

**MEETING MINUTES OF THE COOK COUNTY LAND BANK AUTHORITY**

**FINANCE COMMITTEE MEETING**

December 13, 2019

**I. Call to Order and Roll Call**

**Present:** Directors Smith, Sherwin

Also Present: **Rob Rose** (*CCLBA Executive Director*), **Angela Allen** (Washington, Pittman & McKeever Principal)

**Not Present:** Holmes

**II. Public Speakers**

Chairman Smith notes there are no public speakers.

**III. FY2018 Audit Discussion (Washington, Pittman & McKeever)**

Ms. ANGELA ALLEN: Our required communication includes a description of our responsibility. We perform the audit of Cook County Land Bank in accordance with the County principles and generally acceptable auditing standards.

That requires us to form and express an opinion about whether the financial statements are prepared in all material respects and conforming with generally accepted accounting principles or US GAP.

It is our plan to issue an unmodified or clean opinion which is the highest level of opinion you can get on your financial statements. With our audit process, we did review internal controls and for that, we look at your internal controls to determine the timing and extent of our auditing procedures and not necessarily to opine on internal controls.

As a result of our review, we have had recommendations for improvements in the past. This year, we've elevated that because there haven't been any changes. We do have a management letter

comment that I will review. They are repeat things we've been discussing with the Land Bank for the last few years.

Independence, we are independent of the Land Bank in accordance with auditing standards.

Accounting policies, there have been no changes to the accounting policies applied in the financial statements of Land Bank Authority, and the accounting policies have been consistently applied year to year. With accounting policies, we are required to report in the financial statement footnotes whether or not there have been any significant changes. There have been none.

Managements, judgements, and estimates. No set of financial statements is complete without some sort of estimate. For the Land Bank Authority, this is the estimate of the inventory and property each year. We go through how those values are estimated. We determine that the policy is being consistently applied and that it appears reasonable. We have no comments or suggested changes in this area.

Audit adjustments. So far this year, we are still working on completing the audit. We've had 22 audit adjustments proposed by our staff and accepted by management. These adjustments are being made to the accounting records.

Disagreements with management. There are none. We received complete cooperation.

Consultation with other accountants. We're not aware of any consultants. If you receive a second opinion on an accounting matter, please make sure we're made aware of it.

Managements representations. Prior to issuing the financial statements, we will require management to make certain representations to us as it relates to the financial statements. That letter is the last thing we do because it needs to agree with the data of the financial statements.

Major issues discussed with management prior to our retention. There were none.

Difficulties encountered in performing the audit. We have not issued the audit yet this year. Normally by this time we would have issued it and been in the planning process for next year. One of

the things we noted this year when we started the audit was that the county had increased the due to the county from the Land Bank by about \$5 million. That was of concern from Rob and Cassidy as well as to us.

We've spent a significant amount of time trying to reconcile that amount and determine whether or not the county is correct in that amount. We are trying to identify if there is any cash that the county hasn't accounted to the Land Bank.

We know everything is going through the county. We're trying to determine if its all been assigned correctly. Last year it as approximately \$3 million. We thought that was reasonable and tied more to the debt. As we've investigated this year, we are realizing the county is saying it's the deficit cash position of the Land Bank.

We have been working with the Controller's Office. We've had meetings asking for additional reports to aid us in the reconciliation. Bola and I have done some reconciliation and discussed that with Cassidy and Rob. They still believe there are missing cash transactions; therefore, they are looking to provide us with more support so we can go back to the county with that data.

What adds difficulty to this is the change in the County's system from JD Edwards to Oracle. On top of just trying to reconcile amounts, we're also trying to reconcile between two systems and the transference of data.

CHAIRMAN SMITH: Do you have any idea of the magnitude of the numbers of transactions that might therefore lead to the complexity of reconciling the two systems?

MS. ALLEN: Because the transactions we are looking at are so large, I don't necessarily think we need to get into the magnitude and the number of property transfers. We are still searching for the Land Bank's first year of \$2.5 million.

We know it got reported in revenue, but we aren't sure it was accounted for as Land Bank cash. If you look at the reports, you can see where they transferred it in in 2015 in revenue. We can't see it in

cash.

The other thing that we're looking at are the Riverside Lawn transactions. Those may get into transactional details, but I don't think those are to the magnitude of some of the other Land Bank transactions.

EXEC. DIRECTOR ROB ROSE: There are two parts of this. One part is to reconcile working with the comptroller's office and CEO on this question. We see the revenues. We know that it's being accounted for, but Land Bank cash is part of what we're working at. As Mayor Sherwin had always told us, we need to keep an eye on that. We have been.

Part of the issue is with the change from JD Edwards to Oracle, there more levels of access that people have. Part of issue is that we don't have access to all of the different reports that we need to be able to see that level of detail to understand whether some of these things have taken place.

As we come out of this, one part is the reconciliation. The other part is working with the comptroller's office and the CFO around some recommendations we can do to be able to have better accounting communication during the year. We may revisit the idea of having our own bank account. We can reconcile to our own set of quick books to reconcile to the bank account and county. We can then have the accounting firm come in and do that audit. Right now, they are doing a lot of accounting work as we try to figure out everything that's happening.

In no small measure, we've had a number of staff member changes throughout the county over this timeframe which has exacerbated this issue. We know that we have a good balance sheet. We have the properties. We have the revenue as we're moving through. Now, it's a matter of making sure that we have a good accounting of our cash position.

We have a draft of the report right now because of these issues. Until we get these issues get resolved, I don't know if it will tell us a lot.

MS. ALLEN: For the county, you're not material. In terms of the Land Bank's financial

statement, \$9 million due to the county is significant and material. We would like to make sure that we have that reconciled. If this is an error, we don't want to carry this into the future and then have to come back and adjust the financial statements for prior years. We want to reconcile this \$9 million before we close out the audit.

In terms of where the Land Bank is ending right now with the adjustments, the change in net position is a decrease of about \$4.4 million. We are ending the year with a restricted net position of about \$6.74 million and an unrestricted net position of \$2.9 million.

The accounting system is one of the things we have mentioned in the management letter in the past. We have noted establishing policies and procedures over accounting activities for the Land Bank. That's an important part of an effective internal control system. We had a list of recommendations that will be repeated in our management comment letter this year to develop those controls and establish some sort of accounting system.

With that is the property disposition and listing data. We are reviewing that prior to the audit as well. We've had lots of adjustments there too.

CHAIRMAN SMITH: Is it to your expectation that we will have an unqualified audit.

MS. ALLEN: At this point, yes. I think we will get to the bottom of it. The comptroller's office has been helpful by providing the reports we need. I think we'll get to the bottom of it. It's just taking time.

#### **IV. Motion to Approve the Cook County Land Bank Authority**

##### **Finance Committee Meeting Schedule**

Mayor Ostenburg, seconded by Director Smith, moved to approve the Cook County Land Bank Authority Land Finance Committee meeting schedule. **The motion was carried unanimously.**

EXEC. DIRECTOR ROSE: The line of credit with CCLF expires. We are looking to extend with the

same terms; \$3 million line of credit, six percent per annum, and there's a one percent origination fee. Right now, we have \$250,000 cash deposited with CCLF as a cash reserve. We've asked that they take the fee out of that amount as we move forward. This is a two-part approval.

We can suggest it, but we have to go to the board of commissioners for the approval for renewal of debt. We wanted to start here with the finance committee to talk about the extension. We will get full board approval then we will move to the board of commissioners.

CHAIRMAN SMITH: Utilization under the line as of today is what?

EXEC. DIRECTOR ROSE: Acquisition of properties.

CHAIRMAN SMITH: How much is outstanding under the line? Roughly \$2.3 million, but it's expected to go down. Renewing under the same terms.

**V. Motion to Approve the Line of Credit with the  
Chicago Community Loan Fund to Cook County**

Mayor Ostenburg, seconded by Director Smith, moved to approve line of credit with the Chicago Community Loan Fund to Cook County. **The motion was carried unanimously.**

**VI. Motion to Approve the Consent Agenda**

**Cook County Land Bank Authority**

**Finance Committee Meeting Minutes of June 21, 2019**

Mayor Ostenburg, seconded by Director Smith, moved to approve the consent agenda Cook County Land Bank Authority Finance Committee Meeting Minutes of June 21, 2019. **The motion was carried unanimously.**

**VII. Chairman Report**

Chairman Smith notes there is no report.

**VIII. Motion to Adjourn**

Moved by Mayor Ostenburg, seconded by Director Smith. **The motion was carried unanimously, and the meeting was adjourned.**

**Respectfully Submitted,**

**Finance Committee of the Cook County Land Bank Authority**

DocuSigned by:

*Tony Smith*

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**Thurman "Tony" Smith Committee Chair**