REPORT DIGEST

DEPARTMENT OF REVENUE

FINANCIAL AUDIT AND COMPLIANCE EXAMINATION

For the Year Ended:
June 30, 2009

Summary of Findings:

Total this audit	21
Total last audit	18
Repeated from last audit	11

Release Date:
May 13, 2010

State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

To obtain a copy of the Report contact:
Office of the Auditor General
Iles Park Plaza
740 E. Ash Street
Springfield, IL 62703
(217) 782-6046 or TTY (888) 261-2887

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INTRODUCTION

This report digest covers both the Financial Audit and State Compliance Examination of the Department of Revenue (Department) for the year ended June 30, 2009. The Financial Audit and State Compliance Examination present a total of 21 findings, with some of the more significant issues summarized in this report digest.

SYNOPSIS

- During our financial audit, we noted that the Department overstated its liability to local governments for Personal Property Replacement Tax collections by $84,000,000 that were received and deposited, but not earned as of year-end. Specifically, the Department did not consider approved, but unpaid, Personal Property Replacement Tax refunds in calculating a liability to local governments for financial reporting.

- The Department's failure to pay Personal Property Replacement Tax refunds created a statutory excess. Specifically, the Department did not pay all Personal Property Replacement Tax Refunds prior to determining year-end "excess" deposits within the Income Tax Refund Fund.

- The Department's accounts receivable balances calculated at June 30, 2009 were not accurate.

- The Department failed to exercise adequate control controls over recording, reporting, and distributing income tax refunds to taxpayers. Specifically, the Department issued improper refunds to taxpayers and understated its refund liability at June 30, 2009.

- The Department lacked sufficient evidence supporting that modifications to the GenTax system were properly approved, thoroughly tested, and consistently documented prior to implementation.

- The Department did not allocate Cigarette Tax collections pursuant to statute, leading to multi-million dollar deposit errors in the General Revenue, Common School, and Long-Term Care Provider Funds.

- The Department lacked sufficient appropriation to pay State's Attorneys and Public Defenders in accordance with the Counties Code.

{Expenditures and Activity Measures are summarized on the next page.}

DEPARTMENT OF REVENUE
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2009

EXPENDITURE STATISTICS	FY 2009	FY 2008
Total Expenditures (All Funds)	**$10,000,148,259**	**$9,720,909,202**
OPERATIONS TOTAL	$284,313,784	$261,582,381
% of **Total** Expenditures	3%	3%
Personal Services	$114,222,023	$119,908,711
% of Operations Total Expenditures	40%	46%
Average Number of Employees	2,099	2,101
Other Payroll Costs (FICA, Retirement)	$41,566,124	$36,897,741
% of Operations Total Expenditures	15%	14%
Contractual Services	$37,007,315	$34,283,898
% of Operations Total Expenditures	13%	13%
All Other Operations Items	$91,518,322	$70,492,031
% of Operations Total Expenditures	32%	27%
AWARDS & GRANTS, REFUNDS TOTAL	$4,804,546,757	$4,992,062,030
% of **Total** Expenditures	48%	51%
NON-APPROPRIATED FUNDS	$4,911,287,718	$4,467,264,791
% of **Total** Expenditures	49%	46%
Total Deposits Remitted to the State Treasury	**$31,906,250,205**	**$33,567,993,439**
Income Taxes	$13,568,046,406	$14,891,265,259
% of **Total** Revenues	43%	44%
Sales Taxes	$11,924,707,140	$12,207,023,103
% of **Total** Revenues	37%	36%
Motor Fuel Taxes	$1,301,973,767	$1,361,741,936
% of **Total** Revenues	4%	4%
Public Utilities Taxes	$1,885,368,966	$1,891,183,198
% of **Total** Revenues	6%	6%
Other Collections	$3,226,153,926	$3,216,779,943
% of **Total** Revenues	10%	10%
PROPERTY AND EQUIPMENT at June 30,	**$19,498,429**	**$19,972,189**
SELECTED ACCOUNT BALANCES at June 30,		
Taxes Receivable	$1,901,250,000	$1,920,705,000
Allowance for Uncollectible Taxes	(695,956,000)	(592,275,000)
Net Taxes Receivable	$1,205,294,000	$1,328,430,000

DEPARTMENT DIRECTOR
During Audit Period: Brian A. Hamer
Currently: Brian A. Hamer

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INACCURATE CALCULATION OF YEAR-END LIABILITY

During our testing of the draft financial statements, we noted that the Department of Revenue (Department) overstated its liability to local governments for Personal Property Replacement Tax collections that were received and deposited, but not earned as of year-end.

$84 million dollar auditor adjustments made to the Personal Property Tax Replacement and Income Tax Refund Funds

At year-end, the Department recorded a transfer of $85 million from the Income Tax Refund Fund (Fund 278) to the Personal Property Tax Replacement Fund (Fund 802). Fund 802 reported this amount as a receivable from Fund 278, a transfer in from Fund 278, a liability to the local governments and intergovernmental expenditures (all entries were for $85 million). The end result in the Department's financial statements was to overstate expenditures, overstate the liability to local governments, and understate fund balance by approximately $84 million.

Department did not consider approved, but unpaid refunds

The amount of the overstatement pertained to approved refunds that were being held at year-end due to cash shortages in Fund 278. In determining the amount to be reported as a transfer at June 30, 2009 from the Income Tax Refund Fund to the Personal Property Tax Replacement Fund, the Department did not initially include the refunds approved for payment but held at year-end in the calculation. Once the overstatement was discovered during the audit process, the Department recorded adjustments to correct both funds. The corrected amounts are reflected in the final financial statements.

We recommended the Department update its policies for measuring and recording transfers between the Income Tax Refund Fund and Personal Property Tax Replacement Fund at year-end. In addition, we recommended that the Department may want to pursue changing the legislation which governs the transfer of amounts between these funds to align it with accrual basis accounting. (Finding No. 09-1, pages 10-12 of the Compliance Report)

Department agrees with auditors

Department officials accepted the recommendation that for financial reporting purposes, the associated accounting liability needs to be made on an accrual basis.

FAILURE TO PAY PERSONAL PROPERTY REPLACEMENT TAX REFUNDS CREATED A

STATUTORY EXCESS

During our testing of the draft financial statements, we noted that the Department transferred $85 million from the Income Tax Refund Fund to the Personal Property Tax Replacement (PPRT) Fund. The Department calculated the transfer pursuant to the statute cited below. At the same time, on June 30, 2009, the Department had estimated there were approximately $84 million in PPRT refunds that were not paid and were held for payment due to cash shortages in the Income Tax Refund Fund. Some of these refunds were approved and held for payment since February 2009.

Department is holding approved refunds due to cash shortages in the Income Tax Refund Fund

The Illinois Income Tax Act (35 ILCS 5/904(a)) and the Illinois Administrative Code (86 Ill. Adm. Code 100.9300(a)) state: "As soon as practicable after a return is filed, the Department shall examine it to determine the correct amount of tax. If the Department finds that the tax paid is more than the correct amount, it shall credit or refund the overpayment."

Department shall credit or refund tax overpayments after reviewing a return

The Illinois Income Tax Act (35 ILCS 5/901(d)(3)) requires as soon as possible after the end of each fiscal year, the Director shall order transferred and the State Treasurer and State Comptroller shall transfer from the Income Tax Refund Fund to the Personal Property Tax Replacement Fund an amount, certified by the Director to the Comptroller, equal to the excess of the amount collected and deposited into the Income Tax Refund Fund during the fiscal year over the amount of refunds resulting from the overpayment of tax liability paid from the Income Tax Refund Fund during the fiscal year.

Department shall transfer excess PPRT Deposits in the Income Tax Refund Fund to the Personal Property Tax Replacement Fund

The Department believes the PPRT portion of refunds approved and held for payment at June 30, 2009 should not be included in the statutory calculation of excess as they were not paid during the fiscal year as referenced in the statute. The auditors believe that simply not paying the PPRT refunds that are due should not create an "excess" amount in accordance with the statutory parameters. Instead, the refunds due should be paid first and any funds remaining would be considered excess and available for transfer.

Holding refunds for payment should not create a statutory excess

The $85 million was eventually transferred from the Income Tax Refund Fund to the Personal Property Tax Replacement Fund by the Department as cash was made available. It was not used to liquate amounts owed to taxpayers for PPRT refunds due at year-end and not paid due to the lack of available cash. As these refunds were not paid, interest accumulates from the date the taxpayer filed the return and overpaid their tax liability. In the

The Department eventually transferred cash out instead of paying refunds

Local governments liable for interest accruing on held and unpaid PPRT refunds

future, when PPRT refunds exceed PPRT deposits into the Income Tax Refund Fund, a transfer will have to be made from PPRT Fund into the Income Tax Refund Fund.

A summary obtained from the Office of the State Comptroller for the Personal Property Replacement Tax transactions in the Income Tax Refund Fund #278 and information from the Department of Revenue for refunds approved, but not paid follows:

REFUNDS APPROVED AND PAID	Personal Property Replacement Tax		
	FY09	FY08	% Increase (Decrease)
Receipts, Net	$ 225,680,828	$ 232,106,240	(3%)
Less:			
Tax Refunds Paid	120,854,515	127,786,997	(5%)
Interest Paid	19,444,233	8,967,603	117%
Transfer Out*	1,998	8,632	(77%)
Receipts Over (Under) Expenditures	$ 85,380,082	$ 95,343,008	(10%)
Statutory Excess to Transfer Out^	85,328,850	95,330,382	(10%)

Per Departmental records, the refunds held for payment at June 30, 2009 follows:

REFUNDS APPROVED, BUT UNPAID AS ESTIMATED BY THE DEPARTMENT	Personal Property Replacement Tax		
	FY09	FY08	% Increase (Decrease)
Tax Refunds Approved but Unpaid	$ 82,601,236	$ 1,244,625	6537%
Estimated Unpaid Accrued Interest	1,378,424	139,151	891%
Total Payable at June 30, 2009	$ 83,979,660	$ 1,383,776	5969%

^Statutory Transfer Pursuant to the Illinois Income Tax Act (35 ILCS 5/901(d))
*Statutory Transfer Pursuant to the State Finance Act (30 ILCS 105/6z-27), Net

We recommended the Department pay PPRT refunds due to taxpayers from the Income Tax Refund Fund. Amounts remaining only after PPRT refunds are paid should be determined as excess and transferred to the Personal Property Tax Replacement Fund as required by statute, or seek legislative remedy. (Finding No. 09-14, pages 45-47 of the Compliance Report)

Insufficient deposits to pay refunds to all taxpayers

Department gives priority to Individual Income Tax Refunds over Business and PPRT Refunds

Department officials accepted recommendation and stated deposits into the Income Tax Refund Fund were insufficient to pay all refunds, and the Department gave priority to Individual Income Tax refunds and delayed some Business Income Tax refunds (including PPRT refunds). The Department believes that when there is too little money to pay all refunds, its policy of paying the higher volume smaller refunds to individuals and delaying the typically larger business refunds makes sense.
Further, Department officials agreed to make members of the legislative and executive branches aware of the issue of “statutory

excess" identified by the auditors, but recognizes that changing the current statutory scheme would raise serious policy and fiscal issues that would need to be carefully weighed.

INACCURATE ACCOUNTS RECEIVABLE BALANCES AT YEAR-END

The Department's Withholding Income Tax (WIT), Business Income Tax (BIT), and Individual Income Tax (IIT) accounts included in the Department's accounts receivable calculation at June 30, 2009 were not accurate.

The Department has implemented new tax processing software (GenTax), in a series of stages, over the past few years. Beginning with fiscal year 2009, substantially all income and sales tax returns are maintained using the GenTax system. The Department performed a self audit of the largest returns contained in the GenTax system at year-end for financial reporting purposes. From its own analysis, the Department determined the correct tax due (or owed) for these large taxpayers and manually adjusts the recorded amounts generated from GenTax accordingly. For June 30, 2009, approximately $600 million (gross) was eliminated from the GenTax amount recorded as taxes receivable at year end for these large taxpayers.

Department's "self audit" of accounts receivable in GenTax identified $600 million in invalid receivables

In testing accounts receivable, the Auditors and the Department agreed upon assumptions that would make an account an **invalid** accounts receivable, based on informal criteria used by the Department. An invalid accounts receivable is an account where the Department does not expect to collect any additional cash in the future.

During our testing, we reviewed samples of WIT, BIT, and IIT account detail from the financial reporting accounts receivable data file to ensure the accuracy and existence of the Department's June 30, 2009 accounts receivable information. We found 21 of 102 (21%) accounts tested had a receivable balance, or portion of the balance that was invalid. A total of $311,448 from the $28,435,481 (1%) tested were invalid. The errors detected in the sample were projected to the population as a whole and the projected overstatement of the accounts receivable was approximately $23 million, net of the allowance for doubtful accounts. This amount was deemed to be immaterial and an adjustment was not made to the financial statements to record this amount.

$23 million projected overstatement of WIT, BIT, and IIT accounts receivable deemed immaterial to financial statements

Additionally, during our testing of taxes receivable we discovered the Department was not recording receivables pertaining to "Notices of Deficiencies" (NOD) for certain tax types. When the Department audits a taxpayer and determines that an additional amount of tax is due, the Department calculates the penalties and interest on the additional tax amount, from the due date of the original return. The amount of the additional tax, the penalties and the interest are sent to the taxpayer in the form of a notice (aka Notice of Deficiency). Currently, taxpayer notices for business income tax, and individual income tax, are not prepared using the Gen Tax system. Instead, these notices are prepared manually as Microsoft word documents. Per instructions included in the Notice, the taxpayer has 60 days to respond.

Department did not record receivables relating to "notices of deficiencies"

Under the current process, different tax types are being treated differently and not all taxes receivable and interest are accrued upon completion of the taxpayer audit, and not all penalty amounts are accrued after the 60 day notice period has lapsed. Additionally, under the present system, unpaid protested amounts for which the taxpayer has requested a hearing are not recorded as a receivable. The amount of such protested taxes receivable as of June 30, 2009 is approximately $62 million gross and approximately $6 million, net of the estimated allowance for doubtful accounts. The vast majority of these amounts are for business income tax.

$62 million in taxes receivable not recorded on taxpayer accounts

Additionally, there is poor communication between the audit division, legal division, account processing division and individuals responsible for financial reporting. Timely documentation and communication of the status of all taxpayer information has to be communicated between these groups to enable them to maintain current taxpayer records and record all material balances and transactions in accordance with GAAP.

Poor communication within the Department

Without reliable, accurate data and timely processing of important taxpayer information regarding payments, returns, and other taxpayer information, the individual taxpayer accounts and the amounts reported as accounts receivable in the financial statements could be materially misstated. (Finding No. 09-2, pages 13-16 of the Compliance Report)

We recommended the Department evaluate the controls over taxes receivable and implement the necessary edits and controls to better identify valid accounts receivables to report in the financial statements. In addition, we recommended the Department take action to ensure taxpayer information is timely considered or processed to ensure taxpayer's records and financial statement information reflect accurate information.

Department officials agreed with the recommendation and will continue to review its controls over tax processing both procedurally and systemically to implement edits and controls as necessary to create accurate taxpayer accounts for collection and compliance purposes.

Department officials agree with auditors

INADEQUATE CONTROLS OVER REFUNDS

The Department of Revenue (Department) failed to exercise adequate controls over recording, reporting, and distributing income tax refunds due to taxpayers. During testing, we noted the following:

$13.5 million projected understatement to refunds payable

- Three of 13 (23%) refund liability accounts tested were understated by $1,284,209. Based on the errors detected in the sample, the error was projected to the total population and the projected understatement of refunds payable at June 30, 2009 was approximately $13.5 million. This amount was deemed immaterial and was not recorded by the Department.

Erroneous refunds issued

- Two of 41 (5%) refund expenditure accounts tested, totaling $6,271,995, included erroneously issued refunds. The Auditors noted that one of the erroneously issued refunds was due to a problem with foreign insurers.

- One of 41 (2%) refund expenditure accounts tested, totaling $2,815,471, contained a "Money Saved" indicator. The indicator shown indicates the amount denied for refund; however, the refund was paid and the indicator was not removed. Department personnel stated that failure to remove the indicator was an oversight.

Issuing improper refunds could result in the loss of State funds and delay other refunds

The lack of adequate controls resulted in refund liabilities being understated at fiscal year-end for financial reporting purposes. Additionally, the lack of controls resulted in refunds being improperly paid to taxpayers. This could result in the Department's inability to recoup the inappropriate amounts and make payment on legitimate refunds. (Finding No. 09-3, pages 17-18 of the Compliance Report)

We recommended the Department implement controls over refunds to prevent unnecessary or unintended refunds. Further, we recommended the Department review and approve refunds for accuracy and appropriateness.

Department officials agreed that the Department should have adequate controls and to prevent unnecessary refunds and will emphasize to appropriate personnel the need to adequately review and approve refunds that are due to taxpayers.

INADEQUATE CHANGE CONTROL PROCESS

Department officials agree with auditors

The Department had not ensured the change management process for GenTax was properly controlled and documented.

In October 2006, the Department entered into a contract with a vendor for the development of an integrated tax system named GenTax. The contract continues through June 2012. The contract maximum is approximately $52.1 million and through fiscal year 2009, the Department had paid approximately $27.7 million.

In December of 2007, the Business Income Tax, Withholding Income Tax, and Sales Tax systems went into production and replaced the applicable legacy systems. Additionally, in December 2008, the Individual Income Tax system went into production and replaced the legacy Individual Income Tax system. For the fiscal year ended June 30, 2009, GenTax processed over $24.9 billion of tax collections, as well as other transactions.

GenTax processed $24.9 billion in tax collections

During our review of the change control process, we noted the Department had a change management process; however, it was not always followed. During our detailed review of 26 completed change requests, we found no evidence of testing or management approval before being moved into the production environment.

Lacked evidence supporting the testing of system modifications prior to implementation

Modifications and upgrades to GenTax are ongoing, as of June 30, 2009 the Department had 464 change requests open, of which 18 requests were considered a priority.

GenTax modifications are an ongoing process

Generally Accepted Information Technology guidance endorses the implementation of change management standards requiring modifications to existing systems be properly approved, thoroughly tested, and consistently documented.

Modifications to systems should be thoroughly tested

Insufficient testing could lead to data integrity problems

Without effective change management standards, poorly designed and tested developments and/or unauthorized changes could be implemented, which could result in data integrity problems and additional demands on staff and limited IT resources. In addition, a change management process increases the risk that the system will not have the required accuracy, integrity, availability, and security. (Finding No. 09-8, pages 30-

31 of the Compliance Report)

We recommended the Department ensure the change management process for the critically important GenTax system is effectively controlled and documented. In particular, the Department should ensure all changes adhere to the change management process, and are adequately reviewed, tested, approved, and documented prior to system implementation.

Department officials stated that programmers and designated "change request users" have received instructions on the Change Procedure and proper documentation.

Department officials agree with auditors

INACCURATE CIGARETTE TAX ALLOCATIONS

During our testing of the cigarette tax allocations, we noted that the Department of Revenue (Department) did not allocate cigarette tax collections pursuant to statute.

Failure to reconcile Cigarette Tax collections to determine if deposits were correct

Beginning with FY07, the Department adopted a new allocation methodology to reflect statutory changes to the Cigarette Tax Act. The Department allocates cigarette tax collections on a weekly basis using a percentage formula; however, the Department did not reconcile the monthly deposits to determine if the amounts deposited to the General Revenue Fund (GRF), Long-Term Care Provider Fund (L-TCPF), and Common School Fund (CSF) were in compliance with the statutory formula.

The Department's failure to reconcile the cigarette tax allocations led to the following cumulative allocation errors:

Multi-Million Dollar allocation errors in the General Revenue, Common School, and Long-Term Care Provider Funds

Year	**GRF Underallocation**	**L-TCPF Overallocation**	**CSF Overallocation**
FY07	$(48,115,524)	$5,044,387	$43,071,137
FY08	(53,018,212)	4,864,059	48,154,152
FY09	(58,699,299)	4,694,165	54,005,135
	$(159,833,035)	**$14,602,611**	**$145,230,424**

These misallocations caused the Department's General Fund to be understated as follows: assets ($14.6 million), beginning fund balance ($9.9 million) and revenues ($4.7 million). These understatements were deemed immaterial and were not recorded by the Department.

The Cigarette Tax Act (35 ILCS 130/2) requires the Department to allocate cigarette tax collections from the Cigarette Tax Act (35 ILCS 130) and Cigarette Use Tax Act (35 ILCS 135) pursuant to the following monthly methodology:

- 1/98 of the total revenue derived from the Cigarette Tax Act to the General Revenue Fund.
- 4/49 or $9 million, whichever is less, of the total revenue derived from the Cigarette Tax Act to the Common School Fund.
- 7/49 of the total revenue derived from both the Cigarette Tax Act and the Cigarette Use Tax Act to the Common School Fund.
- $29.2 million less the previous amounts allocated to the Common School Fund to the General Revenue Fund
- $5 million to the School Infrastructure Fund.
- Any remaining unallocated amount to the Long-Term Care Provider Fund.

Failure to properly allocate cigarette tax collections between the General Revenue Fund, the Long-Term Care Provider Fund, and the Common School Fund is noncompliance with the Cigarette Tax Act. In addition, failure to properly allocate cigarette tax collections could result in a misstatement of financial statement amounts. (Finding No. 09-9, pages 32-33 of the Compliance Report)

We recommended the Department develop an allocation and reconciliation methodology in accordance with the Cigarette Tax Act.

Department officials concurred with our recommendation.

Department officials agree with auditors

PAYMENTS TO COUNTY OFFICIALS

The Department of Revenue (Department) was unable to comply with statutory requirements regarding payments to certain county officials due to insufficient appropriations and did not report the corresponding liabilities to the State Comptroller for the year-end financial reporting. During our testing, we noted the following:

The Department did not timely pay fifty-one counties $582,566 as reimbursement for the June 2009 compensation paid by the counties to State's Attorneys or record the corresponding liability, in the Department's June 30, 2009 General Revenue Fund financial statements. No notification was provided to the Office of the State Comptroller regarding the unpaid liability, but the amount was deemed immaterial and not corrected in the final financial statements. The Counties Code (Code) (55 ILCS 5/4-2001(a) and 55 ILCS 5/4-3001(a)) requires the State to furnish 66 2/3% of the total annual compensation to be paid to State's Attorneys. The Department receives the annual appropriation to make these payments. These payments were due in June 2009 and paid in July 2009 out of the next fiscal year's appropriation, as allowed.

Department did not timely pay or record the liability for the State's portion of State's Attorneys salaries at June 30, 2009

Department personnel stated that the Department lacked sufficient appropriation authority to cover all of the reimbursable compensation costs associated with State's Attorneys in FY09. Further, the Department did not record the liability because the Department considered the matter to be a liability of the State of Illinois, but not a liability of the Department. By paying the State's Attorneys out of the next fiscal year's appropriation, the auditors believed that the State was merely postponing the payment and a liability should be recorded.

Department lacked sufficient appropriation authority to make the required payments

In addition, the Department did not pay fifty counties $264,147 as reimbursement for June 2009 compensation paid by the counties to Public Defenders. The Code (55 ILCS 5/3-4007(b)) requires the State to pay 66 2/3% of a Public Defender's annual salary, payable monthly from the State Treasury. The Department receives the annual appropriation to make these payments.

Department did not pay the State's portion of Public Defenders compensation

Department personnel stated that the Department lacked sufficient appropriation authority to cover all of the reimbursable compensation costs associated with Public Defenders. The Department notified the affected counties that they do not intend to pay this liability and directed counties to the Court of Claims. In accordance with GASB Statement No. 33, the Department did not record a liability for the unpaid amount of reimbursements due to the notification. (Finding No. 09-11, pages 38-39 of the Compliance Report)

Department lacked sufficient appropriation authority to make the required payments

We recommended that the Department comply with the Counties Code or seek legislative assistance regarding the compensation of county officials. Further, we recommend that the Department implement controls to ensure that all liabilities arising from government-mandated nonexchange transactions are recorded in accordance with GASB Statement 33.

Department officials agreed that they should comply with the Counties Code; however, due to the State's constrained fiscal environment, via the state appropriation process, it was determined that the state could not afford the total cost of payments to local government officials. Further, the Department agreed to record future liabilities arising from government-mandated non-exchange transactions.

Department officials agree with auditors

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Department. We will review the Department's progress toward the implementation of all our recommendations in our next engagement.

AUDITORS' OPINION

Our auditors stated the financial statements of the Department of Revenue as of June 30, 2009, and for the year then ended are fairly presented in all material respects.

STATE COMPLIANCE EXAMINATION – ACCOUNTANT'S REPORT

The auditors qualified their report on State Compliance for Findings 09-1 through 09-3. Except for the noncompliance described in these findings, the auditors state the Department complied, in all material respects, with the requirements described in the report.

WILLIAM G. HOLLAND, Auditor General

WGH:CL:pp

AUDITORS ASSIGNED

The compliance examination was performed by the Auditor General's staff. McGladrey & Pullen, LLP were our special assistant auditors for the financial audit.