

ILLINOIS DEPARTMENT OF REVENUE
FINANCIAL AUDIT
For the Year Ended June 30, 2018

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2018	FY 2017
REVENUES		
Program revenue: charges for service.....	\$ 57,175	\$ 56,778
Program revenue: operating grants.....	65	49
General revenue: taxes.....	37,415,906	31,294,793
General revenue: interest and other.....	12,981	21,540
Total revenues.....	<u>37,486,127</u>	<u>31,373,160</u>
EXPENDITURES		
General government.....	356,568	304,759
Health and social services.....	14,513	13,639
Education.....	1,619	-
Employment and economic development.....	5,000	5,000
Environment and business regulation.....	6,142	6,572
Public protection and justice.....	736	-
Intergovernmental.....	5,247,014	5,473,914
Capital outlays.....	5,743	4,176
Debt Service -principal and interest.....	-	3
Total expenditures.....	<u>5,637,335</u>	<u>5,808,063</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	185,661	225,811
Transfers in.....	219	336
Transfers out.....	(121,147)	(388,550)
Receipts collected & transmitted to the State treasury.....	(29,450,713)	(24,989,175)
Lapsed appropriations.....	(21,832)	(18,869)
Amount of SAMS transfer in/out.....	(1,536,414)	(738,870)
Capital lease acquisition.....	-	-
Total other sources (uses).....	<u>(30,944,226)</u>	<u>(25,909,317)</u>
Net change in fund balance.....	904,566	(344,220)
Fund balance (deficit) July 1.....	<u>(1,805,398)</u>	<u>(1,461,178)</u>
Fund balance (deficit) June 30.....	<u>\$ (900,832)</u>	<u>\$ (1,805,398)</u>
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)		
	June 30, 2018	June 30, 2017
ASSETS		
Cash and cash equivalents & investments.....	\$ 1,882,044	\$ 1,296,571
Taxes receivable, net.....	1,869,433	1,431,858
Intergovernmental and other receivables, net.....	20,802	19,842
Due from other State funds.....	342,140	351,200
Loans and notes receivables, long term.....	38,277	39,683
Inventories.....	-	106
Unexpended appropriations.....	15,700	21,727
Total assets.....	<u>\$ 4,168,396</u>	<u>\$ 3,160,987</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and other liabilities.....	\$ 451,024	\$ 399,562
Income tax refunds payable.....	1,575,044	1,344,702
Intergovernmental payables.....	964,145	1,223,039
Unearned revenue.....	1,080,667	920,271
Due to other funds - Department and State.....	681,166	808,693
Unavailable revenue.....	317,182	270,118
Total liabilities and deferred inflows of resources.....	<u>5,069,228</u>	<u>4,966,385</u>
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	<u>(900,832)</u>	<u>(1,805,398)</u>
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 4,168,396</u>	<u>\$ 3,160,987</u>
DEPARTMENT DIRECTOR		
During Audit Period: Constance Beard		
Currently: David Harris, Acting Director (effective 1/22/19)		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROLS OVER CHANGES TO GENTAX

The Department of Revenue (IDOR) and the Department of Employment Security (collectively referred to as the “Departments”) did not maintain adequate controls over changes to the enterprise-wide tax system (GenTax). During fiscal year 2018, Gentax processed over 15.3 million transactions and \$46.7 billion in payments from taxpayers.

Departments were unable to provide a listing of changes made to Gentax

As part of the audit process, we requested the Departments provide the population of changes to GenTax. In response, the Departments provided a listing of changes; however, during our testing we noted changes which were not applicable to GenTax.

Due to these conditions, we were unable to conclude the Departments’ population of changes to GenTax were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C §530, AT-C §205).

Even given the population limitations noted above, we performed testing and noted:

During the audit period, the Departments had four different change control procedures. In order to test the procedures for compliance, we selected a sample of 137 proposed changes to Gentax made by the Departments’ personnel during the audit period. Out of the 137 proposed changes, only 100 of them were deemed a required and necessary change to Gentax by the Departments’ management and were subsequently made. Out of the 100 required changes to Gentax, we noted the following:

58% of changes sampled lacked adequate testing documentation

- 58 (58%) changes did not contain evidence that testing had been conducted or lacked testing documentation.
- 12 (12%) changes were not approved, or approval was by an unauthorized individual during the development stages or migration to the production environment.
- 2 (2%) changes did not follow the required change control process.

The Departments’ varying iterations of change control procedures required that all changes be tested, with testing documented and approved by authorized individuals throughout the development process and migration. (Finding 1, pages 72-73)

We recommended IDOR work with IDES to utilize adequate internal controls over changes to GenTax and maintain documentation to support the processes and procedures utilized to mitigate the applicable risks related to system changes.

IDOR accepted the auditor's recommendation.

IDOR accepted the recommendation and stated change control procedures have been revised and an improved tracking solution has been implemented.

OTHER FINDINGS

The remaining findings pertain to inadequate internal controls over access to Gentax and tax abatements. We will review IDOR's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION(S)

The auditors stated the financial statements of the Illinois Department of Revenue as of and for the year ended June 30, 2018 are fairly stated in all material respects.

This financial audit was conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:jv