

**State of Illinois
Illinois Independent
Tax Tribunal**

COMPLIANCE EXAMINATION

**FOR THE TWO YEARS ENDED
JUNE 30, 2023**

**PERFORMED AS SPECIAL
ASSISTANT AUDITORS FOR THE
AUDITOR GENERAL,
STATE OF ILLINOIS**

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

TABLE OF CONTENTS

<i>State Compliance Examination Report</i>	<u>Page</u>
Tribunal Officials	1
Management Assertion Letter	2
State Compliance Report	
Summary	3
Independent Accountant's Report on State Compliance and on Internal Control over Compliance	6
Schedule of Findings	
Current Findings	9
Prior Finding Not Repeated	26

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

TRIBUNAL OFFICIALS

Judges

Chief Administrative Law Judge	Mr. James Conway
Administrative Law Judge (1)	Mr. Brian Barov
Administrative Law Judge (2)	Vacant
Administrative Law Judge (3)	Vacant

Administrative Services

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

*The Tribunal is statutorily required to appoint a clerk and reporter pursuant to the Illinois Independent Tax Tribunal Act (35 ILCS 1010/1-40). The vacancies above are considered noncompliance and are reported as part of Finding 2023-004 on pages 16-17 of this report.

TRIBUNAL OFFICE

The Tribunal's office is located at:

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



Illinois Independent

Tax Tribunal

160 N. La Salle Street, Suite N-506
Chicago, Illinois 60601

Phone: (312) 814-4285
Fax: (312) 814-4768
Email: ITT.TaxTribunal@illinois.gov

MANAGEMENT ASSERTION LETTER

June 6, 2024

Roth & Company, LLP
Certified Public Accountants
540 West Madison Street, Suite 2450
Chicago, Illinois 60661

Ladies and Gentlemen:

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 State of Illinois, Illinois Independent Tax Tribunal (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 Tribunal's compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the Tribunal has materially complied with the specified requirements listed below.

- A. The 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 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. Other than what has been previously disclosed and reported in the Schedule of Findings, the 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. Other than what has been previously disclosed and reported in the Schedule of Findings, State revenues and receipts collected by the 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,

State of Illinois, Illinois Independent Tax Tribunal

SIGNED ORIGINAL ON FILE

James Conway, Director/Chief Administrative Law Judge

SIGNED ORIGINAL ON FILE

Kristene Callanta, Chief Administrative Officer

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this 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*.

ACCOUNTANT’S REPORT

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

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	8	6
Repeated Findings	5	3
Prior Recommendations Implemented or Not Repeated	1	1

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2023-001	9	2021/2015	Inadequate Control over Filing Fees	Significant Deficiency and Noncompliance
2023-002	11	New	Inadequate Internal Controls over Census Data	Significant Deficiency and Noncompliance
2023-003	13	2021/2021	Lack of Adequate Controls over the Review of Internal Controls for Service Provider	Significant Deficiency and Noncompliance
2023-004	15	2021/2015	Failure to Fully Implement the Illinois Independent Tax Tribunal Act of 2012	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings (Continued)				
2023-005	18	2021/2019	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-006	20	2021/2021	Disaster Recovery Planning Weakness	Significant Deficiency and Noncompliance
2023-007	22	New	Voucher Processing Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2023-008	24	New	Receipt Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
Prior Finding Not Repeated				
A	26	2021/2021	Information Technology Access Weaknesses	

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2023**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with the Tribunal personnel at an exit conference on June 3, 2024.

Attending were:

Illinois Independent Tax Tribunal

James Conway, Director/Chief Administrative Law Judge

Kristene Callanta, Chief Administrative Officer

Office of the Auditor General

Jose Roa, Audit Manager

Roth and Company, LLP

Elda Arriola, Partner

Lou Jonathan Cabrera, Manager

Tiffany Floresca, Supervisor

John Michael Mahinay, Associate

The responses to the recommendations were provided by James Conway, Director/Chief Administrative Law Judge, in a correspondence dated June 6, 2024.



INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Governing Board
State of Illinois, Independent Tax Tribunal

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Independent Tax Tribunal (Tribunal) with the specified 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, 2023. Management of the Tribunal is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Tribunal's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The 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 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 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 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Tribunal complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Tribunal complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Tribunal's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirement applicable to the Tribunal during the two years ended June 30, 2023. As described in the accompanying Schedule of Findings as items 2023-007 and 2023-008, the Tribunal had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. As described in the accompanying Schedule of Findings as item 2023-008, the Tribunal had not ensured the State revenues and receipts collected by the Tribunal were in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts was fair, accurate, and in accordance with law.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Tribunal complied with the specified requirements during the two years ended June 30, 2023, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2023-001 through 2023-006.

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

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.



Report on Internal Control Over Compliance

Management of the Tribunal is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Tribunal's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Tribunal's compliance with the specified requirements and to test and report on the Tribunal's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Tribunal's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tribunal's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-007 and 2023-008 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001 through 2023-006 to be significant deficiencies.

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

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

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
June 6, 2024



**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-001. **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 occasionally receives petitions that are incorrectly filed. The incorrectly filed petitions 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 eight times, totaling \$4,000, during Fiscal Year 2022 and ten times, totaling \$5,000, during Fiscal Year 2023.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2) requires the Tribunal to deposit the entire remittance into the State Treasury.

In addition, we noted the following related to this process:

- For the petitions noted above, 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) manual.

SAMS (Procedure 11.10.40) requires the Tribunal to process refunds, defined as repayments of fees paid in excess or in error to the State, through the standard voucher-warrant process.

- The Tribunal did not have adequate appropriation authority to issue refunds for the petitions which were denied or considered inadequate. The Tribunal's appropriation authority within the Illinois Independent Tax Tribunal Fund, Fund 0169, is as follows: Public Act 102-0017 appropriated \$711,900 in Fiscal Year 2022 and Public Act 102-0698 appropriated \$572,100 in Fiscal Year 2023 for operational expenditures, but neither Public Act includes an appropriation to the Tribunal for paying refunds.

Tribunal management believes that fees associated with filings that are rejected in the first instance are legally not accepted and do not need to be taken and deposited. Tribunal management also indicated, as it did during the prior examination, it does not issue refunds as it believes the process it has in place of returning the original checks to the petitioners is adequate and efficient.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-001. **FINDING** (Inadequate Control over Filing Fees) - Continued

Failure to deposit and process refunds of filing fees through the standard voucher-warrant process represents noncompliance with State laws, rules, and regulations. Further, failure to have appropriation authority to issue refunds limits the Tribunal's ability to comply with State laws, rules, and regulations. (Finding Code No. 2023-001, 2021-001, 2019-001, 2017-004, 2015-004)

RECOMMENDATION

We recommend the Tribunal deposit payments received as required by the Act and process the necessary refunds through the State's voucher-warrant process as required by SAMS. We also recommend the Tribunal request an appropriation to pay refunds due. Finally, we recommend the Tribunal should seek a formal written opinion from the Office of the Attorney General, if the Tribunal disagrees with this position, or to seek a legislative remedy.

TRIBUNAL RESPONSE

We do not agree with the Special Assistant Auditors' finding. The Tax Tribunal cannot deposit filing fee checks for petition filings that are legally deficient, or for filings completely misdirected to the Tax Tribunal, as those filings cannot legally be accepted under the Tax Tribunal statute. The Tax Tribunal has a written policy for when a filing is initially and immediately rejected for being deficient and not acceptable. If a filing cannot be accepted, any accompanying check is naturally not accepted as well and is immediately returned to the filer or destroyed with the filer's permission. Any petition filing fee check not accepted is noted in the publicly available case order dismissing the case as well as in our internal docket system and our internal monthly fee/deposits reconciliation spreadsheet and/or our archived email system.

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. Currently, 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 Office of the Attorney General or a legislative remedy as noted options in our recommendation.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Inadequate Internal Controls over Census Data)

The Illinois Independent Tax Tribunal (Tribunal) did not perform a reconciliation to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Tribunal's employees are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

During testing, we noted after establishing a base year, the Tribunal had not obtained from SERS and CMS the incremental changes recorded by SERS and CMS in their census records and reconciled these changes back to the Tribunal's internal supporting records for the year ended June 30, 2022.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-002. **FINDING** (Inadequate Internal Controls over Census Data) - Continued

actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Tribunal make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Tribunal's activities.

Finally, 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 applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Tribunal officials stated they do not believe they received instructions on this requirement for Fiscal Year 2022.

Failure to reconcile active members' census data reported to and held by SERS to the Tribunal's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2023-002)

RECOMMENDATION

We recommend the Tribunal work with SERS to perform an annual reconciliation on the incremental changes to the census data file from the prior actuarial valuation, provided no risks are identified that incomplete or inaccurate reporting of census data may have occurred during prior periods.

TRIBUNAL RESPONSE

We agree with the Special Assistant Auditor's finding. We were not advised following the initial implementation of this requirement that new census data was to be supplied on an annual basis. Now advised, we will do so going forward.

STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-003. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Provider)

The Illinois Independent Tax Tribunal (Tribunal) had not implemented adequate internal controls over its service provider.

In order to carry out its mission, the Tribunal utilized a service provider for hosting services and software as a service, which is the Department of Innovation and Technology (DoIT). During the current examination, we noted that the Tribunal obtained and reviewed the System and Organization Control (SOC) Reports of DoIT; however, they did not document an assessment of the impact of the deviations, subservice organizations, and complementary user entity controls to the Tribunal's operations.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tribunal to 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 maintain accountability over the State's resources.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology (NIST), System and Service Acquisition sections, requires entities outsourcing their IT environment or operations to obtain assurance over the entities internal controls related to the services provided. Such assurance may be obtained via System and Organization Control reports or independent reviews.

The Tribunal indicated the exception was due to their belief that the assessment of SOC reports they performed was sufficient and adequate.

Without adequately assessing all components of the SOC Reports of its service providers, the Tribunal does not have assurance that the service provider's internal controls are adequate. (Finding Code No. 2023-003, 2021-003)

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-003. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Providers) - Continued

RECOMMENDATION

We recommend the Tribunal:

- Monitor and document the operation of the Complementary User Entity Controls (CUECs) related to the Tribunal’s operations.
- Review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impact to the Tribunal, and any compensating controls.

TRIBUNAL RESPONSE

We do not agree with the Special Assistant Auditors’ finding. DoIT is our sole service provider. We do monitor DoIT’s System and Organization Controls reports and will continue to monitor SOCs and any Complementary User Controls contained therein on an annual basis for any impact on our internal control environment and to determine whether any compensating controls should be put in place. The Director does document the annual SOC review with an email to the Chief Administrative Officer (CAO). The Auditor General has repeatedly found DoIT’s internal controls to be deficient in its published reports. The Tax Tribunal is in no position to direct DoIT to implement any recommendations made to it by the Auditor General nor are there any compensating controls that were found necessary to implement at the Tax Tribunal level.

ACCOUNTANT’S COMMENT

The Director’s annual SOC review over email did not document an assessment of the impact of the deviations, subservice organizations, and complementary user entity controls to the Tribunal’s operations as noted in the finding.

Further, the finding does not direct the Tribunal to hold position over DoIT, but to adequately document risk assessment of DoIT’s internal controls deficiencies on the Tribunal’s operations.

STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-004. **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 to maintain its principal offices in both Cook County and Sangamon County.

- The Tribunal did not appoint a clerk or a reporter.

The Act (35 ILCS 1010/1-40(a)) requires the Tribunal to appoint a clerk and reporter. Additionally, the Act (35 ILCS 1010/1-15(b)) grants the Tribunal all of the powers necessary or convenient to carry out the purposes and provisions of this Act, including, without limitation, (1) to obtain and employ personnel as required in the Act, including any additional personnel necessary to fulfill the Tribunal's purposes and (2) to maintain offices at such places as required under this Act, and elsewhere as the Tribunal may determine.

- 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 to 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.

During the previous examination as well as the current examination, the Tribunal disagreed with the requirements of the Act. More specifically, the Tribunal does not believe their caseload warrants the cost of an additional office or additional employees. Further, the Tribunal indicated they do not allow, require, or need a policy for electronic signatures due to electronic signatures are not necessary to authenticate electronic submissions.

Failure to maintain a principal office in Sangamon County, appoint a clerk and a reporter, and establish rules for the electronic submission of documents represents noncompliance with the Act. (Finding Code No. 2023-004, 2021-004, 2019-002, 2017-005, 2015-008)

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-004. **FINDING** (Failure to Fully Implement the Illinois Independent Tax Tribunal Act of 2012) - Continued

RECOMMENDATION

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

TRIBUNAL RESPONSE

We do not agree with the Special Assistant Auditors' finding. 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 and not be a complete waste of taxpayer dollars. The Tax Tribunal has been open for almost eleven years and the statutorily mandated size of the office and staffing were projections done prior to its operations commencing. Despite those projections being imbedded in the Tax Tribunal statute, we were advised to begin with two judges and one office. That is what we currently operate with some eleven years later. 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. Moreover, our budget appropriations have been reduced to allow for a minimal budget to operate just our one office and with no new additional judges. A legislative remedy to change the language of the statute should not be done at this time as being unduly burdensome and unnecessary as a stand-alone piece of legislation, but a legislative remedy will be sought when other legislative remedies or legislative enactments are being sought by the Tax Tribunal in the future.

Electronic signatures are not necessary to authenticate electronic submissions. Filings are typically submitted by the parties by email with return email addresses, reducing the need for further verification. No one is allowed to post any court submission directly to the Tax Tribunal's docket system as only the judges, after reviewing a proposed filing, post the proposed filing to the docket. All parties public court filings and the Tax Tribunal's orders/decisions are posted on the Tax Tribunal's website so any false filing would be immediately noticeable to the parties and the court. As with the other sections of the Tax Tribunal statute listed in this finding that were enacted prior to the Tax Tribunal conducting operations, we will seek to delete this irrelevant statutory requirement through a legislative remedy when it is necessary to seek a legislative remedy to address a relevant component of the Tax Tribunal's operations.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-004. **FINDING** (Failure to Fully Implement the Illinois Independent Tax Tribunal Act of 2012) - Continued

ACCOUNTANT’S COMMENT

If the Tribunal believes compliance with the Act would result in an imprudent use of State resources and electronic signatures are not necessary and irrelevant to its operations, the Tribunal should seek a legislative remedy as a noted option in our recommendation.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-005. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Illinois Independent Tax Tribunal (Tribunal) had not implemented adequate internal controls related to cybersecurity programs, practices, and control of confidential information.

In order to meet its primary role of “resolving disputes between taxpayers and the Illinois Department of Revenue,” the Tribunal utilized IT applications which contained confidential and personal information.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Tribunal’s cybersecurity program, practices, and control of confidential information, we noted the Tribunal had not:

- Conducted a comprehensive risk assessment, and implemented risk reducing internal controls, and
- Established an adequate process to review and ensure security incidents identified by the Department of Innovation and Technology (DoIT) involving the Tribunal’s systems or data were fully remediated and related vulnerabilities were assessed.

The *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives, and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tribunal to 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 to maintain accountability over the State’s resources.

The Tribunal indicated the weaknesses were due to their belief their cybersecurity programs and practices are sufficient.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Tribunal’s confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-005, 2021-005, 2019-003)

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-005. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) - Continued

RECOMMENDATION

We recommend the Tribunal work with DoIT to obtain a detailed understanding of responsibilities related to cybersecurity controls. Additionally, we recommend the Tribunal:

- Conduct a comprehensive risk assessment, and implement risk reducing internal controls, and
- Establish an adequate process to review and ensure security incidents identified by DoIT involving the Tribunal's systems or data are fully remediated and related vulnerabilities are assessed.

TRIBUNAL RESPONSE

We do not agree with the Special Assistant Auditors' finding. Following the last audit cycle, we updated our cybersecurity policies and conducted a risk assessment of our cybersecurity controls which we believe are adequate.

ACCOUNTANT'S COMMENT

Per the finding, a review of the Tribunal's updated cybersecurity policies and risk assessment, noted missing items based on industry standards and statutes. Failure to meet industry standards and statutes results in weaknesses in cybersecurity program and practices.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-006. **FINDING** (Disaster Recovery Planning Weakness)

Illinois Independent Tax Tribunal (Tribunal) had not established an adequate Disaster Recovery Plan and disaster recovery testing.

The Tribunal updated its Disaster Recovery Plan in June 2023. However, the Plan did not document the detailed procedures in recovering the Tribunal’s critical applications, the recovery time objectives, and the process and frequency in performing the disaster recovery testing.

We also noted the disaster recovery testing requirement of the Plan is inadequate to ensure that applications and data of the Tribunal can be recovered in time of disaster. In addition, the Tribunal had not conducted a disaster recovery exercise of the Plan during the examination period.

The *Contingency Planning Guide for Information Technology Systems* published by the National Institute of Standards and Technology requires entities to have an adequate and tested disaster contingency plan to ensure the timely recovery of applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tribunal to 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 to maintain accountability over the State’s resources.

The Tribunal indicated the weaknesses were due to their belief their Disaster Recovery Plan and testing are sufficient.

Without an adequately documented and tested contingency plan, the Tribunal cannot ensure its critical systems can be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster. (2023-006, 2021-006)

RECOMMENDATION

We recommend the Tribunal to update its disaster recovery plan to include sufficient detail and conduct a thorough recovery test annually.

TRIBUNAL RESPONSE

We do not agree with the Special Assistant Auditors’ finding. Following the last audit cycle, we conducted a mock disaster simulation. Following that, the Disaster Recovery Plan was updated. The policy provides for a mock disaster simulation on an annual basis. We also previously did a Business Impact Analysis with DoIT.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-006. **FINDING** (Disaster Recovery Planning Weakness) - Continued

ACCOUNTANT’S COMMENT

Per the finding, a review of the Tribunal’s updated disaster recovery plan did not document sufficient detail to meet industry standards and statutes. Further, an annual full test with proper testing requirements is needed to meet industry standards. Failure to meet industry standards and statutes results in disaster recovery planning weakness.

STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-007. **FINDING** (Voucher Processing Controls Not Operating Effectively)

The Illinois Independent Tax Tribunal (Tribunal) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Tribunal to determine whether certain key attributes were properly entered by the Tribunal's staff into ERP. In order to determine the operating effectiveness of the Tribunal's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's Enterprise Resource Planning (ERP) based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

During tested, it was noted the Tribunal does not enter actual invoice approval date into the ERP, but rather the approval date recorded in the ERP is the date the invoice was entered into the ERP. The Tribunal processed 72 and 49 vouchers during the Fiscal Year 2022 and 2023, respectively.

The Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Tribunal to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Commission establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

Due to this condition, we qualified our opinion because we determined the Tribunal had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, we then conducted an analysis of the Tribunal's expenditures data for fiscal years 2022 and 2023 to determine compliance with the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.70). We noted the Tribunal did not timely approve 52 of 121 (43%) vouchers processed during the examination period, totaling \$81,708. We noted these late vouchers were approved between 1 and 140 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Tribunal to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-007. **FINDING** (Voucher Processing Controls Not Operating Effectively) - Continued

Tribunal officials stated they disagree with the premise that entry into the ERP constitutes approval of the invoice and the Tribunal approve invoices outside of the ERP. Tribunal officials stated entry into the ERP is the process to voucher for payment.

Failure to properly enter actual approval date into the State’s ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. In addition, failure to timely process proper bills represents noncompliance with the Code. (Finding Code No. 2023-007)

RECOMMENDATION

We recommend the Tribunal approve proper bills within 30 days of receipt and record actual approval date into the ERP.

TRIBUNAL RESPONSE

We agree with the Special Assistant Auditor’s finding. Vouchers and underlying source documentation were properly entered in QuickBooks, as they have for the last ten years. We were unaware of the timeline and complete procedures to transition to ERP. Now advised by the auditors, we will properly process vouchers through SAP as directed going forward.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023**

2023-008. **FINDING** (Receipt Processing Internal Controls Not Operating Effectively)

The Illinois Independent Tax Tribunal (Tribunal) internal controls over its receipt processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our receipt testing at the Tribunal to determine whether certain key attributes were properly entered by the Tribunal’s staff into the ERP. In order to determine the operating effectiveness of the Tribunal’s internal controls related to receipt processing, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the ERP based on supporting documentation. The attributes tested were (1) amount, (2) fund being deposited into, (3) date of receipt, (4) date deposited, and (5) SAMS Source Code.

Our testing noted 36 of 140 (26%) attributes were not properly entered into the ERP. Therefore, the Tribunal’s internal controls over receipt processing **were not operating effectively**.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Tribunal to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement. Additionally, Statewide Accounting Management System ((Procedure 25.10.10) requires the Tribunal to segregate the money into funds and document the source of the money. Further, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Tribunal to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues, expenditures, and transfers of assets, resources, or funds applicable to the 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.

Due to this condition, we qualified our opinion because we determined the Tribunal had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even given the limitations noted above, we conducted an analysis of the Tribunal’s receipts data for fiscal years 2022 and 2023 to determine compliance with the Act.

STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2023

2023-008. **FINDING** (Receipt Processing Internal Controls Not Operating Effectively) - Continued

We noted the Tribunal’s receipts data did not document the date on which the payment was received for 118 of 119 (99%) and 107 of 107 (100%) receipts in fiscal years 2022 and 2023, respectively. As such, we were unable to determine if the Tribunal deposited the receipts timely.

The Act (30 ILCS 230/2(a)) requires the Tribunal to maintain a detailed record of all moneys received, which is to include date of receipt, the payor, purpose and amount, and the date and manner of disbursement.

The Tribunal stated they utilized the ERP primarily to process the Receipt Deposit Transmittal (RDT) for notification to the Comptroller. Further, the Tribunal stated the issues were due to staff being unaware of which attributes of receipt processing procedures were designated to be entered into the assigned fields in ERP.

Failure to properly enter the key attributes into the State’s ERP when processing a receipt hinders the reliability and usefulness of data extracted from the ERP, which can result in improper recording of revenues and accounts receivable. (Finding Code No. 2023-008)

RECOMMENDATION

We recommend the Tribunal design and maintain internal controls to provide assurance that its data entry of key attributes into ERP is complete and accurate.

TRIBUNAL RESPONSE

We agree with the Special Assistant Auditor’s finding. Receipts and underlying source documentation were properly entered in QuickBooks, as they have for the last ten years. We were unaware of the timeline and complete procedures to transition to ERP. Now advised by the auditors, we will properly process receipts through SAP as directed going forward.

**STATE OF ILLINOIS
ILLINOIS INDEPENDENT TAX TRIBUNAL
SCHEDULE OF FINDINGS – PRIOR FINDING NOT REPEATED
For the Two Years Ended June 30, 2023**

A. FINDING (Information Technology Access Weakness)

During the prior examination, the Illinois Independent Tax Tribunal (Tribunal) had not implemented adequate internal controls related to applications access and control.

During the current examination, the Tribunal provided the listing of users with access to its applications and developed access provisioning policies and procedures. (Finding Code No. 2021-002)