



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS INDEPENDENT TAX TRIBUNAL

Compliance Examination
 For the Two Years Ended June 30, 2023

Release Date: June 25, 2024

FINDINGS THIS AUDIT: 8	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2	0	2	2021		23-03, 23-06	
Category 2:	1	5	6	2019		23-05	
Category 3:	0	0	0	2015		23-01, 23-04	
TOTAL	3	5	8				
FINDINGS LAST AUDIT: 6							

SYNOPSIS

- (23-01) The Illinois Independent Tax Tribunal (Tribunal) did not handle filing fees received with incorrectly filed petitions in accordance with State laws and regulations.
- (23-03) The Tribunal had not implemented adequate internal controls over its service providers.
- (23-07) The Tribunal’s internal controls over its voucher processing function were not operating effectively during the examination period.

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.

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROL OVER FILING FEES

The Tribunal did not handle filing fees received with incorrectly filed petitions in accordance with State laws and regulations.

Tribunal returns checks received with an improper petition through the mail

During testing, we noted the Tribunal occasionally receives petitions that are incorrectly filed. The incorrectly filed petitions are either immediately dismissed or dismissed with the ability to amend and refile. In either scenario, the Tribunal returns the petitioner’s original \$500 check or money order to the taxpayer through the mail. The Tribunal’s records indicated this occurred 8 times during Fiscal Year 2022, totaling \$4,000, and 10 times during Fiscal Year 2023, totaling \$5,000.

We noted the following noncompliance related to this process:

Refunds were not processed through the voucher-warrant process

- The Tribunal did not process refunds, defined as repayments of fees paid in excess or in error to the State, through the standard voucher-warrant process.

Lacked appropriation authority to pay refunds

- The Tribunal did not have appropriation authority within the Illinois Independent Tax Tribunal Fund to pay refunds due to taxpayers in either Fiscal Year 2022 or Fiscal Year 2023. (Finding 1, pages 9-10)
This findings has been reported since 2015.

We recommended the Tribunal pay necessary refunds through the State’s voucher-warrant process and request an appropriation to pay refunds due. We also recommended, if the Tribunal continues to disagree with our position, the Tribunal should seek a formal opinion from the Office of the Attorney General or seek a legislative remedy.

Tribunal officials stated:

Tribunal Officials disagreed

We do not agree with the Special Assistant Auditors’ finding. The Tax Tribunal cannot deposit filing fee checks for petition filings that are legally deficient, or for filings completely misdirected to the Tax Tribunal, as those filings cannot legally be accepted under the Tax Tribunal statute. The Tax Tribunal has a written policy for when a filing is initially and immediately rejected for being deficient and not acceptable. If a filing cannot be accepted, any accompanying check is naturally not accepted as well and is immediately returned to the filer or destroyed with the filer’s permission. Any petition filing fee check not accepted is noted in the publicly available case order dismissing the case as well as in our internal docket

system and our internal monthly fee/deposits reconciliation spreadsheet and/or our archived email system.

Accountant's Comment

In an accountant's comment, we stated the issue within the finding is when a receipt is considered received under the State Officers and Employees Money Disposition Act as opposed to when the Tribunal can accept a petition given its limited jurisdiction under the Illinois Independent Tax Tribunal Act of 2012. Currently, the State Officers and Employees Money Disposition Act requires the Tribunal to deposit the entire remittance into the State Treasury.

If the Tribunal continues to disagree with our position, the Tribunal should seek a formal written opinion from the Attorney General or a legislative remedy as noted options in our recommendation.

LACK OF ADEQUATE CONTROLS OVER THE REVIEW OF INTERNAL CONTROLS FOR SERVICE PROVIDERS

The Tribunal had not implemented adequate internal controls over its service providers.

SOC reports internal control reviews conducted lacked documentation of assessment review over certain areas

In order to carry out its mission, the Tribunal utilized a service provider for hosting services and software as a service, which is the Department of Innovation and Technology (DoIT). During the current examination, we noted that the Tribunal obtained and reviewed the System and Organization Control (SOC) Reports of DoIT; however, they did not document an assessment of the impact of the deviations, subservice organizations, and complementary user entity controls to the Tribunal's operations. (Finding 3, pages 13-14)

We recommended the Tribunal:

- Monitor and document the operation of the Complementary User Entity Controls (CUECs) related to the Tribunal's operations.
- Review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impact to the Tribunal, and any compensating controls.

Tribunal officials stated:

Tribunal officials disagreed

We do not agree with the Special Assistant Auditors' finding. DoIT is our sole service provider. We do monitor DoIT's System and Organization Controls reports and will continue to monitor SOCs and any Complementary User Controls contained therein on an annual basis for any impact on our internal control environment and to determine whether any compensating controls should be put in place. The Director does document the annual SOC review with an email to the Chief Administrative Officer (CAO). The Auditor General has repeatedly found DoIT's internal controls to be deficient in its published reports. The Tax Tribunal is in no position to direct DoIT to implement any recommendations made to it by the Auditor General nor are there any compensating controls that were found necessary to implement at the Tax Tribunal level.

Accountant's Comment

In an accountant's comment, we stated the Director's annual SOC review over email did not document an assessment of the impact of the deviations, subservice organizations, and CUECs to the Tribunal's operations as noted in the finding. Further, the finding does not direct the Tribunal to hold position over DoIT, but to adequately document risk assessment of DoIT's internal controls deficiencies on the Tribunal's operations.

VOUCHER PROCESSING CONTROLS NOT OPERATING EFFECTIVELY

The Tribunal's internal controls over its voucher processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by DoIT, we were able to limit our voucher testing at the Tribunal to determine whether certain key attributes were properly entered by the Tribunal's staff into ERP. In order to determine the operating effectiveness of the Tribunal's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's Enterprise Resource Planning (ERP) based on supporting documentation.

Tribunal did not record actual date of voucher approval within ERP

During tested, it was noted the Tribunal does not enter actual invoice approval date into the ERP, but rather the approval date recorded in the ERP is the date the invoice was entered into the ERP. The Tribunal processed 72 and 49 vouchers during the Fiscal Year 2022 and 2023, respectively.

Due to this condition, we qualified our opinion because we determined the Tribunal had not complied, in all material

respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Given limitation noted above, analysis noted 52 of 121 (43%) of voucher were approved between 1 and 140 days late.

Even given the limitations noted above, we then conducted an analysis of the Tribunal's expenditures data for fiscal years 2022 and 2023 to determine compliance with the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70). We noted the Tribunal did not timely approve 52 of 121 (43%) vouchers processed during the examination period, totaling \$81,708. We noted these late vouchers were approved between 1 and 140 days late. (Finding 7, pages 22-23)

We recommended the Tribunal approve proper bills within 30 days of receipt and record actual approval date into the ERP.

Tribunal officials agreed

Tribunal officials agreed with the recommendations stating the vouchers and underlying source documentation were properly entered in QuickBooks. Tribunal officials further stated they will properly process vouchers through ERP going forward.

OTHER FINDINGS

The remaining findings pertain to census data reconciliation, failure to fully implement the Illinois Independent Tax Tribunal Act of 2012, weaknesses in cybersecurity programs, disaster recovery planning weaknesses, and receipt processing internal controls not operating effectively. We will review the Tribunal's progress towards the implementation of our recommendations in our next compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of the Tribunal for the two years ended June 30, 2023, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2023-007 and 2023-008. Except for the noncompliance described in those findings, the accountants stated the Tribunal complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by Roth & Co., 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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