

1 AN ACT in relation to audits.

2 Be it enacted by the People of the State of Illinois,
3 represented in the General Assembly:

4 Section 5. The Civil Administrative Code of Illinois is
5 amended by adding Article 2510 as follows:

6 (20 ILCS 2510/Art. 2510 heading new)

7 ARTICLE 2510. CERTIFIED AUDIT PROGRAM

8 (20 ILCS 2510/2510-1 new)

9 Sec. 2510-1. Short title. This Article 2510 of the Civil
10 Administrative Code of Illinois may be cited as the Certified
11 Audit Program Law.

12 (20 ILCS 2510/2510-5 new)

13 Sec. 2510-5. Definitions. As used in this Article,
14 unless the context otherwise requires:

15 "Certification program" means an instructional
16 curriculum, examination, and process for certification,
17 recertification, and revocation of certification of certified
18 public accountants that is administered by an independent
19 provider and that is officially approved by the Department to
20 ensure that a certified public accountant possesses the
21 necessary skills and abilities to successfully perform an
22 attestation engagement for tax compliance review in a
23 certified audit project.

24 "Department" means the Illinois Department of Revenue.

25 "Participating taxpayer" means any person subject to the
26 revenue laws administered by the Department who enters into
27 an engagement with a qualified practitioner for tax
28 compliance review and who is approved by the Department under
29 the certified audit project.

1 "Qualified practitioner" means a certified public
2 accountant who is licensed to practice in Illinois and who
3 has completed the certification program.

4 (20 ILCS 2510/2510-10 new)

5 Sec. 2510-10. Certified audit project.

6 (a) The Department is authorized to initiate a certified
7 audit project to further enhance tax compliance reviews
8 performed by qualified practitioners and to encourage
9 taxpayers to hire qualified practitioners at their own
10 expense to review and report on their tax compliance. The
11 nature of the certified audit work performed by qualified
12 practitioners shall be agreed-upon procedures in which the
13 Department is the specified user of the resulting report.

14 (b) As an incentive for taxpayers to incur the costs of
15 a certified audit, the Department shall compromise penalties
16 and abate interest due on any tax liabilities revealed by a
17 certified audit, except that this authority to compromise
18 penalties or abate interest shall not apply to any liability
19 for taxes that were collected by the participating taxpayer
20 but not remitted to the Department.

21 (c) The certified audit project shall not extend beyond
22 July 1, 2004.

23 (20 ILCS 2510/2510-15 new)

24 Sec. 2510-15. Practitioner responsibilities. Any
25 practitioner responsible for planning, directing, or
26 conducting a certified audit or reporting on a participating
27 taxpayer's tax compliance shall be a qualified practitioner.
28 For purposes of this Section, a practitioner is responsible
29 for:

30 (1) Planning in a certified audit when performing
31 work that involves determining the objectives, scope, and
32 methodology of the certified audit, when establishing

1 criteria to evaluate matters subject to the review as
2 part of the certified audit, when gathering information
3 used in planning the certified audit, or when
4 coordinating the certified audit with the Department.

5 (2) Directing in a certified audit when the work
6 involves supervising the efforts of others who are
7 involved or when reviewing the work to determine whether
8 it is properly accomplished and complete.

9 (3) Conducting a certified audit when performing
10 tests and procedures or field audit work necessary to
11 accomplish the audit objectives in accordance with
12 applicable standards.

13 (4) Reporting on a participating taxpayer's tax
14 compliance in a certified audit when determining report
15 contents and substance or reviewing reports for technical
16 content and substance prior to issuance.

17 (20 ILCS 2510/2510-20 new)

18 Sec. 2510-20. Notification.

19 (a) A qualified practitioner shall notify the Department
20 of an engagement to perform a certified audit and shall
21 provide the Department with the information the Department
22 deems necessary to identify the taxpayer, to confirm that the
23 taxpayer is not already under audit by the Department, and to
24 establish the basic nature of the taxpayer's business and the
25 taxpayer's potential exposure to Illinois revenue laws. The
26 information provided in the notification shall include the
27 taxpayer's name, federal employer identification number or
28 social security number, State tax account number, mailing
29 address, business location, and the specific taxes and period
30 proposed to be covered by the engagement for the certified
31 audit. In addition, the notice shall include the name,
32 address, identification number, contact person, and telephone
33 number of the engaged firm.

1 (b) If the taxpayer has not been issued a written notice
 2 of intent to conduct an audit, the taxpayer shall be a
 3 participating taxpayer and the Department shall so advise the
 4 qualified practitioner in writing within 10 days after
 5 receipt of the engagement notice. However, the Department may
 6 exclude a taxpayer from a certified audit or may limit the
 7 taxes or periods subject to the certified audit on the basis
 8 that the Department has previously conducted an audit, that
 9 it is in the process of conducting an investigation or other
 10 examination of the taxpayer's records, or for just cause.

11 (c) Notice of the qualification of a taxpayer for a
 12 certified audit shall toll the statute of limitations
 13 provided with respect to the taxpayer for the tax and periods
 14 covered by the engagement.

15 (d) Within 30 days after receipt of the notice of
 16 qualification from the Department, the qualified practitioner
 17 shall contact the Department and submit a proposed audit plan
 18 and procedures for review and agreement by the Department.
 19 The Department may extend the time for submission of the plan
 20 and procedures for reasonable cause. The qualified
 21 practitioner shall initiate action to advise the Department
 22 that amendment or modification of the plan and procedures is
 23 necessary in the event that the qualified practitioner's
 24 inspection reveals that the taxpayer's circumstances or
 25 exposure to the revenue laws is substantially different than
 26 as described in the engagement notice.

27 (20 ILCS 2510/2510-25 new)

28 Sec. 2510-25. Audit performance and review.

29 (a) Upon the Department's designation of the agreed-upon
 30 procedures to be followed by a practitioner in a certified
 31 audit, the qualified practitioner shall perform the
 32 engagement and shall timely submit a completed report to the
 33 Department. The report shall affirm completion of the

1 agreed-upon procedures and shall provide any required
2 disclosures.

3 (b) The Department shall review the report of the
4 certified audit and shall accept it when it is determined to
5 be complete. Once the report is accepted by the Department,
6 the Department shall issue a notice of proposed assessment
7 reflecting the determination of any additional liability
8 reflected in the report and shall provide the taxpayer with
9 all the normal payment, protest, and appeal rights with
10 respect to the liability. In cases where the report indicates
11 an overpayment has been made, the taxpayer shall submit a
12 properly executed application for refund to the Department.
13 Otherwise, the certified audit report is a final and
14 conclusive determination with respect to the tax and period
15 covered. No additional assessment may be made by the
16 Department for the specific taxes and period referenced in
17 the report, except upon a showing of fraud or
18 misrepresentation of material. This determination shall not
19 prevent the Department from collecting liabilities not
20 covered by the report or from conducting an audit or
21 investigation and making an assessment for additional tax,
22 penalty, or interest for any tax or period not covered by the
23 report.

24 (20 ILCS 2510/2510-30 new)

25 Sec. 2510-30. Rules. To implement the certified audit
26 project, the Department shall have authority to adopt rules
27 relating to:

28 (1) The availability of the certification program
29 required for participation in the project;

30 (2) The requirements and basis for establishing
31 just cause for approval or rejection of participation by
32 taxpayers;

33 (3) Procedures for assessment, collection, and

1 payment of liabilities or refund of overpayments and
2 provisions for taxpayers to obtain informal and formal
3 review of certified audit results;

4 (4) The nature, frequency, and basis for the
5 Department's review of certified audits conducted by
6 qualified practitioners, including the requirements for
7 documentation, work-paper retention and access, and
8 reporting; and

9 (5) Requirements for conducting certified audits
10 and for review of agreed-upon procedures.

11 Section 99. Effective date. This Act takes effect upon
12 becoming law.