



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, 2023

Release Date: July 16, 2024

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	0	0	2022		1	
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- (23-01) The Department had not implemented adequate internal controls over its service providers.

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.

**DEPARTMENT OF REVENUE
FINANCIAL AUDIT
For the Year Ended June 30, 2023**

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2023	FY 2022
REVENUES		
Program revenue: charges for service.....	\$ 110,431	\$ 106,066
Program revenue: operating grants.....	298,787	\$ 404,271
General revenue: taxes.....	55,959,242	\$ 55,296,757
General revenue: interest and other.....	84,404	\$ 28,567
Total revenues.....	56,452,864	55,835,661
EXPENDITURES		
General government.....	965,762	940,800
Health and social services.....	66,714	17,951
Education.....	1,622	1,513
Employment and economic development.....	5,000	5,000
Public protection and justice.....	2,324	2,310
Intergovernmental.....	10,484,424	10,098,416
Debt services - principle and interest.....	2,208	77
Capital outlays.....	5,166	4,186
Capital lease and installment purchases.....	(1,354)	(114)
Total expenditures.....	11,531,866	11,070,139
OTHER SOURCES (USES)		
Appropriations from State resources.....	437,809	1,200,825
Transfers in.....	-	302,784
Transfers out.....	(302,128)	(616,007)
Receipts collected & transmitted to the State treasury.....	(42,270,539)	(42,388,771)
Lapsed appropriations.....	(49,319)	(959,496)
Amount of SAMS transfer in/out.....	(3,506,042)	(964,451)
Total other sources (uses).....	(45,690,219)	(43,425,116)
Net change in fund balance.....	(769,221)	1,340,406
Fund balance (deficit) July 1.....	426,366	(914,040)
Fund balance (deficit) June 30.....	\$ (342,855)	\$ 426,366
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)	June 30, 2023	June 30, 2022
ASSETS		
Cash and cash equivalents & investments.....	\$ 3,716,924	\$ 5,624,227
Taxes receivable, net.....	2,556,593	2,243,873
Intergovernmental and other receivables, net.....	28,746	27,283
Due from other State funds.....	7,934	1,807
Loans and notes receivables, long term.....	32,922	33,597
Due from State of Illinois component units.....	467,216	423,130
Unexpended appropriations.....	3,800	6,003
Inventories.....	391	-
Total assets.....	6,814,526	8,359,920
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and other liabilities.....	465,597	387,503
Income tax refunds payable.....	2,553,390	2,160,000
Tax rebates payable.....	706	1,205,000
Intergovernmental payables.....	1,823,641	1,793,932
Obligations under securities lending of State Treasurer.....	86,260	86,809
Due to other fiduciary funds - Department and State.....	50,277	50,491
Due to other State funds.....	458,960	267,725
Due to other State of Illinois component units.....	32,566	41,941
Unearned revenue.....	1,301,311	1,560,899
Unavailable revenue.....	384,673	379,254
Total liabilities and deferred inflows of resources.....	7,157,381	7,933,554
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	(342,855)	426,366
Total liabilities, deferred inflows of resources and fund balance (deficit).....	\$ 6,814,526	\$ 8,359,920
AGENCY DIRECTOR		
During Audit Period and Currently: David Harris		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROL OVER SERVICE PROVIDERS

The Department of Revenue (Department) had not implemented adequate internal controls over its service providers.

We performed testing of four service providers identified by the Department. The Department utilized service providers for mail processing, lock box services, data entry and credit card payment processing.

Our testing noted the Department had not:

- Performed adequate independent reviews for two of four (50%) service providers
- Conducted an analysis to determine the impact of noted deviations within the SOC reports for one of four (25%) service providers.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) related to the Department's operations for two of four (50%) service providers.

Independent reviews over service providers not performed

Analysis of SOC report not performed

Monitoring and documentation of CUEC's was not performed

In addition, the department obtained a bridge letter for one (25%) service provider; however, the Department did not address the risk of relying on the bridge letter which covered nine months of the fiscal year. (Finding 1, pages 68-69)

Risk of relying on bridge letter was not addressed

We recommended the Department continue to strengthen its controls in assessing and monitoring all service providers. Further, we recommended the Department:

- Review SOC reports (or perform independent reviews) of internal controls associated with outsources systems at least annually.
- Conduct an analysis to determine the impact of the noted deviations within the SOC reports.
- Monitor and document the operation of the CUECs related to the Department's operations.
- Ensure no significant changes to the service provider's internal control when bridge letters are obtained for extended periods.

Department accepted the finding

The Department accepted the finding and stated they have implemented procedures to ensure there are controls in place to assess and monitor service providers.

AUDITOR'S OPINIONS

The auditors stated the financial statements of the Department as of and for the years ended June 30, 2023 are fairly stated in all material respects.

This financial audit was conducted by RSM US LLP.

JANE CLARK
Division Director

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

FRANK J. MAUTINO
Auditor General

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