maintain such inventory, it shall be incumbent upon the State's Attorney, the Superintendent of Highways, elected County officials and department heads to notify the Director in writing of any interest that the County may acquire in any real estate. The Director shall from time to time notify the County Board of all real estate or any interest therein, which is deemed nonessential for County purposes, and ask for permission to advertise for the sale of such real estate or interest therein on such terms and conditions as may be specified or authorized by the County Board.
- (7) To open and maintain a special account in a depository selected by the County Board into which shall be deposited all funds coming into the Director's hands as proceeds from the management, lease, or sale of real estate or any interest therein. The Director is further authorized to pay out of this special account all necessary expenses incidental to the management, lease, or sale of such real estate or interest therein.
- (8) To be required from time to time, as the County Board may direct, to report all monies paid into or dispersed from this special account and shall pay over at the direction of the County Board to the appropriate fund all monies remaining in the special account as proceeds from the sale of real estate or interest therein.
- (9) That the Director is authorized and directed to formulate all policies and

procedures necessary to carry out the intent of this resolution.

~~(b) The County Auditor is directed to prepare and submit to the Director on June 1 of each year a detailed record of all real estate owned by the County, listing the location and description of such property together with related documents or records pertinent thereto.~~

(eb) The State's Attorney, the Superintendent of Highways, and other County officials having records of sales or purchases of real estate owned by the County submit reports to the Director of such sales or purchases; and to notify the Director in writing of any interest in real estate the County may from time to time acquire. Such notice shall be given within 15 days after the occurrence of such event.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Schneider, moved Approval of Communication No. 314852. The motion carried.

314853 AN AMENDMENT TO CHAPTER 2, ARTICLE IV, DIVISION 6, SECTION 2-311 AND ENACTMENT OF SECTION 2-311.14 (PROPOSED ORDINANCE AMENDMENT). Submitting a Proposed Ordinance Amendment sponsored by Toni Preckwinkle, President and John P. Daley, County Commissioner.

PROPOSED ORDINANCE AMENDMENT

**ORDINANCE AMENDMENT TO SECTION 2-311 AND ENACTMENT
OF SECTION 2-311.1 THROUGH 2-311.14**

WHEREAS the County of Cook is a home rule unit of government as defined by Article VII, Section 6(a) of the 1970 Constitution of the State of Illinois, and as such may exercise any power and perform any function pertaining to its government and the affairs of its citizenry, and

WHEREAS legislators, oversight bodies, those charged with governance, and the public need to know whether management and officials manage government resources and their authority properly and in compliance with laws and regulations; government programs are achieving their objectives and desired outcomes; and government services are provided effectively, efficiently, ethically, and equitably, and

WHEREAS audits provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations, depending upon the type and scope of the audit, and

WHEREAS an internal audit function can provide objective information on the operations of government programs, assist managers in carrying out their responsibilities, and help ensure full accountability to the public, and

WHEREAS recognized government auditing standards provide a framework for improved

government decision making, oversight and accountability.

NOW THEREFORE, BE IT ORDAINED by the President and the Cook County Board of Commissioners, that Chapter 2, Article IV, Division 6, Section 2-311 is hereby amended as follows:

DIVISION 6. AUDITOR

Sec. 2-311. Office created; ~~general functions.~~

~~(a) There is hereby created the office of County Auditor who shall be appointed by the President of the County Board and ratified by a majority of the members of the County Board. The Auditor shall conduct, or cause to be conducted, financial, compliance and expanded scope audits following generally accepted government auditing standards as promulgated by the United States Comptroller General. Appointment of the Auditor shall be for a period of five years, and removal from office must be for cause and by a vote of a majority of the members of the County Board. The County Auditor's compensation and official bond shall be fixed by the County Board. In case of a vacancy in the office of Auditor caused by death, resignation or removal from office, the vacancy shall be filled in the manner aforesaid. The person appointed to the office of Auditor must be a certified public accountant, licensed by the State, and be in good standing in the profession.~~

~~(b) The duties of the Auditor shall be to:~~

- ~~(1) Work with the external auditor at the direction of the President and the County Board in the performance of the annual financial statement audit of the comprehensive annual financial report of the County;~~
- ~~(2) Work with the external auditor at the direction of the President and the County Board in the performance of the annual financial statement audit of the County health facilities;~~
- ~~(3) Work with the external auditor at the direction of the President and the County Board in the annual audit of Federal financial assistance received by the County in accordance with the Federal Government's Single Audit Act of 1984;~~
- ~~(4) Perform periodic audits of County departments and annual audits of all fee agencies including audits of financial information and of compliance with policies, plans, procedures, laws and regulations, and internal control reviews in accordance with Government Auditing Standards, issued by the Comptroller General of the United States;~~
- ~~(5) Perform periodic audits of financial applications of information systems including security of such systems in County departments;~~
- ~~(6) Perform periodic reviews of the real estate tax record to verify accuracy;~~

~~(7) — Perform audits, reviews and special projects as directed by the President of the County Board or the County Board.~~

~~(8) — Monitor management compliance with all findings and recommendations contained in audit reports prepared by the Auditor or external auditors, and upon request, provide support and assistance to management in the development and implementation of new or reformed procedures and internal controls, in order to achieve compliance with all applicable laws, regulations, internal controls, and generally accepted government auditing standards.~~

~~(c) — The Auditor shall submit all audits, written audit comments, responses to written audit comments, reviews and special project reports prepared pursuant to this section simultaneously to the President and the County Board.~~

~~(d) — The Auditor shall prepare and submit a monthly report describing all findings and recommendations from audit reports previously considered by the Audit Committee, when said findings and recommendations are classified as "not implemented" or "implementation in progress," and shall include the status of any management compliance measures taken thereto.~~

~~(e) — The Auditor may under the direction of the County Board prescribe new forms, reports, accounts or records to be used by the President and County Board in the transaction of business of their several respective offices, or change, alter or amend the same from time to time.~~

~~(f) — All elected officials, officers and employees of the County shall furnish the Auditor and external auditors with all records, documents, reports and property necessary for the discharge of the duties under this section. The Auditor shall report to the County Board any matters which impede the discharge of these duties. In the event that any elected official, officer or employee of the County does not provide the requested records, documents, reports and property without good cause, the County Board shall seek whatever remedies at law are available.~~

~~(g) — Each elected official and officer of the County, who receives written audit comments or recommendations from the Auditor and external auditors as a result of the Auditor's duties under this section must respond in writing to the Auditor's comments or recommendations within 15 working days explaining what actions are planned or have been taken regarding the Auditor's comments or recommendations. If a response is not received within 15 working days, the Auditor shall simultaneously notify the President and the County Board.~~

~~(h) — All audit reports, written audit comments, recommendations, and responses resulting from the duties under this section are public documents and will be made available for public inspection.~~

~~(i) — The Auditor may with the authority of the President of the County Board employ assistants and employees, the number and compensation of whom shall be fixed by the County Board.~~

BE IT FURTHER ORDAINED, by the President and the Cook County Board of Commissioners, that Chapter 2, Article IV, Division 6, Section 2-311.1 through 2-311.14 is hereby enacted as follows:

Sec. 2-311.1 Term of Office.

The Auditor shall serve for a term of five years, and removal from office must be for cause and by a vote of a majority of the members of the County Board. In case of a vacancy in the office of Auditor caused by death, resignation or removal from office, the vacancy shall be filled in the manner aforesaid.

Sec. 2-311.2 Qualifications.

The County Auditor must be a certified public accountant, licensed by the State and be in good standing in the profession.

Sec. 2-311.3 Compensation.

The County Auditor's compensation shall be fixed by the County Board.

Sec. 2-311.4 Funding.

Sufficient funds shall be proposed and approved to carry out the responsibilities specified herein.

Sec. 2-311.5 Appointment of Employees.

The Auditor may with the authority of the President of the County Board and in accordance with the Human Resource Rules and Procedures, employ assistants and employees the number and compensation of whom shall be fixed by the County Board.

Sec. 2-311.6 Professional Development.

Sufficient resources shall be made available to the Auditor and staff to ensure appropriate professional development, continuing professional education and compliance with applicable certification requirements.

Sec. 2-311.7 Powers and Duties; Scope of Audits.

The Auditor shall have authority to conduct financial, management and performance audits of all Cook County departments, offices, boards, activities, agencies and programs and in any government entity that is funded in whole or in part by the County pursuant to the County's annual appropriation bill in order to independently and objectively determine whether:

(a) Activities and programs being implemented have been authorized by government Charter or Code, state or provincial law or applicable federal law or regulations and are being conducted and funds expended in compliance with applicable laws;

(b) The department, office, or agency is acquiring, managing, protecting, and using its resources, including public funds, personnel, property, equipment, and space, economically, efficiently, and effectively and in a manner consistent with the objectives intended by the authorizing entity or enabling legislation;

(c) The entity, programs, activities, functions, contracts, grants management, or policies are effective, including the identification of any causes of inefficiencies or uneconomical practices;

(d) The desired result or benefits are being achieved;

(e) Financial and other reports are being provided that disclose fairly, accurately, and fully all information required by law, to ascertain the nature and scope of programs and activities, and to establish a proper basis for evaluating the programs and activities including the collection of, accounting for, and depositing of, revenues and other resources;

(f) Management has established adequate operating and administrative procedures and practices, systems or accounting internal control systems and internal management controls; and

(g) Indications of fraud, abuse or illegal acts are valid and need further investigation.

In addition to the foregoing, the Auditor may also perform audits, reviews and special projects as directed by the President or the County Board, including but not limited to the auditing of grants, management initiatives, contracts or financial statements.

Sec. 2-311.8 Standards.

Audits shall be conducted in accordance with generally accepted government auditing standards.

Sec. 2-311.9 Audit Schedule.

At the beginning of each fiscal year, the Auditor shall submit an audit schedule to the County Board for referral to the audit committee for review and comment. The schedule shall include the proposed plan, and the rationale for the selections, for auditing departments, offices, boards, activities, subcontractors and agencies for the period. This schedule may be amended after review with the audit committee, but the Auditor shall have final authority to select the audits planned.

Sec. 2-311.10 Access to Employees, Records and Property.

All elected officials, officers and employees of the County and in any government entity that is funded in whole or in part by the County pursuant to the County's annual

appropriation bill shall furnish the Auditor unrestricted access to employees, information and records (including electronic data) within their custody regarding powers, duties, activities, organization, property, financial transactions, contracts and methods of business required to conduct an audit or otherwise perform audit duties. In addition, they shall provide access for the Auditor to inspect all property, equipment and facilities within their custody. Further, all contracts with outside contractors and subcontractors shall contain a "right-to-audit" clause and provide for Auditor access to the contractor's employees and to all financial and performance related records, property, and equipment purchased in whole or in part with governmental funds.

The Auditor shall report to the County Board any matters which impede the discharge of these duties. In the event that any elected official, officer or employee of the County or in any government entity that is funded in whole or in part by the County pursuant to the County's annual appropriation bill does not provide the requested records, documents, reports and property without good cause, the County Board shall seek whatever legal remedies are available.

Sec. 2-311.11 Agency Response.

A final draft of the audit report will be forwarded to the audited agency for review and comment regarding factual content prior to its release. The agency must respond in writing, specifying (i) agreement with audit findings and recommendations or reasons for disagreement with findings and/or recommendations; (ii) plans for implementing solutions to issues identified; (iii) a timetable to complete such activities. The response must be forwarded to the Auditor within 15 working days. The Auditor will include the agency's response in the report. If no response is received, the Auditor will note that fact in the transmittal letter and will release the audit report.

Sec. 2-311.12 Audit Reports.

The Auditor shall submit all audit reports prepared pursuant to this section simultaneously to the President and the County Board.

All audit reports, written audit comments, recommendations, and responses resulting from the duties under this section are public documents and will be made available for public inspection subject to any legally required redactions.

Sec. 2-311.13 Report of Irregularities.

If, during an audit, the Auditor becomes aware of abuse or illegal acts or indications of such acts that could affect the government entity, the Auditor shall report the irregularities to Independent Inspector General and/or the audit committee, the President and the County Board.

Sec. 2-311.14 Audit Follow-up.

The Auditor shall follow-up on audit recommendations as practical to determine if corrective action has been taken. The Auditor may request periodic status reports from audited agencies regarding actions taken to address reported deficiencies and audit recommendations.

***Referred to the Audit Committee on 10-4-2011.**

Commissioner Gainer, seconded by Commissioner Gorman, moved Approval of Communication No. 314853. The motion carried.

Chairman Daley asked the Secretary to the Board to call upon the registered public speaker, in accordance with Cook County Code, Sec. 2-107(dd):

1. George Blakemore – Concerned Citizen

Commissioner Schneider moved to adjourn the meeting, seconded by Commissioner Gainer. The motion carried and the meeting was adjourned.

**YOUR COMMITTEE RECOMMENDS THE FOLLOWING ACTION
WITH REGARD TO THE MATTERS NAMED HEREIN:**

Communication Number 314394	Receive and file
Communication Number 314822	Receive and file
Communication Number 314823	Receive and file
Communication Number 314824	Receive and file
Communication Number 314825	Receive and file
Communication Number 314826	Receive and file
Communication Number 314827	Receive and file
Communication Number 314852	Approved
Communication Number 314853	Approved

Respectfully submitted,
Audit Committee


John P. Daley, Chairman

Attest:


Matthew B. DeLeon, Secretary

The transcript and audio recording for this meeting are available from the Office of the Secretary to the Board, 118 North Clark Street, Room 567, Chicago, IL 60602.

118 N. Clark Street, Room 567
Chicago, IL 60602
312.603.4400 Office
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e-mail: jdaley@cookcountygov.com



JOHN P. DALEY
Chairman
Committee on Finance

**Commissioner – 11th District
Cook County Board of Commissioners**

October 13, 2011

Mr. Tariq Malhance
Chief Financial Officer
118 N. Clark St.
Chicago, IL 60602

Dear Mr. Malhance:

Please provide a written response for the record of the Audit Committee's October 13 meeting regarding issues raised by the Independent Auditors Report to Management by Deloitte, and the CAFR for 2010, as follows:

1. On page 3 of the CAFR's Management Discussion & Analysis, the net assets of the County decreased nearly 58%. This is a continuation of a downward trend. Please explain the factors that are causing this decrease in net assets.
2. On page 3 of the CAFR's MD&A, a combined fund balance of over \$1 billion was reported. How much of this increase is attributable to increased sales tax revenue? What will be the impact on year end fund balance in 2011 due to the sales tax rate reduction?
3. On page 9 of the Letter to Management, a repeat finding regarding deficiencies in the County's fraud prevention controls is detailed, and management has responded that an Antifraud Taskforce is in place, with a goal of achieving significant progress in 2011. Please elaborate on the significant progress to date.
4. On page 17 of the Letter to Management, the County's failure to maintain a capital asset inventory is described. This repeat finding has been stated over several years, and yet the County continues to allow fixed and capital assets to remain untagged and therefore not secured. Please describe the steps that must be taken to correct this longstanding problem.
5. A repeat observation involving the Financial Reporting System is listed on Page 6. Please provide a target date for compliance with the Auditor's recommendation.
6. A repeat observation involving the County's lack of an Antifraud Program is listed on Page 9. Please provide a target date for compliance with the Auditor's recommendation.
7. A repeat observation involving the Accounts Payable function is listed on Page 10. Please provide a target date for compliance with the Auditor's recommendation.
8. A repeat observation involving capital assets accounting is listed on Page 17. Please provide a target date for compliance with the Auditor's recommendation.

9. A repeat observation involving the Vendor Master File is listed on Page 20. Please provide a target date for compliance with the Auditor's recommendation.
10. A repeat observation involving financial reporting within the Health System is listed on Page 21. Please provide a target date for compliance with the Auditor's recommendation.
11. A repeat observation involving the scope of practice for the Cook County Auditor is listed on Page 27. Please provide a target date for compliance with the Auditor's recommendation.
12. A repeat observation involving the cash reconciliations in the County Clerk's Office System is listed on Page 28. Please provide a target date for compliance with the Auditor's recommendation

Thank you for your attention to this inquiry.

Sincerely,

A handwritten signature in cursive script that reads "John P. Daley".

Chairman John P. Daley
Audit Committee

JPD/bh

CFO's Statement to the Audit Committee dated October 13, 2011

Good Afternoon Chairman Daley and members of the Audit Committee:

It is my honor and privilege to present the audit committee the following financial reports for the year ended November 30, 2010:

1. Comprehensive Annual Financial Report (CAFR) for the fiscal year ended November 30, 2010
2. Cook County Basic Financial Statements (with reference to Government Auditing Standards) for the year ending November 30, 2010
3. Cook County Management Letter for the year ended November 30, 2010
4. Cook County Health and Hospital System of Illinois Financial Statements for the year ended November 30, 2010
5. Cook County Health and Hospital System of Illinois Management Letter for the year ended November 30, 2010
6. Cook County OMB Circular A-133 Single Audit Report for the year ended November 30, 2010
7. Workers Compensation and Self Insurance Liability Actuarial Report for the year ended November 30, 2010

This year, the County CAFR was issued on September 6, 2011. Moving forward, the Bureau of Finance's goal is to generate its CAFR within six months of its fiscal year-end.

The Fund Balance for the year ending November 30, 2010 was \$64.6 million for the General Fund, which consists of Corporate, Public Safety and Self Insurance. Net Assets for the Hospital System were \$727.1 million. During the fiscal year 2010 audit, an overstatement of 2009 revenues of \$90 million, consisting of \$66 million of duplicate Sales Tax and \$24 million of other taxes, fees and licenses and other revenue, was discovered and corrected. Although the overall impact of these errors caused the fund balance to decrease, the fund balance still remained healthy for the year ended November 30, 2010.

To ensure that these types of errors do not occur in the future, the Comptroller's office has created a revenue matrix to outline the different sources of revenue and what revenue streams need to be recorded in the current year verses in the following year. In addition, we are in the process of realigning responsibilities within the Comptroller's office to ensure that there is a proper review and analytical process that is performed on all balances that are presented in the financial statements.

For the fiscal year 2010 financial statement audit, 3 material weaknesses, 8 significant deficiencies and 6 control deficiencies were reported, out of which 8 were repeat findings from

previous years. The majority of these findings were related to lack of adequate staffing, lack of updated systems and/or lack of written policies. We have made progress with most of these findings and are in the process of resolving these findings by hiring personnel who have experience in the areas they are assigned to, implementing written policies such as a written encumbrance policy that was distributed in August 2011; and hope to resolve the system issues subject to the implementation of the new ERP system and/or upgrades to existing systems. Moreover, in June 2011, we hired a new Director of Financial Reporting to facilitate the issuance of the CAFR within the 6 month timeframe for future years. In addition, we are streamlining our current process as well as determining what additional resources are needed to be able to complete the audits in a timely manner.

For the fiscal year 2010 A-133 Single Audit Report, there were compliance related findings reported, mainly related to lack of timely reporting, proper sub-recipient monitoring and cash management. This was due to a significant turnover in personnel and management during 2010, lack of adequate staff training, and a lack of a formal Grants administration policy. With the new administration in place, we are taking the necessary steps with the heads of the departments to ensure that we can significantly reduce the number of findings.

We are currently in the process of issuing a new Audit RFP for the 2011-2014 audits for all the reports issued by the County and the Treasurer's Office. Our goal is to complete this RFP process by December 2011. Once awarded, a contract will be issued to the appointed firm and the 2011 audit will commence in the beginning of 2012 with the anticipation of completing the audit and issuing all reports by May 2012.

Thank you for your time and consideration.