

REPORT DIGEST

DEPARTMENT OF REVENUE FINANCIAL AUDIT FOR THE YEAR ENDED JUNE 30, 1995 AND COMPLIANCE AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1995

SYNOPSIS

- The Department lacked procedures to detect an unlicensed bingo operator who continued to run games for seventeen months after the operator's license expired.
- The Department did not properly review all alcoholic liquors forms filed by trucking companies. Some forms did not have all the required information.

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

DEPARTMENT OF REVENUE
FINANCIAL AND COMPLIANCE AUDIT
For The Period Ended June 30, 1995

OPERATING STATISTICS	FY 1995	FY 1994
●Total Expenditures	<u>\$711,009,000</u>	<u>\$607,881,000</u>
<u>OPERATIONS TOTAL</u>	\$139,773,000	\$133,814,000
% of Total Expenditures	20%	22%
Personal Services	\$89,953,000	\$85,324,000
% of Operations Expenditures	64%	64%
Other Payroll Costs	\$15,796,000	\$14,835,000
% of Operations Expenditures	11%	11%
Contractual Services	\$12,677,000	\$11,095,000
% of Operations Expenditures	9%	8%
All Other Operations Items	\$21,347,000	\$22,560,000
% of Operations Expenditures	16%	17%
<u>GRANTS TOTAL</u>	\$571,236,000	\$474,067,000
% of Total Expenditures	80%	78%
●Total Revenues	<u>\$17,972,733,000</u>	<u>\$16,880,620,000</u>
Income Taxes	\$7,526,768,000	\$6,889,323,000
% of Total Revenues	42%	41%
Sales Taxes	\$7,293,919,000	\$6,870,803,000
% of Total Revenues	41%	7%
Motor Fuel Taxes	\$1,140,574,000	\$1,101,019,000
% of Total Revenues	4%	7%
Public Utilities Taxes	\$746,074,000	\$778,602,000
% of Total Revenues	4%	5%
Other Collections	\$1,265,388,000	\$1,240,853,000
% of Total Revenues	7%	6%
●PROPERTY AND EQUIPMENT	<u>\$35,247,000</u>	<u>\$36,333,000</u>
●NUMBER OF EMPLOYEES	2,390	2,425
●DEPARTMENT DIRECTORS		
During Audit Period: Mr. Raymond T. Wagner, Jr. Currently: Mr. Ken Zehnder		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

UNLICENSED BINGO ACTIVITY

The Department lacked procedures to identify unlicensed bingo activities. A bingo operator's license expired in December 1993, but bingo continued until May 1995. The operator failed to file quarterly tax returns for paying the 5% tax on the gross proceeds of the bingo games. The organization providing the premises filed a return listing the operator, but the Department did not determine if the operator was submitting quarterly tax returns. The Department lost tax revenues of approximately \$10,000 in 1994 and \$12,500 in 1995. (Finding 3, page 11)

We recommended the Department strengthen procedures to ensure that all bingo providers and operators are properly licensed and have filed their tax returns.

The Department accepted our recommendation and is developing procedures to review premise providers' returns. The Department stated the operator is currently under criminal investigation for conducting illegal gambling.

INCOMPLETE ALCOHOLIC LIQUORS FORMS

Trucking companies must report the delivery of alcoholic liquors into the State to the Department. We noted problems in the Department's review and use of the carrier reports and related forms. Some carrier reports did not contain the addresses of the shipping manufacturers and the receiving distributors. The Department tracks the movement of alcoholic liquors by reconciling the carrier reports to the distributor liquor tax returns. Some distributor liquor tax returns did not contain current Illinois Liquor Control Commission liquor licenses. When notified, the Department contacted the Commission for the license numbers. (Finding 7, page 15)

We recommended the Department strengthen controls over the processing of alcoholic liquor forms to ensure that they are complete with all the required addresses and license numbers.

The Department accepted our recommendation and has begun to develop the necessary policies and procedures.

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. Ken Zehnder, 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, 1995 are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:KMM:pp

SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit

Findings 7 9

Repeated findings 0 2

Prior recommendations implemented
or not repeated 9 17

SPECIAL ASSISTANT AUDITORS

Pandolfi, Topolski, Weiss & Co., Ltd. were our special assistant auditors for this audit.