

McGladrey & Pullen

Certified Public Accountants

State of Illinois Department of Revenue

Compliance Examination
For the Year Ended June 30, 2005

Performed as Special Assistant Auditors
For the Auditor General, State of Illinois

State of Illinois
 Department of Revenue
 Compliance Examination

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A separate financial audit for the year ended June 30, 2005 has been issued under separate cover.

**State of Illinois
Department of Revenue
Compliance Examination**

**Agency Officials
For the Year Ended June 30, 2005**

Director	Brian A. Hamer	
Associate Director	Jodie Winnett	
Chief of Staff	Jennifer Ricker	09/07/04 – Current
	Scott Miller (Acting)	07/01/04 – 09/06/04
Chief Fiscal Officer	David Hunt	
Program Administrators:		
Administrative Services	Stephanie Arkin	
Account Processing	Scott Miller	07/01/04 - Current
Information Services	Curt Smith	
Tax Enforcement	August Yount	02/01/05 - Current
	David Bartholomew	07/01/04 – 01/03/05
Managers:		
Financial Control Bureau	Larry Lascody, Jr.	
Policy and Communications Office	Mike Klemens	
General Counsel	Mark Hellner	03/01/05 – Current
	Louise Calvert (Acting)	07/01/04 – 03/01/05

Agency offices are located at:

101 West Jefferson
Springfield, Illinois 62794

James R. Thompson Center
100 West Randolph, Suite 7-500
Chicago, Illinois 60601-3274



Illinois Department of Revenue

101 West Jefferson
Springfield, Illinois 62794-9015

December 19, 2005

McGladrey & Pullen, LLP
20 North Martingale Rd., Ste 500
Schaumburg, IL 60173-2420

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grants that could have a material effect on the operations of the State of Illinois, Department of Revenue (Department). We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Department's compliance with the following assertions during the year ended June 30, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, the Department has materially complied with the assertions below.

- A. The Department has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Respectfully,

Illinois Department of Revenue

Handwritten signature of Brian Harner in black ink.

Brian Harner, Director

Handwritten signature of David Hunt in black ink.

David Hunt, Fiscal Officer

Handwritten signature of Mark Hellner in black ink.

Mark Hellner, Legal Counsel

State of Illinois
Department of Revenue
Compliance Examination

Compliance Report Summary
For the Year Ended June 30, 2005

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Auditors' Report

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

Summary of Findings

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	1	13
Repeated findings	0	3
Prior recommendations implemented or not repeated	13	19

Details of findings are presented in a separately tabbed report section.

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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Prior Findings Not Repeated - Government Auditing Standards		
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05-4	11	Lack of Formal Accounting System for the Lottery Prizewinner's Fund
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State of Illinois
Department of Revenue
Compliance Examination

Compliance Report Summary
For the Year Ended June 30, 2005

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<u>Item No.</u>	<u>Page</u>	<u>Description</u>
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05-13	14	Credit Offset
05-14	14	Inappropriate Documentation of Personal Use of a State Vehicle

State of Illinois, Department of Revenue

Brian A. Hamer	Director
Stephanie Arkin	Program Administrator-Administrative Services
Jose Borjon	Audit Liaison
Lisa Crites	Lottery Legal Office
Dave Hunt	Chief Fiscal Officer
Mike Klemens	Manager-Policy/Communications
Larry Lascody	Manager-Financial Control Bureau
Scott Miller	Program Administrator- Account Processing
Ashish Patel	Lottery Business Manager
Curt Smith	Program Administrator-Information Services
Jody Winnett	Associate Director

Office of the Auditor General

Teresa Davis	Audit Manager
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McGladrey & Pullen, LLP

Joe Evans	Partner
Linda Abernethy	Director
Derek Brown	Manager

McGladrey & Pullen

Certified Public Accountants

Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Department of Revenue's (Department) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2005. The management of the Department is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Department's compliance based on our examination.

- A. The Department has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Department has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Department has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Department are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Department on behalf of the State or held in trust by the Department have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Department's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Department's compliance with specified requirements.

In our opinion, the Department complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2005. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as finding 05-1.

As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

Internal Control

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Department's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses.

As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department as of and for the year ended June 30, 2005, which collectively comprise the Department's basic financial statements, and have issued our report thereon dated December 19, 2005. The accompanying supplementary information, as listed in the table of contents as Supplementary Information for State Compliance Purposes, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Department. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the Department's basic financial statements for the years ended June 30, 2004 and June 30, 2003. In our reports dated December 1, 2004 and October 30, 2003 of prior reports on basic financial statements, we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Department. In our opinion, the 2004 and 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited" is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2004 and June 30, 2003, taken as a whole.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
December 19, 2005

McGladrey & Pullen

Certified Public Accountants

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the State of Illinois, Department of Revenue (Department), as of and for the year ended June 30, 2005, which collectively comprise the Department's basic financial statements, and have issued, under separate cover, our report thereon dated December 19, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain immaterial instances of internal control deficiencies, which we have reported to management of the Department in a separate letter dated December 19, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the Department in a separate letter dated December 19, 2005.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Department management, and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey & Pullen, LLP

Schaumburg, Illinois
December 19, 2005

**State of Illinois
Department of Revenue
Compliance Examination**

**Schedule of Findings
For the Year Ended June 30, 2005**

Current Findings – State Compliance

Finding 05-1 – Inadequate Controls Over Employee Timekeeping

The Department of Revenue (Department) did not have adequate controls over employee timekeeping.

During the engagement period, the Department had personnel policies in regard to timekeeping, but each division within the Department followed their own policies and procedures. However, these policies and procedures did not require all employees to maintain a daily timesheet which documented the time spent each day on official State business.

The State Officials and Employees Ethics Act (Act) (5 ILCS 430/5-5(c)) requires each State agency to develop a written policy that includes work time requirements and documentation of time worked. Additionally, the Act requires State employees to periodically submit timesheets documenting the time spent each day on official State business to the nearest quarter hour.

Department management stated they believed the current system of timekeeping was sufficient under the Act.

Not having a consistent written policy addressing timekeeping requirements and failing to periodically submit timesheets documenting the time spent each day on official State business is in noncompliance with State law and increases the potential that the State is paying for services that have not been performed. (Finding Code No. 05-1)

Recommendation

We recommend the Department comply with the State Officials and Employees Ethics Act by developing a consistent written policy regarding timekeeping requirements and requiring employees to submit timesheets recording time spent on official State business to the nearest quarter hour.

Department Response

The Department uses for all employees the state of Illinois timekeeping system that is administered by the Department of Central Management Services. In addition, the department utilizes a number of local systems throughout the agency that employees use on a daily basis to record their time on the job. We believed our current practice complied with State Law. However, the Department will institute a new policy that will require employees to submit timesheets recording time spent on official State business to the nearest quarter hour by April 30, 2006.

**State of Illinois
Department of Revenue
Compliance Examination**

**Schedule of Findings
For the Year Ended June 30, 2005**

Prior Findings Not Repeated – *Government Auditing Standards*

Finding 05 - 2 – Efficiency Initiative Payments

During the prior year examination, the Department of Revenue (Department) made payments for efficiency initiative billings from improper line item appropriations. The State Finance Act directs agencies to pay the savings amounts from line item appropriations where the cost savings are anticipated to occur. (30 ILCS 105/6p-5) The Department did not receive guidance with the billings detailing from which line item appropriations savings were anticipated to occur.

During the current year examination, payments made by the Department for efficiency billings from CMS appeared to be made from the appropriate line items. (Finding Code No. 04-1)

Finding 05 - 3 - Inadequate Segregation of Duties

During the prior year examination, the Department of Revenue (Department) had not adequately segregated duties for Lottery investments and Lottery cash receipts and disbursements of locally held funds.

The following functions relating to Lottery investments were all performed by the Lottery Division's Manager of Financial Accounting:

- Selecting and approving investment firms to solicit for securities
- Contacting investment firms for quotes
- Accepting quotes from investment firms to purchase securities
- Recording the acquisition of securities
- Tracking of security maturities
- Receiving statements from investment custodians
- Recording activity of matured securities
- Recording the disbursement of funds
- All accounting and bookkeeping relating to the investments of the Lottery Prizewinners Fund

During the current year examination, it was noted that the Lottery Division segregated the functions above to various other individuals within the Department. (Finding Code No. 04 – 2).

Finding 05 - 4 – Lack of Formal Accounting System for the Lottery Prizewinner's Fund

During the prior year examination, the Department of Revenue (Department) did not utilize an accounting software package for the Lottery Prizewinner's Fund and the current system lacked controls.

During the current year examination, the Department implemented new accounting procedures that provide certain internal controls over the Lottery's Prizewinners' Fund accounting. Further, procedures were established to address availability of data for review and analysis. (Finding Code No. 04 – 3).

**State of Illinois
Department of Revenue
Compliance Examination**

**Schedule of Findings
For the Year Ended June 30, 2005**

Prior Findings Not Repeated – *Government Auditing Standards* (Continued)

Finding 05 - 5 - Accounting System for the Lottery Operating Fund Lacks Sufficient Detail

During the prior year examination, the Department of Revenue's (Department) accounting system for the activity related to the Lottery Operating Fund did not contain sufficient data for efficient review and analysis.

During the current year examination, the Department implemented new accounting procedures that provide certain internal controls over the Lottery's Prizewinners' Fund accounting. Further, procedures were established to address availability of data for review and analysis. (Finding Code No. 04 – 4).

Finding 05 – 6 – Documentation Not Retained for Monthly Investment Activity

During the prior year examination, the Department of Revenue (Department) did not retain certain summarized information on monthly securities once the monthly activity summary was produced.

During the current year examination, the Department maintained documentation as required by the Department's document retention policy. Also, electronic downloads of activity were maintained outside of the Lottery Division with the Financial Control Bureau. (Finding Code No. 04 – 5).

Finding 05 - 7 - Inadequate Reconciliation of Amounts Owed to Prizewinners

During the prior year examination, the Department of Revenue (Department) did not perform a complete reconciliation of its investment portfolio to the total amount owed to Lottery Prizewinners.

During the current year examination, the Department developed reconciliation procedures that provide for two data sets to be reconciled as of June 30 each year. A reconciliation report was performed for fiscal year ended June 30, 2004 and June 30, 2005 and was finalized in September 2005. (Finding Code No. 04 – 6).

Finding 05 - 8 - Improper Monitoring of Major Contract

During the prior year examination, the Department of Revenue (Department) did not perform proper monitoring of a major contract with an outside vendor.

During the current year examination, the Department has implemented certain procedures to review the outside vendor invoices prior to authorizing payments. These procedures consist of seeking and obtaining prior approval for expenditure estimates and bid proposals where applicable. The Lottery Superintendent or Marketing Director sign off on invoices in order to assure that the expenditures are in line with the Lottery's advertising direction. The invoices then come to the Budget Office to assure funds are available and then are sent to the Financial Control Bureau whose staff judges the appropriateness and adequacy of support and documentation before affixing the Revenue Director's signature. In addition, the Department maintains documentation supporting invoices in Lottery as well as the Department's Financial Control Bureau. The Department requires reconciliations at the end of each project to ensure that payments are consistent with estimates and to ensure overpayment does not occur or is credited to the Lottery where appropriate. (Finding Code No. 04 – 7).

State of Illinois
Department of Revenue
Compliance Examination

Schedule of Findings
For the Year Ended June 30, 2005

Prior Findings Not Repeated – *Government Auditing Standards* (Continued)

Finding 05 - 9 - Inadequate Cash Reconciliation Procedures

During the prior year examination, the Department of Revenue (Department) did not have adequate cash reconciliation procedures in place for the main cash account used by the Lottery Division.

During the current year examination, the Department implemented new cash reconciliation procedures for reconciling items. Reconciling items appear to be addressed each month. (Finding Code No. 04 – 8).

Prior Findings Not Repeated – State Compliance

Finding 05 - 10 - Inappropriate Monitoring of the Prize Closet

During the prior year examination, the Lottery Division operated a “prize closet” containing electronics and other merchandise donated by broadcasting stations without maintaining proper documentation and accountability.

During the current year examination, the Department discontinued the prize closet and distributed remaining inventory items to the corresponding retail locations. (Finding Code No. 04 – 9).

Finding 05 - 11 - Information System Reconciliation Procedures

During the prior year examination, the Department had not implemented various automated reconciliation and cross-match procedures to ensure that information included in certain automated systems reconciles to other Department information system records or data available externally. Specifically, the Department was not entering necessary data to allow it to accurately verify certain tax information that is received from individual taxpayers or businesses; the Department has not performed a reconciliation or cross-match between certain tax information available internally to tax information available externally for individuals who only report wages on the individual's tax return or have not filed a tax return, but have received wages from an employer; and the Department has different tax systems for Withholding Income Tax (WIT employer level) and Individual Income Tax (IIT employee level), which prohibits the Department from performing a reconciliation and cross matching between the two systems.

During the current year examination, the Department captured certain information that is not being entered by the Department through other external sources. In addition, the Department performed a reconciliation between certain tax information available internally to tax information available externally and sent out letters to individuals who earned wages only but did not submit a tax return. The Department took action once responses were received. As a result of the reconciliation and the responses received, it was determined by the Department that it is not cost effective to send letters to individuals that earned wages only but did not submit a tax return because it does not generate any additional revenue. In regard to the two separate tax systems, the Department does utilize external information such as information obtained from the Internal Revenue Service and the Illinois Department of Employment Security to perform reconciliations against the Withholding Income Tax and the Individual Income Tax Systems. (Finding Code No. 04-10 and 03-2)

**State of Illinois
Department of Revenue
Compliance Examination**

**Schedule of Findings
For the Year Ended June 30, 2005**

Prior Findings Not Repeated – *State Compliance* (Continued)

Finding 05 - 12 - Inefficient Tracking of Cases/Taxpayer Correspondence

During the prior year examination, the Department did not have an efficient electronic system to track cases/taxpayer correspondence that the Department received and maintained.

During the current year examination, the Department developed and implemented the Tax Response Monitoring (TRM) system for the Department's larger divisions. The divisions that have full production of the TRM system are the Individual Processing Division, the Sales Tax Processing Division, and the Business Processing Division, which includes the Withholding Income Tax functions. Expansion to smaller divisions within the Department are to follow. (Finding Code No. 04-11 and 03-8)

Finding 05 - 13 - Credit Offset

During the prior year examination, the Department's Withholding Income Tax (WIT) System was not efficient in regard to liabilities that could be offset by credits. The WIT System allowed for individual accounts to be sent to the Illinois Collection System even though the individual accounts had outstanding credits on their account.

During the current year examination, the Department modified their WIT System to allow accounts that had a credit balance to offset any liabilities the account incurred. (Finding Code No. 04-12 and 03-10)

Finding 05 - 14 - Inappropriate Documentation of Personal Use of a State Vehicle

During the prior year examination, the Department of Revenue (Department) did not require or retain the proper documentation when a State vehicle was used for personal use. The Department also did not properly charge the fringe benefit to the employee.

During the current year examination, the Department did retain documentation when a State vehicle was used for personal use and the Department did charge fringe benefits to its employees. (Finding Code No. 04 – 13).

Supplementary Information for State Compliance Purposes

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Financial Schedules and Analysis:
 - Schedule of Expenditures of Federal Awards
 - Notes to the Schedule of Expenditures of Federal Awards
 - Schedules of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Continuing Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Non-Appropriated Expenditures
 - Schedule of Efficiency Initiative Payments
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts by Fund
 - Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Significant Account Balances
 - Analysis of Accounts Receivable

- Analysis of Operations:
 - General Operations
 - Agency Functions
 - Average Number of Employees
 - Emergency Purchases
 - Service Efforts and Accomplishments (Unaudited)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, except for that portion marked "Unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

State of Illinois
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Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005
(Expressed in Thousands)

Federal Grantor/Program Title	Federal CFDA Number	Project Number	Federal Expenditures
<u>U.S. Department of Transportation</u>			
Highway Planning and Construction	20.205	TCP-0001 (002)	<u>\$ 51</u>

**State of Illinois
Department of Revenue
Compliance Examination**

**Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2005**

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the State of Illinois, Department of Revenue that includes federal financial assistance received directly from federal agencies.

The Schedule of Expenditures of Federal Awards was prepared for State compliance purposes only. A separate single audit of the Illinois Department of Revenue was not conducted. A separate single audit of the entire State of Illinois (which includes the Illinois Department of Revenue) was performed and released under separate cover.

2. Basis of Presentation

The Schedule of Expenditures of Federal Awards was prepared in accordance with generally accepted accounting principles on the modified accrual basis of accounting as prescribed in pronouncements issued by the Governmental Accounting Standards Board.

3. Description of Federal Award Program

A. U.S. Department of Transportation

1. Highway Planning and Construction CFDA # 20.205 - This program is an international initiative designed to combat motor fuel tax evasion by conducting random inspections in cooperation with the State police, State transportation authority police and State local police departments.

State of Illinois
Department of Revenue

Schedule of Appropriations, Expenditures and Lapsed Balances
Appropriations for Year Ended June 30, 2005

	Appropriations (Net After Transfers)	Expenditures Through 06/30/05	Lapse Period Expenditures 07/01/05-08/31/05	Total Expenditures	Balances Reappropriated 07/01/05	Balances Lapsed
<u>Appropriated Funds per Public Act 93-0842</u>						
General Revenue - 001	\$ 130,096,611	\$ 117,981,374	\$ 7,084,103	\$ 125,065,477	\$ -	\$ 5,031,134
Motor Fuel Tax - 012	81,297,065	66,975,915	6,831,872	73,807,787	-	7,489,278
Transportation Regulatory - 018	1,000	1,000	-	1,000	-	-
Underground Storage Tank - 072	901,600	704,390	41,340	745,730	-	155,870
Illinois Gaming Law Enforcement - 085	2,740,017	1,222,013	1,328,545	2,550,558	-	189,459
State Gaming - 129	124,737,919	103,442,929	13,717,166	117,160,095	-	7,577,824
Home Rule Municipal ROT - 138	397,500	376,553	10,011	386,564	-	10,936
State and Local Sales Tax Reform - 186	39,733,400	35,416,440	3,522,260	38,938,700	-	794,700
RTA Occupation and Use Tax Replacement - 187	19,866,600	17,707,502	1,761,798	19,469,300	-	397,300
County Option Motor Fuel Tax - 190	586,000	521,973	29,304	551,277	-	34,723
Illinois Tax Increment - 281	19,135,296	14,222,170	4,522,837	18,745,007	-	390,289
Illinois Affordable Housing Trust - 286	52,750,000	35,071,569	10,999,391	46,070,960	-	6,679,040
Federal Home Investment Trust - 338	44,693,287	21,196,434	-	21,196,434	23,496,853	-
Tax Compliance and Administration - 384	1,982,600	1,749,297	189,265	1,938,562	-	44,038
Local Government Distributive - 515	100,074,700	84,891,251	13,181,709	98,072,960	-	2,001,740
Horse Racing - 632	7,240,286	6,361,348	616,141	6,977,489	-	262,797
State Lottery - 711	318,098,642	277,888,375	17,389,383	295,277,758	-	22,820,884
Municipal Telecommunications - 719	98,000	-	-	-	-	98,000
Tobacco Settlement Recovery - 733	1,164,500	1,092,381	3,119	1,095,500	-	69,000
Child Support Administrative - 757	2,039,900	1,785,231	82,246	1,867,477	-	172,423
Personal Property Tax Replacement - 802	8,594,686	7,775,416	575,181	8,350,597	-	244,089
Dram Shop Fund - 821	4,619,499	3,936,115	106,443	4,042,558	-	576,941
Senior Citizen Real Estate Deferred Tax - 930	5,500,000	4,942,981	26,631	4,969,612	-	530,388
Total Appropriated Funds	966,349,108	805,262,657	82,018,745	887,281,402	23,496,853	55,570,853

State of Illinois
Department of Revenue

Schedule of Appropriations, Expenditures and Lapsed Balances (Continued)
Appropriations for Year Ended June 30, 2005

	Appropriations (Net After Transfers)	Expenditures Through 06/30/05	Lapse Period Expenditures 07/01/05-08/31/05	Total Expenditures	Balances Reappropriated 07/01/05	Balances Lapsed
<u>Continuing Appropriated Funds</u>						
Income Tax Refund - 278	\$ 1,410,277,491	\$ 1,410,277,491	\$ -	\$ 1,410,277,491	\$ -	\$ -
Local Government Distributive - 515	900,931,011	900,931,011	-	900,931,011	-	-
Personal Property Tax Replacement - 802	992,147,803	992,147,803	-	992,147,803	-	-
Total Continuing Appropriated Funds	3,303,356,305	3,303,356,305	-	3,303,356,305	-	-
Total Fiscal Year 2005	\$ 4,269,705,413	\$ 4,108,618,962	\$ 82,018,745	\$ 4,190,637,707	\$ 23,496,853	\$ 55,570,853
<u>Non-Appropriated Funds</u>						
County Water Commission Tax - 084	N/A	\$ 33,589,611	\$ -	\$ 33,589,611	N/A	N/A
Non-Home Rule Municipal ROT - 088	N/A	22,684,647	-	22,684,647	N/A	N/A
Home Rule Municipal Soft Drink ROT - 097	N/A	8,055,230	-	8,055,230	N/A	N/A
Home Rule Municipal ROT - 138	N/A	561,804,252	-	561,804,252	N/A	N/A
Home Rule County ROT - 139	N/A	292,594,525	-	292,594,525	N/A	N/A
County and Mass Transit District - 188	N/A	194,035,844	-	194,035,844	N/A	N/A
Local Government Tax - 189	N/A	1,473,810,786	-	1,473,810,786	N/A	N/A
County Option Motor Fuel Tax - 190	N/A	30,344,002	-	30,344,002	N/A	N/A
County Public Safety ROT - 219	N/A	60,620,323	-	60,620,323	N/A	N/A
Sports Facility Tax Trust - 229	N/A	26,335,535	-	26,335,535	N/A	N/A
Racing Board Fingerprint License - 248	N/A	-	-	-	N/A	N/A
Illinois Racing Board Charity - 271	N/A	750,000	-	750,000	N/A	N/A
Illinois Racing Board Grant - 280	N/A	417,866	87,276	505,142	N/A	N/A
Illinois Tourism Tax - 452	N/A	12,601,949	-	12,601,949	N/A	N/A
Tax Suspense Trust - 583	N/A	1,743,168	(706)	1,742,462	N/A	N/A

State of Illinois
 Department of Revenue

Schedule of Appropriations, Expenditures and Lapsed Balances (Continued)
 Appropriations for Year Ended June 30, 2005

	Appropriations (Net After Transfers)	Expenditures Through 06/30/05	Lapse Period Expenditures 07/01/05-08/31/05	Total Expenditures	Balances Reappropriated 07/01/05	Balances Lapsed
<u>Non-Appropriated Funds - Continued</u>						
Metro East Park and Recreation - 717	N/A	\$ 3,894,725	\$ -	\$ 3,894,725	N/A	N/A
Municipal Telecommunications - 719	N/A	272,108,620	-	272,108,620	N/A	N/A
RTA Public Transportation Tax - 741	N/A	-	-	-	N/A	N/A
RTA Sales Tax Trust - 812	N/A	662,236,438	-	662,236,438	N/A	N/A
Metro East Mass Transit District Tax - 841	N/A	26,051,028	-	26,051,028	N/A	N/A
Tennessee Valley Authority Local Trust - 861	N/A	199,636	-	199,636	N/A	N/A
Municipal Automobile Renting Tax - 868	N/A	4,950,855	-	4,950,855	N/A	N/A
County Automobile Renting Tax - 869	N/A	34,987	-	34,987	N/A	N/A
County Vehicle Replacement - 916	N/A	-	-	-	N/A	N/A
Replacement Vehicle Tax Municipal Trust - 917	N/A	62	-	62	N/A	N/A
Treasurer Court Ordered Escrow - 932	N/A	-	-	-	N/A	N/A
Deferred Lottery Prize Winners - 978	N/A	209,587,206	1,906	209,589,112	N/A	N/A
Total Non-Appropriated Funds		3,898,451,295	88,476	3,898,539,771		
Grand Total		\$ 8,007,070,257	\$ 82,107,221	\$ 8,089,177,478		

Note: Appropriations, expenditures and lapsed balances were obtained from Department records and have been reconciled to records of the State Comptroller.

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Total All Appropriated Funds		
Appropriations (Net After Transfers)	\$ 966,349,108	\$ 1,134,434,571
<u>Expenditures</u>		
Personal Services	109,547,325	117,593,022
Employee Retirement Contributions		
Paid by Employer	780,172	3,178,666
State Contributions to State Employees'		
Retirement System	17,347,125	12,426,634
State Contributions to Social Security	7,679,544	8,215,513
Group Insurance	8,199,954	7,716,321
Contractual Services	37,783,359	41,266,800
Travel	2,525,903	2,327,187
Commodities	579,406	1,167,503
Printing	1,030,154	1,298,798
Equipment	429,226	458,394
Electronic Data Processing	8,609,012	9,970,116
Telecommunications Services	11,655,805	11,856,683
Operation of Automotive Equipment	534,698	470,836
Lump Sums	19,597,620	15,584,778
Awards and Grants	641,713,401	731,798,260
Refunds	19,268,698	34,761,010
Total Expenditures	887,281,402	1,000,090,521
Balances Reappropriated	23,496,853	27,788,086
Lapsed Balances	\$ 55,570,853	\$ 106,555,964

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
Total - All Appropriated Funds		
Appropriations (Net After Transfers)	\$ 966,349,108	\$ 1,134,434,571
<u>Expenditures</u>		
General Revenue - 001	125,065,477	158,825,559
Motor Fuel Tax - 012	73,807,787	85,030,692
Transportation Regulatory - 018	1,000	88,200
Underground Storage Tank - 072	745,730	684,070
Illinois Gaming Law Enforcement - 085	2,550,558	2,587,753
State Gaming - 129	117,160,095	112,243,576
Home Rule Municipal ROT - 138	386,564	367,578
State and Local Sales Tax Reform - 186	38,938,700	39,200,000
RTA Occupation and Use Tax Replacement - 187	19,469,300	19,600,000
County Option Motor Fuel Tax - 190	551,277	516,270
Illinois Tax Increment - 281	18,745,007	18,151,684
Illinois Affordable Housing Trust - 286	46,070,960	42,137,908
Federal Home Investment Trust - 338	21,196,434	18,181,379
Tax Compliance and Administration - 384	1,938,562	1,930,336
Local Government Distributive - 515	98,072,960	95,325,416
Horse Racing - 632	6,977,489	6,625,593
State Lottery - 711	295,277,758	296,926,332
Municipal Telecommunications - 719	-	-
Tobacco Settlement Recovery - 733	1,095,500	83,075,806
Child Support Administrative - 757	1,867,477	1,837,656
Personal Property Tax Replacement - 802	8,350,597	8,178,541
Dram Shop - 821	4,042,558	4,033,837
Senior Citizen Real Estate Deferred Tax - 930	4,969,612	4,542,335
Total Expenditures	887,281,402	1,000,090,521
Balances Reappropriated	23,496,853	27,788,086
Lapsed Balances	\$ 55,570,853	\$ 106,555,964

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
Total - All Continuing Appropriated Funds		
Appropriations (Net After Transfers)	\$ 3,303,356,305	\$ 3,300,370,197
<u>Expenditures</u>		
Income Tax Refund - 278	1,410,277,491	1,711,164,880
Local Government Distributive - 515	900,931,011	742,230,723
Personal Property Tax Replacement - 802	992,147,803	846,974,594
Total Expenditures	3,303,356,305	3,300,370,197
Total - All Non-Appropriated Funds		
<u>Expenditures</u>		
County Water Commission Tax - 084	33,589,611	31,901,758
Non-Home Rule Municipal ROT - 088	22,684,647	13,813,058
Home Rule Municipal Soft Drink ROT - 097	8,055,230	8,053,459
Home Rule Municipal ROT - 138	561,804,252	489,311,903
Home Rule County ROT - 139	292,594,525	281,493,073
County and Mass Transit District - 188	194,035,844	183,486,450
Local Government Tax - 189	1,473,810,786	1,411,655,941
County Option Motor Fuel Tax - 190	30,344,002	28,697,546
County Public Safety ROT - 219	60,620,323	48,163,512
Sports Facility Tax Trust - 229	26,335,535	25,097,928
Racing Board Fingerprint License - 248	-	108,406
Illinois Racing Board Charity - 271	750,000	750,000
Illinois Racing Board Grant - 280	505,142	582,490
Illinois Tourism Tax - 452	12,601,949	11,957,552
Tax Suspense Trust - 583	1,742,462	296,860
Metro East Park and Recreation - 717	3,894,725	3,709,546
Municipal Telecommunications - 719	272,108,620	243,270,080
RTA Public Transportation Tax - 741	-	-
RTA Sales Tax Trust - 812	662,236,438	644,965,991
Metro East Mass Transit District Tax - 841	26,051,028	24,915,108
Tennessee Valley Authority Local Trust - 861	199,636	190,194
Municipal Automobile Renting Tax - 868	4,950,855	5,147,960
County Automobile Renting Tax - 869	34,987	28,204
County Vehicle Replacement - 916	-	100
Replacement Vehicle Tax Municipal Trust - 917	62	12,969

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
Total - All Non-Appropriated Funds (Continued)		
<u>Expenditures (Continued)</u>		
Deferred Lottery Prize Winners - 978	\$ 209,589,112	\$ 197,593,090
	<u>\$ 3,898,539,771</u>	<u>\$ 3,655,203,178</u>
Grand Total Expenditures - All Funds	<u>\$ 8,089,177,478</u>	<u>\$ 7,955,663,896</u>
General Revenue - 001 State Comptroller		
Officer's Salaries		
<u>Expenditures</u>		
Department of Revenue:		
Director	\$ 120,900	\$ 120,900
Assistant Director	-	-
Liquor Control Commission:		
Chairman	33,056	33,067
Members (6 total)	151,556	150,605
Secretary	31,912	31,912
Illinois Racing Board:		
Members (11 total)	28,800	24,900
Total Expenditures	<u>\$ 366,224</u>	<u>\$ 361,384</u>

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
General Revenue (001)		
Appropriations (Net After Transfers)	\$ 130,096,611	\$ 172,284,696
<u>Expenditures</u>		
Personal Services	74,080,576	77,551,996
Employee Retirement Contributions		
Paid by Employer	82,069	2,151,412
State Contributions to State Employees'		
Retirement System	11,662,735	7,048,847
State Contributions to Social Security	5,224,768	5,483,230
Contractual Services	5,199,705	7,876,349
Travel	1,126,154	944,462
Commodities	421,842	519,216
Printing	781,378	790,092
Equipment	18,079	60,247
Electronic Data Processing	3,065,148	3,657,912
Telecommunications Services	2,344,668	1,977,448
Operation of Automotive Equipment	37,346	24,502
Lump Sums	-	2,000,000
Awards and Grants	16,491,309	31,992,529
Refunds	4,529,700	16,747,317
Total Expenditures	125,065,477	158,825,559
Balances Reappropriated	-	-
Lapsed Balances	\$ 5,031,134	\$ 13,459,137

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Motor Fuel Tax (012)		
Appropriations (Net After Transfers)	\$ 81,297,065	\$ 96,291,348
<u>Expenditures</u>		
Personal Services	12,288,743	12,921,974
Employee Retirement Contributions		
Paid by Employer	234,421	368,101
State Contributions to State Employees' Retirement System	1,957,542	1,731,573
State Contributions to Social Security	904,211	903,380
Group Insurance	2,646,526	2,499,296
Contractual Services	843,761	1,386,332
Travel	931,674	895,522
Commodities	53,576	88,917
Printing	145,234	384,551
Equipment	36,384	23,568
Electronic Data Processing	1,596,998	1,666,146
Telecommunications Services	349,879	89,868
Operation of Automotive Equipment	25,400	14,093
Lump Sums	71,000	-
Awards and Grants	36,999,998	44,067,840
Refunds	14,722,440	17,989,531
Total Expenditures	73,807,787	85,030,692
Balances Reappropriated	-	-
Lapsed Balances	\$ 7,489,278	\$ 11,260,656

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Transportation Regulatory (018)		
Appropriations (Net After Transfers)	\$ 1,000	\$ 90,000
<u>Expenditures</u>		
Electronic Data Processing	1,000	88,200
Balances Reappropriated	-	-
Lapsed Balances	\$ -	\$ 1,800

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Underground Storage Tank (072)		
Appropriations (Net After Transfers)	\$ 901,600	\$ 888,500
<u>Expenditures</u>		
Personal Services	455,471	445,724
Employee Retirement Contributions		
Paid by Employer	12,531	18,094
State Contributions to State Employees' Retirement System	73,370	60,927
State Contributions to Social Security	33,963	32,663
Group Insurance	121,372	94,200
Travel	14,447	14,443
Commodities	1,300	274
Printing	1,176	974
Electronic Data Processing	6,800	6,500
Telecommunications Services	25,300	10,271
Total Expenditures	745,730	684,070
Balances Reappropriated	-	-
Lapsed Balances	\$ 155,870	\$ 204,430

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
Illinois Gaming Law Enforcement (085)		
Appropriations (Net After Transfers)	\$ 2,740,017	\$ 2,848,600
<u>Expenditures</u>		
Personal Services	720,472	740,560
Employee Retirement Contributions		
Paid by Employer	14,493	21,422
State Contributions to State Employees'		
Retirement System	114,855	99,615
State Contributions to Social Security	48,518	47,503
Group Insurance	155,481	147,294
Contractual Services	3,214	1,420
Travel	26,384	25,611
Commodities	1,877	3,466
Printing	1,432	3,888
Electronic Data Processing	151,493	173,000
Telecommunications Services	10,497	10,276
Operation of Automotive Equipment	18,571	16,882
Awards and Grants	1,283,271	1,296,816
Total Expenditures	2,550,558	2,587,753
Balances Reappropriated	-	-
Lapsed Balances	\$ 189,459	\$ 260,847

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
State Gaming (129)		
Appropriations (Net After Transfers)	\$ 124,737,919	\$ 124,364,640
<u>Expenditures</u>		
Personal Services	4,760,524	5,016,398
Employee Retirement Contributions		
Paid by Employer	102,895	126,579
State Contributions to State Employees' Retirement System	763,125	674,443
State Contributions to Social Security	186,545	205,496
Group Insurance	879,635	720,379
Contractual Services	6,794,913	6,386,236
Travel	54,584	45,210
Commodities	20,761	14,427
Printing	3,916	5,235
Equipment	29,802	13,183
Electronic Data Processing	23,162	75,763
Telecommunications Services	619,813	349,400
Operation of Automotive Equipment	43,062	51,915
Awards and Grants	102,877,358	98,558,912
 Total Expenditures	 117,160,095	 112,243,576
Balances Reappropriated	-	-
Lapsed Balances	\$ 7,577,824	\$ 12,121,064

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Home Rule Municipal ROT (138)		
Appropriations (Net After Transfers)	\$ 397,500	\$ 385,000
<u>Expenditures</u>		
Personal Services	151,231	142,427
Employee Retirement Contributions		
Paid by Employer	4,571	5,789
State Contributions to State Employees' Retirement System	24,361	19,526
State Contributions to Social Security	11,236	10,493
Group Insurance	31,691	24,683
Travel	27,474	27,411
Electronic Data Processing	132,300	133,600
Telecommunications Services	3,700	3,649
Total Expenditures	386,564	367,578
Balances Reappropriated	-	-
Lapsed Balances	\$ 10,936	\$ 17,422

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
State and Local Sales Tax Reform (186)		
Appropriations (Net After Transfers)	\$ 39,733,400	\$ 39,200,000
<u>Expenditures</u>		
Awards and Grants	38,938,700	39,200,000
Balances Reappropriated	-	-
Lapsed Balances	\$ 794,700	\$ -
RTA Occupation and Use Tax Replacement (187)		
Appropriations (Net After Transfers)	\$ 19,866,600	\$ 19,600,000
<u>Expenditures</u>		
Awards and Grants	19,469,300	19,600,000
Balances Reappropriated	-	-
Lapsed Balances	\$ 397,300	\$ -

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
County Option Motor Fuel Tax (190)		
Appropriations (Net After Transfers)	\$ 586,000	\$ 573,000
<u>Expenditures</u>		
Personal Services	325,053	318,083
Employee Retirement Contributions		
Paid by Employer	9,636	13,099
State Contributions to State Employees' Retirement System	51,584	43,632
State Contributions to Social Security	24,310	23,622
Group Insurance	81,995	61,733
Travel	14,599	12,604
Commodities	2,301	2,356
Electronic Data Processing	18,000	28,300
Telecommunications Services	23,799	12,841
Total Expenditures	551,277	516,270
Balances Reappropriated	-	-
Lapsed Balances	\$ 34,723	\$ 56,730

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Illinois Tax Increment (281)		
Appropriations (Net After Transfers)	\$ 19,135,296	\$ 19,543,200
<u>Expenditures</u>		
Personal Services	179,545	174,758
Employee Retirement Contributions		
Paid by Employer	2,223	3,267
State Contributions to State Employees' Retirement System	28,921	23,705
State Contributions to Social Security	13,311	12,781
Group Insurance	46,615	39,346
Electronic Data Processing	211,896	252,600
Telecommunications Services	16,399	16,374
Awards and Grants	18,246,097	17,628,853
Total Expenditures	18,745,007	18,151,684
Balances Reappropriated	-	-
Lapsed Balances	\$ 390,289	\$ 1,391,516

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
Illinois Affordable Housing Trust (286)		
Appropriations (Net After Transfers)	\$ 52,750,000	\$ 56,978,000
<u>Expenditures</u>		
Lump Sums	2,257,811	1,938,400
Awards and Grants	43,813,149	40,199,508
Total Expenditures	46,070,960	42,137,908
Balances Reappropriated	-	-
Lapsed Balances	\$ 6,679,040	\$ 14,840,092
Federal Home Investment Trust (338)		
Appropriations (Net After Transfers)	\$ 44,693,287	\$ 45,969,465
<u>Expenditures</u>		
Awards and Grants	21,196,434	18,181,379
Balances Reappropriated	23,496,853	27,788,086
Lapsed Balances	\$ -	\$ -

**State of Illinois
Department of Revenue**

**Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004**

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Tax Compliance and Administration (384)		
Appropriations (Net After Transfers)	\$ 1,982,600	\$ 2,282,200
<u>Expenditures</u>		
Personal Services	304,763	313,246
Employee Retirement Contributions		
Paid by Employer	4,827	6,160
State Contributions to State Employees' Retirement System	46,767	42,101
State Contributions to Social Security	22,800	23,295
Group Insurance	72,583	65,500
Electronic Data Processing	103,696	103,006
Telecommunications Services	5,692	5,653
Lump Sums	1,377,434	1,371,375
Total Expenditures	1,938,562	1,930,336
Balances Reappropriated	-	-
Lapsed Balances	\$ 44,038	\$ 351,864
Local Government Distributive (515)		
Appropriations (Net After Transfers)	\$ 100,074,700	\$ 98,224,000
<u>Expenditures</u>		
Awards and Grants	98,072,960	95,325,416
Balances Reappropriated	-	-
Lapsed Balances	\$ 2,001,740	\$ 2,898,584

**State of Illinois
Department of Revenue**

**Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004**

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
Horse Racing Fund (632)		
Appropriations (Net After Transfers)	\$ 7,240,286	\$ 7,456,618
<u>Expenditures</u>		
Personal Services	894,479	3,835,158
Employee Retirement Contributions		
Paid by Employer	4,738	7,515
State Contributions to State Employees'		
Retirement System	144,389	519,258
State Contributions to Social Security	65,216	279,905
Group Insurance	167,957	661,192
Contractual Services	41,035	609,852
Travel	23,486	50,387
Commodities	4,331	445,226
Printing	1,078	12,475
Equipment	-	99,644
Electronic Data Processing	119,290	-
Telecommunications Services	87,703	87,634
Operation of Automotive Equipment	16,670	17,294
Lump Sums	5,406,620	-
Refunds	497	53
	<hr/>	<hr/>
Total Expenditures	6,977,489	6,625,593
	<hr/>	<hr/>
Balances Reappropriated	-	-
	<hr/>	<hr/>
Lapsed Balances	\$ 262,797	\$ 831,025
	<hr/> <hr/>	<hr/> <hr/>

**State of Illinois
Department of Revenue**

**Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004**

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
State Lottery (711)		
Appropriations (Net After Transfers)	\$ 318,098,642	\$ 339,022,104
<u>Expenditures</u>		
Personal Services	7,189,735	7,404,408
Employee Retirement Contributions		
Paid by Employer	120,541	173,293
State Contributions to State Employees'		
Retirement System	1,162,234	984,471
State Contributions to Social Security	535,174	540,759
Group Insurance	1,812,260	1,552,612
Contractual Services	24,663,318	24,625,879
Travel	54,622	70,304
Commodities	16,422	13,358
Printing	16,411	2,711
Equipment	157,757	225,142
Electronic Data Processing	2,767,892	3,252,995
Telecommunications Services	8,052,791	9,057,939
Operation of Automotive Equipment	322,573	294,556
Lump Sums	10,032,639	9,597,749
Awards and Grants	238,357,890	239,107,347
Refunds	15,499	22,809
 Total Expenditures	 295,277,758	 296,926,332
Balances Reappropriated	-	-
Lapsed Balances	\$ 22,820,884	\$ 42,095,772

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Municipal Telecommunications (719)		
Appropriations (Net After Transfers)	\$ 98,000	\$ 100,000
<u>Expenditures</u>		
Refunds	-	-
Balances Reappropriated	-	-
Lapsed Balances	\$ 98,000	\$ 100,000
Tobacco Settlement Recovery (733)		
Appropriations (Net After Transfers)	\$ 1,164,500	\$ 84,550,000
<u>Expenditures</u>		
Personal Services	-	475,390
Employee Retirement Contributions		
Paid by Employer	-	16,907
State Contributions to State Employees'		
Retirement System	-	63,895
State Contributions to Social Security	-	34,927
Group Insurance	-	117,823
Telecommunications Services	-	161,173
Lump Sums	98,177	108,366
Awards and Grants	997,323	82,097,325
Total Expenditures	1,095,500	83,075,806
Balances Reappropriated	-	-
Lapsed Balances	\$ 69,000	\$ 1,474,194

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Child Support Administrative (757)		
Appropriations (Net After Transfers)	\$ 2,039,900	\$ 2,194,700
<u>Expenditures</u>		
Personal Services	1,200,134	1,246,291
Employee Retirement Contributions		
Paid by Employer	28,031	46,481
State Contributions to State Employees' Retirement System	193,356	172,042
State Contributions to Social Security	88,736	98,519
Group Insurance	331,602	238,435
Travel	-	7,500
Equipment	4,600	-
Electronic Data Processing	6,800	6,600
Telecommunications Services	14,218	21,788
Total Expenditures	1,867,477	1,837,656
Balances Reappropriated	-	-
Lapsed Balances	\$ 172,423	\$ 357,044

**State of Illinois
Department of Revenue**

**Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004**

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Personal Property Tax Replacement (802)		
Appropriations (Net After Transfers)	\$ 8,594,686	\$ 8,737,900
<u>Expenditures</u>		
Personal Services	4,913,951	4,931,030
Employee Retirement Contributions		
Paid by Employer	119,934	160,753
State Contributions to State Employees' Retirement System	789,919	663,973
State Contributions to Social Security	364,842	364,837
Group Insurance	1,357,808	1,086,777
Contractual Services	79,367	158,564
Travel	145,350	137,590
Commodities	47,691	72,251
Printing	79,322	73,924
Equipment	20,161	19,031
Electronic Data Processing	367,490	475,920
Telecommunications Services	48,795	18,293
Operation of Automotive Equipment	15,967	15,598
 Total Expenditures	 8,350,597	 8,178,541
Balances Reappropriated	-	-
Lapsed Balances	\$ 244,089	\$ 559,359

State of Illinois
Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
	Public Act 93-0842	Public Act 93-0091
Dram Shop (821)		
Appropriations (Net After Transfers)	\$ 4,619,499	\$ 4,675,600
<u>Expenditures</u>		
Personal Services	2,082,650	2,075,579
Employee Retirement Contributions		
Paid by Employer	39,260	59,794
State Contributions to State Employees' Retirement System	333,969	278,626
State Contributions to Social Security	155,913	154,103
Group Insurance	494,427	407,051
Contractual Services	158,046	222,168
Travel	107,129	96,143
Commodities	9,305	8,012
Printing	207	24,948
Equipment	162,444	17,579
Electronic Data Processing	37,048	49,574
Telecommunications Services	52,551	34,076
Operation of Automotive Equipment	55,107	35,996
Lump Sums	353,939	568,888
Refunds	563	1,300
Total Expenditures	4,042,558	4,033,837
Balances Reappropriated	-	-
Lapsed Balances	\$ 576,941	\$ 641,763

State of Illinois
 Department of Revenue

Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005 Public Act 93-0842	2004 Public Act 93-0091
Senior Citizen Real Estate Deferred Tax (930)		
Appropriations (Net After Transfers)	\$ 5,500,000	\$ 8,175,000
<u>Expenditures</u>		
Awards and Grants	4,969,612	4,542,335
Balances Reappropriated	-	-
Lapsed Balances	\$ 530,388	\$ 3,632,665

State of Illinois
 Department of Revenue

Comparative Schedule of Continuing Appropriations, Expenditures and Lapsed Balances
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
All Funds		
Appropriations	\$ 3,303,356,305	\$ 3,300,370,197
<u>Expenditures</u>		
Awards and Grants	1,893,078,814	1,589,205,317
Refunds	1,410,277,491	1,711,164,880
Total Expenditures	3,303,356,305	3,300,370,197
Balances Reappropriated	-	-
Lapsed Balances	\$ -	\$ -
 Income Tax Refund (278)		
Appropriations	\$ 1,410,277,491	\$ 1,711,164,880
<u>Expenditures</u>		
Refunds	1,410,277,491	1,711,164,880
Balances Reappropriated	-	-
Lapsed Balances	\$ -	\$ -

State of Illinois
 Department of Revenue

Comparative Schedule of Continuing Appropriations, Expenditures and Lapsed Balances (Continued)
 Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
Local Government Distributive (515)		
Appropriations	\$ 900,931,011	\$ 742,230,723
<u>Expenditures</u>		
Awards and Grants	900,931,011	742,230,723
Balances Reappropriated	-	-
Lapsed Balances	\$ -	\$ -
Personal Property Tax Replacement (802)		
Appropriations	\$ 992,147,803	\$ 846,974,594
<u>Expenditures</u>		
Awards and Grants	992,147,803	846,974,594
Balances Reappropriated	-	-
Lapsed Balances	\$ -	\$ -

State of Illinois
Department of Revenue

Comparative Schedule of Non-Appropriated Expenditures
Years Ended June 30, 2005 and 2004

	Fiscal Year	
	2005	2004
Non-Appropriated Funds		
<u>Expenditures</u>		
County Water Commission Tax - 084	\$ 33,589,611	\$ 31,901,758
Non-Home Rule Municipal ROT - 088	22,684,647	13,813,058
Home Rule Municipal Soft Drink ROT - 097	8,055,230	8,053,459
Home Rule Municipal ROT - 138	561,804,252	489,311,903
Home Rule County ROT - 139	292,594,525	281,493,073
County and Mass Transit District - 188	194,035,844	183,486,450
Local Government Tax - 189	1,473,810,786	1,411,655,941
County Option Motor Fuel Tax - 190	30,344,002	28,697,546
County Public Safety ROT - 219	60,620,323	48,163,512
Sports Facility Tax Trust - 229	26,335,535	25,097,928
Racing Board Fingerprint License - 248	-	108,406
Illinois Racing Board Charity - 271	750,000	750,000
Illinois Racing Board Grant - 280	505,142	582,490
Illinois Tourism Tax - 452	12,601,949	11,957,552
Tax Suspense Trust - 583	1,742,462	296,860
Metro East Park and Recreation - 717	3,894,725	3,709,546
Municipal Telecommunications - 719	272,108,620	243,270,080
RTA Public Transportation Tax - 741	-	-
RTA Sales Tax Trust - 812	662,236,438	644,965,991
Metro East Mass Transit District Tax - 841	26,051,028	24,915,108
Tennessee Valley Authority Local Trust - 861	199,636	190,194
Municipal Automobile Renting Tax - 868	4,950,855	5,147,960
County Automobile Renting Tax - 869	34,987	28,204
County Vehicle Replacement - 916	-	100
Replacement Vehicle Tax Municipal Trust - 917	62	12,969
Deferred Lottery Prize Winners - 978	209,589,112	197,593,090
Total Expenditures	\$ 3,898,539,771	\$ 3,655,203,178

**State of Illinois
Department of Revenue**

**Schedule of Efficiency Initiative Payments
For the Year Ended June 30, 2005**

<u>Procurement Efficiency Initiative</u>	<u>Amount</u>
General Revenue Fund - 001	
Commodities	\$ 2,892
Electronic Data Processing	149,508
Telecommunications Services	206,736
State Gaming Fund - 129	
Telecommunications Services	2,349
Horse Racing Fund - 632	
Telecommunications Services	1,205
State Lottery Fund - 711	
Contractual Services	303,782
Telecommunications Services	205,093
Tobacco Settlement Recovery Fund - 733	
Lump Sums, Operations	5,000
Personal Property Replacement Tax Fund - 802	
Printing	50,266
Dram Shop Fund - 821	
Telecommunications Services	2,051
Lump Sums, Operations	15,000
	<hr/>
Total Procurement Efficiency Initiatives Payments	\$ 943,882
	<hr/>
Total Efficiency Initiative Payments	\$ 943,882
	<hr/> <hr/>

Note: This schedule includes only those payments made pursuant to 30 ILCS 105/6p-5. Amounts were obtained from the Department and reconciled to information from the Office of the Comptroller.

State of Illinois
Department of Revenue

Schedule of Changes in State Property (In Thousands)
Year Ended June 30, 2005

	<u>Equipment</u>
July 1, 2004 Balance	\$ 29,733
Additions	4,309
Deletions	0
Net Transfers	<u>(6,238)</u>
June 30, 2005 Balance	<u>\$ 27,804</u>

This schedule has been reconciled to property reports submitted to the Office of the Comptroller.

State of Illinois
Department of Revenue

Comparative Schedule of Cash Receipts by Fund
Years Ended June 30, 2005 and 2004

	2005	2004
Deposits into the State Treasury were designated as follows:		
General Funds:		
Common School Fund	\$ 418,901,708	\$ 513,338,728
General Revenue Fund	14,887,216,236	13,660,364,689
Common School Special Account Fund	1,648,673,041	1,580,484,986
Education Assistance Fund	668,035,888	599,559,872
Income Tax Refund Fund	1,525,217,335	1,714,897,377
Special State Funds:		
Build Illinois Fund	474,120,800	455,576,336
Coal Technology Development Assistance Fund	4,952,076	6,267,947
County and Mass Transit District Fund	312,754,207	298,444,783
Deferred Lottery Prize Winners Fund	229,101,634	196,023,479
Dram Shop Fund	6,241,792	6,141,347
Drycleaner Environmental Response Fund	2,415,223	2,264,613
Emergency Public Health Fund	3,961,741	2,689,133
Energy Efficiency Trust Fund	2,499,430	5,180,901
Fingerprint License Fund	118,829	110,280
Horse Racing Fund	11,632,212	12,007,050
Illinois Affordable Housing Trust Fund	53,486,272	43,078,589
Illinois Gaming Law Enforcement Fund	3,845,709	3,886,336
Illinois Racing - Quarterhorse Fund	21,653	32,738
Illinois Sports Facility Fund	28,000,000	28,000,000
Illinois Tax Increment Fund	18,905,998	18,124,058
International Tourism Fund	7,244,776	7,022,363
Local Government Tax Fund	1,477,865,201	1,404,730,228
Local Tourism Fund	12,879,602	12,484,200
Long Term Care Provider Fund	146,872,657	300,627,284
Mental Health Fund	1,859,379	2,104,552
Motor Fuel Tax Fund	1,363,846,517	1,346,428,928
Municipal Economic Development Fund	313,957	370,787
Natural Areas Acquisition Fund	16,045,882	12,923,577
Open Space Lands Acquisition and Development Fund	37,440,391	30,155,012
Personal Property Replacement Tax Fund	1,000,934,021	860,445,551
Public Utility Fund	11,081,924	15,918,354

**State of Illinois
Department of Revenue**

**Comparative Schedule of Cash Receipts by Fund
Years Ended June 30, 2005 and 2004**

	2005	2004
Deposits into the State Treasury were designated as follows (Continued):		
Special State Funds (Continued):		
Racing Board Charity Fund	\$ 733,687	\$ 1,128,339
Racing Board Grant Fund	504,061	588,621
Renewable Energy Resource Fund	4,952,076	6,267,947
School Infrastructure Fund	151,154,121	156,064,005
Senior Citizen Real Estate Deferred Tax Fund	3,827,612	3,691,795
State Gaming Fund	664,564,948	642,369,541
State and Local Sales Tax Reform Fund	188,043,781	209,935,650
State Lottery Fund	907,037,098	880,622,295
Supplemental Low Income Energy Assistance Fund	79,322,444	87,751,260
Tax Compliance and Administration Fund	1,580,819	11,654,175
Underground Storage Tank Fund	71,940,779	78,145,767
Used Tire Management Fund	13,023,896	12,285,115
State Trust Funds:		
County Auto Renting Tax Fund	56,481	54,554
County Option Motor Fuel Tax Fund	30,763,365	29,154,884
County Public Safety Fund	60,707,963	52,069,777
County Water Commission Tax Fund	34,638,822	33,103,999
Home Rule County Tax Fund	292,798,676	285,293,548
Home Rule Municipal Tax Fund	564,549,829	491,236,345
Home Rule Municipal Soft Drink Fund	7,953,432	8,191,656
Illinois Tourism Tax Fund	13,409,993	13,128,874
Metro-East Mass Transit Tax Fund	26,234,571	25,001,065
Metropolitan Pier and Exposition Fund	82,711,235	76,774,113
Municipal Auto Renting Tax Fund	5,166,192	5,303,925
Non-Home Rule Municipal Tax Fund	22,788,524	15,397,853
Petroleum Resources Revolving Fund	438,717	340,886
RTA Sales Tax Fund	550,838,533	536,930,832
Replacement Vehicle Tax Fund - County	-	51
Replacement Vehicle Tax Fund - Municipal	62	13,253
Sports Facility Tax Trust Fund	26,556,513	25,991,807
Tax Suspense Trust Fund	1,781,920	258,026
Tennessee Valley Authority Trust Fund	199,636	190,194
Metro East Park and Recreation Fund	3,925,526	3,725,030

State of Illinois
Department of Revenue

Comparative Schedule of Cash Receipts by Fund
Years Ended June 30, 2005 and 2004

	2005	2004
Deposits into the State Treasury were designated as follows (Continued):		
State Trust Funds (Continued):		
McCormick Place Expansion Fund	\$ 27,976,657	\$ 17,606,328
Municipal Telecommunications Fund	271,469,531	246,050,532
Monies paid under Protest:		
Income and Replacement Tax	54,414,535	94,277,307
Sales Tax	5,180,363	10,572,542
Liquor Tax	-	21,104,987
Total Deposits into the State Treasury	<u>\$ 28,547,732,489</u>	<u>\$ 27,221,960,956</u>

State of Illinois
Department of Revenue

Reconciliation of Cash Receipts to Deposits
Remitted to the State Comptroller
Years Ended June 30, 2005 and 2004

Receipts	2005	2004
Tax and fee collections, including assessments, penalties, and interest:		
Income: individual, corporate, and personal property replacement tax	\$ 11,521,782,565	\$ 10,667,655,795
Sales:		
State, municipal, county, county water commission, RTA, MED retailer's and service occupation tax	10,631,440,372	10,155,178,922
Public Utilities:		
Message, gas, electric	1,553,495,077	1,527,281,759
Invested Capital	176,296,985	178,460,313
Motor Fuel Tax	1,360,349,355	1,352,197,988
Other:		
Underground Storage Tank	74,353,736	73,776,513
Cigarette, Cigarette Use, and Other Tobacco Products	657,801,107	747,650,260
Racing Privilege	11,658,960	11,872,090
Hotel Operator and Occupation	234,593,350	222,433,379
Liquor	147,400,073	146,804,664
Vehicle Use	37,078,038	39,301,205
Real Estate Transfer	108,459,473	85,949,813
Bingo	3,914,028	4,445,419
Coin Operated Amusement Device	2,660,895	2,571,238
Automobile Renting	57,623,424	55,674,604
Replacement Vehicle	1,071	47,331
Charitable Games	292,523	188,297
Pharmaceutical Assistance	-	3,099,572
Pull Tabs and Jar Games	7,136,383	7,399,005

State of Illinois
Department of Revenue

Reconciliation of Cash Receipts to Deposits
Remitted to the State Comptroller - Continued
Years Ended June 30, 2005 and 2004

	2005	2004
Other (Continued):		
Riverboat Gambling	\$ 818,294,151	\$ 768,514,404
RTA Sales/Use	1,004	1,144
Petroleum Marketer's Assessment	455,752	345,056
Solid Waste	350,041	370,439
Lottery	1,136,150,632	1,076,890,538
Liquor Control Commission	12,261,225	11,709,973
Il. Racing Board	2,006,026	2,468,131
Miscellaneous Collections	6,225,396	4,484,344
Total Receipts	<u>28,562,081,642</u>	<u>27,146,772,196</u>
Unallocated Collections:		
Beginning of the year	(19,432,766)	(7,869,614)
End of year	14,876,159	19,432,766
Collections reported, but not yet deposited into clearing:		
Beginning of the year	144,555,425	155,220,782
End of year	(137,564,299)	(144,555,425)
Balances in State Treasurer's clearing account:		
Beginning of the year	114,834,603	167,794,854
End of year	<u>(131,618,275)</u>	<u>(114,834,603)</u>
Deposits into the State Treasury	<u>\$ 28,547,732,489</u>	<u>\$ 27,221,960,956</u>

**State of Illinois
Department of Revenue**

**Analysis of Significant Variations in Expenditures
For the Year Ended June 30, 2005**

Significant variations in expenditures are attributable to the following factors:

General Fund – 001:

This is primarily attributable to the transfer of the Circuit Breaker Pharmaceutical programmatic transfer to the Department of Aging (\$30.9M). The Department either reduced or transferred appropriations to CMS for various functional consolidations – Facility Management (\$1,153.0), IT (\$148.0) and Internal Audit (\$74.4).

Motor Fuel Tax Fund – 012:

This is primarily attributable to reduced expenditures in International Fuel Tax Agreement reimbursements to other states (\$7,067.8) and Motor Fuel Tax refunds (\$3,207.0). The Department either reduced or transferred appropriations to CMS for various functional consolidations – Internal Audit (\$80.2), Facility Management (\$54.3) and IT (\$107.3).

Federal Home Investment Trust Fund – 338:

This is primarily attributable to the increased amount of projects the Illinois Housing Development Authority had approved and funded in FY05.

Tobacco Settlement Recovery Fund – 733:

This is primarily attributable to the transfer of the Circuit Breaker Pharmaceutical Assistance program to the Department of Aging (\$83.4M).

Income Tax Refund Fund – 278:

This is primarily attributable to paying the backlog of business income tax refunds from FY04.

Local Government Distributive Fund – 515:

This is primarily attributable to the improving economy and the closure of income tax loopholes.

Personal Property Tax Replacement Fund – 802:

This is primarily attributable to the improving economy and the closure of income tax loopholes.

Non-Home Rule Municipal ROT Fund – 088:

This is primarily attributable to the 15 municipalities imposing this tax during FY05, and the improved economy.

**State of Illinois
Department of Revenue**

**Analysis of Significant Variations in Expenditures
For the Year Ended June 30, 2005**

County Public Safety ROT Fund – 219:

This is primarily attributable to the 19 municipalities imposing this tax during FY05, and the improved economy.

Tax Suspense Trust Fund – 583:

This is primarily attributable to paying tax amnesty overpayments.

State of Illinois
Department of Revenue

Analysis of Significant Variations in Receipts
Year Ended June 30, 2005

Number	Fund Name	Increase/(Decrease)		Explanation
		Amount	%	
412	Common School	\$ (94,437,020)	(18)	FY04 deposits into Fund 412 included \$126.1M from the Department's one-time Amnesty program.
925	Coal Technology	(1,315,871)	(21)	Deposit percentage of Gas and Electric collections went from 12.5% in FY04 to 11.1% in FY05.
978	Deferred Lottery Prize Winners	33,078,155	17	Increase is due to more grand prizes being won by lottery players.
240	Emergency Public Health	1,272,608	47	FY04 deposits include only 6 months. First deposit was in January 2004.
571	Energy Efficiency Trust	(2,681,471)	(52)	FY04 deposits include \$2.3M of FY03 money not deposited until FY04.
286	Illinois Affordable Housing Trust	10,407,683	24	Real Estate Tax collections increased \$22M in FY05. Fund 286 receives 50% of Real Estate Tax collections.
345	Long Term Care Provider	(153,754,627)	(51)	In July 04, an extra \$50M went into Funds 001 and 412, which would have been deposited into Fund 345. There is also the effect of EFT rules: FY04 collections include 06/04 postdated checks and 07/04 EFT payments. This is due to a change in the law effective 7/1/03 which required payments to be made by EFT and eliminated postdated checks.
298	Natural Areas Acquisition	3,122,305	24	Real Estate Tax collections increased \$22M in FY05. Fund 298 receives 15% of Real Estate Tax collections.
299	Open Space Lands Acquisition and Development	7,285,379	24	Real Estate Tax collections increased \$22M in FY05. Fund 299 receives 35% of Real Estate Tax collections.

State of Illinois
Department of Revenue

Analysis of Significant Variations in Receipts (Continued)
Year Ended June 30, 2005

Number	Fund Name	Increase/(Decrease)		Explanation
		Amount	%	
802	Personal Property Replacement Tax	\$ 140,488,470	16	Deposit percentage of Income Tax collections for Income Tax Refund Fund went from 32% in FY04 to 24% in FY05, leaving more money for deposit into Fund 802. In addition, Income Tax collections increased 8.73% in FY05.
059	Public Utility Fund	(4,836,430)	(30)	SB2206 provides that beginning July 1, 2004, of the funds received for Fund 059, \$416,667 per month shall be paid into General Revenue Fund with the remainder to be deposited into Fund 059.
564	Renewable Energy Resource	(1,315,871)	(21)	Deposit percentage of Gas and Electric collections went from 12.5% in FY04 to 11.1% in FY05.
384	Tax Compliance and Administration	(10,073,356)	(86)	FY04 deposits into Fund 384 included \$10M from the Department's one-time Amnesty program.
219	County Public Safety Fund	8,638,186	17	In FY05, the Department collected from more counties than in FY04.
088	Non-Home Rule Municipal Tax	7,390,671	48	Increased allocations to local governments resulted in increased deposits into Fund 088.
583	Tax Suspense Trust Fund	1,523,894	591	Increase due mainly to 2 large refunds to taxpayers: \$1,252,325 and \$189,565.
337	McCormick Place Expansion	10,370,329	59	Deposits of Retailers' Occupation Tax, Hotel and Auto Renting Tax into Fund 337 were not sufficient to meet MPEA bond indebtedness. The shortage is deposited into Fund 337 from State ROT.

State of Illinois
Department of Revenue

Analysis of Significant Lapse Period Spending
For the Year Ended June 30, 2005

	<u>Amount</u>	<u>% of Total Expenditures</u>
<u>Illinois Gaming Law Enforcement Fund – 085:</u>	\$1,328,545	52%
This is primarily due to catch-up payments on Charitable Games Distributions to local governments.		
<u>Illinois Tax Increment Fund (TIF) – 281:</u>	\$4,522,837	24%
This is primarily due to catch-up payment on June Tax Increment Fund allocation to local governments.		
<u>Illinois Affordable Housing Trust Fund – 286:</u>	\$10,999,391	24%
This is primarily due to real estate closing payments per conditional commitment letters.		

State of Illinois
Department of Revenue

Analysis of Significant Account Balances
June 30, 2005, 2004 and 2003

Cash Balances

A summary of cash collected and not deposited into the State Treasury, including unidentified remittances as of the end of the last three fiscal years is detailed below:

	June 30,		
	2005	2004	2003
Balance in State Treasurer's clearing account	\$ 131,618,275	\$ 114,834,605	\$ 167,794,854
Collections reported, but not yet deposited in clearing account	137,564,299	144,555,425	155,220,782
Cash collected and not deposited into the State Treasury	\$ 269,182,574	\$ 259,390,030	\$ 323,015,636

Cash collected and not deposited into the State Treasury, less returned checks received by the Treasurer, was deposited into the State Treasury during July of the respective years, except for unidentified remittances.

The overall decrease/increase in the amount of cash collected and not deposited into the State Treasury is caused by fluctuations in the processing time at both the Department of Revenue (Department) and at the State Treasurer's office and tax return due dates.

Collections reported, but not deposited in the clearing account, include the following amounts:

	June 30,		
	2005	2004	2003
Taxpayer remittances due on or before June 30 received and processed in June and deposited in July:			
ROT	\$ 85,325,368	\$ 83,429,580	\$ 78,907,864
Miscellaneous taxes	38,233,427	45,402,392	58,803,459
	123,558,795	128,831,972	137,711,323
Income tax collections received in June and deposited in July			
Collections - general remittances	14,005,504	15,723,453	17,509,459
Total	\$ 137,564,299	\$ 144,555,425	\$ 155,220,782

**State of Illinois
Department of Revenue**

**Analysis of Significant Account Balances - Continued
June 30, 2005, 2004 and 2003**

The Department uses a general remittance clearing account to process the following types of remittances:

1. Revenues collected by revenue auditors upon completion of a field audit. When the audit has been reviewed and approved, the money is transferred into the State Treasury.
2. Remittances which do not identify the purpose of the payments. Once the Department determines the purposes of the payment, the money is transferred into the State Treasury or the money is returned to the taxpayer through the Tax Suspense Trust Fund.

The Department does not recognize revenue for cash basis reporting on these receipts until the monies are transferred into the State Treasury.

A summary (unaudited) of activity in the general remittance clearing account for the years ended June 30, 2005, 2004 and 2003 follows:

	June 30,		
	2005	2004	2003
Balances at beginning of year	\$ 19,432,766	\$ 7,869,614	\$ 10,739,317
Collections deposited	15,284,636	37,357,916	48,362,780
	34,717,402	45,227,530	59,102,097
Deduct:			
Amounts transferred to tax processing units and recorded as revenue amounts	17,982,861	25,412,206	51,146,222
Amounts transferred to Tax Suspense Trust Fund	1,781,920	258,026	53,611
Amounts transferred to General Revenue Fund	76,462	124,532	32,650
	19,841,243	25,794,764	51,232,483
Balances at end of year	\$ 14,876,159	\$ 19,432,766	\$ 7,869,614

State of Illinois
Department of Revenue

Analysis of Significant Account Balances - Continued
June 30, 2005, 2004 and 2003

Tax Receipts

A summary of the changes in tax receipts between years follows:

	Increase (Decrease) in Tax Receipts (in Thousands)		
	2005	2004	2003
Income and Replacement Tax	\$ 854,127	\$ 917,806	\$ (164,790)
Sales Tax	476,261	444,394	94,864
Motor Fuel Tax	8,151	27,378	25,881
Public Utility Taxes	24,050	147,079	32,410
Other Taxes	52,634	1,301,290	288,312
	<hr/>		
Total	\$ 1,415,223	\$ 2,837,947	\$ 276,677

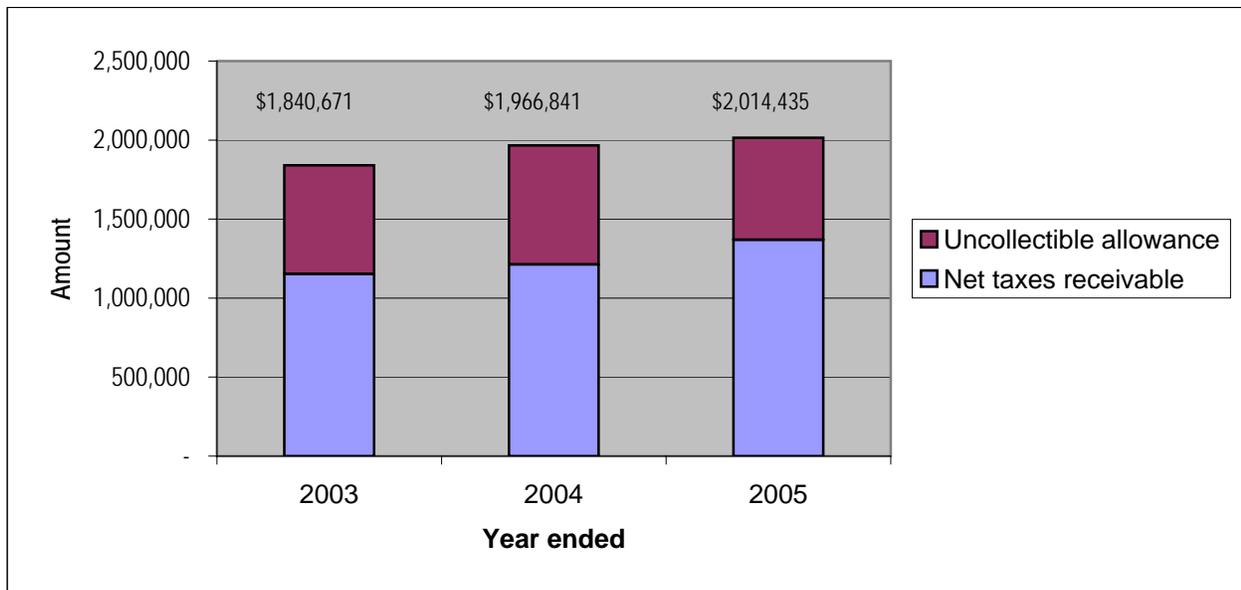
State of Illinois
Department of Revenue

Analysis of Accounts Receivable
June 30, 2005, 2004 and 2003

Analysis of Taxes Receivable
(In thousands)

	2003	2004	2005
Income	\$ 690,360	\$ 824,898	\$ 819,818
Sales	841,073	884,227	933,624
Motor Fuel	168,515	154,599	164,134
Public Utility	39,885	44,682	36,614
Other	100,838	58,435	60,245
Gross taxes receivable	1,840,671	1,966,841	2,014,435
Less: Uncollectible allowance	687,757	753,464	645,062
Net taxes receivable	\$ 1,152,914	\$ 1,213,377	\$ 1,369,373

Totals include fiduciary funds.



This graph represents receivables under generally accepted accounting principles ("GAAP"), including fiduciary funds.

**State of Illinois
Department of Revenue**

**Analysis of Accounts Receivable - Continued
June 30, 2005, 2004, and 2003**

Accounts Receivable

Receivables issued and collections on receivables applicable to all taxes in fiscal years 2003, 2004 and 2005 are summarized below (in thousands - **Unaudited**):

	New Receivables			Collections on A/R			Collections on A/R as a % of New Receivables		
	2003	2004	2005	2003	2004	2005	2003	2004	2005
ROT	\$ 363,437	\$ 550,757	\$ 503,607	\$ 239,391	\$ 338,814	\$ 339,886	65.87 %	61.52 %	67.49 %
IIT	326,820	339,438	381,759	230,505	228,468	263,465	70.53	67.31	69.01
BIT	215,006	244,300	281,787	118,822	147,053	170,810	55.26	60.19	60.62
WIT	288,307	330,512	239,164	93,808	91,034	80,281	32.54	27.54	33.57
Excise	221,406	238,807	111,824	37,129	42,144	36,077	16.77	17.65	32.26

Surety Bond Deposits

The Department of Revenue (Department) is custodian for surety bonds posted by taxpayers under the provisions of the following tax acts:

- Retailers' Occupation Tax
- Motor Fuel
- Cigarette and Cigarette Use
- Liquor
- Hotel Operator and Occupation Tax, and
- Bingo

Such deposits can be applied to a taxpayer's liability only upon the taxpayer's default, at which time deposits are recorded as tax revenue.

Effective January 1, 1987, taxpayers were no longer required to file a bond with the Department if they had continuously complied with all the provisions of the Tax Act for 24 or more consecutive months. Further, they would not have to furnish another bond for that tax as long as they remained in compliance with the tax law.

At June 30, 2005, the Department held securities totaling approximately \$1.4 million (\$84.6 million and \$96.3 million at June 30, 2004 and 2003, respectively) of which approximately \$0 million are in the form of third-party guarantees. The balance consists of taxpayer's certificates of deposit and corporate securities. These deposits and securities are held in safekeeping by the Department. Interest earned on these securities in safekeeping is paid to the taxpayer.

**State of Illinois
Department of Revenue**

**Analysis of Accounts Receivable - Continued
June 30, 2005, 2004, and 2003**

Taxes Paid Under Protest

Taxes paid under protest are received by the Department and are remitted to the State Treasurer who holds such monies in a special fund known as the "Protest Fund." The taxpayer making a payment under protest has 30 days to file a complaint in chancery court and secure a temporary injunction. If an injunction is not secured within 30 days of deposit, the Treasurer transfers the money to the appropriate fund in the State Treasury.

Amounts paid under protest in any one fiscal period do not necessarily bear a direct relationship to such monies in another fiscal period, but depend on the frequency of challenges made by taxpayers to the various aspects of the multiple tax laws and regulations.

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Analysis of Operations

General Operations

The Department of Revenue (Department) was established by the Civil Administrative Code of 1917 and is empowered to administer, collect, enforce and determine the distribution of the taxes imposed by the State's major tax acts. The Department collects approximately 75 percent of the receipts deposited into the General Revenue Fund.

A significant portion of the Department's total effort relates to the collection of the Retailers' Occupation and Related Taxes (ROT), income taxes, and personal property tax replacement taxes. The revenue collected from these sources approximates 82 percent of taxes collected by the Department. The remaining 18 percent of the Department's revenue is derived from the following taxes which the Department is empowered to collect:

Public Utilities:

- Electric Tax
- Telecommunications Tax
- Infrastructure Maintenance Fee
- Energy Assistance Charge
 - Gas
 - Electric
- Gas Revenue Tax
- Invested Capital Tax
- Hotel Operators Occupation Tax (HOOT)
- Motor Fuel Tax
- Cigarette and Cigarette Use Tax
- Liquor Gallonage Tax
- Racing Privilege Tax
- Motor Vehicle Use Tax
- Bingo License and Tax
- Real Estate Transfer Tax
- Coin-Operated Amusement Device Tax
- Private Vehicle Tax
- Automobile Renting Tax
- Replacement Vehicle Tax
- Charitable Games Tax
- Pull Tabs and Jar Games Fee Tax
- Underground Storage Tanks Tax
- Riverboat Gambling Tax
- Other Tobacco Products Tax
- Oil and Gas Production Assessment
- Qualified Solid Waste Energy Facility Payments

Analysis of Operations – Continued

General Operations – Continued

The Department administers and enforces the ordinances and resolutions of local governmental units that impose the following taxes:

- County Supplemental
- Regional Transportation Authority ROT
- Metro East Transit District ROT
- Regional Transportation Authority Public
Transportation Tax (RTA)
- Municipal Hotel Operators' Occupation Tax (HOOT)
- Illinois Sports Facilities
- County Water Commission Tax
- County and Municipal Automobile Renting Tax
- County and Municipal Replacement Vehicle Tax
- Tennessee Valley Authority Tax
- Home Rule Municipal Retailers Occupation Tax
- Home Rule County Option Motor Fuel Tax
- Home Rule County Retailers Occupation Tax
- Metropolitan Pier and Exposition Authority Tax
- Chicago Home Rule Use Tax
- County Public Safety
- Chicago Soft Drink Tax

An administrative fee (2 percent - County Replacement Vehicle Tax; 1.6 percent - Municipal Replacement Vehicle Tax; 2 percent - County Automobile Renting Tax; 1.6 percent - Municipal Automobile Renting Tax; 2 percent - County Option Motor Fuel Tax; 2 percent - Chicago Home Rule Use Tax; 2 percent - Metropolitan Pier and Exposition Authority; 2 percent - Chicago Soft Drink Tax; 4 percent - Illinois Sports Facility; ½ percent - RTA; 4 percent - HOOT) is withheld to cover the administrative costs in rendering the collection service for the local governmental units. The fee related to the RTA pertains to the RTA Motor Fuel Use Tax Act which was abolished on November 1, 1979.

In 1973, the Department was given the responsibility for administering and enforcing the "Senior Citizens' and Disabled Persons' Property Tax Relief Act" and the "Additional Tax Relief Act." These acts grant relief payments to senior citizens and disabled persons for real estate and other taxes. Contrary to the Department's primary mission of collection taxes, its responsibility in this regard is to disburse funds.

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Analysis of Operations – Continued

General Operations – Continued

In 1979, the Department assumed the remaining responsibilities of the Department of Local Government Affairs which was the Property Tax Administration Bureau. The Property Tax Administration Bureau is responsible for insuring the equitable and efficient local assessments and taxation of real property by calculating, and certifying equalization formulas for each county to achieve uniform assessment levels. In addition, the Property Tax Administration Bureau provides technical assistance to local governments and prescribed forms and records for use by local officials.

The Department's operations are financed primarily from the General Revenue Fund. In addition, the cost of administering the Motor Fuel Tax Collections is funded from the Motor Fuel Tax Fund; the State's distributions under the corporate income tax sharing program are paid out of the Local Government Distributive Fund.

Accounting Policies

Revenues

The financial records of the Department are maintained on a cash basis, except for Hotel Operators' Occupation Tax collections. These collections are recorded as of the month when the returns are due if they are received within the first seven working days after month end, even though the Department does not process the returns or deposit the remittances until the following month. Accelerated ROT collections received from certain large taxpayers are deferred on the Department's records until the returns are received and processed and the amount of the liability is established. Revenue schedules presented in this report are on the cash basis.

Expenditures

Expenditures are recorded when an invoice voucher has been approved for payment and forwarded to the Comptroller's office for preparation of a warrant. Expenditures are charged to appropriations of the fiscal year in which the obligation for the expenditure is established.

State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005

Analysis of Operations – Continued

General Operations – Continued

Operating Expense Analysis

Operating expenses are not reduced for the fees collected by the Department for administering the Metropolitan Pier and Exposition Authority Taxes, County Water Commission Retailers' Occupation Taxes, Regional Transportation Authority Taxes, Municipal Hotel Operators' Occupation Tax, Illinois Sports Facilities, Municipal and County Automobile Renters' Occupation Use Tax and Municipal and County Replacement Vehicle Tax. The fees collected are as follows:

<u>Years Ended June 30</u>	<u>Fees Deposited in General Revenue Fund</u>	<u>Fees Deposited in Tax Compliance and Administrative Fund</u>
2005	\$1,733,603	\$694,566
2004	1,905,109	668,470
2003	1,554,013	619,043

Operating expenses, derived by using only operations spending, subtracting out the General Revenue Fund transfers into the Senior Citizens Tax Deferral Fund, the Nursing Home Fund, Illinois Affordable Housing Costs, and equipment purchases from appropriated expenditures for the 14 months ended August 31, 2005, 2004, and 2003 per \$1,000 of tax collected is summarized below.

<u>Years Ended June 30</u>	<u>Tax Collections</u>	<u>Operating Expenses</u>	<u>\$1,000 of Tax Collection</u>
2005	\$28,547,732	\$141,951	\$4.97
2004	27,221,961	145,573	5.35
2003	24,186,482	171,209	7.08

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Analysis of Operations – Continued

Agency Functions

The mission statement of the Illinois Department of Revenue (Department) is to maximize collection of revenues for the State of Illinois; ensure the integrity of the state's wagering activities; and effectively regulate the manufacture, distribution and sale of alcoholic beverages; all in a manner that promotes fair and consistent enforcement of state laws.

The current Director of the Department is Mr. Brian A. Hamer. The headquarters is located at 101 West Jefferson, Springfield, Illinois.

The Department's tax operations are divided into the following primary areas:

Account Processing

This function processes, controls, and stores Illinois state tax returns and associated documents. In addition, tax processing maintains taxpayer accounts.

Tax Enforcement/Bureau of Audits

Through field and in-house audit activities, Tax Enforcement promotes voluntary compliance with Illinois tax laws by review of tax records to ensure the establishment and payment of all taxes due. Collections pursue the collection of delinquent taxes and assists taxpayers with the accurate completion of Illinois tax returns. This function also promotes voluntary compliance through determination of criminal noncompliance and recommendation for prosecution of criminal violations of Illinois tax law.

Taxpayer Services

This function includes the Customer Services Bureau and Problems Resolutions Office. It also has jurisdiction over the Central Registration Division.

Information Services

This area provides application development, oversees automation support and maintains daily computer operations.

Administrative Services

This area includes major support functions for the Department including: Human Resource Management, Revenue Accounting, and Property Management. Human Resource Management is responsible for training, benefit coordination, Equal Employment Opportunity advocacy, labor relations and coordination of personnel and payroll. Administrative Services also coordinates the purchase and payment of items procured through a voucher processing system, as well as centralized printing, mail, and facility coordination services.

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Analysis of Operations – Continued

Agency Functions – Continued

Illinois Gaming Board

The Illinois Gaming Board regulates riverboat gambling in Illinois.

Liquor Control Commission

The Liquor Control Commission regulates the manufacture, distribution and sale of alcoholic beverages.

Lottery

The Lottery program administers lottery wagering activities in Illinois.

Racing Board

The Racing Board regulates horse racing activities in Illinois.

Auditor's Assessment

The Department's planning process has been found to be adequate to satisfy statutory responsibilities.

State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005

Analysis of Operations

Average Number of Employees

	FY05 Average Headcount	FY04 Average Headcount
Government Services		
General Revenue	53	70
Motor Fuel Tax	7	7
Personal Property Tax Replacement	18	18
Illinois Tax Increment	4	4
Tobacco Settlement Recovery	-	12
Total Government Services	82	111
Tax Enforcement		
General Revenue	607	467
Motor Fuel Tax	113	85
County Motor Fuel Tax	2	1
Illinois Gaming Law Enforcement	13	14
Personal Property Tax Replacement	23	1
Underground Storage Tank	3	3
Home Rule Municipal ROT	3	2
Child Support Enforcement Trust	28	-
Total Tax Enforcement	792	573
Tax Operations		
General Revenue	666	936
Motor Fuel Tax	91	127
County Motor Fuel Tax	7	7
Illinois Gaming Law Enforcement	1	1
Personal Property Tax Replacement	78	103
Child Support Enforcement Trust	-	15
Underground Storage Tank	8	8
Tax Compliance and Administration	25	20
Total Tax Operations	876	1,217

(Continued)

State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005

Analysis of Operations

Average Number of Employees (Continued)

	FY05 Average Headcount	FY04 Average Headcount
Illinois Gaming Board		
State Gaming Fund	71	79
Liquor Control Commission		
Dram Shop	45	44
Tobacco Settlement Recovery	1	1
Total Liquor Control	46	45
Illinois Racing Board		
Horse Racing	70	84
Illinois State Lottery		
State Lottery	187	195
Total Department	2,124	2,304

Notes:

Results reported above are for permanent full-time and part-time employees and do not include temporary staff.

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Analysis of Operations

Emergency Purchases

Following is a list of emergency purchase affidavits filed by the Department with the Office of the Auditor General for fiscal year 2005:

FY05 Data Entry Procurement – Actual Cost \$35,000

The Department engaged a vendor to provide data entry services for key entry and verification of IL-1040 Individual Income Tax Returns.

Forensic Accounting Services – Actual Cost \$61,500

The Department engaged a vendor for forensic accounting services.

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Service Efforts and Accomplishments (Unaudited)

Administer State and Local Tax Laws:

Mission Statement: To maximize collection of revenues for the State of Illinois.

Program Goals:

Objectives:

1. Enhance tax enforcement.
 - a. Re-deploy resources to focus on enforcement.
2. Improve efficiency and effectiveness.
 - a. Expand electronic filing and payment offerings.
3. Advocate sound tax policies.
 - a. Close tax loopholes and eliminate unjustified tax avoidance schemes.
 - b. Develop accurate revenue forecasts.
4. Improve the quality and accessibility of taxpayer education and information.
 - a. Increase self-help and interactive tax assistance options.

Funds: General Revenue Fund, Motor Fuel Tax – State Fund, Transportation Regulatory Fund, Underground Storage Tank Fund, Home Rule Municipal Retailers Occupation Tax Fund, State and Local Sales Tax Reform Fund, RTA Occupation and Use Tax Replacement Fund, County Option Motor Fuel Tax Fund, Illinois Tax Increment Fund, Tax Compliance and Administration Fund, Local Government Distributive Fund, Personal Property Tax Replacement Fund.

Statutory Authority: 35 ILCS

State of Illinois
 Department of Revenue
 Compliance Examination
 For the Year Ended June 30, 2005

Service Efforts and Accomplishments (Unaudited)

Administer State and Local Tax Laws - (Continued)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/ Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/ Projected
<u>Input Indicators</u>					
Total expenditures all sources (in thousands)	\$ 3,535,061	\$ 3,691,387	\$ 3,891,650	\$ 3,682,643	\$ 4,063,430
Total expenditures - State appropriated funds (in thousands)	\$ 370,426	\$ 390,654	\$ 391,650	\$ 379,325	\$ 418,430
Average monthly full-time equivalents	1,912	1,781	1,758	1,671	1,739
Total expenditures - operations (State appropriated funds - in thousands)	\$ 145,763	\$ 140,129	\$ 141,116	\$ 135,864	\$ 138,281
Total expenditures - grants and refunds (State appropriated funds - in thousands)	\$ 224,663	\$ 250,525	\$ 250,534	\$ 243,462	\$ 280,149
<u>Output Indicators</u>					
Number of State and local taxes administered	75	70	70	70	70
State and local tax and fee collections (in millions)	\$ 23,501	\$ 25,396	\$ 26,127	\$ 26,606	\$ 27,700
Number of tax return documents processed- includes alternatively filed methods	17,226,408	16,813,653	17,500,000	16,689,879	16,745,500
Number of individual income tax returns processed	5,782,567	5,757,659	5,800,000	5,798,585	5,825,000
Number of individual income tax refunds issued	4,610,059	3,720,779	3,600,000	3,724,868	3,725,000
Number of direct deposits	1,375,683	1,421,509	1,800,000	1,604,142	1,750,000
Number of new registration applications processed	68,196	65,925	95,364	87,585	90,000
Number of active registration accounts	788,108	771,491	791,491	795,757	820,000
Delinquent tax debt cases closed	252,192	288,665	260,000	267,706	270,000
Delinquent tax debt collections (in thousands)	\$ 332,356	\$ 310,229	\$ 300,000	\$ 318,765	\$ 318,800
Number of phone calls answered on toll-free assistance lines	668,275	649,991	525,000	513,806	515,000

State of Illinois
 Department of Revenue
 Compliance Examination
 For the Year Ended June 30, 2005

Service Efforts and Accomplishments (Unaudited)

Administer State and Local Tax Laws - (Continued)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/ Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/ Projected
<u>Outcome Indicators</u>					
Number of individual income tax returns filed electronically	\$ 1,931,848	\$ 2,161,420	\$ 2,400,000	\$ 2,425,886	\$ 2,670,000
Percent of individual income tax returns filed electronically	33%	38%	41%	42%	46%
Percent of tax and fee collections received via electronic funds transfer (EFT)	51%	54%	55%	57%	59%
Total tax and fee collections received via Electronic Funds Transfer (EFT) (in millions)	\$ 12,126	\$ 13,915	\$ 14,450	\$ 15,370	\$ 16,600
Average number of days from receipt of registration application to mailing of certificate	12.0	15.0	10.0	9.8	9.5
Average number of days from receipt of payment until deposit	1.0	1.0	1.0	1.0	1.0
Percent of dollars deposited on same day as receipt	91%	91%	94%	91%	91%
Percent of accurately and timely filed individual income tax returns	96%	94%	96%	94%	94%
Average number of days to issue an individual income tax refund	55.1	36.5	35.0	35.6	35.0
<u>Efficiency/Cost-Effectiveness</u>					
Cost to collect \$1,000 of tax and fees (in dollars)	\$ 6	\$ 6	\$ 5	\$ 5	\$ 5
Tax and fee collections per staff (in millions)	\$ 12.3	\$ 14.3	\$ 14.8	\$ 15.9	\$ 15.9
Delinquent tax debt collections per dollar spent on delinquent debt collection process (in dollars)	\$ 20	\$ 23	N/A	\$ 24	\$ 24

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Service Efforts and Accomplishments (Unaudited)

Gaming Board

Mission Statement: Ensure the integrity of riverboat gambling in Illinois through effective regulation and oversight.

Program Goals:

Objectives:

1. Ensure fair gaming in a safe environment.
2. Maintain the integrity of the tax and fee payment, collection and distribution process.
3. Ensure that individuals and entities engaged in riverboat gambling are suitable.
4. Effectively maintain the self-exclusion program, which allows individuals with gambling problems to ban themselves from all Illinois Riverboat Casinos.

Funds: State Gaming Fund

Statutory Authority: 230ILCS 10

State of Illinois
 Department of Revenue
 Compliance Examination
 For the Year Ended June 30, 2005

Service Efforts and Accomplishments (Unaudited)

Gaming Board (Continued)

	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/ Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/ Projected
<u>Input Indicators</u>					
Total expenditures - all sources (in thousands)	\$ 14,684	\$ 13,685	\$ 14,561	\$ 14,283	\$ 15,324
Total expenditures - state appropriated funds (in thousands)	\$ 14,684	\$ 13,685	\$ 14,561	\$ 14,283	\$ 15,324
Average monthly full-time equivalents	82	80	83	70	84
<u>Output Indicators</u>					
Number of operating riverboats in Illinois	9	9	9	9	9
Number of active occupational licenses	10,698	8,779	9,000	8,491	9,000
Number of incident reports filed	1,887	-	-	2,466	2,500
Number of level one occupational licenses	20	-	-	15	20
Number of payments received	2,424	2,393	2,400	2,303	2,404
Number of payments and transfers made	36	36	36	36	36
Number of quarterly and annual audits	45	45	45	45	45
<u>Outcome Indicators</u>					
Percentage of audits reviewed in 90 days	70%	100%	100%	100%	100%
Percent of Level One investigations completed within six months of receipt of complete application	70%	0%	0%	64%	100%
Percent of payments received on time	100%	100%	100%	100%	100%
Percent of transfers made on time	100%	100%	100%	100%	100%
Complete investigations of all key persons within one year of application and within three months prior to renewal	100%	100%	100%	83%	100%
Total 12 month attendance at riverboat casinos	18,253,643	15,174,322	15,000,000	15,218,657	16,000,000

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Service Efforts and Accomplishments (Unaudited)

Liquor Control Commission

Mission Statement: To effectively regulate the manufacture, distribution, and sale of alcoholic beverages, and reduce youth access to tobacco products.

Program Goals:

Objectives

1. Ensure statewide compliance with the provisions, rules and regulations of the Illinois Liquor Control Act.
2. Reduce youth access to tobacco products in Illinois.
3. Review and determine eligibility of business entities to hold a liquor license in the State of Illinois.
4. Develop a public awareness campaign related to minimum-age liquor laws and to educate retail liquor establishments on how to guard against illegal sales and services to minors.

Funds: Tobacco Settlement Recovery Fund, Dram Shop Fund

Statutory Authority: 235 ILCS 5/1-1 et seq.

State of Illinois
 Department of Revenue
 Compliance Examination
 For the Year Ended June 30, 2005

Service Efforts and Accomplishments (Unaudited)

<u>Liquor Control Commission</u>	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/ Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/ Projected
<u>Input Indicators</u>					
Total expenditures - all sources (in thousands)	\$ 5,973	\$ 5,141	\$ 5,730	\$ 5,138	\$ 5,730
Total expenditures - state appropriated funds (in thousands)	\$ 5,973	\$ 5,141	\$ 5,730	\$ 5,138	\$ 5,730
Average monthly full-time equivalents	47.0	48.0	48.0	46.0	46.0
<u>Outcome Indicators</u>					
Liquor inspections compliance rate	75.5%	61.5%	80%	68.8	80%
Tobacco retailers compliance rate on State Annual Survey	84.9%	89.5%	80%	94	80%

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Service Efforts and Accomplishments (Unaudited)

Lottery

Mission Statement: To help generate revenue for public education through the sale of entertaining lottery tickets.

Program Goals:

Objectives:

1. To develop and market lottery games that maximize public participation and focus public attention on the Lottery as the preferred choice for legal gaming.
 - a. Develop a multi-faceted public relations/earned media campaign that builds public awareness and approval of the Lottery's role in public education funding.
 - b. Develop game and or marketing changes to enhance sales of under performing online game portfolio.
 - c. Continue to grow game sales by increasing the use of proliferation of later point-of-purchase technology.
2. To award all prizes and incentives in a timely, efficient and secure manner.

Funds: State Lottery Fund

Statutory Authority: 20 ILCS 1605

State of Illinois
 Department of Revenue
 Compliance Examination
 For the Year Ended June 30, 2005

Service Efforts and Accomplishments (Unaudited)

<u>Lottery</u>	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/ Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/ Projected
<u>Input Indicators</u>					
Total expenditures - all sources (in thousands)	\$ 1,578,622	\$ 1,709,200	\$ 1,725,000	\$ 1,842,900	\$ 1,872,500
Total expenditures - state appropriated funds (in thousands)	\$ 281,434	\$ 296,926	\$ 312,424	\$ 295,278	\$ 324,750
Average monthly full-time equivalents	276	207	211	182	195
Operating Expenses (in millions)	\$ 63	\$ 58	\$ 62	\$ 57	\$ 60
<u>Outcome Indicators</u>					
Transfers to the Common School Fund (in millions)	\$ 540	\$ 570	\$ 578	\$ 614	\$ 628
Percentage of sales transferred to the Common School Fund	34.1%	33.3%	33.5%	33.3%	34%

**State of Illinois
Department of Revenue
Compliance Examination
For the Year Ended June 30, 2005**

Service Efforts and Accomplishments (Unaudited)

Racing Board

Mission Statement: To ensure the honesty and integrity of thoroughbred, standardbred and quarter horse racing and pari-mutuel wagering through the enforcement of the Illinois Horse Racing Act.

Program Goals:

Objectives:

1. Ensure the horse racing is conducted in a fair and competitive manner and in strict compliance of all rules and regulations of the Board.
2. Protect and maintain the integrity of the pari-mutuel wagering system.
3. Encourage, promote and stimulate growth within the horse racing industry.
4. Enforce the Illinois Racing Board's medication rules through drug testing to ensure races are conducted without the presence of prohibited substances and are within the limits of permissible race day medication.

Funds: Horse Racing Fund

Statutory Authority: 20 ILCS 1205/1

State of Illinois
 Department of Revenue
 Compliance Examination
 For the Year Ended June 30, 2005

Service Efforts and Accomplishments (Unaudited)

<u>Racing Board</u>	Fiscal Year 2003 Actual	Fiscal Year 2004 Actual	Fiscal Year 2005 Target/ Projected	Fiscal Year 2005 Actual	Fiscal Year 2006 Target/ Projected
<u>Input Indicators</u>					
Total expenditures - all sources (in thousands)	\$ 7,625	\$ 6,626	\$ 7,073	\$ 6,977	\$ 7,285
Total expenditures - state appropriated funds (in thousands)	\$ 7,625	\$ 6,626	\$ 7,073	\$ 6,977	\$ 7,285
Average monthly full-time equivalents	104	88	75	70	75
<u>Output Indicators</u>					
Total number of steward rulings issued	1,857	2,098	2,100	1,923	2,001
<u>Outcome Indicators</u>					
Promote laboratory proficiency testing score (test sample accuracy)	N/A	100%	100%	100%	100%
Total number of administrative appeals of steward's rulings issued	22.0	23.0	25.0	21.0	23.0
Number of live races contested per steward ruling issued (violations)	3.5	3.5	3.5	3.8	3.5