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**PUBLIC BUILDING COMMISSION OF CHICAGO
MINUTES OF THE AUDIT COMMITTEE MEETING HELD ON
JUNE 30, 2022**

The Audit Committee Meeting of the Public Building Commission of Chicago was held via Zoom on June 30, 2022, at 3:00 p.m.

The following Committee members attended.

Meeting Chair: Commissioner David Todd Whittley
Commissioner Samuel Wm. Sax (no audio)
Commissioner Arnold Randall

Also attending:

Carina E. Sánchez
Lori Lypson
Tanya Foucher–Weekley
Ray Giderof
Bryant Payne
Mary Pat Witry
Rudy Manning
Allen Truesdell, Deloitte
Juliana Salles Rosa, Deloitte
Anne Fredd, Neal & Leroy

The meeting was called to order. The reading of the minutes of the July 1, 2021, meeting, which had previously been distributed, was dispensed with and upon motion duly made and seconded the minutes of said meeting were unanimously adopted.

Pursuant to Section 2.06(g) of the Open Meetings Act, a public comment period was held. No comments or statements were presented by any persons.

The PBC's Director of Finance, Tanya Foucher-Weekley reported on the Public Building Commission of Chicago's (PBC) draft Comprehensive Annual Financial Report (CAFR) for fiscal years ended 2021 and 2020. The report will be submitted to the Government Finance Officers Association on or around July 18, 2022. For the fiscal year 2021, the PBC continued a relationship with the external auditors at Deloitte. Deloitte worked with the PBC's Finance team to prepare the document which is intended to provide information regarding the financial position of the PBC. The report is prepared in accordance with the United States GAP principals and meets all the requirements for the State of Illinois. The PBC believes this report to be accurate in all material respects and presents a fair representation of the financial position and the operation of the PBC at the current time.

Director Foucher-Weekley summarized the Condensed Financial Information (page 5-6) for a three-year period 2019-2021, the total assets of the commission have decreased from \$234.7 million to \$205 million, approximately \$29.6 million decrease. The primary decrease in total assets is the reduction in the Commission's investments brought on from the sustained effects of the pandemic as well as the maturity of CPS revenue bonds. For the same three-year period, total liabilities of the Commission have decreased from approximately \$162.2 million to \$136.3 million, or approximately \$25.8 million, largely due to decreases in project related payables which align with the maturity of the current PBC project portfolio.

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The assets of the Commission exceeded liabilities by approximately \$69 million on December 31, 2021. Of this amount, \$51 million was included in net investment in capital assets and \$18 million was restricted for use by the Daley Center and for Commission operations. The Commission's total net position decreased by \$1.5 million and \$2 million respectively for the years ended December 31, 2021, and December 31, 2020. Decreases in net position directly relate to other income and investments for the past three years. The lack of investment income to offset the current year's interest expenses continues to reduce the net position.

The Operating revenues for the years ended December 31, 2021, and 2020 were \$120.9 million and \$274.9 million respectively. Operating expenses were \$120.4 million and \$274.9 million for the same period. Both fluctuated based on the volume of construction activity as operating revenue includes project revenue, which is recognized to the extent of current construction costs.

For the year ended December 31, 2021, there was a drastic decrease in revenues and expenses in comparison to the prior year. This decrease was principally powered by a mature project portfolio and long-term influences of the pandemic on project transfers between the PBC and other government agencies. In 2021, the PBC completed the complex and detailed process of designing and constructing two public facilities including a new state-of-the-art public high school for CPS and a salt dome for the City of Chicago.

The Commission's fiscal management continues to demonstrate how the PBC remains committed to the stewardship of public funds through exemplary cost and schedule controls. Accordingly, the Administrative Expenses have decreased in 2021 and 2022 to right size the organization based on the current project levels. The PBC will continue to work towards maintaining our streamline of correctly cost fitting our expenses with our revenue. The Director of Finance also thanked the Finance and Deloitte teams for preparing for today's presentation.

The Audit Committee accepted the report from PBC's Director of Finance.

The Deloitte team shared a PowerPoint Presentation with the Audit committee. Allen Truesdell, Deloitte's Lead Client Service Partner, thanked the Committee and the PBC team for participating in the meeting and provided an introduction of his background with Deloitte as an audit partner in Chicago. Mr. Truesdell has been with Deloitte for twenty-eight years focusing on the public sector practice. He is also the firms' U.S. Public Sector Industry Leader who has worked with the PBC for several years.

Juliana Salles introduced herself as Deloitte's Manager on this engagement. She is in her seventh year with Deloitte and her fourth year working on the PBC Audit. Allen Truesdell recognized the joint audit team MBE/WBE partners Washington, Pittman, and McKeever, LLC, and Velma Butler & Co., with a nearly 40% commitment to M/WBE. The engagement team is executing virtually for the third year in a row, and Mr. Truesdell acknowledged the benefits of the continuity of the team working successfully together for several years.

Mr. Truesdell reviewed the Executive Summary stating that the purpose of the meeting is to review the status update of the of the FY 2021 external audit. The communications are prepared in accordance with Deloitte's professional standards and cover many of the topics the group is accustomed to seeing. The status and

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messaging of the meeting has been discussed with management and Chairman Whittle, prior to today's meeting.

Mr. Truesdell reported that the external audit is in process and is near completion and anticipates issuing the final report on or near July 18th. Given the timing of the Audit Committee meeting, Deloitte is providing today's comments as a status update. As Deloitte gets closer to the issuance timeline, for the submission of the final external audit, Mr. Truesdell will connect with Chairman Whittle to provide an update on the close of the audit and reconfirm the communications prior to issuance. Mr. Truesdell acknowledged the hard work of the PBC and Deloitte audit teams by stating that they are executing virtually and given management's plan to submit in July, the audit is on track. He sees no concerns with a timely filing in accordance with management's plan and that is a testament to the quality of the books and records provided by the PBC Director of Finance and her team.

Next Mr. Truesdell reviewed the GASB pronouncements that were due for implementation in the current year. The two GASB standards did not have an impact on the financial statements and there was a Technical Update. He mentioned the On the Horizon Standards and stated that next year the LEED Standard is due for implementation. The LEED Standard was delayed, due to the pandemic.

Juliana Salles reported on the results of Areas of Audit Emphasis. Deloitte is required by the AICPA to consider the potential of fraud in a financial statement audit, which is a presumed significant risk, the risk of management override is a significant risk for all entities, not specific to the Commission. To address this presumed risk, Deloitte had fraud discussions with management, and continue to evaluate estimates for potential bias and evaluate significant transactions. Deloitte noted that after these evaluations, there were no significant unusual transactions during the audit to date.

Deloitte also evaluated the design and implementation of Controls over Financial Close and Reporting Process and found the controls to be soundly in place.

Deloitte evaluated journal entries with characteristics of audit interest, which Deloitte identified by using their Audit Innovation tool Cortex. By implementing Cortex to evaluate the population of journal entries, Deloitte can focus on individual entries that show characteristics of audit interest. After reconciling the population of data to a trial balance, the team can dive deeper and derive insights from the population as a whole. Ms. Salles reviewed the slide indicating the team can see the accounts with the most postings throughout the year, which this year included cash, and can determine that the population of entries follows Benford's law.

Ms. Salles reviewed Required Communications and affirmed that Deloitte is independent with respect to the PBC and reaffirmed that Deloitte's responsibility under auditing standards is to provide reasonable assurance that the financial statements are not materially misstated. The financial statements themselves are the responsibility of management. Deloitte also evaluates controls to the extent necessary to perform the audit but does not issue an opinion on internal controls.

The significant practices and policies as set forth in Note 1 to the financial statements have not changed from the previous year. For the PBC those include depreciation, valuation of investments, and other revenue project development fees.

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Deloitte believes that financial statement drafts presented to date are presented fairly and in accordance with GAAP. During the audit, Deloitte was not made aware of any significant unusual transactions or alternative accounting treatments.

Ms. Salles reported on slides titled Other Required Communications and in summary stated that the audit process is going very well, and that Deloitte has had full cooperation from the PBC finance team. While in the third year of a remote work environment, Tanya Foucher-Weekley has been fantastic to work with and has been very responsive in providing all the needed documents to complete the audit by the target issuance date. Deloitte has encountered no difficulties and is on track for issuance. Deloitte has provided written communications including the engagement letter, required planning communications and will provide the management representation letter by the target issuance date.

Next Mr. Truesdell provided a reminder of the various definitions related to internal control over financial reporting. He reported that this is no material weaknesses or control deficiencies to report.

Ms. Salles reviewed Appendix C and restated that GASB 89 and GASB 98 do not have a material impact to the Commission's financial statements. On the horizon will be GASB 87 which addresses leases, with a required implementation of FY2022. Deloitte believes that the remaining standards will not have a significant impact on the PBC.

Mr. Truesdell reviewed Appendix D: Diversity, Equity, and Inclusion. Deloitte released their first Transparency Report last year. That report shares the composition of their workforce and talent lifecycle and the Commissioners have a link to review the report. Deloitte's objective is to share their data, share their future goals, commitments and increase accountability to the public. Last year Deloitte committed to come back to the committee with an update on this initiative. Deloitte is working on that 2nd report to be released to the public in the coming months.

In conclusion Mr. Truesdell reviewed Appendix E, outlining Deloitte resources as leave behind materials for both management and the committee members. There is information that management can access such as the Deloitte Accounting Resource Tool as well as tools for education and networking. Mr. Truesdell stated that the overall message is that the external audit is on track for issuance the week of July 18, 2022.

The Committee members thanked the team for their hard work and professionalism.

The Audit Committee accepted the report.

The meeting was adjourned.

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