

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

**COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2012**

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, 2012**

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**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**AGENCY OFFICIALS**

John Kim (01/02/13 to present) Environmental Protection Agency

John Kim (Interim) (10/25/11 to 01/01/13)

Lisa Bonnett (Interim) (03/03/11 to 10/24/11)

Douglas Scott (through 03/02/11)

Designee: Julie Armitage (01/01/12 to present)

William Ingersoll (through 12/31/11)

Marc Miller Department of Natural Resources

Designee: Todd Rettig

Thomas Holbrook (10/28/11 to present) Pollution Control Board

G. Tanner Girard (through 10/27/11)

Designee: Kathryn Griffin

Lisa Madigan Attorney General

Designee: Thomas Davis

Administrative functions are performed by the Illinois Environmental Protection Agency with the Agency office 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)782-2829

PAT QUINN, GOVERNOR

JOHN J. KIM, DIRECTOR

February 27, 2013

E.C. Ortiz & Co., LLP  
333 South 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 State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund Commission's compliance with the following assertions during the two-year period ended June 30, 2012. Based on this evaluation, we assert that during the years ended June 30, 2012 and June 30, 2011, the State of Illinois, Environmental Protection Trust Fund Commission has materially complied with the assertions below.

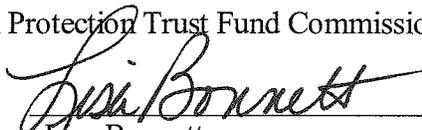
- A. The State of Illinois, Environmental Protection Trust Fund Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund Commission on behalf of the State or held in trust by the State of Illinois, Environmental Protection Trust Fund 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,

State of Illinois, Environmental Protection Trust Fund Commission



John J. Kim  
Member



Lisa Bonnett  
Deputy Director



Julie Armitage  
Acting Chief Legal Counsel

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**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' REPORT**

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 Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Repeated findings	1	1
Prior recommendations implemented or not repeated	1	-
	-	-

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (STATE COMPLIANCE)			
12-1	7	Inadequate Controls Over Receivables and Collection	Significant Deficiency and Noncompliance

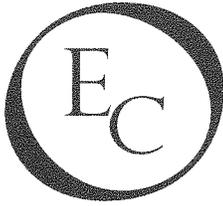
**PRIOR FINDINGS NOT REPEATED**

None noted.

**EXIT CONFERENCE**

The Commission waived having an exit conference in a letter dated January 23, 2013, from the Illinois Environmental Protection Agency's Chief Internal Auditor, Ms. Rusti Cummings.

Response to the recommendation was provided by Ms. Rusti Cummings in a letter dated February 8, 2013.



**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 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, 2012. The management of the State of Illinois, Environmental Protection Trust Fund Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Environmental Protection Trust Fund Commission's compliance based on our examination.

- A. The State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund Commission on behalf of the State or held in trust by the State of Illinois, Environmental Protection Trust Fund Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted 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 State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund Commission's compliance with specified requirements.

In our opinion, the State of Illinois, Environmental Protection Trust Fund Commission complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2012. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as item 12-1.

### **Internal Control**

Management of the State of Illinois, Environmental Protection Trust Fund 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 State of Illinois, Environmental Protection Trust Fund Commission's internal control over compliance with the requirements listed in the first paragraph of this report as a basis for designing 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Environmental Protection Trust Fund Commission's internal control over compliance.

*A deficiency in an entity's internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in an entity's internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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. However, we identified a certain deficiency in internal control over compliance that we considered to be a significant deficiency as described in the accompanying

schedule of findings as item 12-1. *A significant deficiency in an entity's internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

There were no immaterial findings that have been excluded from this report.

The State of Illinois, Environmental Protection Trust Fund Commission's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the State of Illinois, Environmental Protection Trust Fund Commission's response and, accordingly, we express no opinion on the response.

#### **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 for the years ended June 30, 2012 and June 30, 2011 in Schedules 1 through 8 and the Analysis of Operations Section 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 June 30, 2012 and June 30, 2011 accompanying supplementary information in Schedules 1 through 8. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2010 accompanying supplementary information in Schedules 3, 4, 6, and 7 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

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

*E.C. Ortiz & Co., LLP*

Chicago, Illinois  
February 27, 2013

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDING – STATE COMPLIANCE**

12-1 *Inadequate Controls Over Receivables and Collection*

The Environmental Protection Trust Fund Commission (Commission) did not have adequate controls over its accounts receivables and collection.

The Illinois Environmental Protection Agency (Agency) handles all financial activities for the Commission and the Division of Legal Counsel (DLC) of the Agency was responsible for tracking, documenting, and following up on receivables pertaining to penalties, court orders, and administrative citations for violating environmental laws and regulations by following the collection procedures of the Agency. As of June 30, 2012, the receivable balance was approximately \$8.8 million, of which approximately \$8.3 million had been due over one year.

During our review of 34 receivable accounts, we noted the following:

- Fifteen (44%) receivable accounts tested totaling \$232,293 were not established timely. The time elapsed from the due date to the set-up of receivables ranged from one to 1,070 days.
- Two (6%) receivable accounts tested totaling \$1,900 had no Memo to Establish the Accounts Receivable on file.
- For 15 (44%) receivable accounts tested totaling \$238,334, demand letters or follow-up notices to the debtor were not sent when payments became past due beyond 30 days.
- For 21 (62%) receivable accounts tested totaling \$245,692, referral letters were not sent to the Comptroller's Offset System when payments became 60-90 days past due.
- For 18 (53%) receivable accounts tested totaling \$244,822, referral letters were not sent to a private collection agency when payments became 91-180 days past due.
- For 17 (50%) receivable accounts tested totaling \$217,966, requests for write-off were not sent to the Attorney General's Office when payments became past due beyond 365 days.
- Four (12%) receivable accounts tested had demand or follow-up notices sent from 13 to 277 days late after becoming past due. One (3%) receivable account tested was referred to a private collection agency 83 days late.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDING – STATE COMPLIANCE (Continued)**

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/3) declares that it is public policy of the State to aggressively pursue the collection of accounts or claims due and payable to the State of Illinois through reasonable means.

The Uncollected State Claims Act (30 ILCS 205/2) states that when any State agency is unable to collect any claim or account receivable of \$1,000 or more after having undertaken all reasonable and appropriate procedures available to the agency to effectuate collection, the State agency shall request the Attorney General to certify the claim or account receivable to be uncollectible. Claims or accounts receivable of less than \$1,000 may be certified as uncollectible by the agency when the agency determines that further collection efforts are not in the best economic interest of the State.

SAMS Procedure 26.40.20 requires State agencies to use the Comptroller's Offset when it is the best economic interest of the State. State agencies must place all debts over \$1,000 and more than 90 days past due in the Comptroller's Offset System unless one of the three conditions specified in the SAMS was met.

The Illinois Environmental Protection Agency (Agency) has an internal Accounts Receivable Management Guidance (Guidance) which is being followed by the Commission. The Guidance complies with the above mandates and requires the Agency's different bureaus/offices (including the Cash Management Unit), to place past due/delinquent receivables for collection as follows: a) for 5-30 days past due, send follow-up notice; b) for 60-90 days past due, prepare for Comptroller Offset; c) for 91-180+ days past due, prepare for Private Collection, and; d) for 365 or longer past due, prepare for write-off as uncollectible. The Guidance further requires that documentation must be maintained by Agency bureaus/offices on why the above actions cannot be pursued.

Agency management stated that they had not been able to fully implement improved accounts receivable procedures as a part of the fiscal reorganization but is currently finalizing the procedures, including improved staffing.

Inadequate controls over receivables and collection procedures resulted in noncompliance with the Act. In addition, the failure to comply with Commission's collection procedures and the statutory mandates to maximize the collection of receivables may result in loss of State funds. (Finding Code Nos. 12-1, 10-1)

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**CURRENT FINDING – STATE COMPLIANCE (Continued)**

***Recommendation***

We recommend the Commission continue its efforts in devoting sufficient resources to follow up on receivables, ensure proper internal reporting, and comply with internal collection procedures to maximize collection of receivables.

***Commission Response***

Accepted. The Agency is putting procedures in place to actively pursue all past due accounts. The Agency will utilize the Illinois Comptroller's Offset system in addition to the services of a private collection agency when applicable. When all collection avenues are exhausted, the Agency will be aggressive in submitting uncollectable accounts for write off.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**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 Net Appropriations, Expenditures and Lapsed Balances
  - 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 Accounts Receivable
  
- Analysis of Operations:
  - Agency Functions and Planning Program (Not Examined)

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 to the June 30, 2012 and June 30, 2011 in Schedules 1 through 8. However, the accountants do not express an opinion on the supplementary information. The accountants' report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS  
 ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
 SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
 APPROPRIATIONS FOR FISCAL YEAR 2012

Fourteen Months Ended August 31, 2012

	Appropriations (Net After Transfers)	Expenditures Through 6/30/12	Lapse Period Expenditures 7/01-8/31/12	Approximate Total Expenditures	Approximate Balances Lapsed
<u>Public Act 97-0062</u>					
<u>Appropriated Funds</u>					
<u>Environmental Protection Trust Fund - 845</u>					
Grant to Environmental Protection Agency to support enhanced environmental protection and enforcement activities	\$ 1,000,000	\$ 500,000	\$ -	\$ 500,000	\$ 500,000
Grant to Department of Natural Resources for projects relating to natural resources research, protection and educational activities and the development of a state and regional water supply plans	1,000,000	500,000	-	500,000	500,000
Grant to Pollution Control Board for funding expenses of case processing and other activities	1,000,000	500,000	-	500,000	500,000
Grant to the Attorney General for enhanced environmental enforcement activities	<u>1,000,000</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
Totals - All Appropriated Funds	<u>\$ 4,000,000</u>	<u>\$ 2,000,000</u>	<u>\$ -</u>	<u>\$ 2,000,000</u>	<u>\$ 2,000,000</u>

Note: The data was taken directly from the Commission records which have been reconciled to those of the State Comptroller. The Environmental Protection Trust Fund Commission (Fund 845) was appropriated to the Illinois Environmental Protection Agency (Agency) and therefore the appropriations and expenditures related to Fund 845 have also been reported in the Agency's appropriation schedules. Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor. Approximate lapse period expenditures do not include interest payments approved for payment by the Commission and submitted to the Comptroller for payment after August.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
APPROPRIATIONS FOR FISCAL YEAR 2011**

**Eighteen Months Ended December 31, 2011**

	Appropriations (Net After Transfers)	Expenditures Through 6/30/11	Lapse Period Expenditures 7/01-12/31/11	Total Expenditures	Balances Lapsed
<u>Public Act 96-0956</u>					
<u>Appropriated Funds</u>					
<u>Environmental Protection Trust Fund - 845</u>					
Grant to Environmental Protection Agency to support enhanced environmental protection and enforcement activities	\$ 1,900,000	\$ 1,120,000	\$ -	\$ 1,120,000	\$ 780,000
Grant to Department of Natural Resources for projects relating to natural resources research, protection and educational activities and the development of a state and regional water supply plans	800,000	725,000	-	725,000	75,000
Grant to Pollution Control Board for funding expenses of case processing and other activities	500,000	400,000	-	400,000	100,000
Grant to the Attorney General for enhanced environmental enforcement activities	<u>800,000</u>	<u>725,000</u>	<u>-</u>	<u>725,000</u>	<u>75,000</u>
Totals - All Appropriated Funds	<u>\$ 4,000,000</u>	<u>\$ 2,970,000</u>	<u>\$ -</u>	<u>\$ 2,970,000</u>	<u>\$ 1,030,000</u>

Note: The data was taken directly from the Commission records which have been reconciled to those of the State Comptroller. The Environmental Protection Trust Fund Commission (Fund 845) was appropriated to the Illinois Environmental Protection Agency (Agency) and therefore the appropriations and expenditures related to Fund 845 have also been reported in the Agency's appropriation schedules. Expenditure amounts are vouchers approved for payment by the Commission and submitted to the State Comptroller for payment to the vendor.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
FOR FISCAL YEARS 2012, 2011 AND 2010**

	Fiscal Year		
	2012 PA 97-0062	2011 PA 96-0956	2010 PA 96-0046
<u>APPROPRIATIONS (Net After Transfers)</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>	<u>\$ 4,000,000</u>
<u>EXPENDITURES</u>			
Grant to Environmental Protection Agency to support enhanced environmental protection and enforcement activities	500,000	1,120,000	869,241
Grant to Department of Natural Resources for projects relating to natural resources research, protection and educational activities	500,000	725,000	800,000
Grant to Pollution Control Board for funding expenses of case processing and other activities	500,000	400,000	500,000
Grant to the Attorney General for enhanced enforcement activities	<u>500,000</u>	<u>725,000</u>	<u>800,000</u>
Total Appropriated Expenditures	<u>2,000,000</u>	<u>2,970,000</u>	<u>2,969,241</u>
LAPSED BALANCES	<u>\$ 2,000,000</u>	<u>\$ 1,030,000</u>	<u>\$ 1,030,759</u>

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES  
FOR FISCAL YEARS 2012, 2011 AND 2010**

	Fiscal Year		
	2012 PA 97-0062	2011 PA 96-0956	2010 PA 96-0046
<u>NON-APPROPRIATED EXPENDITURES</u>			
<u>EXPENDITURES</u>			
Transfer from Environmental Protection Trust Fund	\$ -	\$ -	\$ 250,759
Grant to other State Agencies	-	-	501,427
Total Non-appropriated Expenditures	-	-	752,186
Grand Total Expenditures	\$ 2,000,000	\$ 2,970,000	\$ 3,721,427

Note: The data was taken directly from the Commission records which have been reconciled to those of the State Comptroller. The Environmental Protection Trust Fund Commission (Fund 845) was appropriated to the Illinois Environmental Protection Agency (Agency) and therefore the appropriations and expenditures related to Fund 845 have also been reported in the Agency's appropriation schedules. For fiscal years 2012 and 2010, expenditures and lapsed period balances do not include interest payments approved for payment by the Commission and submitted to the Comptroller for payment after August.

**STATE OF ILLINOIS  
 ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
 COMPARATIVE SCHEDULE OF CASH RECEIPTS  
 FOR FISCAL YEARS 2012, 2011 AND 2010**

	Fiscal Year		
	2012	2011	2010
<b>Environmental Protection Trust Fund - 845</b>			
Penalty Payments	\$ 3,814,986	\$ 2,859,481	\$ 4,721,132
Interest on Past Due Penalties	-	87	1,653
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total Environmental Protection Trust Fund	<u><u>\$ 3,814,986</u></u>	<u><u>\$ 2,859,568</u></u>	<u><u>\$ 4,722,785</u></u>

Note: The Environmental Protection Trust Fund (Fund 845) was appropriated to the Illinois Environmental Protection Agency (Agency) and therefore the receipts for Fund 845 have also been reported in the Agency's receipts schedules.

**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, 2012**

	<u>Fiscal Year</u>	
	<u>2012</u>	<u>2011</u>
<u>ENVIRONMENTAL PROTECTION TRUST</u>		
<u>FUND - 845</u>		
Receipts per Agency Records	\$ 3,814,986	\$ 2,859,568
Adjustment for deposit to Protest Fund (Fund 401)	-	-
Plus: deposits in transit, beginning of year	100	5,602
Less: deposits in transit, end of year	<u>41,300</u>	<u>100</u>
Deposits Recorded by the Comptroller	<u>\$ 3,773,786</u>	<u>\$ 2,865,070</u>

Note: The Environmental Protection Trust Fund (Fund 845) was appropriated to the Illinois Environmental Protection Agency (Agency) and therefore the receipts for Fund 845 have also been reported in the Agency's receipts schedules.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**

A comparative schedule of net appropriations, expenditures and lapsed balances is presented on pages 13 to 14. The following is an explanation of significant fluctuations between expenditures among the years. We considered the fluctuations in excess of \$250,000 and 20% to be significant. Explanations of significant fluctuations are as follows:

**Fiscal Year 2012**

*Appropriated Expenditures*

The expenditure decreased by \$970,000 or 33%. The fund is used by the Environmental Protection Trust Fund Commission for the purposes of funding grants to the Illinois Environmental Protection Agency, the Pollution Control Board, the Attorney General, and the Illinois Department of Natural Resources for the enhancement of environmental protection, enforcement and case processing activities. The funding varies from year to year as it is based on collections from penalties, court orders and administrative citations for violating environmental laws and regulations. The Commission meets twice annually in January and June. In June, the Commission reviews the receipts and determines how much can be allocated to each of the four agencies. Funds are transferred throughout the year based on cash availability. Expenditures relate to cash availability.

**Fiscal Year 2011**

*Non-Appropriated Expenditures*

The non-appropriated expenditure decreased by \$752,186 or 100%. The fund is used by the Environmental Protection Trust Fund Commission for the purposes of funding grants to the Illinois Environmental Protection Agency, the Pollution Control Board, the Attorney General, and the Illinois Department of Natural Resources for the enhancement of environmental protection, enforcement and case processing activities. The funding varies from year to year as it is based on collections from penalties, court orders and administrative citations for violating environmental laws and regulations. The Commission meets twice annually in January and June. In June, the Commission reviews the receipts and determines how much can be allocated to each of the four agencies. Funds are transferred throughout the year based on cash availability. Expenditures relate to cash availability.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**

A comparative schedule of cash receipts is presented on page 15. The following is an explanation of significant fluctuations between 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:

**Fiscal Year 2012**

The receipts increased by \$955,418 or 33%. The receipts are based on referrals and penalties assessed by the Attorney General's Office. The increase was due to the repayment of funds borrowed in accordance with Public Act 096-0958 and the receipt of prior year court ordered penalties during fiscal year 2012.

**Fiscal Year 2011**

The receipts decreased by \$1,863,217 or 39%. The decrease was due to delay in receipt of court ordered penalties for fiscal year 2011. Court ordered penalties were not received until fiscal year 2012.

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
ANALYSIS OF ACCOUNTS RECEIVABLE  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

The Commission's net accounts receivable balance was approximately \$490 (in thousands) and \$479 (in thousands) at June 30, 2012 and June 30, 2011, respectively. 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 are presented below (in thousands):

	<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>
June 30, 2012	\$ 472	\$ -	\$ 1	\$ 17	\$ 2	\$ 8,299	\$ 8,791
Allowance for uncollectible accounts							(8,301)
Net Accounts Receivable							\$ 490
June 30, 2011	\$ 476	\$ -	\$ 2	\$ 1	\$ 23	\$ 8,139	\$ 8,641
Allowance for uncollectible accounts							(8,162)
Net Accounts Receivable							\$ 479

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**AGENCY FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)**

**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 (Agency), the Department of Natural Resources (DNR), the Pollution Control Board (PCB), 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 Agency for the enhancement of environmental protection and enforcement activities.
2. Grants to the DNR for projects relating to natural resources, research, protection, and education activities.
3. Grants to the PCB 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 Agency. The Agency 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 Scott	through 3/2/2011
	Lisa Bonnett (Interim)	3/3/2011 through 10/24/2011
	John Kim (Interim)	10/25/2011 to 01/01/2013
	John Kim	01/02/2013 to present
Designee:	William Ingersoll	through 12/31/2011
	Julie Armitage (Acting)	1/1/2012 to present

**STATE OF ILLINOIS  
ENVIRONMENTAL PROTECTION TRUST FUND COMMISSION  
COMPLIANCE EXAMINATION  
FOR THE TWO YEARS ENDED JUNE 30, 2012**

**AGENCY FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED) (Continued)**

Director of Department of Natural Resources

Member: Marc Miller

Designee: Todd Rettig

Chairman of the Pollution Control Board

Member: G. Tanner Girard (Acting) through 10/27/2011  
Thomas Holbrook 10/28/2011 to present

Designee: Kathy Griffin

Attorney General

Member: Lisa Madigan

Designee: Thomas Davis

**Planning Program**

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

- 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.