



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF REVENUE

Financial Audit
For the Year Ended June 30, 2019

Release Date: February 19, 2020

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2018	19-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- (19-01) The Department did not have adequate internal controls over access to GenTax.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial Information is summarized on next page.}

ILLINOIS DEPARTMENT OF REVENUE
FINANCIAL AUDIT
For the Year Ended June 30, 2019

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2019	FY 2018
REVENUES		
Program revenue: charges for service.....	\$ 113,898	\$ 57,175
Program revenue: operating grants.....	28	65
General revenue: taxes.....	40,418,781	37,415,906
General revenue: interest and other.....	52,047	12,981
Total revenues.....	<u>40,584,754</u>	<u>37,486,127</u>
EXPENDITURES		
General government.....	407,634	356,568
Health and social services.....	14,604	14,513
Education.....	1,683	1,619
Employment and economic development.....	5,000	5,000
Environment and business regulation.....	5,538	6,142
Public protection and justice.....	788	736
Intergovernmental.....	5,697,022	5,247,014
Capital outlays.....	10,586	5,743
Total expenditures.....	<u>6,142,855</u>	<u>5,637,335</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	207,196	185,661
Transfers in.....	654	219
Transfers out.....	(112,352)	(121,147)
Receipts collected & transmitted to the State treasury.....	(31,784,041)	(29,450,713)
Lapsed appropriations.....	(14,334)	(21,832)
Amount of SAMS transfer in/out.....	(2,280,693)	(1,536,414)
Capital lease acquisition.....	-	-
Total other sources (uses).....	<u>(33,983,570)</u>	<u>(30,944,226)</u>
Net change in fund balance.....	458,329	904,566
Fund balance (deficit) July 1.....	<u>(900,832)</u>	<u>(1,805,398)</u>
Fund balance (deficit) June 30.....	<u>\$ (442,503)</u>	<u>\$ (900,832)</u>
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)		
	June 30, 2019	June 30, 2018
ASSETS		
Cash and cash equivalents & investments.....	\$ 2,166,654	\$ 1,882,044
Taxes receivable, net.....	1,858,248	1,869,433
Intergovernmental and other receivables, net.....	24,922	20,802
Due from other State funds.....	372,423	342,140
Loans and notes receivables, long term.....	37,569	38,277
Inventories.....	204	-
Unexpended appropriations.....	19,970	15,700
Total assets.....	<u>\$ 4,479,990</u>	<u>\$ 4,168,396</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and other liabilities.....	\$ 364,571	\$ 451,024
Income tax refunds payable.....	1,549,943	1,575,044
Intergovernmental payables.....	1,017,166	964,145
Unearned revenue.....	1,172,411	1,080,667
Due to other funds - Department and State.....	587,999	681,166
Unavailable revenue.....	230,403	317,182
Total liabilities and deferred inflows of resources.....	<u>4,922,493</u>	<u>5,069,228</u>
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	<u>(442,503)</u>	<u>(900,832)</u>
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 4,479,990</u>	<u>\$ 4,168,396</u>
DEPARTMENT DIRECTOR		
During Audit Period: Constance Beard		
Currently: David Harris, Acting Director (effective 1/22/19)		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**INADEQUATE INTERNAL CONTROLS OVER
ACCESS TO GENTAX**

The Department of Revenue (Department) did not have adequate internal controls over access to the enterprise tax system (GenTax). During fiscal year 2019, GenTax processed over 13.4 million tax transactions and \$48.0 billion in payments from taxpayers for the Department.

Department unable to provide sufficient information regarding individuals hired and terminated

As part of our audit process, we requested the Department provide the populations of individuals hired and terminated from employment during the audit period. In response to our request, the Department provided the populations; however, they did not provide documentation demonstrating the populations were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530).

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

During the audit period, in order to obtain access to GenTax, the Department's Access Control Procedure stated approvals had to be obtained from Internal Affairs stating a background check was cleared, a "Request for Access to Illinois Department of Revenue Systems" form was to be completed and approved, and an email had to be received from the business process owner documenting and approving the applicable access right to GenTax.

During our testing of a sample of GenTax security controls, we noted the following:

- 3 of 3 (100%) new users tested did not have a completed "Request for Access to the Illinois Department of Revenue Systems" form.
- 6 of 25 (24%) new users tested did not have an email from the business process owner documenting and approving the user access rights to GenTax.

24% of new users did not have approval documentation

16% of users departing from employment had access terminated 2 to 125 days after departure

Further, during our testing of the 31 users who departed during the fiscal year, we noted that 5 of 31 (16%) user's access were disabled from 2 to 125 days after departure. The Department's Access Control Procedure states access to GenTax is to be disabled upon a user's departure. (Finding 1, pages 70-71)

We recommended the Department obtain the required documentation approving each user's access in accordance with the Access Control Procedure and ensure all Department user's access is timely disabled upon termination.

Department accepted the auditor's recommendation.

The Department accepted the recommendation and stated it will take the necessary corrective actions to implement the recommendations in the finding.

We will review the Department's progress towards the implementation of our recommendation 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, 2019 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

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