



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

DEPARTMENT OF REVENUE

**Financial Audit
 For the Year Ended June 30, 2021**

Release Date: June 8, 2022

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2020	1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(21-01)** The Department had weaknesses in internal control over reporting its census data and did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**DEPARTMENT OF REVENUE
FINANCIAL AUDIT
For the Year Ended June 30, 2021**

FINANCIAL INFORMATION - Governmental funds (in thousands)	FY 2021	FY 2020
REVENUES		
Program revenue: charges for service.....	\$ 91,566	\$ 99,784
Program revenue: operating grants.....	1,468	-
General revenue: taxes.....	45,251,654	40,648,262
General revenue: interest and other.....	22,915	72,663
Total revenues.....	<u>45,367,603</u>	<u>40,820,709</u>
EXPENDITURES		
General government.....	792,055	404,279
Health and social services.....	15,340	15,296
Education.....	1,513	1,523
Employment and economic development.....	5,000	5,000
Environment and business regulation.....	-	-
Public protection and justice.....	2,200	1,797
Intergovernmental.....	7,035,912	5,813,495
Capital outlays	9,001	8,336
Total expenditures.....	<u>7,861,021</u>	<u>6,249,726</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	744,967	206,646
Transfers in.....	-	-
Transfers out.....	(280,618)	(187,366)
Receipts collected & transmitted to the State treasury.....	(37,105,924)	(30,678,538)
Lapsed appropriations.....	(170,062)	(49,202)
Amount of SAMS transfer in/out.....	(2,485,630)	(2,526,499)
Total other sources (uses).....	<u>(39,297,267)</u>	<u>(33,234,959)</u>
Net change in fund balance.....	(1,790,685)	1,336,024
Fund balance (deficit) July 1.....	876,645	(459,379)
Fund balance (deficit) June 30.....	<u>\$ (914,040)</u>	<u>\$ 876,645</u>
SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)		
	June 30, 2021	June 30, 2020
ASSETS		
Cash and cash equivalents & investments.....	\$ 2,264,703	\$ 1,879,665
Taxes receivable, net.....	2,118,555	3,754,258
Intergovernmental and other receivables, net.....	26,521	22,727
Due from other State funds.....	432,309	425,074
Loans and notes receivables, long term.....	35,833	36,687
Inventories.....	-	-
Unexpended appropriations.....	6,189	7,928
Total assets.....	<u>\$ 4,884,110</u>	<u>\$ 6,126,339</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and other liabilities.....	\$ 458,729	\$ 549,295
Income tax refunds payable.....	1,839,078	1,597,811
Intergovernmental payables.....	1,391,840	1,045,914
Unearned revenue.....	1,242,830	1,278,525
Due to other funds - Department and State.....	570,766	540,708
Unavailable revenue.....	294,907	237,441
Total liabilities and deferred inflows of resources.....	<u>5,798,150</u>	<u>5,249,694</u>
FUND BALANCE (DEFICIT)		
Fund balance (deficit).....	(914,040)	876,645
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 4,884,110</u>	<u>\$ 6,126,339</u>
AGENCY DIRECTOR		
During Audit Period and Currently: David Harris		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**WEAKNESSES IN INTERNAL CONTROLS OVER
CENSUS DATA**

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

During testing, we noted the following:

- The Department had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System (SERS) to its internal records to establish a base year of complete and accurate census data.
- After establishing a base year, the Department had not developed a process to annually obtain from SERS the incremental changes recorded by SERS in its census data records and reconcile these changes back to the Department's internal supporting records.
- In addition, we noted errors within the Department of Central Management Services (CMS) allocation of OPEB-related balances across the State's funds, public universities, and the Illinois State Toll Highway Authority related to a failure by CMS to account for a separately financed specific OPEB liability for certain groups of employees at one component unit of the State. The impact of these errors resulted in the Department restating its beginning net position to decrease by \$59,537,000 as of July 1, 2020.
- Based on our analysis of transactions reported by the Department to SERS during the census data accumulation period throughout Fiscal Years 2019 and 2020, we noted one of 60 (2%) employees subjected to census data testing had an incorrect deduction code being applied each pay period. (Finding 1, pages 64-66)

Census data reconciliation not performed

Decrease of Beginning Net Position by \$59 million

We recommended the Department work with SERS to annually reconcile its active members' census data from its underlying records to a report of census data submitted to SERS' actuary and CMS' actuary and after completing an initial full reconciliation, the Department may limit the annual reconciliations to focus on the incremental changes to the census data field from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods. We further recommended any errors identified during this process should be promptly corrected by either the Department or SERS, with

the impact of these errors communicated to both SERS' actuary and CMS' actuary and implement controls to ensure census data events are timely and accurately reported to SERS.

Department agreed with recommendation

The Department agreed with the recommendation and stated it worked with SERS to complete an initial full reconciliation. The Department further stated it will work with SERS annually to complete reconciliations focusing on the incremental changes to the census datafile from the prior actuarial valuation, and the Department has evaluated internal controls over this process and revised its written procedures to ensure census data reporting to SERS will be completed timely, accurately, and in a consistent manner.

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

AUDITOR'S OPINION(S)

The auditors stated the financial statements of the Department as of and for the years ended June 30, 2021 are fairly stated in all material respects.

This financial audit was conducted by RSM US LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:jv