



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ENVIRONMENTAL PROTECTION AGENCY**  
**Water Revolving Fund**

**Financial Audit**  
**For the Year Ended June 30, 2023**

**Release Date: March 7, 2024**

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>	2020		23-01	
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 1</b>							

This digest covers the Agency’s financial audit as of and for the year ended June 30, 2023. Our next engagement will include a State Compliance Examination of the entire Agency for the two years ending June 30, 2024.

**SYNOPSIS**

- **(23-01)** The Agency did not take sufficient measures to ensure all census data submitted to its pension and other postemployment benefits plans was complete and accurate.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**ENVIRONMENTAL PROTECTION AGENCY  
FINANCIAL AUDIT - WATER REVOLVING FUND  
For the Year Ended June 30, 2023**

FINANCIAL INFORMATION (in thousands)	FY 2023	FY 2022
<b>OPERATING REVENUES</b>		
Interest income on loans - unpledged.....	\$ 63,276	\$ 50,191
Interest income on loans - pledged.....	36,717	33,492
Total operating revenues.....	<u>99,993</u>	<u>83,683</u>
<b>OPERATING EXPENSES</b>		
General and administrative.....	20,222	21,592
Principal forgiveness.....	67,329	53,432
Depreciation.....	37	5
Total operating expenses.....	<u>87,588</u>	<u>75,029</u>
<b>NONOPERATING REVENUES.....</b>	90,706	128,903
<b>NONOPERATING EXPENSES.....</b>	22,032	44,676
<b>NET TRANSFERS.....</b>	<u>27,284</u>	<u>64,816</u>
<b>CHANGE IN NET POSITION.....</b>	108,363	157,697
<b>NET POSITION, BEGINNING OF YEAR.....</b>	<u>3,756,143</u>	<u>3,598,446</u>
<b>NET POSITION, END OF YEAR.....</b>	<u>\$ 3,864,506</u>	<u>\$ 3,756,143</u>
STATEMENT OF NET POSITION (in thousands)	June 30, 2023	June 30, 2022
<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>		
<b>Assets</b>		
<b>Current Assets</b>		
Cash and Cash Equivalents.....	\$ 362,630	\$ 400,589
Securities lending collateral equity with State Treasurer.....	65,087	64,416
Loans and notes receivable.....	70,956	58,092
Other receivables.....	26,736	15,632
Due from federal government.....	1,087	-
Due from component unit.....	10,921	6,732
Restricted assets - accrued interest receivable.....	18,369	13,456
Restricted assets - loans receivable .....	257,535	254,792
Prepaid expenses .....	19	21
Total current assets.....	<u>813,340</u>	<u>813,730</u>
<b>Noncurrent Assets</b>		
Loans and notes receivable, net of current portion.....	1,262,237	1,018,054
Restricted assets - loans receivable.....	3,216,536	3,458,175
Capital assets, net of accumulated depreciation.....	167	165
Total noncurrent assets.....	<u>4,478,940</u>	<u>4,476,394</u>
<b>Deferred Outflows of Resources</b>		
Deferred amount on pension liability.....	14,535	10,077
Deferred amount on OPEB liability .....	14,576	8,742
Total deferred outflows of resources.....	<u>29,111</u>	<u>18,819</u>
Total assets and deferred outflows of resources.....	<u>\$ 5,321,391</u>	<u>\$ 5,308,943</u>
<b>LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>		
Total current liabilities.....	67,101	66,622
Total noncurrent liabilities.....	1,358,716	1,469,758
Deferred amount on pension liability.....	5,812	5,777
Deferred amount on OPEB liability .....	25,256	10,643
Total liabilities and deferred inflows of resources.....	<u>1,456,885</u>	<u>1,552,800</u>
<b>NET POSITION</b>	<u>\$ 3,864,506</u>	<u>\$ 3,756,143</u>
<b>AGENCY DIRECTOR</b>		
During Audit Period: John J. Kim		
Currently: John J. Kim		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**INADEQUATE INTERNAL CONTROLS OVER  
CENSUS DATA**

The Agency did not take sufficient measures to ensure all census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate for the Water Revolving Fund (Fund).

**Insufficient documentation that a complete reconciliation was properly performed**

The Agency did not maintain sufficient documentation that a complete reconciliation was properly performed for census data used to calculate pension and other post-employment benefit balances. Although the Agency performed a reconciliation of its census data, they did not take or document sufficient measures to ensure 100% of data in the base year was checked for completeness and accuracy. (Finding 1, pages 50-52). **This finding was first reported in 2020.**

We recommended the Agency ensure reconciliation of its active members' census data from its underlying records and source documents to a report of the census data submitted to each plan's actuary is properly completed and accurate. We further recommended the Agency evaluate the census data to identify any instances where data discrepancies exist and work with SERS to correct all such errors in the full base year reconciliation of Agency and SERS records. We also recommended the Agency maintain sufficient documentation of the reconciliation performed, including the methodology used, data traced, exceptions identified, and conclusions reached.

**Agency agreed**

Agency officials agreed and stated the census reconciliation of employee data was performed screen by screen along with personnel (paper) file documents. Officials also stated the State Records Act requirements are encompassed in the employees' system record and HR file, which have been retained in accordance with the Records Act.

**Auditor's Comment**

In an Auditor's Comment, we noted the Agency took no new measures during Fiscal Year 2023 to address this prior finding. Although the Agency did maintain employee records in their system and personnel files, they did not maintain or provide documentation sufficient to substantiate that 100% of the base year census data was reconciled and traced to source documents to ensure accuracy and completeness.

We will review the Agency's progress towards the implementation of our recommendations in our next financial audit.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Agency's Water Revolving Fund as of and for the year ended June 30, 2023 are fairly stated in all material respects.

This financial audit was conducted by Roth and Company, LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:lkw