



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, 2020**

Release Date: June 9, 2021

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2018		20-1	
Category 2:	1	1	2				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

This digest covers the Department of Revenue’s Financial Audit as of and for the year ended June 30, 2020. The Department’s Compliance Examination covering the two years ended June 30, 2020 will be issued in a separate report at a later date.

SYNOPSIS

- (20-01) The Department did not have adequate internal controls over access to GenTax.
- (20-02) The Department did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

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.

ILLINOIS DEPARTMENT OF REVENUE
FINANCIAL AUDIT
For the Year Ended June 30, 2020

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2020	FY 2019
REVENUES		
Program revenue: charges for service.....	\$ 99,784	\$ 113,898
Program revenue: operating grants.....	-	28
General revenue: taxes.....	40,648,262	40,418,781
General revenue: interest and other.....	72,663	52,047
Total revenues.....	<u>40,820,709</u>	<u>40,584,754</u>
EXPENDITURES		
General government.....	404,279	407,634
Health and social services.....	15,296	14,604
Education.....	1,523	1,683
Employment and economic development.....	5,000	5,000
Environment and business regulation.....	-	5,538
Public protection and justice.....	1,797	788
Intergovernmental.....	5,813,495	5,697,022
Capital outlays	8,336	10,586
Total expenditures.....	<u>6,249,726</u>	<u>6,142,855</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	206,646	207,196
Transfers in.....	-	654
Transfers out.....	(187,366)	(112,352)
Receipts collected & transmitted to the State treasury.....	(30,678,538)	(31,784,041)
Lapsed appropriations.....	(49,202)	(14,334)
Amount of SAMS transfer in/out.....	(2,526,499)	(2,280,693)
Total other sources (uses).....	<u>(33,234,959)</u>	<u>(33,983,570)</u>
Net change in fund balance.....	1,336,024	458,329
Fund balance (deficit) July 1, as restated.....	(459,379)	(900,832)
Fund balance (deficit) June 30.....	<u>\$ 876,645</u>	<u>\$ (442,503)</u>
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)		
	June 30, 2020	June 30, 2019
ASSETS		
Cash and cash equivalents & investments.....	\$ 1,879,665	\$ 2,166,654
Taxes receivable, net.....	3,754,258	1,858,248
Intergovernmental and other receivables, net.....	22,727	24,922
Due from other State funds.....	425,074	372,423
Loans and notes receivables, long term.....	36,687	37,569
Inventories.....	-	204
Unexpended appropriations.....	7,928	19,970
Total assets.....	<u>\$ 6,126,339</u>	<u>\$ 4,479,990</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and other liabilities.....	\$ 549,295	\$ 364,571
Income tax refunds payable.....	1,597,811	1,549,943
Intergovernmental payables.....	1,045,914	1,017,166
Unearned revenue.....	1,278,525	1,172,411
Due to other funds - Department and State.....	540,708	587,999
Unavailable revenue.....	237,441	230,403
Total liabilities and deferred inflows of resources.....	<u>5,249,694</u>	<u>4,922,493</u>
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	876,645	(442,503)
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 6,126,339</u>	<u>\$ 4,479,990</u>
AGENCY DIRECTOR		
During Audit Period and Currently: David Harris		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROLS OVER ACCESS TO GENTAX

Department unable to provide sufficient information regarding individuals hired and terminated

The Department of Revenue (Department) did not have adequate internal controls over documenting newly hired and/or terminated employees and thus could not demonstrate access to the enterprise tax system (GenTax) was limited to only appropriate personnel. During fiscal year 2020, GenTax processed over 12.3 million tax transactions and \$47.35 billion in payments from taxpayers for the Department.

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).

Although the populations provided to the auditors had limitations, we selected a sample of newly hired and terminated employees and performed testing over each individual's access to GenTax, and noted no exceptions. (Finding 1, pages 67-68)

We recommended the Department strengthen controls over the records maintained related to hiring and terminations.

Department agreed with recommendation

The Department agreed with the recommendation and stated the Department will implement a coordinated system between the two areas to ensure inconsistencies are identified in a timely manner, will incorporate the process into written procedures, and will explore ways to further automate the tracking process to eliminate any manual processes.

LACK OF CENSUS DATA RECONCILIATIONS

The Department did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data reconciliation not performed

During testing, we noted the Department had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System of Illinois (SERS) and the Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data. (Finding 2, pages 69-70)

Department agreed with recommendation.

We recommended the Department work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

The Department agreed with the recommendation and stated it will work with SERS and CMS to identify reports that can be used to reconcile records of Department current active employees with SERS and Group Insurance program members' records. Further, the Department stated the reconciliation process will be incorporated into written procedures.

We will review the Department's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINIONS

The auditors stated the financial statements of the Department as of and for the year ended June 30, 2020 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