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STATE OF ILLINOIS  
**DEPARTMENT OF REVENUE**

101 WEST JEFFERSON STREET  
SPRINGFIELD, ILLINOIS 62702

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**BRIAN A. HAMER**  
Director

**ROD R. BLAGOJEVICH**  
Governor

April 30, 2007

The Honorable William G. Holland  
Illinois Auditor General  
740 East Ash Street  
Springfield, Illinois 62703

Dear Auditor General Holland:

An evaluation of the internal fiscal and administrative controls of the Illinois Department of Revenue effective April 30, 2007, was performed in accordance with guidelines established by the Comptroller, in consultation with the Director of Central Management Services.

The objectives of the system of the internal and administrative controls of the Illinois Department of Revenue are to provide reasonable assurance that:

1. Resources are utilized efficiently, effectively, and in compliance with applicable law;
2. Obligations and costs are in compliance with applicable law;
3. Funds, property, other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation;
4. Revenues expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources; and
5. Funds held outside the State treasury are managed, used, and obtained in strict accordance with the terms of their enabling authorities and that no unauthorized funds exist.

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The concept of reasonable assurance recognizes that the cost of inherent control should not exceed the benefits anticipated, and that these benefits consist of reductions in the risk of failing to achieve the stated objectives. Estimates and judgments are required to assess the expected benefits and related costs of control procedures. Furthermore, errors or irregularities may occur and not be detected because of inherent limitations in any system of internal accounting and administrative control, including those limitations resulting from resource constraints, legislative restrictions, and other factors.

Finally, projection of any evaluation of the system to future periods is subject to the risk that procedures may be inadequate because of changes in conditions, or that the degree of compliance with the procedures may deteriorate. Nonetheless, I have taken the necessary measures to assure that the evaluation was conducted as required by the guidelines identified in the first paragraph.

Pursuant to the above referenced guidelines, we relied heavily on the audit work performed by your staff, the audit firm under contract with your office, the Internal Audit Office of the Illinois Department of Revenue, and the Illinois Office of Internal Audit. In addition, I have also requested administrators of major program areas in the department to conduct self-evaluations of the areas under their jurisdiction. (See attached report.)

The attached report itemizes the weaknesses noted as a result of the above process. This report identifies where the internal fiscal and administrative controls of the department have not fully complied with the requirements of the Act. Review results are reported by major program areas. For each area, Auditor General's findings are covered on Schedules A, internal audit recommendations/issues - on Schedules B, and additional problems identified by operating management - on Schedules C.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Brian Hamer". The signature is written in a cursive style with a large initial "B".

Brian Hamer  
Director of Revenue

Attachments