REPORT OF THE AUDIT COMMITTEE

July 23, 2012

The Honorable,
The Board of Commissioners of Cook County

ATTENDANCE

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

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

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

Also Present: Commissioner Garcia; Reshma Soni – Interim Comptroller; Lisa Walik – Director of Risk Management

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 Monday, July 23, 2012 at the hour of 1:30 PM in the Board Room, Room 569, County Building, 118 North Clark Street, Chicago, Illinois.

Chairman Daley entered into the record a letter of inquiry to Tariq Malhance, Chief Financial Officer, and a letter from Mr. Malhance with his response. Chairman Daley then called upon Mr. Malhance to present his analysis of the 2011 financial statements and supporting documentation.

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

318991 COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011. Transmitting a Communication, dated June 20, 2012 from Tariq Malhance, Chief Financial Officer, Bureau of Finance, and Reshma Soni, Interim Comptroller:

Subject: Comprehensive Annual Financial Report (CAFR)
for the Fiscal Year ended November 30, 2011

submitting herewith a copy of Cook County's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended November 30, 2011, prepared by the Cook County Office of the Comptroller and audited by McGladrey, 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 July 10, 2012.**

Commissioner Gainer, seconded by Commissioner Butler, moved to Receive and File Communication No. 318991. The motion carried.

318992 COOK COUNTY'S BASIC FINANCIAL STATEMENTS (with reference to Governmental Auditing Standards) FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011. Transmitting a Communication, dated June 20, 2012 from Tariq Malhance, Chief Financial Officer, Bureau of Finance, and Reshma Soni, Interim Comptroller:

Subject: Cook County's Basic Financial Statements for
for the fiscal year ended November 30, 2011

submitting herewith a copy of Cook County's Basic Financial Statements for Single Audit Report for the fiscal year ended November 30, 2011, prepared by the Cook County Office of the Comptroller and audited by McGladrey, 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 July 10, 2012.**

Commissioner Gainer, seconded by Commissioner Butler, moved to Receive and File Communication No. 318992. The motion carried.

318993 COOK COUNTY REPORT TO MANAGEMENT FOR THE YEAR ENDED NOVEMBER 30, 2011. Transmitting a Communication, dated June 20, 2012 from Tariq Malhance, Chief Financial Officer, Bureau of Finance, and Reshma Soni, Interim Comptroller:

submitting herewith a copy of the Cook County Report to Management for the Year Ended November 30, 2011 prepared by McGladrey, LLP with responses from Cook County Management. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on July 10, 2012.**

Commissioner Gainer, seconded by Commissioner Butler, moved to Receive and File Communication No. 318993. The motion carried.

318994 COOK COUNTY HEALTH AND HOSPITALS SYSTEM (CCHHS) FINANCIAL STATEMENTS FOR THE YEAR ENDED NOVEMBER 30, 2011, COMBINING SUPPLEMENTAL SCHEDULES AS OF AND FOR THE YEAR ENDED NOVEMBER 30, 2011, AND INDEPENDENT AUDITORS' REPORT. Transmitting a Communication, dated June 20, 2012 from Tariq Malhance, Chief Financial Officer, Bureau of Finance, and Reshma Soni, Interim Comptroller:

Submitting herewith a copy of the Cook County Health and Hospitals System (CCHHS, an Enterprise Fund of Cook County) Financial Statements for the Year Ended November 30, 2011, and Independent Auditors' Report prepared by the CCHHS Finance Office and audited by McGladrey, LLP, with responses from CCHHS Management. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on July 10, 2012.**

Commissioner Gainer, seconded by Commissioner Butler, moved to Receive and File Communication No. 318994. The motion carried.

318995 COOK COUNTY HEALTH AND HOSPITALS SYSTEM (CCHHS) REPORT TO MANAGEMENT AS OF AND FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011. Transmitting a Communication, dated June 20, 2012 from Tariq Malhance, Chief Financial Officer, Bureau of Finance, and Reshma Soni, Interim Comptroller:

submitting herewith a copy of the Cook County Health and Hospitals System (CCHHS, an Enterprise Fund of Cook County) Report to Management for the Fiscal Year Ended November 30, 2011 prepared by the CCHHS Finance Office and audited by McGladrey, 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 July 10, 2012.**

Commissioner Gainer, seconded by Commissioner Butler, moved to Receive and File Communication No. 318995. The motion carried.

318996 COOK COUNTY OMB CIRCULAR A-133 SINGLE AUDIT REPORT FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011. Transmitting a Communication, dated June 20, 2012 from Tariq Malhance, Chief Financial Officer, Bureau of Finance, and Reshma Soni, Interim Comptroller:

Subject: Cook County OMB Circular A-133 Single Audit Report for the Fiscal Year ended November 30, 2011

submitting herewith a copy of the Cook County Single Audit Report for the fiscal year ended November 30, 2011, prepared by the Cook County Office of the Comptroller and audited by McGladrey, LLC. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on July 10, 2012.**

Commissioner Gainer, seconded by Commissioner Butler, moved to Receive and File Communication No. 318996. The motion carried.

318997 COOK COUNTY'S ACTUARIAL ANALYSIS FOR THE FISCAL YEAR ENDED NOVEMBER 30, 2011. Transmitting a Communication, dated June 20, 2011 from Tariq Malhance, Chief Financial Officer, Bureau of Finance, and Reshma Soni, Interim Comptroller:

Subject: Cook County's Actuarial Analysis for Workers Compensation and Self Insurance Programs for the year ended November 30, 2011

submitting herewith a copy of Cook County's Actuarial Analysis for the fiscal year ended November 30, 2011, prepared by AON Global Risk Consulting. Respectfully request that the report be referred to the Cook County Board's Audit Committee for further consideration.

*** Referred to the Audit Committee on July 10, 2012.**

Commissioner Gainer, seconded by Commissioner Butler, moved to Receive and File Communication No. 318997. The motion carried.

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

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

Communication Number 318991	Receive and file
Communication Number 318992	Receive and file
Communication Number 318993	Receive and file
Communication Number 318994	Receive and file
Communication Number 318995	Receive and file
Communication Number 318996	Receive and file
Communication Number 318997	Receive and file

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. A video recording of this meeting is available on the Office of the Secretary to the Board's website on the Video Page at http://blog.cookcountyil.gov/secretarytotheboard/county-board-proceedings/county-board-video-and-audio/.

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JOHN P. DALEY
Chairman
Committee on Finance

Commissioner – 11th District
Cook County Board of Commissioners

July 23, 2012

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 July 23 meeting regarding repeat findings and recommendations raised by the Independent Auditors Report to Management, and the CAFR for 2011. We request that you present your analysis in the form of a chart with a summary of corrective action taken to date on each finding, and a target timeframe for completion of implementation for any recommendations that remain pending.

Thank you for your attention to this inquiry.

Sincerely,

Chairman John P. Daley
Audit Committee

JPD/bh

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FY11 County management letter of recommendations

Finding	description	recurring?	Status of Corrective Action	plan to complete
2011 - 1	Financial Accounting and Reporting	Yes	* hired qualified staff in the areas of fixed assets and grants *cross training of staff *proper review process of entries re-evaluating special purpose funds	FY13
2011 - 2	Fixed Assets Accounting	Yes	* hired qualified staff in fixed assets * working with departments throughout the year to properly record activity implementation of fixed assets module working on physical inventory process	FY13
2011 - 3	Bank Reconciliations	Yes	*With the help of the County Auditor's staff, performing monthly reconciliations *cross training staff within the Comptroller's Office	FY12
2011 - 4	Lack of Formal written policies/procedur	No	*Comptroller's Office is working to outline the process and policies of key transaction cycles and document policies and procedures	FY12
2011 - 5	Grants Accounting	Yes	*hired a grants coordinator to work with departments on grants management as well as reviewing grant agreements	FY12
2011 - 6	Property Tax Revenue Recognition	No	*Although property tax revenue is recorded in accordance with GASB 33, the Comptroller's office will review all entries to ensure property tax revenue is recorded properly	FY12
2011 - 7	Under-accrual of property tax objection liability	No	review process in place to ensure property tax objection liability is properly recorded	FY12
2011 - 8	Anti-fraud programs	Yes	created an RFI during FY12 and have received responses. Working with the OIIG and County auditor as well as the Anti-fraud task force to put together internal controls ordinance as well as issue an RFP during the 4th quarter of FY12	FY13
2011 - 9	Journal Entries	Yes	Formal review process is in place. Working with MIS to restrict the system from allowing preparer to approve their own entry	FY12
2011 -10	Information Security	Yes	*BoT removed inactive users from JDEdwards *quarterly audits are perfomed on JDEdwards users	FY12
2011 - 11	Vacation Accrual	No	vacation accruals will be processed in a timely manner (as of 11/30/12)	FY12