

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION  
TRUST FUND COMMISSION**

COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2008

Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

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**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

**AGENCY OFFICIALS**

Douglas P. Scott Designee: William Ingersoll	Environmental Protection Agency
Sam Flood Designee: Tom Flattery	Department of Natural Resources
G. Tanner Girard Designee: Kathy Griffin	Pollution Control Board
Lisa Madigan Designee: Thomas Davis	Attorney General

Administrative functions are performed by the Illinois Environmental Protection Agency with Agency offices located at:

1021 North Grand Avenue East  
Springfield, Illinois 62794



ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

1021 NORTH GRAND AVENUE EAST, P.O. BOX 19276, SPRINGFIELD, ILLINOIS 62794-9276 - (217) 782-3397
JAMES R. THOMPSON CENTER, 100 WEST RANDOLPH, SUITE 11-300, CHICAGO, IL 60601 - (312) 814-6026

ROD R. BLAGOJEVICH, GOVERNOR DOUGLAS P. SCOTT, DIRECTOR

January 28, 2009

E. C. Ortiz & Co., LLP
333 S. Des Plaines Street, Suite 2-N
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 Illinois Environmental Protection Trust Fund Commission (Commission). 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 Commission's compliance with the following assertions during the two-year period ended June 30, 2008. Based on this evaluation, we assert that during the years ended June 30, 2008 and June 30, 2007, the Commission has materially complied with the assertions below.

- A. The Commission 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 Commission 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 Commission 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 Commission 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.
E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Illinois Environmental Protection Trust Fund Commission

Handwritten signatures of Douglas P. Scott, Lisa Bonnett, and Robert A. Messina with their respective titles: Member, Chief Financial Officer, and Chief Legal Counsel.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

**COMPLIANCE REPORT**

**SUMMARY**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**ACCOUNTANTS' REPORTS**

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

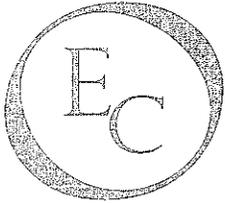
**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	0	0
Prior Findings Not Repeated	0	1

There were no findings noted in our testing which are required to be included in the report.

**EXIT CONFERENCE**

The Commission waived having an exit conference in a letter dated December 30, 2008.



E.C. ORTIZ & CO., LLP  
CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,  
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON  
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland  
Auditor General  
State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the State of Illinois, Environmental Protection Trust Fund Commission's (Commission) compliance with the 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, 2008. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission 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 Commission 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 Commission 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 Commission 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.
- E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination 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 as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2008.

### **Internal Control**

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Commission's internal control over compliance with the requirements listed in the first paragraph in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance with the requirements listed in the first paragraph of this report was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

### **Supplementary Information for State Compliance Purposes**

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2008 and 2007 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2006 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Commission management, and is not intended to be and should not be used by anyone other than these specified parties.

*E. C. Ortig & Co. LLP*

January 28, 2009

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

**CURRENT FINDINGS – STATE COMPLIANCE**

There were no current findings noted during the compliance examination for the two years ended June 30, 2008.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

**SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

**SUMMARY**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances

- Fiscal Year 2008

- Fiscal Year 2007

- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

- Comparative Schedule of Cash Receipts

- Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State

- Comptroller

- Analysis of Significant Variations in Expenditures

- Analysis of Significant Variations in Receipts

- Analysis of Significant Lapse Period Spending

- Analysis of Accounts Receivable

- Fiscal Year 2008

- Fiscal Year 2007

- Analysis of Operations:

- Agency Functions and Planning Program

The Accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General. However, the accountants do not express an opinion on the supplementary information.

STATE OF ILLINOIS  
 ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
 SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
 FOURTEEN MONTHS ENDED AUGUST 31, 2008

	Appropriations (Net of Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
Environmental Protection Trust Fund - 845					
Public Act 95-0348					
Grant to Environmental Protection Agency to support enhanced environmental protection and enforcement activities	\$ 1,500,000	\$ 1,350,000	\$ -	\$ 1,350,000	\$ 150,000
Grant to Department of Natural Resources for projects relating to natural resources research, protection and educational activities	2,300,000	2,300,000	-	2,300,000	-
Grant to Pollution Control Board for funding expenses of case processing and other activities	1,200,000	750,000	-	750,000	450,000
Grant to the Attorney General for enhanced environmental enforcement activities	1,000,000	1,000,000	-	1,000,000	-
<b>Total - Environmental Protection Trust Fund</b>	<b>\$ 6,000,000</b>	<b>\$ 5,400,000</b>	<b>\$ -</b>	<b>\$ 5,400,000</b>	<b>\$ 600,000</b>

**Notes:**

- All data on this schedule has been taken from Commission records and reconciled to records of the Office of the Comptroller.
- The Environmental Protection Trust Fund (Fund 845) was appropriated to the Illinois Environmental Protection Agency (IEPA) and therefore the appropriations and expenditures related to Fund 845 have also been reported in the IEPA appropriation schedules.

STATE OF ILLINOIS  
 ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
 SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
 FOURTEEN MONTHS ENDED AUGUST 31, 2007

	Appropriations (Net of Transfers)	Voucher Expenditures Through June 30	Lapse Period Expenditures July 1 to August 31	Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
<u>Environmental Protection Trust Fund - 845</u>					
Public Act 94-0798					
Grant to Environmental Protection Agency to support enhanced environmental protection and enforcement activities	\$ 1,500,000	\$ 1,350,000	\$ -	\$ 1,350,000	\$ 150,000
Grant to Department of Natural Resources for projects relating to natural resources research, protection and educational activities	2,050,000	2,050,000	-	2,050,000	-
Grant to Pollution Control Board for funding expenses of case processing and other activities	1,450,000	750,000	-	750,000	700,000
Grant to the Attorney General for enhanced environmental enforcement activities	1,000,000	1,000,000	-	1,000,000	-
<b>Total - Environmental Protection Trust Fund</b>	<b>\$ 6,000,000</b>	<b>\$ 5,150,000</b>	<b>\$ -</b>	<b>\$ 5,150,000</b>	<b>\$ 850,000</b>

**Notes:**

1. All data on this schedule has been taken from Commission records and reconciled to records of the Office of the Comptroller.
2. The Environmental Protection Trust Fund (Fund 845) was appropriated to the Illinois Environmental Protection Agency (IEPA) and therefore the appropriations and expenditures related to Fund 845 have also been reported in the IEPA appropriation schedules.

STATE OF ILLINOIS  
 ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
 COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
 FOR FISCAL YEARS 2008, 2007 AND 2006

	FISCAL YEAR		
	2008	2007	2006
	Public Act 95-0348	Public Act 94-0798	Public Act 94-0015
<u>APPROPRIATIONS (Net After Transfers)</u>	<u>\$ 6,000,000</u>	<u>\$ 6,000,000</u>	<u>\$ 6,037,100</u>
<u>EXPENDITURES</u>			
Grant to Environmental Protection Agency to support enhanced environmental protection and enforcement activities	1,350,000	1,350,000	1,000,000
Grant to Department of Natural Resources for projects relating to natural resources research, protection and educational activities	2,300,000	2,050,000	1,000,000
Grant to Pollution Control Board for funding expenses of case processing and other activities	750,000	750,000	1,000,000
Grant to the Attorney General for enhanced enforcement activities	1,000,000	1,000,000	1,000,000
Air Monitoring at Robbins Resource Recovery	-	-	167
Total Expenditures	<u>5,400,000</u>	<u>5,150,000</u>	<u>4,000,167</u>
<u>LAPSED BALANCES</u>	<u>\$ 600,000</u>	<u>\$ 850,000</u>	<u>\$ 2,036,933</u>

**Note:**  
 The Environmental Protection Trust Fund (Fund 845) was appropriated to the Illinois Environmental Protection Agency (IEPA) and therefore the appropriations and expenditures related to Fund 845 have also been reported in the IEPA appropriation schedules.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPARATIVE SCHEDULE OF CASH RECEIPTS  
FOR FISCAL YEARS 2008, 2007 AND 2006**

	<b>Fiscal Year</b>		
	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Environmental Protection Trust Fund - 0845</b>			
Penalty Payments	\$ 1,994,965	\$ 4,204,610	\$ 4,039,575
Interest on Past Due Penalties	17,321	7,585	12,411
Court and Hearing Costs	-	290	685
Total Environmental Protection Trust Fund	<u>\$ 2,012,286</u>	<u>\$ 4,212,485</u>	<u>\$ 4,052,671</u>

**Note:**

The Environmental Protection Trust Fund (Fund 845) was appropriated to the Illinois Environmental Protection Agency (IEPA) and therefore the receipts for Fund 845 have also been reported in the IEPA receipts schedule.

STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
RECONCILIATION SCHEDULE OF CASH RECEIPTS TO DEPOSITS  
REMITTED TO THE STATE COMPTROLLER  
FOR THE TWO YEARS ENDED JUNE 30, 2008

	<b>Fiscal Year</b>	
	2008	2007
<u>ENVIRONMENTAL PROTECTION TRUST</u>		
<u>FUND - 0845</u>		
Receipts per Agency Records	\$ 2,012,286	\$ 4,212,485
Plus deposits in transit, beginning of year	11,400	52,622
Less deposits in transit, end of year	76,211	11,400
Deposits Recorded by the Comptroller	\$ 1,947,475	\$ 4,253,707

**Note:**

The Environmental Protection Trust Fund (Fund 845) was appropriated to the Illinois Environmental Protection Agency (IEPA) and therefore the receipts for Fund 845 have also been reported in the IEPA receipts schedule.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
ANALYSIS OF SIGNIFICANT VARIATIONS  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

The following is an explanation of significant fluctuations in expenditures and receipts among the years. We considered the fluctuations in excess of \$250,000 and 20% to be significant. Explanations of significant fluctuations are as follows:

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**

**Fiscal Year 2007**

The expenditures for the Environmental Protection Trust Fund Commission increased by \$1,149,833 or 29% from fiscal year 2006 to 2007. The increase was due to an increase in the Illinois Environmental Protection Agency's share of expenditures for enhanced enforcement activities and increase in funding provided to Department of Natural Resources for research, protection and educational activities.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**

**Fiscal Year 2008**

The receipts for the Environmental Protection Trust Fund Commission decreased by \$2,200,199 or 52% between fiscal years 2007 and 2008. The receipts are based on referrals and penalties assessed by the Attorney General's Office. The receipts vary each year depending upon the number and amount of penalties ordered by the courts.

**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**

The Environmental Protection Trust Fund Commission had no lapse period expenditures for fiscal years 2008 or 2007.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
ANALYSIS OF ACCOUNTS RECEIVABLE  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

The Commission's accounts receivable balance was approximately \$345 (in thousands) at June 30, 2008. The Commission utilizes the Attorney General, a private collection agency, and the Comptroller Offset System to collect unpaid receivables.

An aging schedule of the Commission's accounts receivable at June 30, 2008 is presented below (in thousands):

<u>Fund</u>	<u>Current</u>	<u>Less than 30 Days</u>	<u>31 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Trust Fund Commission	<u>\$ 337</u>	<u>\$ -</u>	<u>\$ 6</u>	<u>\$ 2</u>	<u>\$ 26</u>	<u>\$ 6,877</u>	\$ 7,248
Accrued interest receivable							-
Allowance for uncollectible accounts							<u>(6,903)</u>
Net Receivable							<u>\$ 345</u>

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
ANALYSIS OF ACCOUNTS RECEIVABLE  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

The Commission's accounts receivable balance was approximately \$567 (in thousands) at June 30, 2007. The Commission utilizes the Attorney General, a private collection agency, and the Comptroller Offset System to collect unpaid receivables.

An aging schedule of the Commission's accounts receivable at June 30, 2007 is presented below (in thousands):

<u>Fund</u>	<u>Current</u>	<u>Less than 30 Days</u>	<u>31 to 90 Days</u>	<u>91 to 180 Days</u>	<u>181 to 365 Days</u>	<u>Over 365 Days</u>	<u>Total</u>
Trust Fund Commission	<u>\$ 503</u>	<u>\$ 20</u>	<u>\$ 20</u>	<u>\$ 24</u>	<u>\$ 1,618</u>	<u>\$ 4,900</u>	\$ 7,085
Accrued interest receivable							-
Allowance for uncollectible accounts							<u>(6,518)</u>
Net Receivable							<u>\$ 567</u>

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
AGENCY FUNCTIONS AND PLANNING PROGRAM  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

**Commission Functions**

The State of Illinois, Environmental Protection Trust Fund Commission (Commission) was created by Public Act 81-951 on September 22, 1979 (effective January 1, 1980).

The Commission is statutorily authorized to accept, receive, and administer on behalf of the State any grants, gifts, loans, or other funds made available to the Commission from any source for the purpose of environmental protection and related enforcement programs.

The Commission has the authority to approve grants from the Environmental Protection Trust Fund to the Environmental Protection Agency (IEPA), the Department of Natural Resources, the Pollution Control Board, and the Office of the Attorney General in order to carry out its environmental protection and related enforcement program purposes.

The following are types of grants approved by the Commission:

1. Grants to the Illinois Environmental Protection Agency for the enhancement of environmental protection and enforcement activities.
2. Grants to the Department of Natural Resources for projects relating to natural resources, research, protection, and education activities.
3. Grants to the Pollution Control Board for the purpose of case processing and other activities.
4. Grants to the Office of the Attorney General for enhancement of environmental enforcement activities.

The Commission has no employees and owns no property. Its members serve without compensation. The financial activities of the Commission are handled by the IEPA. The IEPA absorbs all administrative costs of the Commission.

The Commission consists of four members, designated by statute, or their designated representative as follows:

Director of Environmental Protection Agency	Member: Douglas P. Scott Designee: William D. Ingersoll
Acting Director of Department of Natural Resources	Member: Sam Flood Designee: Tom Flattery
Acting Chairman of the Pollution Control Board	Member: G. Tanner Girard Designee: Kathy L. Griffin
Attorney General	Member: Lisa Madigan Designee: Thomas Davis

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
AGENCY FUNCTIONS AND PLANNING PROGRAM  
FOR THE TWO YEARS ENDED JUNE 30, 2008**

**Planning Program**

The Commission developed a written, formal Program Plan, which discusses and defines the following:

- a) Powers of the Commission,
- b) Commission membership,
- c) Commission chair,
- d) Receipt of funds,
- e) Commission goals, and
- f) Program plan.

The Commission's planning process is closely tied to the budget process. Each fall, the Commission members are notified by the Chairperson/Designee of the projected monies available. The member agencies provide project proposals which describe the project and the requested funding. The Commission uses these documents as the program plan for the fiscal year. A meeting is held in December to discuss and vote on the proposed projects and budget. Another meeting in June to pass the formal resolutions releasing the money for approved projects. The meeting agenda prepared for each meeting provides annual planning information, such as revenues and project information.

The proposed project descriptions include deadlines for completion of the projects with an informal agreement among Commission members that no project should exceed five years. The Commission requires annual project status reports to ensure grant monies are spent in accordance with awards.