

STATE OF ILLINOIS  
**ILLINOIS INDEPENDENT TAX TRIBUNAL**  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017

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**TABLE OF CONTENTS**

		<b><u>Page</u></b>
Agency Officials		1
Management Assertion Letter		2
Compliance Report:		
Summary		4
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes		6
Schedule of Findings		
Current Findings – State Compliance		10
Prior Findings Not Repeated		25
Supplementary Information for State Compliance Purposes:		
Summary		<b><u>Schedule</u></b> <b><u>Page</u></b> 26
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2017	1	27
Schedule of Appropriations, Expenditures, and Lapsed Balances - Fiscal Year 2016	2	29
Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances	3	30
Schedule of Changes in State Property	4	32
Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller	5	33
Analysis of Operations (Not Examined):		
Tribunal Functions and Planning Program (Not Examined)		34
Budget Impasse Disclosures (Not Examined)		36
Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)		37
Interest Costs on Fiscal Year 2016 and Fiscal Year 2017 Invoices (Not Examined)		38
Analysis of Significant Variations in Expenditures (Not Examined)		39
Analysis of Significant Variations in Receipts (Not Examined)		40
Analysis of Significant Lapse Period Spending (Not Examined)		41
Average Number of Employees (Not Examined)		42
Service Efforts and Accomplishments (Not Examined)		43

STATE OF ILLINOIS  
**ILLINOIS INDEPENDENT TAX TRIBUNAL**  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017

**AGENCY OFFICIALS**

*Judges*

Chief Administrative Law Judge <sup>1</sup>	Mr. James M. Conway
Administrative Law Judge <sup>1</sup>	Mr. Brian F. Barov
Administrative Law Judge <sup>1</sup> (11/07/2018 – Present)	Mr. Michael R. Pieczonka
Administrative Law Judge <sup>1</sup> (07/01/2015 – 11/06/2018)	Vacant
Administrative Law Judge <sup>1</sup>	Vacant

*Administrative Services*

Chief Administrative Officer	Ms. Kristene M. Callanta
Clerk	Vacant
Reporter	Vacant

<sup>1</sup>In accordance with the Illinois Independent Tax Tribunal Act of 2012 (35 ILCS 1010/1-25(a)), the Governor shall appoint a Chief Administrative Law Judge to serve as the executive of the Tribunal and up to three additional Administrative Law Judges.

**TRIBUNAL OFFICE**

The Tribunal's office is located at:

Michael A. Bilandic Building  
160 N. LaSalle Street, Room N-506  
Chicago, Illinois 60601



Illinois Independent  
Tax Tribunal

160 N. La Salle Street Room N506  
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STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

November 26, 2018

Honorable Frank J. Mautino  
Auditor General  
State of Illinois  
740 East Ash Street  
Springfield, Illinois 62703-3154

Auditor General Mautino:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Independent Tax Tribunal. 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 Illinois Independent Tax Tribunal's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2017, and June 30, 2016, the Illinois Independent Tax Tribunal has materially complied with the assertions below.

- A. The Illinois Independent Tax Tribunal 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 Illinois Independent Tax Tribunal 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 Illinois Independent Tax Tribunal has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
  
- D. State revenues and receipts collected by the Illinois Independent Tax Tribunal 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.

Yours truly,

Illinois Independent Tax Tribunal

**SIGNED ORIGINAL ON FILE**

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James M. Conway,  
Chief Administrative Law Judge

**SIGNED ORIGINAL ON FILE**

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Kristene M. Callanta,  
Chief Administrative Officer

STATE OF ILLINOIS  
**ILLINOIS INDEPENDENT TAX TRIBUNAL**  
 COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2017

**COMPLIANCE REPORT**

**SUMMARY**

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

**ACCOUNTANT'S REPORT**

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses in internal control over compliance.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Report</u>
Findings	6	9
Repeated findings	6	*
Prior recommendations implemented or not repeated	3	*

\* Effective November 18, 2013, the Illinois Independent Tax Tribunal was established when the Chief Administrative Law Judge opened the Illinois Independent Tax Tribunal's office in anticipation of accepting tax disputes on January 1, 2014. As such, comparative data for prior periods is not available.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2017-001	10	Inadequate Control over Reconciliations	Material Weakness and Material Noncompliance
2017-002	14	Inadequate Accounting Records	Material Weakness and Material Noncompliance
2017-003	17	Inadequate Segregation of Duties	Material Weakness and Material Noncompliance

STATE OF ILLINOIS  
**ILLINOIS INDEPENDENT TAX TRIBUNAL**  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2017

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
2017-004	19	Inadequate Control over Filing Fees	Material Weakness and Material Noncompliance
2017-005	21	Failure to Fully Implement the Illinois Independent Tax Tribunal Act of 2012	Significant Deficiency and Noncompliance
2017-006	23	Inadequate Control over Annual Reports to the General Assembly	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	25	Inadequate Control over Expenditure Allocations
B	25	Inadequate Control over Personal Services
C	25	Inadequate Control over Equipment

**EXIT CONFERENCE**

The findings and recommendations appearing in this report were discussed with Tribunal personnel at an exit conference on November 20, 2018. Attending were:

Illinois Independent Tax Tribunal

James M. Conway – Chief Administrative Law Judge  
Kristene M. Callanta – Chief Administrative Officer

Office of the Auditor General

Daniel J. Nugent, CPA – Senior Audit Manager  
Megan Rothe, CPA – Audit Supervisor  
Bill Helton – Performance Audit Supervisor

The responses to the recommendations were provided by Mr. James M. Conway, Chief Administrative Law Judge, in a correspondence dated November 26, 2018.

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OFFICE OF THE AUDITOR GENERAL  
FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Illinois Independent Tax Tribunal's 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 two years ended June 30, 2017. The management of the State of Illinois, Illinois Independent Tax Tribunal is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Independent Tax Tribunal's compliance based on our examination.

- A. The State of Illinois, Illinois Independent Tax Tribunal 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 State of Illinois, Illinois Independent Tax Tribunal 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 State of Illinois, Illinois Independent Tax Tribunal has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the State of Illinois, Illinois Independent Tax Tribunal 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.

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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Illinois Independent Tax Tribunal complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Independent Tax Tribunal complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Independent Tax Tribunal's compliance with specified requirements.

As described in items 2017-001 through 2017-004 in the accompanying schedule of findings, the State of Illinois, Illinois Independent Tax Tribunal did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Independent Tax Tribunal to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the material noncompliance described in the preceding paragraph, the State of Illinois, Illinois Independent Tax Tribunal complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017. However, the results of our procedures disclosed other instances of noncompliance with the 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 findings as items 2017-005 and 2017-006.

The State of Illinois, Illinois Independent Tax Tribunal's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Independent Tax Tribunal's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **Internal Control**

Management of the State of Illinois, Illinois Independent Tax Tribunal is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we

considered the State of Illinois, Illinois Independent Tax Tribunal's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Independent Tax Tribunal's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Independent Tax Tribunal's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-001 through 2017-004 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2017-005 and 2017-006 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Illinois Independent Tax Tribunal's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Independent Tax Tribunal's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 5 and the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedules 3 through 5 and in the Analysis of Operations Section and, accordingly, we do not express an opinion or provide any assurance on it.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK, CPA  
Director of Financial and Compliance Audits

Springfield, Illinois  
November 26, 2018

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Reconciliations)

The Illinois Independent Tax Tribunal (Tribunal) did not have adequate controls over its reconciliations of the Tribunal's records to the State Comptroller's Records. In addition, the Tribunal did not submit all invoices received for payment to the State Comptroller.

The Tribunal has direct access to input expenditures into the State Comptroller's Statewide Accounting Management System (SAMS), increasing the need for a timely reconciliation of the data recorded within SAMS to the Tribunal's internal records to identify errors or other irregularities.

During testing, we noted the following:

***Preparation Timeliness:***

- Twenty-two of 60 (37%) reconciliations of the State Comptroller's *Monthly Appropriation Status Report* (SB01) to the Tribunal's records were performed between 9 and 608 days late. The identified months with late reconciliations were from July 2015 through March 2016 and then from July 2017 through September 2017, inclusive.
- Twenty-two of 60 (37%) reconciliations of the State Comptroller's monthly *Object Expense/Expenditures by Quarter Report* (SA02) to the Tribunal's records were performed between 4 and 608 days late. The identified months with late reconciliations were from July 2015 through March 2016 and then from July 2017 through September 2017, inclusive.
- Eighteen of 24 (75%) reconciliations of the State Comptroller's *Monthly Cash Report* (SB05) to the Tribunal's records were performed between 11 and 300 days late. The identified months with late reconciliations were from July 2015 through March 2016 and then from July 2016 through April 2017, inclusive.
- Nine of 24 (38%) reconciliations of the State Comptroller's *Monthly Revenue Status Report* (SB04) to the Tribunal's records were performed between 7 and 251 days late. The identified months with late reconciliations were from July 2015 through March 2016, inclusive.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Reconciliations) (continued)

SAMS (Procedure 07.30.20) notes “the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that insures these requirements are being satisfied.” As such, SAMS (Procedures 11.40.20, 25.40.20, 09.40.10, and 07.30.21) established requirements for a monthly reconciliation of the SB01, SB04, SB05, and SA02 reports generated by the Office of the State Comptroller within 60 days after the end of a month.

During our discussions with Tribunal officials concerning these untimely reconciliations, they indicated they were not aware of these problems until after we notified them of these problems during the past examination and took corrective action during April 2016. Our records indicate the SB04 problems were communicated in late September 2015, with the other issues communicated in early January 2016.

***Review Timeliness:***

- Two of 60 (3%) reconciliations of the SB01 to the Tribunal’s records prepared by staff were reviewed by management 98 and 159 days after the reconciliations were prepared. The identified months included April 2016 and June 2016.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tribunal establish and maintain a system, or systems, of internal fiscal and administrative controls to provide reasonable assurance revenues, expenditures, and resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State’s resources. In addition, SAMS (Procedure 02.50.10) promotes timely reviews when it states:

Qualified and continuous supervision must be provided to achieve internal control objectives. This means supervisors must review and approve the assigned work of their staffs. They must provide necessary guidance and training to their staffs to minimize errors, waste, and wrongful acts and to achieve specific management policies and directives.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Reconciliations) (continued)

***Unpaid Invoices:***

- During our testing of reconciliations, we noted two invoices, totaling \$639, were submitted by vendors related to costs incurred by the Tribunal during Fiscal Year 2016. For one invoice, the Tribunal did not honor and did not pay the invoice on the basis its Fiscal Year 2016 appropriation had lapsed. For the other invoice, Tribunal staff indicated the invoice was not honored and paid because the Tribunal had overlooked the invoice submitted by the vendor. These vendors filed a claim against the State within the Court of Claims seeking payment, with the Tribunal stating these invoices were unpaid due to the closure of the Fiscal Year 2016 Lapse Period.

Due to the budget impasse, Public Act 099-0524 authorized the Tribunal to pay its Fiscal Year 2016 invoices using its Fiscal Year 2017 appropriations. Further, Public Act 100-0021 authorized the Tribunal to pay for all of its costs incurred prior to July 1, 2018, using its appropriations for Fiscal Year 2018. Finally, we noted sufficient cash was available within the Illinois Independent Tax Tribunal Fund to pay these vendors.

Tribunal officials stated the reconciliations were not prepared or reviewed timely due to other competing priorities and the unpaid Fiscal Year 2016 invoices were not honored by the Tribunal due to oversight.

Failure to timely reconcile the Tribunal's records to the State Comptroller's records in a timely manner represents noncompliance with SAMS and could result in incomplete or inaccurate financial information. Further, failure to honor valid, payable claims of vendors and referring those invoices to the Court of Claims could result in vendor dissatisfaction and required additional State resources from the Court of Claims and the Office of the Attorney General to handle the unnecessary claims. (Finding Code No. 2017-001, 2015-007)

**RECOMMENDATION**

We recommend the Tribunal implement procedures to ensure its reconciliations are timely performed and reviewed. Further, the Tribunal should honor proper bills and only refer bills it has no legal authority to pay to the Court of Claims.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-001. **FINDING** (Inadequate Control over Reconciliations) (continued)

**TRIBUNAL RESPONSE**

We agree with the Auditor General's recommendations. The Tax Tribunal is instituting a new calendaring procedure to ensure that all required State reports will be timely filed. All court reporter requests will be monitored by the Chief Judge following a hearing date to ensure a court reporter bill is both received and promptly paid. Comptroller reconciliations are now being done within the new Statewide accounting system.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inadequate Accounting Records)

The Illinois Independent Tax Tribunal (Tribunal) did not maintain accurate accounting records.

We noted the Tribunal maintains its internal accounting records on the modified accrual basis of accounting. During our reconciliation of the State Comptroller's records to the Tribunal's internal accounting records, we noted the following accounting errors:

***General Revenue Fund (Fund 001)***

- The Tribunal erroneously recorded depreciation expense of \$4,491 and \$1,996 in Fiscal Year 2016 and Fiscal Year 2017, respectively. As a result of these entries, the Tribunal's records showed total accumulated depreciation of \$6,487 charged against Fund 001 at June 30, 2017. Further, Fund 001 showed an improper deficit fund balance of \$4,491 and \$6,487 at the end of Fiscal Year 2016 and Fiscal Year 2017, respectively.

The Statewide Accounting Management System (SAMS) (Procedure 03.30.10) notes depreciation is not applicable to governmental funds. Further, GASB Codification 1400, *Reporting Capital Assets*, notes a "clear distinction should be made between general capital assets and capital assets of proprietary and fiduciary funds" as general capital assets "should not be reported as assets in governmental funds."

- The Tribunal did not properly record liabilities of \$17,415 and \$17,421 in Fiscal Year 2016 and Fiscal Year 2017, respectively. These liabilities arose from the final payroll of the fiscal year, which was not paid out in cash until after the close of the State's fiscal year. Additionally, this error resulted in the Tribunal understating its unexpended appropriations balance as of the last date of the State's fiscal year.

SAMS (Procedure 03.50.10) notes an expenditure for salaries should be recognized in the accounting period in which a liability is incurred. *GASB Concepts Statement No. 4*, Paragraph 17, states a liability is a present obligation to sacrifice resources the government has little or no discretion to avoid.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inadequate Accounting Records) (continued)

***Illinois Independent Tax Tribunal Fund (Fund 169)***

- The Tribunal did not record cash in-transit to the State Treasury within its “Agency Clearing Account” account of \$1,500 and \$2,000 at the end of Fiscal Year 2016 and Fiscal Year 2017, respectively.

SAMS (Procedure 09.40.30) states in-transit cash must be accounted for to prepare a proper reconciliation of the Tribunal’s internal accounting records to the State Comptroller’s *Monthly Cash Report* (SB05).

- The Tribunal did not record \$234 of Fiscal Year 2017 expenditures within its internal accounting records and did not properly record Lapse Period activity. As a result, the Tribunal’s cash account was understated by \$497 and Fund 169’s total liabilities were understated by \$731.

SAMS (Procedure 03.50.10) states an expenditure for services rendered should be recognized in the accounting period when a liability is incurred. *GASB Concepts Statement No. 4*, Paragraph 17, states a liability is a present obligation to sacrifice resources the government has little or no discretion to avoid.

- The Tribunal did not reclassify the automatically-generated “Retained Earnings” account to the committed fund balance account of \$178,892 and \$271,485 at the beginning of Fiscal Year 2016 and Fiscal Year 2017, respectively.

SAMS (Procedure 03.70.20) notes equity reported in governmental funds should be labeled as “fund balance” and displayed in accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Under GASB Statement No. 54, committed fund balance represents amounts that can only be used for specific purposes imposed by formal action of the government’s highest level of decision-making authority.

We noted these differences should have been identified and corrected during the Tribunal’s reconciliation process from its internal records to the State Comptroller’s records.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-002. **FINDING** (Inadequate Accounting Records) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tribunal establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and resources are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Tribunal officials stated these conditions were due to oversight.

Failure to maintain accurate accounting records represents noncompliance with the Fiscal Control and Internal Auditing Act and reduces the overall reliability of Statewide financial reporting. (Finding Code No. 2017-002, 2015-002)

**RECOMMENDATION**

We recommend the Tribunal implement controls to provide assurance transactions are properly recorded in accordance with the modified accrual basis of accounting. In addition, the Tribunal should reconcile its accounting records to the State Comptroller's records to identify and correct errors.

**TRIBUNAL RESPONSE**

We agree with the Auditor General's recommendations. The Tax Tribunal has corrected the noted entries and will record future entries consistent with a modified accrual basis of accounting.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-003. **FINDING** (Inadequate Segregation of Duties)

The Illinois Independent Tax Tribunal (Tribunal) did not maintain adequate segregation of duties over its accounting and recordkeeping functions.

The Tribunal has direct access to input expenditures into the State Comptroller's Statewide Accounting Management System (SAMS), increasing the need for an adequate segregation of duties to mitigate the risk of errors or other irregularities.

During testing, we noted the following:

- For expenditures, the Tribunal's Chief Administrative Officer has the authority to perform all parts of the transaction cycle, including:
  - **Authorization** by reviewing and approving transactions, including having signature authority for all transactions and direct access to SAMS;
  - **Custody** by maintaining electronic and physical records and submitting the expenditure for payment to the State Comptroller;
  - **Recordkeeping** by preparing entries and maintaining the Tribunal's internal accounting records; and,
  - **Reconciliation** by preparing reconciliations to the State Comptroller's records to verify each transaction's validity, proper authorization, and entry into the Tribunal's accounting records.
  
- For receipts, the Tribunal's Chief Administrative Officer has the authority to perform all parts of the transaction cycle, including:
  - **Authorization** by reviewing and approving transactions, including both depositing funds into the State Treasury's clearing accounts and preparing Receipt Deposit Transmittals or Expenditure Adjustment Transmittals;
  - **Custody** by handling and depositing physical checks and money orders and maintaining electronic and physical records;
  - **Recordkeeping** by preparing entries and maintaining the Tribunal's internal accounting records; and,
  - **Reconciliation** by preparing reconciliations to the State Comptroller's records to verify each transaction's validity, proper authorization, and entry into the Tribunal's accounting records.

We did identify two mitigating controls, including the Chief Administrative Law Judge approves all transactions and performs a review of the reconciliations. However, the permissible condition where one person has the authority to perform all functions represents a significant control weakness.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-003. **FINDING** (Inadequate Segregation of Duties) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tribunal establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Tribunal officials stated the Tribunal's current staff size limits the Tribunal's ability to further segregate duties.

Failure to limit the ability of one person to have the authority to perform all functions of a transaction increases the likelihood a loss from errors or irregularities could occur and would not be found in the normal course of employees carrying out their assigned duties. (Finding Code No. 2017-003, 2015-006)

**RECOMMENDATION**

We recommend the Tribunal implement procedures to limit one person from having the authority to perform all of the functions associated with a transaction.

**TRIBUNAL RESPONSE**

We agree with the Auditor General's recommendation. We have implemented written procedures to limit the authority to perform all functions associated with a deposit transaction. Only judges can approve, take in fees, and note as much in our docket system and on our fee receipts copy. That removes the Chief Administrative Officer who otherwise will deposit and record the fee deposits in the internal accounting records. The Chief Judge reviews the bank deposit slips and reconciles them to the fee receipts copy once a month to insure all receipts are deposited and accounted for. All expense transactions have two layers of review.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-004. **FINDING** (Inadequate Control over Filing Fees)

The Illinois Independent Tax Tribunal (Tribunal) did not handle filing fees received with incorrectly filed petitions in accordance with State laws and regulations.

During testing, we noted the Tribunal receives petitions that are either immediately dismissed or dismissed with the ability to amend and refile. In either scenario, the Tribunal returns the petitioner's original \$500 check or money order to the taxpayer through the mail. The Tribunal's records indicated this occurred 10 times during Fiscal Year 2016 and 16 times during Fiscal Year 2017.

We noted the following noncompliance:

- The Tribunal did not “pay into the State Treasury the gross amount of money so received” within the timeframes established by the State Officers and Employees Money Disposition Act (30 ILCS 230/2(a)).
- The Tribunal did not process refunds, defined as repayments of fees paid in excess or in error to the State, through the standard voucher-warrant process as defined within the Statewide Accounting Management System (SAMS) (Procedure 11.10.40).
- The Tribunal did not have appropriation authority within the Illinois Independent Tax Tribunal Fund to pay refunds due to taxpayers in either Fiscal Year 2016 or Fiscal Year 2017. Public Act 099-0524 appropriated to the Tribunal \$108,000 in Fiscal Year 2016 and \$167,600 in Fiscal Year 2017 for operational expenses from the Illinois Independent Tax Tribunal Fund, but this Public Act did not include an appropriation to the Tribunal for paying refunds.

Tribunal officials stated the current process was adopted to quickly return checks to the petitioners who filed petitions that were ultimately not accepted by the Tribunal.

Failure to timely deposit all cash receipts into the State Treasury represents noncompliance with the State Offices and Employees Money Disposition Act. In addition, failure to handle remittances and issue refunds through the State's normal procedures may result in lost checks, errors, or other irregularities. (Finding Code No. 2017-004, 2015-004)

**RECOMMENDATION**

We recommend the Tribunal deposit all remittances received into the State Treasury and pay refunds, if necessary, through the State's voucher-warrant process. Further, we recommend the Tribunal request an appropriation to pay refunds due.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-004. **FINDING** (Inadequate Control over Filing Fees) (continued)

**TRIBUNAL RESPONSE**

We do not agree with the Auditor General's recommendation. The Tax Tribunal cannot deposit checks for petitions that are deficient and cannot legally be accepted under the Tribunal's statute. The Tax Tribunal has a written policy for when a petition is initially rejected for being deficient. If a petition cannot be accepted, any accompanying check will not be accepted as well and will be immediately returned to the petitioner.

**ACCOUNTANT'S COMMENT**

The issue within the finding is when a receipt is considered received under the State Officers and Employees Money Disposition Act as opposed to when the Tribunal can accept a petition given its limited jurisdiction under the Illinois Independent Tax Tribunal Act of 2012. As received is defined within the Oxford Dictionary as "to be given, presented with, or paid," and our position is the Tribunal has received a receipt when the mail is opened and a check or money order is located with the incomplete petition. At this moment, the State Officers and Employees Money Disposition Act requires the Tribunal to deposit the entire remittance into the State Treasury.

If the Tribunal continues to disagree with our position, the Tribunal should seek a formal written opinion from the Attorney General.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-005. **FINDING** (Failure to Fully Implement the Illinois Independent Tax Tribunal Act of 2012)

The Illinois Independent Tax Tribunal (Tribunal) did not comply with certain statutory requirements established within the Illinois Independent Tax Tribunal Act of 2012 (Act).

During testing, we noted the following:

- The Tribunal did not maintain a principal office located within Sangamon County.

The Act (35 ILCS 1010/1-35(a)) requires the Tribunal maintain its principal offices in both Cook County and Sangamon County.

Tribunal officials stated the current workload of the Tribunal does not justify the cost of opening an office in Sangamon County.

- The Tribunal did not appoint a clerk or reporter.

The Act (35 ILCS 1010/1-40(a)) requires the Tribunal to appoint a clerk and reporter.

Tribunal officials stated they have not hired a court reporter as the cost is not justified when compared to obtaining court reporting services through the State's master contract when needed for the 10-25 hours of hearings conducted each year. Further, Tribunal officials stated they have not hired a clerk as the cost is not justified with the Tribunal's current workloads.

- The Tribunal has not established requirements for the authentication of electronic submissions or legal signatures.

The Act (35 ILCS 1010/1-85(d)) requires the Tribunal establish, by rule, "reasonable requirements for the electronic submission of documents and records and the method and type of symbol or security procedure it will accept to authenticate electronic submissions or as a legal signature."

Tribunal officials stated electronic signatures are not necessary and filings are typically submitted by parties through e-mail with expected addresses, reducing the need for verification. Further, Tribunal officials noted that since all of the Tribunal's orders in response to a motion are sent to both parties, any fake motions filed would be identified fairly promptly by the party being impersonated.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-005. **FINDING** (Failure to Fully Implement the Illinois Independent Tax Tribunal Act of 2012) (continued)

Failure to maintain a principal office in Sangamon County, appoint a clerk and reporter, and establish rules for the electronic submission of documents represents noncompliance with the Act. (Finding Code No. 2017-005, 2015-008)

**RECOMMENDATION**

We recommend the Tribunal maintain an office in Sangamon County, appoint a clerk and reporter, and establish rules for the electronic submission of documents, or seek a legislative remedy.

**TRIBUNAL RESPONSE**

We do not agree with the Auditor General's recommendation. The Tax Tribunal will not hire additional employees, request that additional judges be appointed, or secure additional permanent office space in Springfield until the need arises and the related costs can be justified. The Tax Tribunal has been open for almost five years and the statutorily mandated size of the office was a projection done prior to its operations commencing. The General Assembly has been advised through the Tax Tribunal's yearly budget submissions and in budget hearings as to the Tribunal's current and potential future staffing and facility needs. A legislative remedy to change the language of the statute should not be done at this time as it is possible the need for additional staffing and facilities could arise at any time, particularly in light of pending legislation currently pending before the General Assembly that would increase the Tax Tribunal's jurisdiction.

**ACCOUNTANT'S COMMENT**

Per the finding, the General Assembly mandated the Tribunal to have a principal office in Sangamon County and required the Tribunal to appoint both a reporter and a clerk to perform certain duties at the Tribunal. The primary responsibility of State agencies is to administer the functions given to them by the General Assembly in accordance with State law as written. If the Tribunal believes compliance with a statute would result in an imprudent use of State resources, the Tribunal should seek a legislative remedy.

Further, the finding does not recommend the appointment of additional judges.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Annual Reports to the General Assembly)

The Illinois Independent Tax Tribunal (Tribunal) did not ensure its annual reports to the General Assembly were complete and accurate.

During testing, we noted the Tribunal's annual reports to the General Assembly during the examination period contained discrepancies and errors. We noted the following problems:

- The Tribunal understated the dollar amount of taxes in dispute during Fiscal Year 2016 by \$13,512. In following up with Tribunal officials on this exception, it appears the amount entered for one petition into its docket system was in error.
- The Tribunal understated the total number of cases closed during Fiscal Year 2016 by six cases. In following up with Tribunal officials on this exception, it appears its docket system was not timely updated to reflect certain settled and dismissed cases.
- The Tribunal understated the total number of cases closed during Fiscal Year 2017 by three cases. In following up with Tribunal officials on this exception, it appears its docket system was not timely updated to reflect two cases decided for the Department of Revenue and one dismissed case.

These errors were corrected in the Tribunal's *Service Efforts and Accomplishments* report on page 42.

The Illinois Independent Tax Tribunal Act of 2012 (35 ILCS 1010/1-85(e)) requires the Tribunal file an annual report by October 1 with the General Assembly on the number of cases opened and closed, cases decided for the taxpayer, cases decided for the Department of Revenue, and cases closed through mediation or settlement during the preceding fiscal year. Additionally, the Tribunal must report its docket size, average age of outstanding cases, and the dollar amount of cases by tax type. Good internal controls over compliance include ensuring all case activity is timely recorded within the Tribunal's docket system and reports are reviewed and agree to internal records prior to filing the report with external parties.

Tribunal officials indicated the inaccurate reports were due to (1) typographical errors and (2) the Tribunal's records being updated after the *Annual Report* was prepared.

Failure to accurately prepare and properly file reports with the General Assembly lessens governmental oversight and represents noncompliance with State law. (Finding Code No. 2017-006, 2015-009)

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF FINDINGS - STATE COMPLIANCE**  
For the Two Years Ended June 30, 2017

2017-006. **FINDING** (Inadequate Control over Annual Reports to the General Assembly)  
(continued)

**RECOMMENDATION**

We recommend the Tribunal implement controls to ensure data elements are timely entered into the docket system, a timely review occurs to ensure data elements are fairly presented, and the annual report to the General Assembly is prepared after all data elements have been properly entered into the docket system.

**TRIBUNAL RESPONSE**

We agree with the Auditor General's recommendation. Our internal docket system entries are reviewed and annual reports to the General Assembly are reviewed for correctness before they are filed.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**SCHEDULE OF PRIOR FINDINGS NOT REPEATED**  
For the Two Years Ended June 30, 2017

A.        **FINDING**    (Inadequate Control over Expenditure Allocations)

During the prior examination, the Illinois Independent Tax Tribunal (Tribunal) did not have adequate business rules, policies, and procedures for using moneys within the Illinois Independent Tax Tribunal Fund.

During the current examination, we noted the Tribunal developed written business rules to allocate its administrative and enforcement costs between the Illinois Independent Tax Tribunal Fund and the General Revenue Fund. In addition, our sample testing did not indicate any invoices not paid in accordance with the Tribunal's business rules. (Finding Code No. 2015-001)

B.        **FINDING**    (Inadequate Control over Personal Services)

During the prior examination, the Illinois Independent Tax Tribunal (Tribunal) did not exercise sufficient control over its personal services functions.

During the current examination, our testing indicated the Tribunal's internal controls over its personal services functions had significantly improved. However, we continued to note certain smaller, immaterial conditions of noncompliance, which were reported in the Tribunal's *Report of Immaterial Findings*. (Finding Code No. 2015-003)

C.        **FINDING**    (Inadequate Control over Equipment)

During the prior examination, the Illinois Independent Tax Tribunal (Tribunal) lacked adequate internal control over its State property records and reports, including failing to report a capital asset transaction to the Office of the State Comptroller (Comptroller).

During the current examination, our testing indicated the Tribunal maintained adequate internal controls over its State property records and reports, including reporting the capital asset to the Comptroller for inclusion within the State's Comprehensive Annual Financial Report. (Finding Code No. 2015-005)

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
**COMPLIANCE EXAMINATION**  
For the Two Years Ended June 30, 2017

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

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

- Fiscal Schedules and Analysis:
  - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2017
  - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016
  - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
  
- Analysis of Operations (Not Examined):
  - Tribunal Functions and Planning Program (Not Examined)
  - Budget Impasse Disclosures (Not Examined)
  - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
  - Interest Costs on Fiscal Year 2016 and Fiscal Year 2017 Invoices (Not Examined)
  - Analysis of Significant Variations in Expenditures (Not Examined)
  - Analysis of Significant Variations in Receipts (Not Examined)
  - Analysis of Significant Lapse Period Spending (Not Examined)
  - Average Number of Employees (Not Examined)
  - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2017

**SCHEDULE 1**

For the Fifteen Months Ended September 30, 2017

Public Act 099-0524 and Court-Ordered Expenditures FISCAL YEAR 2017	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2017	Lapse Period Expenditures July 1 to September 30, 2017	Total Expenditures	Balances Lapsed
<b><u>APPROPRIATED FUNDS</u></b>					
General Revenue Fund - 001					
Personal Services		\$ 400,387	\$ 17,421	\$ 417,808	
Subtotal, General Revenue Fund		<u>\$ 400,387</u>	<u>\$ 17,421</u>	<u>\$ 417,808</u>	
Illinois Independent Tax Tribunal Fund - 169					
Operational Expenses	\$ 167,600	\$ 19,961	\$ 2,824	\$ 22,785	\$ 144,815
Subtotal, Illinois Independent Tax Tribunal Fund	<u>\$ 167,600</u>	<u>\$ 19,961</u>	<u>\$ 2,824</u>	<u>\$ 22,785</u>	<u>\$ 144,815</u>
Budget Stabilization Fund - 686					
Ordinary and Contingent Expenses	\$ 25,000	\$ -	\$ -	\$ -	\$ 25,000
Subtotal, Budget Stabilization Fund	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 25,000</u>
<b>TOTAL - ALL FUNDS, FISCAL YEAR 2017</b>	<u>\$ 192,600</u>	<u>\$ 420,348</u>	<u>\$ 20,245</u>	<u>\$ 440,593</u>	<u>\$ 169,815</u>

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Tribunal records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Tribunal and submitted to the State Comptroller for payment to the vendor.
- Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As Public Act 100-0021 states appropriation authority granted by the General Assembly does not supercede any court order directing the expenditure of funds and states such payments are added to the appropriations granted by the General Assembly, the Tribunal was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2017.
- Note 4: Public Act 99-0524 authorized the Tribunal to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 36 includes information from Tribunal management about the number of invoices and the total dollar amount of invoices held by the Tribunal submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2017

**SCHEDULE 1**

For the Fifteen Months Ended September 30, 2017

- Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Tribunal to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 36 includes information from Tribunal management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Tribunal to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.
- Note 6: During Fiscal Year 2016, the Tribunal had two invoices, totaling \$639, which were not paid from the Fiscal Year 2017 Illinois Independent Tax Tribunal Fund's appropriation. Claims for these invoices were filed with the Court of Claims by the vendors during Fiscal Year 2017 (see Finding 2017-001).

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2016

**SCHEDULE 2**

For the Fourteen Months Ended August 31, 2016

Public Act 099-0524 and Court-Ordered Expenditures FISCAL YEAR 2016	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2016	Lapse Period Expenditures July 1 to September 30, 2016	Total Expenditures	Balances Lapsed
<b>APPROPRIATED FUNDS</b>					
General Revenue Fund - 001					
Personal Services		\$ 397,148	\$ 17,415	\$ 414,563	
Subtotal, General Revenue Fund		<u>\$ 397,148</u>	<u>\$ 17,415</u>	<u>\$ 414,563</u>	
Illinois Independent Tax Tribunal Fund - 169					
Operational Expenses	\$ 108,000	\$ -	\$ 36,768	\$ 36,768	\$ 71,232
Subtotal, Illinois Independent Tax Tribunal Fund	<u>\$ 108,000</u>	<u>\$ -</u>	<u>\$ 36,768</u>	<u>\$ 36,768</u>	<u>\$ 71,232</u>
<b>TOTAL - ALL FUNDS, FISCAL YEAR 2017</b>	<u>\$ 108,000</u>	<u>\$ 397,148</u>	<u>\$ 54,183</u>	<u>\$ 451,331</u>	<u>\$ 71,232</u>

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Tribunal records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Tribunal and submitted to the State Comptroller for payment to the vendor.
- Note 3: During Fiscal Year 2016, the Tribunal operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Tribunal never received enacted personal services appropriations for Fund 001, the Tribunal was able to submit vouchers to pay its employees in full without a maximum expenditure limit for personal services costs during Fiscal Year 2016. Further, the Tribunal incurred non-payroll obligations within Fund 169, which the Tribunal was unable to pay until the passage of Public Act 99-0524.
- Note 4: Public Act 99-0524 authorized the Tribunal to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 36 includes information from Tribunal management about the number of invoices and the total dollar amount of invoices held by the Tribunal submitted against its Fiscal Year 2017 appropriation.
- Note 5: During Fiscal Year 2016, the Tribunal had two invoices, totaling \$639, that were not paid from the Fiscal Year 2017 Illinois Independent Tax Tribunal Fund's appropriation. Claims for these invoices were filed with the Court of Claims by the vendors during Fiscal Year 2017 (see Finding 2017-001).

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30,

**SCHEDULE 3**

	Fiscal Year		
	2017	2016	2015
	P.A. 099-0524 and Court-Ordered Expenditures	P.A. 099-0524 and Court-Ordered Expenditures	P.A. 098-0679 and P.A. 099-0001
<b>APPROPRIATED FUNDS</b>			
<b>General Revenue Fund - 001</b>			
Appropriations			\$ 785,700
<u>Expenditures</u>			
Personal Services	\$ 417,808	\$ 414,563	\$ -
Operational Expenses	-	-	448,986
Total Expenditures	<u>\$ 417,808</u>	<u>\$ 414,563</u>	<u>\$ 448,986</u>
Lapsed Balances			<u>\$ 336,714</u>
<b>Illinois Independent Tax Tribunal Fund - 169</b>			
Appropriations	\$ 167,600	\$ 108,000	\$ 79,400
<u>Expenditures</u>			
Operational Expenses	\$ 22,785	\$ 36,768	\$ 608
Total Expenditures	<u>\$ 22,785</u>	<u>\$ 36,768</u>	<u>\$ 608</u>
Lapsed Balances	<u>\$ 144,815</u>	<u>\$ 71,232</u>	<u>\$ 78,792</u>
<b>Budget Stabilization Fund - 686</b>			
Appropriations	\$ 25,000	\$ -	\$ -
<u>Expenditures</u>			
Operational Expenses	\$ -	\$ -	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lapsed Balances	<u>\$ 25,000</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30,

**SCHEDULE 3**

	Fiscal Year		
	2017	2016	2015
	P.A. 099-0524 and Court-Ordered Expenditures	P.A. 099-0524 and Court-Ordered Expenditures	P.A. 098-0679 and P.A. 099-0001
<hr/> <b>TOTAL - APPROPRIATED FUNDS</b> <hr/>			
Total Appropriations	\$ 192,600	\$ 108,000	\$ 865,100
Total Appropriated Expenditures	\$ 440,593	\$ 451,331	\$ 449,594
Total Lapsed Balances	\$ 169,815	\$ 71,232	\$ 415,506

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and September 30, 2017, and have been reconciled to Tribunal records.
- Note 2: Expenditure amounts are vouchers approved for payment by the Tribunal and submitted to the State Comptroller for payment to the vendor.
- Note 3: The Circuit Court of St. Clair County in *AFSCME Council 31 v. Munger* (15 CH 475) ordered the State Comptroller, in the absence of enacted annual appropriations, to "draw and issue warrants accomplishing payment of wages [for all State employees] at their normal rates of pay." As the Tribunal never received an enacted personal services appropriation for Fund 001, the Tribunal was able to submit vouchers to pay its employees in full from Fund 001 without a maximum expenditure limit for personal service costs during Fiscal Year 2016 and Fiscal Year 2017.
- Note 4: Public Act 99-0524 authorized the Tribunal to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 36 includes information from Tribunal management about the number of invoices and the total dollar amount of invoices held by the Tribunal submitted against its Fiscal Year 2017 appropriation.
- Note 5: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Tribunal to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 36 includes information from Tribunal management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Tribunal to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.
- Note 6: During Fiscal Year 2016, the Tribunal had two invoices, totaling \$639, which were not paid from the Fiscal Year 2017 Illinois Independent Tax Tribunal Fund's appropriation. Claims for these invoices were filed with the Court of Claims by the vendors during Fiscal Year 2017 (see Finding 2017-001).

STATE OF ILLINOIS  
 ILLINOIS INDEPENDENT TAX TRIBUNAL  
 COMPLIANCE EXAMINATION  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
 For the Two Years Ended June 30, 2017

**SCHEDULE 4**

		Equipment
Balance at July 1, 2015	\$	54,487
Additions		-
Deletions		-
Net Transfers		-
		<hr/>
Balance at June 30, 2016	\$	54,487
		<hr/> <hr/>
Balance at July 1, 2016	\$	54,487
Additions		-
Deletions		-
Net Transfers		-
		<hr/>
Balance at June 30, 2017	\$	54,487
		<hr/> <hr/>

Note: This schedule has been derived from the Tribunal's records, which were reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS SCHEDULE 5  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF  
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Year Ended June 30,

Illinois Independent Tax Tribunal Fund - 169	Fiscal Year		
	2017	2016	2015
Filing Fees	\$ 90,500	\$ 130,000	\$ 124,000
Record Fees	304	-	-
Total Receipts - Fund 169	<u>\$ 90,804</u>	<u>\$ 130,000</u>	<u>\$ 124,000</u>
Receipts, per Agency Records	\$ 90,804	\$ 130,000	\$ 124,000
Add: Deposits in Transit, Beginning of the Fiscal Year	1,500	3,500	8,000
Subtract: Deposits in Transit, End of the Fiscal Year	<u>2,000</u>	<u>1,500</u>	<u>3,500</u>
Deposits, Recorded by the State Comptroller	<u>\$ 90,304</u>	<u>\$ 132,000</u>	<u>\$ 128,500</u>
<b>GRAND TOTAL - ALL FUNDS</b>			
Total Cash Receipts, per Agency Records	\$ 90,804	\$ 130,000	\$ 124,000
Add: Deposits in Transit, Beginning of the Fiscal Year	1,500	3,500	8,000
Subtract: Deposits in Transit, End of the Fiscal Year	<u>2,000</u>	<u>1,500</u>	<u>3,500</u>
Total Deposits, Recorded by the State Comptroller	<u>\$ 90,304</u>	<u>\$ 132,000</u>	<u>\$ 128,500</u>

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**TRIBUNAL FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Tribunal Functions

The Illinois Independent Tax Tribunal (Tribunal) was established by the Illinois Independent Tax Tribunal Act of 2012 (35 ILCS 1010). The Tribunal began accepting petitions from taxpayers on January 1, 2014.

The Tribunal was created to increase public confidence in the fairness of the State's tax system. A major component of the Tribunal's mission is to foster the settlement of tax disputes to the extent possible and, in cases where litigation is necessary, provide taxpayers with a fair, independent, and tax-expert forum to resolve disputes between taxpayers and the Department of Revenue. To achieve this objective, the Tribunal conducts administrative hearings to adjudicate disputes prior to the taxpayer being required to pay the disputed amount.

The Tribunal, an independent agency of the State of Illinois, functions as an administrative law court under the executive branch of government. The Tribunal's hearings are open to the public and all court documents, including documents filed by taxpayers or the Department of Revenue and the Tribunal's orders for each case, are posted on the web at [www.illinois.gov/taxtribunal](http://www.illinois.gov/taxtribunal). The Tribunal's limited jurisdiction only arises when both of these two conditions are satisfied:

- 1) The Department of Revenue has issued a Notice of Deficiency, Notice of Tax Liability, Notice of Claim Denial, or Notice of Penalty Liability to a taxpayer when either:
  - the aggregate amount of a tax year or audit period exceeds \$15,000, exclusive of interest and penalties; or,
  - the aggregate total of interest and penalties exceeds \$15,000 in cases assessing only interest and/or penalties.
- 2) The Notice of Deficiency, Notice of Tax Liability, Notice of Claim Denial, or Notice of Penalty Liability involves one of the following tax statutes:

1) Illinois Income Tax Act	12) Cigarette Tax Act
2) Use Tax Act	13) Cigarette Use Tax Act
3) Service Use Tax Act	14) Tobacco Products Tax Act of 1995
4) Service Occupation Tax Act	15) Hotel Operators' Occupation Tax Act
5) Retailers' Occupation Tax Act	16) Electricity Excise Tax Law
6) Public Utilities Revenue Act	17) Aircraft Use Tax Law
7) Motor Fuel Tax Law	18) Watercraft Use Tax Law
8) Gas Revenue Tax Act	19) Uniform Penalty and Interest Act
9) Gas Use Tax Law	20) Telecommunications Excise Tax Act
10) Water Company Invested Capital Tax Act	21) Telecommunications Infrastructure Maintenance Fee Act
11) Automobile Renting Occupation and Use Tax Act	22) Coin-Operated Amusement Device and Redemption Machine Tax Act

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**TRIBUNAL FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Planning Program

The Tribunal does not have a formal written planning policy. The Tribunal's administrative law judges meet on an as-needed basis to monitor the Tribunal's operations, prepare and review internal statistical reports, and monitor the current status of petitions. Additionally, the Chief Administrative Law Judge and Chief Administrative Officer will prepare a proposed annual budget for submission to the Governor's Office of Management and Budget and the General Assembly.

The Tribunal has codified its procedural rules within the Illinois Administrative Code at 86 Ill. Admin. Code 5000. Each year, the Chief Administrative Law Judge reviews proposed changes to the Tribunal's administrative rules and procedures with the Chicago Bar Association's State and Local Tax Committee, the Illinois State Bar Association's State and Local Tax Committee, and the Tax Federation of Illinois. When new administrative rules need to be implemented, proposed administrative rule changes are submitted to the Joint Committee on Administrative Rules for ultimate approval and publication by the Secretary of State in the Illinois Register.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**BUDGET IMPASSE DISCLOSURES**  
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 099-0524 authorized the Tribunal to pay Fiscal Year 2016 costs using the Tribunal's Fiscal Year 2017 appropriations for non-payroll expenditures. The Tribunal had two outstanding invoices at the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. These invoices were referred to the Court of Claims during Fiscal Year 2017. As such, the Tribunal did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

In addition, Article 998 of Public Act 100-0021 authorized the Tribunal to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Tribunal's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Tribunal did not have any outstanding invoices from Fiscal Year 2017 unpaid after the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017. Therefore, the Tribunal did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs and does not intend to use either its Fiscal Year 2017 or Fiscal Year 2018 appropriations to pay its Fiscal Year 2016 or Fiscal Year 2017 costs.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND  
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**  
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Tribunal and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016 and Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Tribunal's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016 and Fiscal Year 2017.

STATE OF ILLINOIS  
 ILLINOIS INDEPENDENT TAX TRIBUNAL  
 COMPLIANCE EXAMINATION  
**INTEREST COSTS ON FISCAL YEAR 2016 AND FISCAL YEAR 2017 INVOICES**  
 For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Prompt Payment Interest Costs

The Tribunal calculated prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016 and Fiscal Year 2017. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Tribunal. The following chart shows the Tribunal's prompt payment interest incurred related to Fiscal Year 2016 and Fiscal Year 2017 invoices, calculated on the accrual basis of accounting, through June 30, 2016 and June 30, 2017, by fund:

**PROMPT PAYMENT INTEREST INCURRED**

Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
169	Independent Tax Tribunal Fund	1	1	\$ 14
		1	1	\$ 14

**PROMPT PAYMENT INTEREST INCURRED**

Year Ended June 30, 2017

Fund #	Fund Name	Invoices	Vendors	Dollar Value
169	Independent Tax Tribunal Fund	4	2	\$ 56
		4	2	\$ 56

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016**

**Illinois Independent Tax Tribunal Fund - 169**

Operating Expenses

The decrease in expenditures was due to a credit memorandum for the Tribunal's pro-rata share of Fiscal Year 2015 General Revenue Fund deposits into the Facilities Management Revolving Fund received from the Department of Central Management Services.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015**

**General Revenue Fund - 001**

Operating Expenses

The decrease in expenditures was due to (1) the Tribunal paying all of its non-payroll expenses from the Illinois Independent Tax Tribunal Fund as opposed to the General Revenue Fund and (2) the Tribunal not receiving an appropriation from the General Revenue Fund during Fiscal Year 2016 due to the budget impasse.

Personal Services

The increase in expenditures was due to the Tribunal paying its payroll costs from the General Revenue Fund pursuant to a court order during Fiscal Year 2016.

**Illinois Independent Tax Tribunal Fund - 169**

Operating Expenses

The increase in expenditures was due to the Tribunal paying all of its non-payroll expenses from the Illinois Independent Tax Tribunal Fund as opposed to the General Revenue Fund during Fiscal Year 2016. In previous years, the Tribunal paid for most of its operational costs from the General Revenue Fund.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016**

**Illinois Independent Tax Tribunal Fund - 169**

Filing Fees

The total number of cases filed is generally derivative of the number of audits completed by the Department of Revenue and whether taxpayers contest the Department of Revenue's findings. As such, the number of cases filed each year – and the associated filing fees – are expected to fluctuate.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2016 AND 2015**

There were no significant variations in receipts between Fiscal Year 2016 and Fiscal Year 2015.

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Two Years Ended June 30, 2017

(NOT EXAMINED)

**FISCAL YEAR 2017**

There were no instances of significant Lapse Period spending by the Tribunal during Fiscal Year 2017.

**FISCAL YEAR 2016**

**Illinois Independent Tax Tribunal Fund - 169**

Operational Expenses

The significant spending during the Lapse Period was due to the Tribunal processing invoices received during Fiscal Year 2016 after the passage of Public Act 099-0524 on June 30, 2016.

STATE OF ILLINOIS  
 ILLINOIS INDEPENDENT TAX TRIBUNAL  
 COMPLIANCE EXAMINATION  
**AVERAGE NUMBER OF EMPLOYEES**  
 For the Two Years Ended June 30, 2017

(NOT EXAMINED)

The following table, prepared from the Tribunal's records, presents the average number of employees, by function, for the Fiscal Year Ended June 30,

	Fiscal Year		
<u>Division</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
<i>Judges</i>			
Chief Administrative Law Judge	1	1	1
Administrative Law Judge	1	1	1
<i>Administrative Services</i>			
Chief Administrative Officer	1	1	1
Clerk	0	0	0
Reporter	0	0	0
<b>Total Full-Time Equivalent Employees</b>	<u>3</u>	<u>3</u>	<u>3</u>

STATE OF ILLINOIS  
ILLINOIS INDEPENDENT TAX TRIBUNAL  
COMPLIANCE EXAMINATION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**

For the Two Years Ended June 30, 2017

(NOT EXAMINED)

Caseload Statistics

The following table, prepared from the Tribunal's records, presents its caseload statistics, for the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
Open Cases, July 1.....	350	267	109
Cases Opened.....	198	270	270
Closed Cases.....	(214)	(187)	(112)
Open Cases, June 30.....	334	350	267
Average Age of Outstanding Cases (in months).....	15.00	10.00	6.49
Amount in Dispute, New Cases Opened.....	\$ 165,637,892	\$ 197,795,081	\$ 242,042,334
Resolved Cases			
Cases Decided for the Taxpayer.....	-	2	-
Cases Decided for the Department of Revenue.....	4	1	-
Cases Resolved by Mediation or Settlement.....	117	103	33

Note 1: This schedule reflects corrections for the errors noted in Finding 2017-006.

Note 2: The resolved cases numbers does not reflect cases on appeal until all successive appellate activity on the case has ceased.