

REPORT DIGEST

**DEPARTMENT OF REVENUE
FINANCIAL AND COMPLIANCE AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1993**

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

DEPARTMENT OF REVENUE
FINANCIAL AND COMPLIANCE AUDIT
For The Two Years Ended June 30, 1993

OPERATING STATISTICS	FY 1993	FY 1992
●Total Expenditures	<u>\$497,052,000</u>	<u>\$437,406,000</u>
<u>OPERATIONS TOTAL</u> % of Total Expenditures	\$122,821,000 24.7%	\$120,150,000 27.5%
Personal Services % of Operations Expenditures	\$79,424,000 64.7%	\$82,349,000 68.5%
Other Payroll Costs % of Operations Expenditures	\$14,261,000 11.6%	\$11,884,000 9.9%
Contractual Services % of Operations Expenditures	\$8,642,000 7.0%	\$6,777,000 5.6%
All Other Operations Items % of Operations Expenditures	\$20,494,000 16.7%	\$19,140,000 16.0%
<u>GRANTS TOTAL</u> % of Total Expenditures	\$345,431,000 69.5%	\$294,610,000 67.4%
<u>REFUNDS TOTAL</u> % of Total Expenditures	\$28,800,000 5.8%	\$22,646,000 5.1%
●Total Revenues	<u>\$15,712,400,000</u>	<u>\$14,522,800,000</u>
Income Taxes % of Total Revenues	\$6,517,800,000 41.5%	\$6,142,000,000 42.3%
Sales Taxes % of Total Revenues	\$6,275,100,000 39.6%	\$5,666,100,000 39.0%
Motor Fuel Taxes % of Total Revenues	\$1,164,400,000 7.4%	\$1,119,100,000 7.7%
Public Utilities Taxes % of Total Revenues	\$948,800,000 6.0%	\$942,100,000 6.5%
Other Collections % of Total Revenues	\$806,300,000 5.5%	\$653,500,000 4.5%
●PROPERTY AND EQUIPMENT	<u>\$24,869,000</u>	<u>\$26,690,000</u>
●NUMBER OF EMPLOYEES	2,423	2,497
●DEPARTMENT DIRECTORS During Audit Period: Mr. Douglas L. Whitley, and Mr. Sam McGaw Currently: Mr. Raymond T. Wagner, Jr.		

INTRODUCTION

Our audit of the Department of Revenue is presented in three volumes: the Compliance Audit; the Financial Statements; and, the Supplemental Financial Information. The Compliance Audit contains nine findings with our related recommendations.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

OVERPAYMENTS OF ROT TAXES TO MUNICIPAL HOME RULE UNITS

The Department made overpayments of Retailers' Occupation Taxes (ROT) to municipal home rule units. The overpayments totalled \$478,000 and were made to nine municipalities. The three largest overpayments were: \$245,000 to Peoria; \$86,000 to Aurora; and, \$55,000 to Joliet.

The Illinois Municipal Code, Article 8 - Finance, Division 11 - Certain Revenue Taxes (65 ILCS 5/8 - 11-1) specifies ROT assessments by the municipalities, and remittances of ROT collections by the Department. Our review of the November 1992 payments to municipalities which requested advance payments revealed overpayments to nine. The Department was not aware that the overpayments were made. The Department stated the overpayments resulted from errors in the computer programs used to calculate the November payments. (Finding 7, page 13)

We recommended the Department adjust the distributions of ROT collections to the municipalities by the amounts of the overpayments. We also recommended the Department revise the computer programs used to calculate the November ROT payments to the municipalities.

Department officials stated they have implemented our recommendation. The computer program has been corrected and additional verification controls have been implemented. The November 1993 distributions were reduced by the 1992 overpayments.

REQUIRED DOCUMENTATION NOT PROVIDED TO LOCAL LAW ENFORCEMENT AGENCIES

The Department is not complying with the Charitable Games Act in that they are not submitting to local police departments or sheriffs' offices listings of organizations authorized to conduct charitable games in their jurisdictions. None of the twenty-five Charitable Games License Files tested included notification to the county or municipal law enforcement agencies. The Charitable Games Licensing Area has delegated this duty to the licensees.

The Charitable Games Act (230 ILCS 30/8 (13)) requires the Department to provide county or municipal law enforcement agencies with a list of organizations licensed or subsequently authorized to conduct charitable games in their jurisdictions. Because the Department has delegated this responsibility to the licensed organizations, local law enforcement agencies may not be aware of the organizations authorized to conduct charitable games in their areas. (Finding 5, page 11)

We recommended the Department provide each county or municipal law enforcement agency with a list of organizations licensed or subsequently authorized to conduct charitable games in their jurisdiction.

Department officials stated they have implemented our recommendation. A current listing of Illinois police and sheriff departments was obtained from the State Police. The Department mailed notification letters in March 1994, and will repeat this procedure annually starting in August 1994.

BINGO AND JAR GAMES LICENSES ISSUED WITHOUT DOCUMENTATION THAT THE LICENSEES WERE REGISTERED CHARITABLE ORGANIZATIONS

The Department issued bingo, charitable games and pull tabs and jar games licenses without the applicants providing documentation that their organizations are registered as a charitable organization with the Office of the Attorney General. Ten out of seventy-five applications tested did not contain the required documentation.

The Illinois Administrative Code (86 IAC Chapter I, Section 430-110, 432-110 and 435-100) requires an organization applying for a new license or a late renewal of an existing license to submit documentation from the Office of the Attorney General that the solicitation and collection of funds are for a registered charitable organization. The Department is not complying with the requirements of the Illinois Administrative Code. (Finding 3, page 9)

We recommended the Department either not issue a license until receiving documentation from the Office of the Attorney General that the applicant is registered as a charitable organization, or amend the Illinois Administrative Code to no longer require an organization to submit proof it is a registered charitable organization.

Department officials stated they are amending the Illinois Administrative Code to remove the requirement that bingo and jar games licensees submit documents from the Office of the Attorney General noting they are registered charitable organizations.

OTHER FINDINGS

The remaining findings are of lesser significance and are being given attention by the Department. We will review the progress towards the implementation of our recommendations in our next compliance audit.

Mr. Raymond T. Wagner, Jr., Director of the Department, provided written responses to our findings and recommendations.

AUDITORS' OPINION

Our auditors stated the Department's financial statements at June 30, 1993 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:KMM:pp

SUMMARY OF AUDIT FINDINGS

<u>Number of This Audit</u>	<u>Prior Audit</u>
Findings	919
Repeated findings	26
Prior recommendations implemented or not repeated	1724

SPECIAL ASSISTANT AUDITORS

Clifton, Gunderson & Co. were our special assistant auditors for this audit.