



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, 2022

Release Date: July 27, 2023

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 1
Category 1:	2	0	2	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>3</b>	<b>0</b>	<b>3</b>				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- **(22-01)** The Department did not properly reflect the reporting for federal operating grant activity in its financial statements.
- **(22-02)** The Department did not have adequate internal controls over access to the enterprise tax system (GenTax).

**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, 2022**

<b>FINANCIAL INFORMATION - Governmental funds (in thousands)</b>	<b>FY 2022</b>	<b>FY 2021</b>
<b>REVENUES</b>		
Program revenue: charges for service.....	\$ 106,066	\$ 91,566
Program revenue: operating grants.....	404,271	1,468
General revenue: taxes.....	55,296,757	45,251,654
General revenue: interest and other.....	28,567	22,915
Total revenues.....	<u>55,835,661</u>	<u>45,367,603</u>
<b>EXPENDITURES</b>		
General government.....	940,800	792,055
Health and social services.....	17,951	15,340
Education.....	1,513	1,513
Employment and economic development.....	5,000	5,000
Public protection and justice.....	2,310	2,200
Intergovernmental.....	10,098,416	7,035,912
Debt services - principle and interest.....	77	-
Capital outlays.....	4,186	9,001
Capital lease and installment purchases.....	(114)	-
Total expenditures.....	<u>11,070,139</u>	<u>7,861,021</u>
<b>OTHER SOURCES (USES)</b>		
Appropriations from State resources.....	1,200,825	744,967
Transfers in.....	302,784	-
Transfers out.....	(616,007)	(280,618)
Receipts collected & transmitted to the State treasury.....	(42,388,771)	(37,105,924)
Lapsed appropriations.....	(959,496)	(170,062)
Amount of SAMS transfer in/out.....	(964,451)	(2,485,630)
Total other sources (uses).....	<u>(43,425,116)</u>	<u>(39,297,267)</u>
Net change in fund balance.....	1,340,406	(1,790,685)
Fund balance (deficit) July 1.....	<u>(914,040)</u>	<u>876,645</u>
Fund balance (deficit) June 30.....	<u>\$ 426,366</u>	<u>\$ (914,040)</u>
<b>SELECTED ACCOUNT BALANCES - Governmental funds (in thousands)</b>		
	<b>June 30, 2022</b>	<b>June 30, 2021</b>
<b>ASSETS</b>		
Cash and cash equivalents & investments.....	\$ 5,624,227	\$ 2,264,703
Taxes receivable, net.....	2,243,873	2,118,555
Intergovernmental and other receivables, net.....	27,283	26,521
Due from other State funds.....	1,807	21,014
Loans and notes receivables, long term.....	33,597	35,833
Due from State of Illinois component units.....	423,130	411,295
Unexpended appropriations.....	6,003	6,189
Total assets.....	<u>8,359,920</u>	<u>4,884,110</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Accounts payable and other liabilities.....	387,503	458,729
Income tax refunds payable.....	2,160,000	1,839,078
Tax rebates payable.....	1,205,000	-
Intergovernmental payables.....	1,793,932	1,391,840
Obligations under securities lending of State Treasurer.....	86,809	93,718
Due to other fiduciary funds - Department and State.....	50,491	46,644
Due to other State funds.....	267,725	385,200
Due to other State of Illinois component units.....	41,941	45,204
Unearned revenue.....	1,560,899	1,242,830
Unavailable revenue.....	379,254	294,907
Total liabilities and deferred inflows of resources.....	<u>7,933,554</u>	<u>5,798,150</u>
<b>FUND BALANCE (DEFICIT)</b>		
Fund balance (deficit).....	<u>426,366</u>	<u>(914,040)</u>
Total liabilities, deferred inflows of resources and fund balance (deficit).....	<u>\$ 8,359,920</u>	<u>\$ 4,884,110</u>
<b>AGENCY DIRECTOR</b>		
During Audit Period and Currently: David Harris		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**WEAKNESSES IN INTERNAL CONTROLS OVER  
REPORTING FOR FEDERAL OPERATING GRANTS**

The Department of Revenue (Department) did not properly reflect the reporting for federal operating grant activity in its financial statements.

During our review of the Department's draft financial statements, audit adjustments were proposed for two of the Department's governmental funds; Fund 0286 (Illinois Affordable Housing Trust) and Fund 0324 (State Coronavirus Urgent Remediation Emergency) to properly reflect revenue and expenditure recognition requirements for federal operating grants that are being administered by the State and passed through to a component unit of the State.

**\$204.7 million adjustment to  
unearned revenue at fiscal year-end**

- Fund 0286: An adjustment of \$204,700,000 to reduce federal operating grant revenue and increase unearned revenue due to revenue recognition requirements related to the fact that the ultimate grantee did not incur qualifying expenditures as of fiscal-year end.
- Fund 0324: Three adjustments as follows:
  - An adjustment of \$585,394,000 to remove the debit balance posted to the federal operating grants revenue account in error, the corresponding adjustment removed the same balance reported as a SAMS transfer out within other financing sources.
  - An adjustment of \$73,306,000 to record federal operating grant revenue associated with the grant program for amounts that passed through the Department to the ultimate grantee during the year.
  - An adjustment of \$49,729,000 to reduce federal operating grant revenue and increase unearned revenue due to revenue recognition requirements related to the fact that the ultimate grantee did not incur qualifying expenditures as of fiscal-year end. (Finding 1, pages 64-66)

**Fund 0324 adjusted to account for  
federal operating revenue and  
unearned revenues**

We recommended the Department strengthen its internal controls to ensure its financial reporting is complete and accurate and in accordance with GAAP as it relates to its financial statements.

**Department accepted the  
recommendation**

The Department accepted the recommendation.

## **INADEQUATE CONTROL OVER ACCESS TO GENTAX**

The Department did not have adequate internal controls over access to the enterprise tax system (GenTax).

### **Incomplete population of employees hired and terminated during the audit period**

During our testing, we requested the Department provide the populations of individuals hired and terminated from employment during the audit period. In response to our request, the Department provided the populations; however, we noted the populations were not timely updated to reflect the changes in the activity for new hires and terminations in Fiscal Year 2022. Therefore, we were unable to conclude whether the populations were complete and accurate under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 500.08 and AT-C § 205.36).

Even given the population limitations noted above, we performed testing over the security controls of GenTax noting:

### **Employees' GenTax access activated before start date**

- 2 of 23 (9%) individuals' GenTax access were activated six and eight days before the employment start date.
- 4 of 14 (29%) individuals' GenTax access were not terminated upon separation, and we were unable to determine when those separated employees' access were terminated.

### **Employees' GenTax access not terminated timely after separation**

- 1 of 14 (7%) individual's GenTax access was not terminated timely upon separation. The access was terminated five days after separation. (Finding 2, pages 67-68)

We recommended the Department strengthen its internal controls over the records maintained related to hiring and terminations. We further recommended the Department strengthen its internal controls to ensure users' access are immediately terminated in accordance with Department policy and new hires are not granted access prior to their start dates.

### **Department accepted the recommendation**

The Department accepted the recommendation.

## **OTHER FINDINGS**

The remaining finding pertains to inadequate controls over services providers. We will review the Department's progress towards the implementation of our recommendations in our next financial audit.

**AUDITOR'S OPINIONS**

The auditors stated the financial statements of the Department as of and for the years ended June 30, 2022 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