STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL
Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ENVIRONMENTAL PROTECTION AGENCY

Compliance Examination
For the Two Years Ended June 30, 2018

Release Date: July 2, 2019

FINDINGS THIS AUDIT: 10			
	New	Repeat	Total
Category 1:	**0**	**0**	**0**
Category 2:	**6**	**4**	**10**
TOTAL	**6**	**4**	**10**

FINDINGS LAST AUDIT: 6

AGING SCHEDULE OF REPEATED FINDINGS			
Repeated Since	**Category 1**	**Category 2**	**Category 3**
2014		**18-1, 18-2, 18-3**	
1994		**18-4**	

SYNOPSIS

- (**18-01**) The Agency did not exercise adequate internal control over automobiles.
- (**18-02**) The Agency did not maintain adequate controls over equipment.
- (**18-03**) The Agency did not have adequate controls over the administration of its accounts receivable.

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.

{Expenditures and Activity Measures are summarized on next page.}

ENVIRONMENTAL PROTECTION AGENCY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2018

EXPENDITURE STATISTICS	**2018**	**2017**	**2016**
Total Expenditures...	**$ 938,908,171**	**$ 955,755,199**	**$ 848,575,061**
OPERATIONS TOTAL...	$ 173,626,147	$ 172,181,408	$ 183,021,626
% of Total Expenditures...	18.5%	18.0%	21.6%
Personal Services..	31,021,631	33,783,685	36,395,572
Other Payroll Costs (FICA, Retirement).........................	22,805,795	25,116,415	27,590,652
All Other Operating Expenditures..................................	119,798,721	113,281,308	119,035,402
AWARDS AND GRANTS..	$ 765,282,024	$ 783,573,791	$ 665,553,435
% of Total Expenditures...	81.5%	82.0%	78.4%
Total Receipts...	$ 936,834,196	$ 1,006,210,272	$ 494,845,636
Average Number of Employees...	615	660	710

SELECTED ACTIVITY MEASURES (Not Examined)	**2018**	**2017**	**2016**
CLEAN AIR			
Permits Issued..	1,086	986	1,228
Pollutant-Emitting Facilities Inspected................................	395	441	572
Vehicle Emission Tests Performed......................................	2,163,100	2,128,650	1,794,016
Enforcement Cases Referred to the Attorney General..........	26	23	6
CLEAN LAND			
Facility Permits Issued...	696	755	773
Facilities Inspected..	4,267	4,913	4,945
One-day Household Hazardous Waste Collection Events.....	6	8	0
Leaking Underground Storage Tank (LUST) Incidents........	350	342	323
Enforcement Cases Referred to the Attorney General..........	27	62	44
CLEAN WATER			
Non-Point Source Control Projects......................................	15	24	13
Drinking Water Permits Issued..	2,551	2,229	2,446
Drinking Water Facilities Inspected.....................................	441	407	435
Wastewater Permits Issued..	3,100	3,899	3,115
Wastewater Facilities Inspected...	484	490	548
Enforcement Cases Referred to the Attorney General..........	20	31	28

AGENCY DIRECTOR
During the Examination Period: Alec Messina
Currently: John J. Kim

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

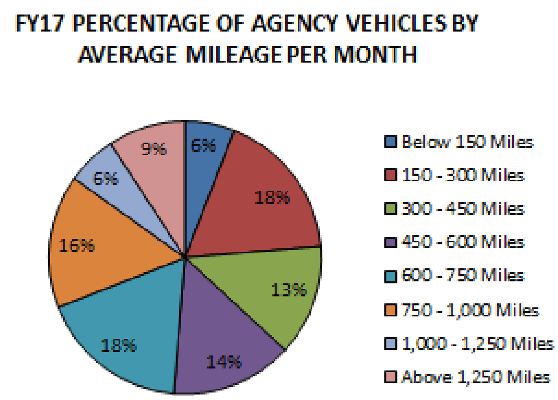
INADEQUATE CONTROLS OVER STATE VEHICLES

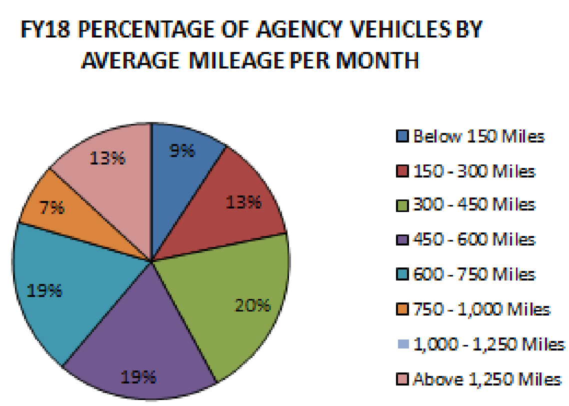
The Environmental Protection Agency (Agency) did not exercise adequate internal control over automobiles. As of June 30, 2018, the Agency had 152 vehicles.

During testing, auditors noted the following:

Analysis of automobiles not performed by agency

- The Agency has not performed an analysis of its automobiles to determine whether maintaining each vehicle can be justified as the most cost effective solution for the specific operational needs of the Agency. The auditors analyzed the total activity of the Agency's 152 vehicles used during Fiscal Years 2017 and 2018. The Agency's vehicles traveled between 85 and 33,809 miles during Fiscal Year 2017 and 16 and 30,750 miles during Fiscal Year 2018, with the following chart showing the average monthly vehicle utilization during the period:





Further, the auditors noted the following apparently underutilized vehicles during the eighteen-month period ending Fiscal Years 2017 and 2018:

Fiscal Year 2017

Year	Make	Odometer on 6/30/17	FY17 Total Usage	FY17 Average Monthly Usage
2002	CHEVY	99,508	1,182	99
2003	FORD	107,179	859	72
1998	FORD	110,416	85	7
1998	FORD	73,952	253	21
2001	FORD	63,658	413	34
2008	CHEVY	176,683	396	33
2007	TOYOTA	165,329	1,103	92
2007	FORD	27,082	1,665	139
2010	FORD	27,865	1,664	139

Fiscal Year 2018

Year	Make	Odometer on 6/30/18	FY18 Total Usage	FY18 Average Monthly Usage
2002	CHEVY	100,587	1,079	90
2002	CHEVY	161,212	1,474	123
2002	FORD	102,555	1,498	125
1998	FORD	110,433	17	1
1998	FORD	74,940	988	82
2001	DODGE	127,336	1,678	140
2001	DODGE	122,895	224	19
2001	FORD	63,674	16	1
2006	FORD	82,239	1,690	141
2007	DODGE	148,157	789	66
2007	FORD	28,589	1,507	126
2008	FORD	99,183	1,673	139
2008	DODGE	82,085	1,626	136
2011	CHEVY	24,303	1,785	149

- The Agency did not ensure its vehicles were properly maintained during the examination period. The auditors reviewed the maintenance records for 16 vehicles, noting the following:

Untimely oil changes

  - Eight (50%) vehicles tested did not have routine oil changes performed on a timely basis, and

Tire rotations not received at required interval

- Eight (50%) vehicles tested did not receive tire rotations at the required interval.

- The Agency did not exercise adequate control over annual certifications of licensure and automobile liability insurance coverage (certifications). The auditors noted the following:

Insurance certifications not on file

  - Ten of 25 (40%) employees tested did not have the Fiscal Year 2017 certifications on file at the Agency.

Untimely insurance certifications

  - Thirteen of 25 (52%) employees tested submitted the certifications late. During Fiscal Year 2017, two certifications were submitted 9 and 32 days late, and 11 certifications were submitted from 281 to 302 days late in Fiscal Year 2018.

Commuting miles not properly reported in payroll

- The Agency did not ensure that commuting miles reported by the employees were properly reported in the payroll. For six of seven (86%) employees tested, commuting miles did not agree with the fringe benefit values reported in the payroll, resulting in understatements of reported fringe benefits for tax purposes totaling $129 and $12 in Fiscal Years 2017 and 2018, respectively, and overstatements totaling $41 and $2 in Fiscal Years 2017 and 2018. (Finding 1, pages 10-14) **This finding was first reported in 2014.**

We recommended the Agency perform an analysis of its automobiles to determine whether each vehicle can be justified as the most effective solution for the Agency's specific operational needs. Further, the Agency should review its internal controls over monitoring its fleet to ensure vehicles receive timely maintenance. Finally, we recommended the Agency timely obtain the annual certification of licensure and automobile liability insurance coverage and ensure fringe benefits are accurately reported on the payroll to comply with laws and regulations.

Agency officials agreed with the recommendation

Agency officials agreed with the recommendation and stated they will create a procedure to analyze and document the need for vehicles which are needed but underutilized and continue to improve monitoring automobile maintenance. Agency officials also stated they have implemented new policies to have all employees submit annual certification for Fiscal Year 2020 and that new procedures are being implemented to capture all information for reporting fringe benefits. (*For the previous Agency response, see Digest Footnote #1.*)

INADEQUATE CONTROLS OVER EQUIPMENT

The Agency did not maintain adequate controls over equipment. Additionally, the Agency did not accurately report depreciation expense.

During testing, the auditors noted the following:

Untimely recording of equipment transactions

- Six of 40 (15%) equipment additions tested, totaling $66,747, were recorded on the Agency's property control records from 21 to 254 days late. In addition, three of 40 (8%) equipment deletions tested, totaling $2,589, were removed from the Agency's property control records from 528 to 1,101 days late.

Obsolete equipment observed

- Three of 80 (4%) equipment items tested, totaling $7,532, appeared to be obsolete.

Unable to locate equipment items

- One of 80 (1%) equipment items, totaling $5,797, selected from the Agency's property listing was unable to be physically located. Additionally, two of 15 (13%) laptops tested could not be located.

Incorrect location in records

- For one of 80 (1%) equipment items tested, totaling $66,606, the property records were not updated to reflect the current location.

Item observed was not tagged

- One (1%) item observed, totaling $13,639, did not have a property tag.

Observed item not listed in property records

- For one of 23 (4%) State property vouchers tested, totaling $8,921, the Agency failed to include the equipment item, in the Agency property control records. The item was purchased on January 2017 but was not entered into the Agency property listings as of June 30, 2018.

Depreciation was understated by $15,035

- For 19 of 42 (45%) new capital asset additions during Fiscal Year 2018, depreciation start dates were inaccurately recorded in the Enterprise Resource Planning (ERP) Asset Accounting System. The inaccuracies resulted in an understatement of depreciation at June 30, 2018, of $15,035. (Finding 2, pages 15-17) **This finding was first reported in 2014.**

We recommended the Agency implement procedures to strengthen controls over equipment and ensure accurate recordkeeping and accountability for all State property.

Agency officials agreed with the recommendation

Agency officials agreed with the recommendation and stated they will continue to work on accurately and timely reporting equipment by strengthening policies and procedures. Agency officials also stated the Agency created a position to assist in the process to help review and ensure items are recorded accurately and timely. (*For the previous Agency response, see Digest Footnote #2.*)

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The Agency did not have adequate controls over the administration of its accounts receivable.

Excluding receivables from the Water Revolving Fund and the Environmental Trust Fund Commission Fund, the Agency reported $40.9 million in accounts receivable, of which $11.5 million was over one year past due, as of June 30, 2018, and $54 million, of which $22.3 million was over one year past due, as of June 30, 2017.

During testing, auditors noted the following:

$5.220 million in past due receivables not referred for offset

- Nineteen of 40 (48%) accounts receivable tested, totaling $5,220,800, were over 90 days past due and had not been referred to the Office of Comptroller's (Comptroller) Offset System or the Department of Revenue's Debt Collection Bureau (Bureau).

Receivables totaling $5.189 million were not referred to the Attorney General for write off

- Sixteen of 40 (40%) accounts receivable tested, had balances totaling $5,189,324 that were over one year old and were not referred to the Attorney General for write off. In addition, the Agency did not make active collection efforts on 11 of 40 (28%) accounts receivable tested, totaling $5,123,225, that were over one year old. (Finding 3, pages 18-19) **This finding was first reported in 2014.**

We recommended the Agency pursue all reasonable and appropriate procedures to collect on outstanding debts as required by State laws and regulations.

Agency officials agreed with the recommendation

Agency officials agreed with the recommendation and stated staff continues to improve collections with the focus on current billings. Agency officials also stated they will work with Department of Revenue on referring qualifying debt to the Bureau of Debt Collection and they are working on obtaining necessary information to place old debt in the Comptroller's Offset System or process write-offs with the Attorney General's Office. (*For the previous Agency response, see Digest Footnote #3*.)

OTHER FINDINGS

The remaining findings pertain to inadequate controls over personal services, awards and grants, monthly reconciliations, contracts and voucher processing, noncompliance with statutory requirements in providing public notices and inadequate change management procedures. We will review the Agency's progress towards the implementation of our recommendations in our next compliance examination.

AUDITOR'S OPINION

The financial audit of the Agency's Water Revolving Fund as of and for the year ended June 30, 2018 was previously released. The auditors stated the financial statements of the Agency's Water Revolving Fund as of and for the year ended June 30, 2018, were fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Agency for the two years ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by E.C. Ortiz & Co. 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:PH

DIGEST FOOTNOTES

#1 - INADEQUATE CONTROLS OVER STATE VEHICLES

2016: Agree. The Agency believes the vehicles were adequately utilized for Agency needs. Management of the fleet is not solely based upon mileage; some vehicles are equipped for special functions such as emergency response, environmental testing, or potentially transporting hazardous waste materials. Due to geographic regions, the break-even mileage is not always attainable. However, the Agency will review the vehicle listing for possible underutilized vehicles. While the Agency agrees the annual certifications in Fiscal Year 2015 were misfiled due to the large volume of certifications required to be completed by employees, steps have been taken to sign and refile these certifications. Agency policy changed to allow each employee to sign this certification once and as part of certifying liability insurance and a valid driver's license, they are also certifying they will notify fiscal services of any changes to the mentioned information. Thus, this form is current and does not need an annual certification by the employee unless there is a change; nevertheless, we will revisit the Agency policy for possible revision. We agree with the other conditions noted and the Agency is working to improve monitoring of reports and automobile maintenance.

#2 – INADEQUATE CONTROLS OVER EQUIPMENT

2016: Agree. The new Property Control Manager is actively working on updating the property records as necessary and timely adding and deleting equipment items.

#3 – INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

2016: Agree. Agency staff continues to improve collections with the main focus on current billings. The Agency is working with the Legal Department to overcome some of the challenges faced due to not having federal employer identification numbers and current addresses which is required to place debt into the Comptroller's Offset System. Accounts receivable balances have been reviewed for accuracy before conversion to the new Enterprise Resource Planning accounting system.