



Office of the Washington State Auditor
Pat McCarthy

Accountability Audit Report

Automated Tax and Licensing Administration System (ATLAS) Administered by the Department of Revenue

For the period July 1, 2019 through June 30, 2020

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Office of the Washington State Auditor Pat McCarthy

November 12, 2020

Vikki Smith
Director
Department of Revenue
Olympia, Washington

Report on Accountability

Thank you for the opportunity to work with you to promote accountability, integrity and openness in government. The Office of the Washington State Auditor takes seriously our role of providing state and local governments with assurance and accountability as the independent auditor of public accounts. In this way, we strive to help government work better, cost less, deliver higher value and earn greater public trust.

Independent audits provide essential accountability and transparency for Department operations. This information is valuable to management, the governing body and public stakeholders when assessing the government's stewardship of public resources.

Attached is our independent audit report on the ATLAS application and general control environment. We appreciate the opportunity to work with your staff, and we value your cooperation during the audit.

Sincerely,

A handwritten signature in black ink that reads "Pat McCarthy". The signature is stylized with a large, flowing "P" and "M".

Pat McCarthy
State Auditor
Olympia, WA

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AUDIT RESULTS

Results in brief

This report describes the overall results and conclusions for the areas we examined related to the Automated Tax and Licensing Administration System (ATLAS) application and general controls. In those selected areas, controls were adequately designed and implemented to provide reasonable assurance that data was complete, accurate and available.

However, we noted certain matters that we communicated to Department management and Director in a separate confidential communication dated November 6, 2020 related to information technology (IT) security. Because public distribution of certain tests performed and the related results could increase risk to the Department's IT security, distribution of that information has been limited to management of the Department and is kept confidential under RCW 42.56.420.

We appreciate the Department's commitment to resolving those matters.

About the audit

This report contains the results of our independent accountability audit of ATLAS from July 1, 2019 through June 30, 2020.

ATLAS is the Department's combined tax and licensing administration system. ATLAS was implemented in three rollouts. The business licensing component of ATLAS was launched as a result of Rollout 1 in June 2016. The excise tax system component of ATLAS was implemented as a result of Rollout 2 in March 2018. Lastly, the special tax systems were placed into ATLAS production as a result of Rollout 3 in November 2018.

Management is responsible for ensuring information technology (IT) systems are designed, implemented and maintained to provide reasonable assurance of security, availability and processing integrity. This includes establishing controls over acquisition, development and maintenance of technology assets relevant to these objectives.

This audit was conducted under the authority of RCW 43.09.310, which requires the Office of the State Auditor to examine the financial affairs of all state agencies. Our audit involved obtaining evidence about the ATLAS's key application controls, along with related general IT controls. The procedures performed were based on our assessment of risks in the areas we examined.

Based on our risk assessment for the year ended June 30, 2020, we examined the following areas during this audit period:

- Input controls related to tax return, tax payment, tax refund, tax due billing, and tax rate update processes. Input controls are application controls designed to ensure data entered into an information system is complete, accurate and valid.
- Processing controls related to tax due, refund, interest, and penalty amount calculations. Processing controls are designed to ensure that all transactions and data are processed completely and accurately.
- Interface controls related to the interfaces between ATLAS and other systems. Interface controls are the processes designed to ensure the accurate, complete, and secure transmission and processing of data between systems.
- General IT controls related to program change controls and electronic access to the application, database, and program libraries. General IT controls are designed to ensure proper development, integrity, and security of system and computer operations.

In keeping with general auditing practices, we do not examine every function or aspect of the system. Instead, based on our audit objectives, we examined those input, processing, interface controls, and related IT general controls representing the highest risk to processing integrity and availability of the system.

INFORMATION ABOUT THE DEPARTMENT

The Department of Revenue's mission is to fairly and efficiently collect revenues and administer programs to fund public services and advocate sound tax policy. The Department is responsible to fairly, efficiently and uniformly administer state tax laws. The primary activities include state and local tax revenue collection and distribution and property tax administration. The Department collects approximately \$23.1 billion in total state revenue each year from more than 604,000 registered businesses. In addition, the Department collects approximately \$5.7 billion in local revenue.

For the period under audit, the Department had an annual operating budget of approximately \$164 million and employed approximately 1,206 full-time equivalents. The Department's main office is in the Tumwater area with an additional 12 branch offices located throughout the state. The Department also employs approximately 60 auditors in out-of-state locations.

Contact information related to this report

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Information current as of report publish date.

Audit history

You can find current and past audit reports for the Department of Revenue at <http://portal.sao.wa.gov/ReportSearch>.

ABOUT THE STATE AUDITOR'S OFFICE

The State Auditor's Office is established in the state's Constitution and is part of the executive branch of state government. The State Auditor is elected by the citizens of Washington and serves four-year terms.

We work with our audit clients and citizens to achieve our vision of government that works for citizens, by helping governments work better, cost less, deliver higher value, and earn greater public trust.

In fulfilling our mission to hold state and local governments accountable for the use of public resources, we also hold ourselves accountable by continually improving our audit quality and operational efficiency and developing highly engaged and committed employees.

As an elected agency, the State Auditor's Office has the independence necessary to objectively perform audits and investigations. Our audits are designed to comply with professional standards as well as to satisfy the requirements of federal, state, and local laws.

Our audits look at financial information and compliance with state, federal and local laws on the part of all local governments, including schools, and all state agencies, including institutions of higher education. In addition, we conduct performance audits of state agencies and local governments as well as [fraud](#), state [whistleblower](#) and [citizen hotline](#) investigations.

The results of our work are widely distributed through a variety of reports, which are available on our [website](#) and through our free, electronic [subscription](#) service.

We take our role as partners in accountability seriously, and provide training and technical assistance to governments, and have an extensive quality assurance program.

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