

**State of Illinois
Environmental
Protection Agency**

COMPLIANCE EXAMINATION

**FOR THE TWO YEARS ENDED
JUNE 30, 2022**

**PERFORMED AS SPECIAL
ASSISTANT AUDITORS FOR THE
AUDITOR GENERAL,
STATE OF ILLINOIS**

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

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**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2022**

AGENCY OFFICIALS

Director	Mr. John J. Kim
Deputy Director (04/04/23 – Present)	Mr. James Jennings
Deputy Director (07/01/20 – 04/03/23)	Mr. Todd Rettig
Chief of Staff	Ms. Laura Roche
Chief Legal Counsel	Mr. Charles W. Gunnarson
Chief Financial Officer (11/20/20 – Present)	Mr. Jacob Poeschel
Chief Financial Officer (11/01/20 – 11/19/20)	Vacant
Chief Financial Officer (07/01/20 – 10/31/20)	Ms. Courtney L. Bott
Chief Internal Auditor (01/01/21 – Present)	Ms. Ellen Jennings Fairfield
Chief Internal Auditor (11/01/20 – 12/31/20)	Vacant
Chief Internal Auditor (07/01/20 – 10/31/20)	Mr. James Froehner

The Illinois Environmental Protection Agency's primary administrative office is 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

JB PRITZKER, GOVERNOR

JOHN J. KIM, DIRECTOR

MANAGEMENT ASSERTION LETTER

June 28, 2023

Roth & Company LLP
815 West Van Buren Street, Suite 500
Chicago, Illinois 60607

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 Agency (Agency). 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 Agency's compliance with the following specified requirements during the two-year period ended June 30, 2022. Based on this evaluation, we assert that during the years ended June 30, 2021, and June 30, 2022, the Agency has materially complied with the specified requirements listed below.

- A. The Agency 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 Agency 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. Other than what has been previously disclosed and reported in the Schedule of Findings, the Agency 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 Agency 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 Agency on behalf of the State or held in trust by the Agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

State of Illinois, Environmental Protection Agency

SIGNED ORIGINAL ON FILE

John J. Kim
Director

SIGNED ORIGINAL ON FILE

Jacob Poeschel
Chief Financial Officer

SIGNED ORIGINAL ON FILE

Charles W. Gunnarson
Chief Legal Counsel

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
STATE COMPLIANCE EXAMINATION
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STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this 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*.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies a material weakness over internal control over compliance.

SUMMARY OF FINDINGS

Number of	<u>Current Report</u>	<u>Prior Report</u>
Findings	18	18
Repeated Findings	13	8
Prior Recommendations Implemented or Not Repeated	5	2

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-001	11	2020/2020	Inadequate Internal Controls over Census Data	Material Weakness and Material Noncompliance
2022-002	15	2020/2014	Inadequate Controls over State Vehicles	Significant Deficiency and Noncompliance
2022-003	21	2020/2014	Inadequate Controls over Accounts Receivable	Significant Deficiency and Noncompliance

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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-004	23	2020/1994	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2022-005	28	2020/2018	Inadequate Controls over Awards and Grants	Significant Deficiency and Noncompliance
2022-006	30	2020/2018	Inadequate Controls over Monthly Reconciliations	Significant Deficiency and Noncompliance
2022-007	32	2020/2020	Inadequate Controls over Receipts, Refunds, and Agency Fee Imposition Reporting	Significant Deficiency and Noncompliance
2022-008	34	2020/2018	Voucher Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2022-009	37	New	Inadequate Controls over Property	Significant Deficiency and Noncompliance
2022-010	39	2020/2018	Inadequate Change Management Procedures	Significant Deficiency and Noncompliance
2022-011	41	New	Statutory Committee and Board Requirements	Significant Deficiency and Noncompliance
2022-012	44	New	Failure to Perform Quarterly Inspections on the Release of Radionuclides at Nuclear Power Plants	Significant Deficiency and Noncompliance

**STATE OF ILLINOIS
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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2022-013	45	2020/2020	Noncompliance with Application and Permit Requirements	Significant Deficiency and Noncompliance
2022-014	47	2020/2020	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2022-015	49	New	Failure to Create a Form for Registration of Underground Storage Tank Containing Hazardous Waste	Significant Deficiency and Noncompliance
2022-016	50	2020/2020	Noncompliance with the Fiscal Control and Auditing Act	Significant Deficiency and Noncompliance
2022-017	51	2020/2020	Inadequate Contingency Planning and Testing	Significant Deficiency and Noncompliance
2022-018	53	New	Required Reports and Fees Not Received and Reported in a Timely Manner	Significant Deficiency and Noncompliance

Prior Findings Not Repeated

A	57	2020/2018	Noncompliance with Statutory Requirements in Providing Public Notices and Administrative Citation Warning Notice
B	57	2020/2020	Statutory Reporting Requirements

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SCHEDULE OF FINDINGS (Continued)

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>
Prior Findings Not Repeated			
C	57	2020/2020	Noncompliance with the Consumer Electronics Recycling Act
D	57	2020/2020	Statutory Task Force Requirements
E	58	2020/2020	Lack of Adequate Controls over the Review of Internal Controls for Service Providers

EXIT CONFERENCE

The Agency waived an exit conference in a correspondence from Ellen Jennings Fairfield, Chief Internal Auditor, on June 21, 2023. The responses to the recommendations were provided by Max Paller, Finance Unit Manager/Chief Accountability Officer, in a correspondence dated June 28, 2023.



INDEPENDENT ACCOUNTANT'S REPORT
ON STATE COMPLIANCE AND ON INTERNAL CONTROL OVER COMPLIANCE

Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the State of Illinois, Environmental Protection Agency (Agency) with the specified 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, 2022. Management of the Agency is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Agency's compliance with the specified requirements based on our examination.

The specified requirements are:

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

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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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Agency complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Agency complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Agency's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirement applicable to the Agency during the two years ended June 30, 2022.

Specified Requirement C

As described in the accompanying Schedule of Findings as items 2022-001 and 2022-008, the Agency had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Agency complied with the specified requirements during the two years ended June 30, 2022, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2022-002 through 2022-007 and 2022-009 through 2022-018.

The Agency's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.



Report on Internal Control Over Compliance

Management of the Agency is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Agency's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Agency's compliance with the specified requirements and to test and report on the Agency's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying Schedule of Findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control 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 and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-001 and 2022-008 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as items 2022-002 through 2022-007 and 2022-009 through 2022-018 to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The Agency's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Agency's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Chicago, Illinois
June 28, 2023



STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

2022-001. **FINDING** (Inadequate Internal Controls over Census Data)

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

Census data is demographic data (date of birth, gender, years of service, etc.) of the active, inactive, or retired members of a pension or OPEB plan. The accumulation of inactive or retired members' census data occurs before the current accumulation period of census data used in the plan's actuarial valuation (which eventually flows into each employer's financial statements), meaning the plan is solely responsible for establishing internal controls over these records and transmitting this data to the plan's actuary. In contrast, responsibility for active members' census data during the current accumulation period is split among the plan and each member's current employer(s). Initially, employers must accurately transmit census data elements of their employees to the plan. Then, the plan must record and retain these records for active employees and then transmit this census data to the plan's actuary.

We noted the Agency's employees within the Fund are members of both the State Employees' Retirement System of Illinois (SERS) for their pensions and the State Employees Group Insurance Program sponsored by the State of Illinois, Department of Central Management Services (CMS) for their OPEB. In addition, we noted these plans have characteristics of different types of pension and OPEB plans, including single employer plans and cost-sharing multiple-employer plans. Finally, we noted CMS' actuaries use SERS' census data records to prepare the OPEB actuarial valuation.

The Agency performed an initial reconciliation of its census data recorded by SERS to its internal records in order to establish a base year ended June 30, 2021 of complete and accurate census data. During our testing of a sample of 40 transactions reported by the Agency to SERS, we noted two (5%) reporting errors which the Agency did not identify and correct in its reconciliation. One employee's birthdate was misstated by 10 years. This reporting error was subsequently corrected by the Agency in a later measurement period upon notification by the auditor. Additionally, one employee's monthly salary was understated by \$25. We also noted the Agency did not maintain sufficient documentation that a complete reconciliation was properly performed.

For employers participating in plans with multiple-employer and cost-sharing characteristics, the American Institute of Certified Public Accountants' *Audit and Accounting Guide: State and Local Governments* (AAG-SLG) (§ 13.177 for pensions and § 14.184 for OPEB) notes the determination of net pension/OPEB liability, pension/OPEB expense, and the associated deferred inflows and deferred

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outflows of resources depends on employer-provided census data reported to the plan being complete and accurate along with the accumulation and maintenance of this data by the plan being complete and accurate. To help mitigate against the risk of a plan's actuary using incomplete or inaccurate census data within similar agent multiple-employer plans, the AAG-SLG (§ 13.181 (A-27) for pensions and § 14.141 for OPEB) recommends an employer annually reconcile its active members' census data to a report from the plan of census data submitted to the plan's actuary, by comparing the current year's census data file to both the prior year's census data file and its underlying records for changes occurring during the current year.

Further, the State Records Act (5 ILCS 160/8) requires the Agency make and preserve records containing adequate and proper documentation of its essential transactions to protect the legal and financial rights of the State and of persons directly affected by the Agency's activities.

Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial and statistical reports.

Agency officials indicated the errors were due to oversight and their reconciliation being performed manually.

Failure to properly reconcile active members' census data reported to and held by SERS to the Agency's records could result in each plan's actuary relying on incomplete or inaccurate census data in the calculation of the State's pension and OPEB balances, which may result in a misstatement of these amounts. (Finding Code No. 2022-001, 2021-002, 2020-001)

RECOMMENDATION

We recommend the Agency ensure reconciliation of its active members' census data from its underlying records to a report of the census data submitted to each plan's actuary is complete and accurate. We further recommend the Agency re-evaluate the data for the base year ended June 30, 2021 to identify any other instances where data discrepancies may still exist and work with SERS to correct all such unresolved errors in the full reconciliation of Agency and SERS records.

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AGENCY RESPONSE

The Agency partially agrees with finding 2022-001. The Census reconciliation of employee data was performed screen by screen along with personnel (paper) file documents. The State Record's Act requirements are encompassed in the employees' system record and HR file which have been retained in accordance with the Records Act.

Two errors were found:

1. The one issue was a simple error in the date. In reviewing hundreds of records, the birth date was misread. (human error)

2. The second issue was for a person on a leave of absence (for many years) and the error had no impact since the employee was not getting paid by IEPA. This would have been resolved had the person ever returned from leave (which they did not).

The two errors found could not have skewed reliance on actuarial statistics when combined with all other agencies' employee data. Both errors have been corrected.

In Fall 2023, the Agency plans to convert the personnel records to a new ERP/HCM system. We will need to ensure the data is correct and will go file by file to make sure the converted information is accurate. In addition, staff will be able to view their information and will be asked to ensure it is correct.

ACCOUNTANTS' COMMENT

The Agency did not provide the auditors documentation to support that information of each employee was verified using the source documents indicated in the SERS memo entitled "Annual Census Data Reconciliation Guidance" (Guidance). The Guidance requires each agency to be responsible for using staff rosters and personnel file contents to validate participation in the retirement plan and to verify the accuracy of each of the census data demographics for each employee of their agency. The Guidance identifies each of the census data fields to be reviewed and the recommended personnel file source documents for each. The Guidance also requires the Agency staff to verify, for each employee in service on June 30, 2021, that the employee's personnel file contents match the SERS census data extract provided and the Agency's personnel and payroll systems. The State Records Act (5 ILCS 160/8) requires the Agency to make and preserve records containing adequate and proper documentation of its essential transactions, which would also include documentation of the Agency's complete base year reconciliation and verification of agency and Plan records.

The errors identified in our sample indicated there could be other uncorrected errors

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in the population of the census data, and the reconciliation performed was not effective in detecting and correcting all errors. As a result, assurance cannot be obtained regarding the accuracy and reliability of the census data the Plan actuaries used to calculate pension and OPEB balances used for both the Agency's and the State's financial statements.

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2022-002. **FINDING** (Inadequate Controls over State Vehicles)

The Environmental Protection Agency (Agency) did not exercise adequate internal controls over automobiles. As of June 30, 2022, the Agency had 112 vehicles.

During testing, the auditors noted the following:

- The Agency did not ensure its vehicles were properly maintained during the engagement period. The auditors reviewed the maintenance records for 18 vehicles and noted the following:
 - Four (22%) vehicles tested had an oil change past the allowed oil change intervals.
 - Two (11%) vehicles tested did not receive tire rotations at the required intervals.

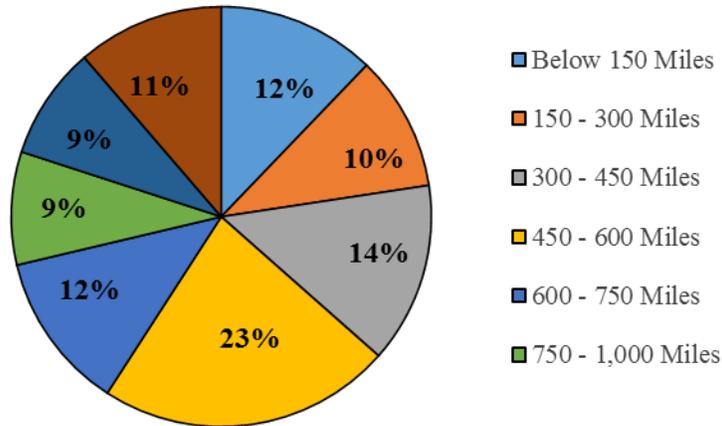
The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5040.410(a)) requires the Agency to maintain vehicles in accordance with the Department of Central Management Services (DCMS) schedules for the proper care and maintenance of vehicles. In addition, the Code (44 Ill. Adm. Code 5040.400) requires all State-owned or leased vehicles to undergo regular service and/or repair in order to maintain the vehicles in road worthy, safe, operating condition and appropriate cosmetic condition.

Agency officials stated these exceptions were due to lack of monitoring to ensure the policies and procedures were being followed.

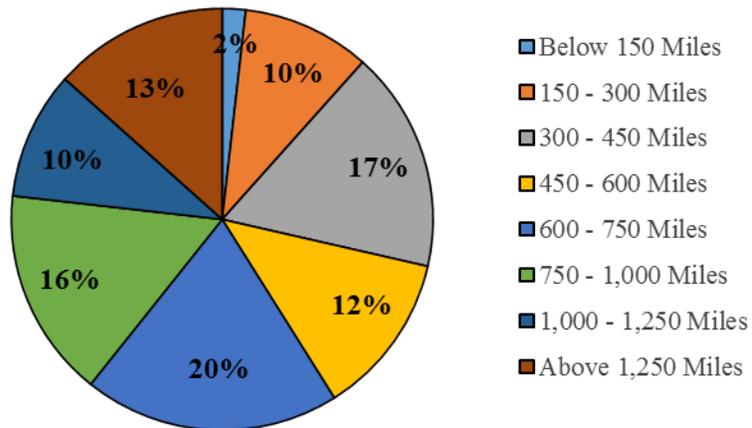
We analyzed the total activity of the Agency's 112 vehicles used during Fiscal Years 2021 and 2022. The Agency's vehicles traveled between 35 to 33,374 miles during Fiscal Year 2021 and 595 to 29,752 miles during Fiscal Year 2022, with the following charts showing the average monthly vehicle utilization:

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**FY21 PERCENTAGE OF AGENCY
 VEHICLES BY
 AVERAGE MILEAGE PER MONTH**



**FY22 PERCENTAGE OF AGENCY
 VEHICLES BY
 AVERAGE MILEAGE PER MONTH**



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We noted the following underutilized vehicles during Fiscal Years 2021 and 2022:

Fiscal Year	Year	Make	Odometer At Yearend	Total Usage	Average Monthly Usage
FY2021	2006	FORD	80,987	1,294	108
FY2021	2008	FORD	88,560	725	60
FY2021	2008	FORD	96,957	242	20
FY2021	2009	FORD	47,614	1,235	103
FY2021	2009	FORD	76,102	663	55
FY2021	2010	TOYOTA	74,624	1,313	109
FY2021	2012	CHEVROLET	39,652	1,483	124
FY2021	2012	CHEVROLET	49,681	726	61
FY2021	2012	CHEVROLET	46,759	163	14
FY2021	2012	CHEVROLET	63,591	1,121	93
FY2021	2010	CHEVROLET	94,789	35	3
FY2021	2010	CHEVROLET	92,874	798	67
FY2021	2010	CHEVROLET	86,944	909	76
FY2021	2019	FORD	8,989	1,189	99
FY2022	2009	FORD	49,444	595	50
FY2022	2012	CHEVROLET	127,477	1,110	93

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal control over vehicles includes performing an economic break-even analysis and keeping vehicles when the vehicle can be used at or beyond that level or when the Agency can justify why a less than economic break-even is necessary because there is no other alternative available to carry out the Agency’s mission.

Additionally, the Illinois Administrative Code (Code) (44 Ill. Admin. Code 5010.620) requires the Agency to regularly survey its inventory to identify transferable equipment that is no longer needed and/or useful to the Agency and report it to the Property Control Division of DCMS.

Agency officials stated the issues were due to COVID-19. The vehicles were not being utilized like they normally would during Fiscal Year 2021 and Fiscal Year 2022.

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- One of four (25%) vehicle accident reports tested was submitted to the DCMS Auto Liability Unit 42 days late. Additionally, two of four (50%) vehicle accident reports tested were completed and submitted to the Agency Vehicle Coordinator 43 and 12 days late.

The Code (44 Ill. Admin. Code 5040.520) requires vehicle accidents be reported to law enforcement, the CMS Auto Liability Unit, and the agency on the vehicle accident form within seven calendar days or the driver and agency risk forfeiture of coverage under the State's auto liability plan. The Agency's Vehicle Accident Report policy, Chapter 9, Section 6, of the Employee Handbook requires a Motorist's Report of Illinois Vehicle Accident (Form SR-1) be completed in its entirety and submitted to the Agency Vehicle Coordinator no later than two days following an accident.

Agency officials stated these exceptions were due to vacancy of the vehicle coordinator position.

- The Agency did not provide documentation to determine if 10 of 10 (100%) changes to vehicle assignments during Fiscal Year 2022 were reported to CMS as required by the Code.

The Code (44 Ill. Adm. Code 5040.340) requires the Agency to report to CMS annually and when changes occur, the name of each employee assigned a vehicle, the equipment number and license plate number of the assigned vehicle, and the employee's headquarters and residence.

Agency officials stated the vehicle assignments were not reported to CMS due to oversight.

- The Agency did not exercise adequate control over the required annual certifications of licensure and automobile liability coverage form (certification form). Five of 24 (21%) employees tested filed the certification forms 12 to 374 days late.

The Illinois Vehicle Code (625 ILCS 5/7-601(c)) requires every employee assigned to a specific vehicle owned or leased by the State on an ongoing basis affirm the driver is duly licensed and has liability insurance coverage extending to the vehicle when it is used for other than official State business. The certification must be filed during July of each calendar year or within 30 days of any new assignment of a vehicle, on an ongoing basis, whichever is later.

Agency officials stated the issue was due to oversight.

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Population Completeness

We requested the Agency to provide the population of its employees who are allowed the personal use of State vehicles in order to determine if employee fringe benefits were properly reported. In response to the request, the Agency provided its Personal Vehicle Use Report (Report) during Fiscal Years 2021 and 2022; however, there were discrepancies on the number of trips reported per commuting forms as against the Reports, therefore, we were unable to conclude the Agency's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36).

Even given the population limitations noted above, we performed testing on a sample of the employees allowed the personal use of State vehicles.

- The Agency did not ensure commuting miles reported by the employees were properly reported in the payroll. The auditors noted the following:
 - One of eight (13%) employees tested did not submit the Approval to Use a State Vehicle for Commuting form.
 - For five of eight (63%) employees tested, commuting miles did not agree with the fringe benefit values reported in the payroll during the examination period, resulting in an overstatement of reported fringe benefit payments for tax purposes totaling \$1.50 for one employee and an understatement totaling \$15 for four employees.

The Agency's Off-Duty Use of State-Owned Vehicle policy, Chapter 9, Section 7, of the Employee Handbook requires an employee who has met the conditions for taking home a pool vehicle, and was authorized by the employee's supervisor, to document the reason for the take home use of the pool vehicle on the Agency's form, *Approval to Use a State Vehicle*, and obtain the supervisor's signature on the form.

The Internal Revenue Services' Employer's Tax Guide to Fringe Benefits (Publication 15-B) states any commute an individual makes with an assigned vehicle is considered a fringe benefit and is to be valued at \$1.50 per one-way commute. Fringe benefits are to be included in the employee's wages for tax purposes.

Agency officials stated the discrepancies were due to employee error and oversight.

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This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Failure to properly monitor vehicle maintenance could result in the State incurring added costs through additional repairs to, and reduced lives of, vehicles. Failure to timely complete and submit accident reports risk forfeiture of coverage under the Self-Insured Motor Vehicle Liability Plan. Failure to timely obtain each driver's annual certification of licensure and automobile liability insurance coverage as required by State law could expose the Agency to unnecessary litigation risks. Failure to properly report vehicle assignments to CMS lessens government oversight for fleet efficiency and accountability for State resources. Improper reporting of fringe benefits results in the inaccurate reporting of employee wages for tax purposes. (Finding Code No. 2022-002, 2020-002, 2018-001, 2016-001, 2014-001)

RECOMMENDATION

We recommend the Agency:

- Review its internal controls over monitoring its fleet to ensure vehicles receive timely maintenance.
- Monitor the submission of accident reports to ensure compliance with the rules.
- Review and enforce procedures over the timely filing of the required annual certifications of license and liability insurance coverage.
- Develop a monitoring process to ensure all employee vehicle assignments and changes are timely and properly reported to CMS.
- Ensure fringe benefits are properly supported and accurately reported in the payroll to comply with laws and regulations.

AGENCY RESPONSE

The Agency agrees with the 2022-002 finding and will perform an in-depth analysis of the Agency's vehicle fleet and its usage. COVID had an impact on vehicle usage during the audit period. A new Agency vehicle coordinator was hired in 2022 and will work to put procedures in place to address the issues raised in the audit.

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2022-003. **FINDING** (Inadequate Controls over Accounts Receivable)

The Environmental Protection Agency (Agency) did not have adequate controls over the administration of its accounts receivable.

Excluding receivables from the Water Revolving Fund and the Environmental Protection Trust Fund, the Agency reported \$35.4 million in accounts receivable, of which \$12.3 million was over one year past due, as of June 30, 2022, and \$47.1 million, of which \$12.5 million was over one year past due, as of June 30, 2021.

During testing, the auditors noted the following:

- Five of 40 (13%) accounts receivable tested, amounting to \$268,372, were over 120 days to 13 years past due and the Agency had not made active collection efforts during the examination period on the account or referred the account to the Comptroller's Offset System, Department of Revenue's Debt Collection Bureau, or the Attorney General. Additionally, for eight of 40 (20%) accounts receivable tested, totaling \$27,134, the Agency did not timely refer the accounts to the Office of Comptroller's (Comptroller) Offset System. The accounts were placed in the Comptroller's Offset System from 13 to 696 days after the due dates.

The Illinois State Collection Act of 1986 (Act) (30 ILCS 210/5(c-1)) and the Statewide Accounting Management System (SAMS) (Procedure 26.40.20) requires the Agency to place all debts over \$250 and more than 90 days past due in the Comptroller's Offset System. In addition, the Act (30 ILCS 210/5(g)) requires the Agency to refer qualifying delinquent debt to the Department of Revenue's Debt Collection Bureau. The Uncollected State Claims Act (30 ILCS 205/2(a)) requires the Agency, when it is unable to collect any claim or account receivable of \$1,000 or more due, request the Attorney General to certify the claim or account receivable to be uncollectible. The Act (30 ILCS 210/3) and SAMS (Procedure 26.40.10) require the Agency to pursue the collection of accounts or claims due and payable to the Agency through all reasonable and appropriate procedures.

- For six of 40 (15%) accounts receivable totaling \$162,540, the Agency did not provide documentation to determine if the Agency pursued collection efforts in accordance with the Agency's collection procedures and State rules and regulations.

The State Records Act (5 ILCS 160/8) requires the Agency make and preserve adequate and proper documentation of the essential transactions of the Agency designed to furnish information to protect the legal and financial

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rights of the State and of persons directly affected by the Agency's activities. In addition, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized efficiently and effectively. Good internal control over accounts receivable includes maintaining the documents to hold evidence of debtor's debt and keep track of collection efforts taken.

This finding was first reported during the period ended June 30, 2014. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

Agency officials stated the delay in referring the accounts for collection was due to the difficulty in obtaining the necessary information such as federal identification numbers to pursue collections or write-off. Files that did not have the required information were either due to the age of the account or the nature of the case.

Failure to timely refer receivables to the Comptroller's Offset System and to the Bureau increases the likelihood that past due amounts owed to the Agency will not be collected or the collection will be further delayed. Failure to report uncollectible accounts to the Attorney General results in the Agency not writing off accounts receivable balances and the corresponding allowance for doubtful accounts, resulting in an overstatement of these balances in the Agency's accounts receivable reports. Failure to properly keep records of accounts receivable and to make collection efforts increases the risk of loss of revenues. (Finding Code No. 2022-003, 2020-003, 2018-003, 2016-003, 2014-004)

RECOMMENDATION

We recommend the Agency pursue all reasonable and appropriate procedures to collect outstanding debts as required by Agency policies, and State laws and regulations. We also recommend the Agency maintain records of accounts receivable and documentation of its collection efforts.

AGENCY RESPONSE

The Agency agrees with finding 2022-003. The Agency has procedures in place to capture all necessary information for collecting Accounts Receivable. The Agency revised the accounts receivable processing plan to include a subscription to acquire necessary information and to utilize a debt collection agency to better move old accounts towards resolution and write-off. The Agency is actively working with the Attorney General's Office to complete write-off packets for the uncollectible debt.

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2022-004. **FINDING** (Inadequate Controls over Personal Services)

The Environmental Protection Agency (Agency) failed to maintain proper controls over personal services.

During testing, the auditors noted the following:

- Four of 40 (10%) employees tested did not have performance evaluations for the evaluation period tested. Of the four, one evaluation was for an employee who retired within the examination period, two evaluations were not completed during their probationary period, and one annual evaluation was for an active employee. Additionally, seven of 40 (18%) employees tested had performance evaluations not completed within the required timeframe. The delinquencies ranged from three to 46 days late.

The Illinois Administrative Code (Code) (80 Ill. Admin. Code 302.270(d)) requires the Agency to evaluate certified employees not less often than annually. Additionally, the Code (80 Ill. Admin. Code 302.270(b)) requires the Agency to conduct two evaluations for any employee serving a six month probationary period, one at the end of the third month of the employee's probationary period and another 15 days before the conclusion thereof.

Agency officials stated they continue to face challenges in performing administrative functions as the structure of the Agency does not have enough management employees outside of the union to perform timely evaluations.

- For two of 40 (5%) employee files tested, the employer's section of the Form I-9 was not completed and signed by the Agency's authorized representative. In addition, for one of 40 (3%) employees' personnel files tested, the Form I-9 was not maintained.

Federal Immigration Law (8 USC § 1324a) requires an employer to complete and maintain an I-9 form to verify an individual's eligibility for employment in the United States. The employer is required to examine evidence of identity and employment authorization of each new employee no later than three business days after the employee's first day of employment. The employer is required to document the hire date, their signature, and date of review of the Form I-9.

Agency officials stated the exceptions were due to oversight. Agency officials further stated the employee with missing Form I-9 was a transferee and the Form I-9 was kept by the transferring Agency.

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- For one of eight (13%) employees tested who was on leave of absence (LOA), the Agency did not pay the employer's share of group insurance for one semi-monthly pay period.

The State Employees Group Insurance Act of 1971 (5 ILCS 375/10) requires the basic non-contributory coverage from the basic program of group health benefits to be continued for each employee not in pay status or on active service by reason of leave of absence due to illness or injury, authorized educational leave of absence or sabbatical leave, or military leave and shall continue until expiration of authorized leave and return to active service.

Agency officials stated they rely on the monthly reimbursement report provided by the Department of Central Management System and there was no procedure in place to monitor and check whether the employer's share of group insurance for employees on LOA were paid.

- For 10 of 40 (25%) employees tested, 18 requests for 81 hours of vacation and personal leave were submitted from three to 25 days after the leave was taken. In addition, for six of 40 (15%) employees tested, 16 requests for 32 hours were not timely approved by the supervisors. These requests were approved two to 12 days after the leave was taken or the request was submitted.

The Agency's Leave and Vacation Policy (Policy), Chapter 7, of the Employee Handbook requires employees who request time off from work to make the request in writing and obtain approval from his or her immediate supervisor. For vacation and personal leaves, the Policy requires the requests to be made in advance.

Agency officials stated that when possible and practical, employees submit time off requests in advance of being out of the office. Agency officials further stated, employees may call in for the day or get verbal approval and submit the request when they return to the office. Approval for the time off may also have been given via email, with official request submitted later.

- For 12 of 40 (30%) employees tested, 19 requests for 46 hours of overtime were not properly approved by the supervisors. These requests were approved from one to five days after the overtime was worked or the request was submitted. In addition, for 15 of 40 (38%) employees tested, 27 requests for 12 hours of EET and 76 hours of overtime were submitted from one to 15 days after the overtime was worked.

The Agency's Overtime Policy, Chapter 6, Section 8, and the Agency's Equivalent Earned Time Policy, Chapter 6, Section 9, of the Employee

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Handbook, require prior approval from the appropriate Bureau, Division or Office head or designee.

Agency officials stated a verbal request or email discussion is held and approval was given in advance.

- The figures reported on the Agency Workforce Reports (Reports), filed during the examination period, did not agree to the supporting documentation provided. Discrepancies were noted on the data and statistical percentages reported for 15 of 16 (94%) employee groups in the 2020 Report and 13 of 16 (81%) employee groups in the 2021 Report. Additionally, the Agency failed to include four and two employees in the 2020 and 2021 Reports, respectively.

The State Employment Records Act (5 ILCS 410 *et seq.*) requires State agencies to collect, classify, maintain, and report certain employment statistics for women, disabled, and minority groups.

Agency officials stated the discrepancies were due to human error.

- For six of 40 (15%) employees tested, the federal income taxes, for the pay periods ending December 31, 2020, December 31, 2021, and January 15, 2022, were inaccurately withheld by \$42. The Central Payroll System (System) of DoIT did not use the proper federal tax deduction table which became effective with that pay period.

The Internal Revenue Service Publication 15-T, Employer's Tax Guide, requires employers to withhold federal income tax from each wage payment or supplemental unemployment compensation plan benefit payment according to the employee's Form W-4 and the correct withholding table.

Further, the Office of the Comptroller's Office Payroll Bulletin, (Bulletin) 13-20, required the use of the 2021 federal withholding tables effective with the December 16-31, 2020 pay period. Additionally, Bulletin 9-21, required the use of the 2022 federal withholding tables effective with the December 16-31, 2021 pay period. These Bulletins stipulated the applicable withholding rate for the amount to be withheld.

Agency officials stated they rely on the amount of tax withheld by the System, and there was no procedure in place to monitor and check whether the amount of federal tax was properly calculated.

This finding was first reported during the period ended June 30, 1994. In the subsequent years, the Agency has been unsuccessful in implementing appropriate

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corrective action or procedures.

Performance evaluations are a systematic and uniform approach for the development of employees and communication of performance expectations to employees. Delays in evaluation may cause certain probationary employees to become certified prior to formal review. Inadequate maintenance of employee personnel files may result in personnel and payroll related issues not being resolved timely due to the absence of supporting documents. Failure to maintain adequate employee payroll deduction records may result in inaccurate or unauthorized deductions. Failure to properly complete I-9 forms within the required timeframe and retain the forms for a specified period after employment has ended may make the Agency subject to fines and penalties. Failure to ensure payment of the employer's share of group insurance for employees who are on unpaid LOA results in the Agency not paying its obligations. Failure to ensure pre-approval leave requests are timely submitted and approved may affect the Agency's scheduling to maintain operational efficiency. Failure to ensure pre-approval overtime requests are timely submitted and properly approved in advance undermines accountability controls and increase the risk the Agency will pay unnecessary personal service expenditures. Failure to file accurate information on the Agency Workforce Report (Report) prevents the appropriate oversight authorities from receiving relevant feedback and monitoring of programs and can decrease effectiveness of future decisions when accurate information is not available. Failure to ensure the System utilized accurate tax deduction table resulted in inaccurate taxes withheld from employees and remitted to the federal government. (Finding Code No. 2022-004, 2020-004, 2018-004, 2016-004, 2014-006, 12-2, 10-1, 08-3, 06-1, 04-2, 02-1, 00-1, 99-4, 98-5, 96-7, 94-9)

RECOMMENDATION

We recommend the Agency:

- Take appropriate action to ensure performance evaluations are conducted annually and in a timely manner.
- Ensure personnel files contain all required documentation including payroll deduction and withholding forms and completed I-9 forms, and obtain missing documents from the employees.
- Develop and implement procedures on monitoring of the monthly reimbursement reports to ensure the employer's share of group insurance is paid for employees who are on unpaid leave of absence.
- Ensure leave requests and overtime requests are timely submitted, properly approved in advance, and pre-approval is documented and maintained.

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- Strengthen its controls over the completion and review of the Agency Workforce Reports to ensure the report is accurate and filed timely.
- Independently review its payroll vouchers generated to ensure the System properly calculates payroll and related withholding taxes.

AGENCY RESPONSE

The Agency agrees with the 2022-004 finding and auditor’s recommendations. The Agency will work to update the Agency Handbook to address that time off and overtime cannot always be requested in advance. Supervisors are receiving numerous reminders of evaluation due dates and the Agency will continue to push to get this completed. As for the tax tables, these are set up by DoIT Central Payroll and we have no way to adjust or change the tables so this is outside of the Agency’s control.

ACCOUNTANTS’ COMMENT

The Agency did not identify the withholding errors in its review and approval of its payroll vouchers. The Independent Service Auditor’s Report on DoIT’s Shared Services dated August 4, 2021 reported inaccuracies in tax rates in the System and stated “agencies are responsible for reviewing the payroll voucher to ensure the accurate calculation of deductions”. State agencies are ultimately responsible for the accuracy of payroll deductions and withholdings and any discrepancies should be reported for correction.

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2022-005. **FINDING** (Inadequate Controls over Awards and Grants)

The Environmental Protection Agency (Agency) did not adequately administer and monitor its awards and grants programs.

The Agency expended over \$533 million (72%) and \$518 million (69%) for awards and grants of its total expenditures of approximately \$737 million and \$754 million during Fiscal Year 2021 and Fiscal Year 2022, respectively. The auditors sampled five grant programs: Wastewater Treatment Plant Energy Efficiency (SEP), Section 319(h) - Nonpoint Source Pollution Control Financial Assistance Program, Section 604b - Water Quality Management Planning, Green Infrastructure Grant Opportunities (GIGO), and Prairie Du Pont. For the five grant programs selected for testing, 32 grant agreements totaling \$9,203,877 were tested. A total of 313 progress reports were submitted by the grantees for the applicable year tested.

- Fifty-seven of 313 (18%) progress reports tested were submitted to the Agency one to 297 days late.
- Four of 313 (1%) progress reports tested did not have documentation of submission date by the grantee to the Agency; therefore, timeliness of submission could not be determined.
- Sixteen of 313 (5%) progress reports tested did not have evidence of a review by Agency personnel.
- Seventy-two of 313 (23%) progress reports tested were reviewed by the Agency two to 265 days after the submission date by the grantee.

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

The grant agreements require the grantees to submit financial reports and performance reports with frequency and deadlines specified in the executed grant agreements. The Illinois Administrative Code (Code) (44 Ill. Admin. Code 7000.200) requires each State grantmaking agency, in order to effectively measure the performance of its awardees, to require its awardees to submit a Periodic Performance Report (PPR) quarterly unless otherwise specified in the uniform grant agreement. The Code requires each State grantmaking agency to provide awardees with clear performance goals, indicators, and milestones through the Grant Agreement and to establish performance reporting frequency and content to not only allow the State agency to understand the awardee's progress, but also to facilitate identification of promising practices among awardees and build evidence upon which the State agency's program and performance decisions are made.

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The Grant Accountability and Transparency Act (GATA) (30 ILCS 708/45(g)) requires each State grantmaking agency to enhance its processes to monitor and address noncompliance with reporting requirements and with program performance standards and to include a plan for tracking and documenting performance-based contracting decisions.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation.

Agency officials stated the deficiencies were due to staff shortages and competing priorities.

Failure to ensure that grantees timely submit the required reports and document the timely submission date and reviews of grantees' required reports by Agency personnel decreases the Agency's accountability over funds granted and increases the risk of noncompliance with the provisions of the grant agreements. Further, the untimely receipt of required reports inhibits the Agency's ability to effectively track project completeness and milestones. (Finding Code No. 2022-005, 2020-005, 2018-005)

RECOMMENDATION

We recommend the Agency strengthen its controls to ensure documentation is maintained and reviews of grantee's required reports are timely. In addition, we recommend the Agency ensure that grantees timely submit the progress reports to comply with the provisions of the grant agreements.

AGENCY RESPONSE

The Agency agrees with finding 2022-005. The Agency will work to create and implement a database to track due dates and collection of required progress reports. The Agency will continue to emphasize the importance of timely and documented reviews of required reports to grant personnel. The Agency will continue to adopt rules and procedures as identified in the Grant Accountability and Transparency Act and the Illinois Administrative Code.

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2022-006. **FINDING** (Inadequate Controls over Monthly Reconciliations)

The Environmental Protection Agency (Agency) did not maintain adequate controls over its monthly obligations, expenditures, appropriations, and revenue reconciliations.

During testing of monthly reconciliations between the Office of Comptroller (Comptroller) records and Agency records, the auditors noted the following:

- The Agency did not perform the required monthly reconciliations of its internal records to the Appropriation Transfer Report (SB03) during the engagement period.
- For the Monthly Appropriation Status Reports (SB01):
 - Four of 32 (13%) required monthly reconciliations were not performed for all the funds during the engagement period.
 - The Agency performs monthly reconciliations for 15 to 25 funds. For three of the required monthly reconciliations, there was one fund reconciliation that did not contain documentation of preparation date, therefore, the timeliness of preparation could not be determined. Further, there was no documentation of which employee prepared the reconciliations and performed the supervisory review.
- For the Monthly Revenue Report (SB04):
 - Unreconciled differences, totaling \$548,323, were noted for four of 30 (13%) funds tested on the Agency's June 30, 2021 reconciliation and nine of 30 (30%) funds tested on the Agency's June 30, 2022 reconciliation.
 - For one of 30 (3%) funds tested, a reconciliation was not performed as of June 30, 2022.
 - For one of 30 (3%) funds tested, the reconciling item totaling \$1,760 as of June 30, 2021, was not properly supported.
- For the Monthly Agency Contract Report (SC14) or Monthly Obligation Activity Report (SC15):
 - Seven of 24 (29%) required monthly reconciliations were not performed during the engagement period.
 - Six of 24 (25%) reconciliations did not contain the date the reconciliations were completed, therefore, the timeliness of preparation could not be determined.
 - For 15 of 24 (63%) reconciliations, there was no documentation of the date and which employee performed the supervisory review.

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This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

The Statewide Accounting Management System (SAMS) (Procedure 07.30.20) states “the effectiveness of any accounting and financial information system is very much dependent on the accuracy of data submitted and the confidence of its users that the system handled that data properly. Agency reconciliation is the primary control that ensures these requirements are being satisfied.” In addition, SAMS requires reconciliations be completed within 60 days of the month end and discrepancies be reported to the Comptroller immediately for corrections.

Agency officials stated the reconciliations were not performed, dated, and signed due to oversight and lapse period end date. Agency officials also stated the SB03 reconciliations were not performed in a formal manner due to the low volume of transfers. Further, Agency officials stated the SC14 and SC15 reconciliations were not performed because a useable report was not available.

Failure to perform reconciliations increases the risk of undetected and/or unresolved discrepancies and impairs the Agency’s and the Comptroller’s abilities to timely take corrective action to ensure accurate accounting of Agency obligations, expenditures, appropriations, and revenues. Failure to document when reconciliations are performed does not provide sufficient evidence to determine the Agency’s compliance with SAMS requirements. (Finding Code No. 2022-006, 2020-006, 2018-006)

RECOMMENDATION

We recommend the Agency ensure monthly reconciliations of obligations, expenditures, appropriations, and revenues are performed and documentation of the timely completion and supervisory review of its reconciliations are maintained.

AGENCY RESPONSE

The Agency agrees with finding 2022-006. The Agency has a new procedure in place for the reconciliations, regardless of activity level in the fund/account. All required reconciliations now are performed timely for all months with proper reviews and support for unreconciled differences.

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2022-007. **FINDING** (Inadequate Controls over Receipts, Refunds, and Agency Fee Imposition Reporting)

The Environmental Protection Agency (Agency) did not have adequate controls over its receipts, refunds, and Agency Fee Imposition reporting.

During testing, the auditors noted the following:

- One of 40 (3%) receipts tested, totaling \$500, was deposited seven days late. Additionally, one of 12 (8%) refunds tested, totaling \$6,733, was deposited 24 days late.
- One of 12 (8%) refunds tested, totaling \$108,692, did not include documentation to support the date the refund was received; therefore, the timeliness of deposit could not be determined.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2(a)) requires the Agency to keep proper books and a detailed itemized account of all moneys received showing the date of receipt, the payor, and purpose and amount, and the date and manner of disbursement and to deposit receipts collected into the State Treasury within a specific period of time, depending on the dollar amount of cash receipts on hand.

- The Agency did not properly report the required information on the Agency Fee Imposition Report Form (Report). We noted the following:
 - For one fee, the Agency did not provide the degree to which program goals were met in its Fiscal Year 2021 and 2022 Reports.
 - Two fees did not agree with the Agency records. One fee had a discrepancy of \$1,500 in the Fiscal Year 2022 Report and another fee had a discrepancy of \$940 in the Fiscal Year 2021 Report.
 - Two fees were not segregated into two SAMS revenue codes in the Fiscal Year 2022 Report and one fee was not segregated into two SAMS revenue codes in the Fiscal Year 2021 Report.

The Illinois State Auditing Act (30 ILCS 5/3-8.5) requires the Agency to submit the Agency Fee Imposition Report Form containing the following information: (1) a list and description of fees imposed by the agency, (2) the purpose of the fees, (3) the statutory or other authority for the imposition of the fees, (4) the amount of revenue generated, (5) the general population affected by the fee, (6) the funds into which the fees are deposited, (7) the use of the funds, if earmarked, and (8) the cost of administration and degree to which the goals of the program are met.

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Agency officials stated the deposits were late due to stay at home orders and staffing shortages due to the COVID-19 pandemic. Agency officials also stated the other issues noted were due to oversight.

Failure to document the timely deposit of funds collected could result in untimely deposits and reduce the amount available to pay current costs and increase the risk of loss of interest revenue. Failure to accurately report information regarding fees collected affects the accuracy and reliability of Statewide fee information reported to the General Assembly compiled by the Comptroller. (Finding Code No. 2022-007, 2020-007)

RECOMMENDATION

We recommend the Agency ensure receipts are deposited in a timely manner and maintain documentation to support date of receipt of refunds. In addition, we recommend the Agency review and ensure fees reported in the Agency Fee Imposition Reports are accurate.

AGENCY RESPONSE

The Agency agrees with finding 2022-007. The Agency is requesting through the Illinois Office of Comptroller a deposit extension for all revenue types that require internal review prior to deposit of funds. The Fee Imposition report will receive a more detailed review prior to submission.

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2022-008. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively)

The Environmental Protection Agency's (Agency) internal controls over its voucher processing function were not operating effectively during the examination period.

Due to our ability to rely upon the processing integrity of the Enterprise Resource Planning System (ERP) operated by the Department of Innovation and Technology (DoIT), we were able to limit our voucher testing at the Agency to determine whether certain key attributes were properly entered by the Agency's staff into the ERP. In order to determine the operating effectiveness of the Agency's internal controls related to voucher processing and subsequent payment of interest, we selected a sample of key attributes (attributes) to determine if the attributes were properly entered into the State's ERP System based on supporting documentation. The attributes tested were 1) vendor information, 2) expenditure amount, 3) object(s) of expenditure, and 4) the later of the receipt date of the proper bill or the receipt date of the goods and/or services.

Our testing noted 9 of 140 (6%) attributes were not properly entered into the ERP System. Therefore, the Agency's internal controls over voucher processing **were not operating effectively.**

The Statewide Accounting Management System (SAMS) (Procedure 17.20.20) requires the Agency to, after receipt of goods or services, verify the goods or services received met the stated specifications and prepare a voucher for submission to the Comptroller's Office to pay the vendor, including providing vendor information, the amount expended, and object(s) of expenditure. Further, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Agency maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Finally, the Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures are properly recorded and accounted for to maintain accountability over the State's resources.

Due to this condition, we qualified our opinion because we determined the Agency had not complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.

Even give the limitations noted above, we conducted an analysis of the Agency's expenditures data for fiscal years 2021 and 2022 to determine compliance with the State Prompt Payment Act (Act) (30 ILCS 540) and the Code (74 Ill. Admin. Code 900.70). We noted the following noncompliance:

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- The Agency owed one vendor interest totaling \$111 in fiscal year 2022; however, the Agency had not approved the voucher for payment to the vendor.

The Act (30 ILCS 540) requires agencies to pay vendors who had not been paid within 90 days of receipt of a proper bill or invoice interest.

- The Agency did not timely approve 2,001 of 14,678 (14%) vouchers processed during the examination period, totaling \$42,243,685. We noted these late vouchers were approved between 1 and 368 days late.

The Code (74 Ill. Admin. Code 900.70) requires the Agency to timely review each vendor's invoice and approve proper bills within 30 days after receipt.

- Two of 106 (2%) vouchers tested, totaling \$1,531, were not coded with the proper detail object code.

The SAMS Procedure (Procedure 11.10.50) states that the purpose of assigning a correct detail object code is to report expenditure information at a more refined level with common object.

- Three of 25 (12%) travel vouchers tested, totaling \$522, were not submitted 30 days in advance of the departure date to the Governor's Office of Management and Budget. The travel request forms were submitted 5 to 15 days late.

The Code (80 Ill. Adm. Code 2800.700) states travel outside of Illinois (including travel outside the contiguous United States) requires the approval of the Governor's Office of Management Budget prior to the travel. All requests are to be submitted to the Governor's Office of Management and Budget's on-line travel system (eTravel) at least 30 days in advance of the departure date.

This finding was first reported during the period ended June 30, 2018. In the subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures to remedy this deficiency.

Agency management stated the issues were the result of a longer review process due to the changes at the Agency caused by the remote work environment of staff and vendors due to COVID-19 and other errors were due to oversight. Agency management also stated out of state travel requests were approved late because the opportunity or need to travel out of state occurred within the 30-day time period.

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Failure to properly enter the key attributes into the State’s ERP when processing a voucher for payment hinders the reliability and usefulness of data extracted from the ERP, which can result in improper interest calculations and expenditures. Further, failure to timely process proper bills, approve vouchers for payment of interest due, submit travel requests form, and ensure vouchers are properly recorded represent noncompliance with the Code and the Acts. (Finding Code No. 2022-008, 2020-008, 2018-008)

RECOMMENDATION

We recommend the Agency design and maintain internal controls to provide assurance its data entry of key attributes into ERP is complete and accurate. Further, we recommend the Agency process proper bills within 30 days of receipt, approve vouchers for payment of interest due to vendors, submit travel request forms timely, and ensure vouchers are properly recorded.

AGENCY RESPONSE

The Agency agrees with finding 2022-008. The Agency will ensure all interest is paid timely and review the SAMS manual for proper detail object codes. During COVID work from home order, the Agency transitioned into a new process and procedure allowing invoices to be processed using electronic files instead of paper files. The invoices are tracked to ensure all are processed timely.

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2022-009. **FINDING** (Inadequate Controls over Property)

The Environmental Protection Agency (Agency) did not maintain adequate controls over its property and related records.

During testing, the auditors noted the following:

- One of 40 (3%) equipment items tested, totaling \$49,000, was not recorded in the Agency's property listing. The State Property Control Act (Act) (30 ILCS 605/6.02) requires the Agency to maintain a permanent record of all items of property under its jurisdiction and control. The Statewide Accounting Management System (SAMS) Manual (Procedure 29.10.10) requires the Agency to maintain a permanent record of all property.
- One of 40 (3%) equipment items, totaling \$1,242, was not found at the location indicated on the Agency's property listing. The Act (30 ILCS 605/4) requires every responsible officer to be accountable for the supervision, control, and inventory of all property under its jurisdiction.
- Four of 16 (25%) quarterly Agency Reports of State Property (Form C-15) required to be filed during Fiscal Years 2021 and 2022 for the Water Revolving Fund (Fund 0270) and the Other Funds of the Agency, were submitted from one to two days late. The SAMS Manual (Procedure 29.20.10) requires the Agency to submit the C-15 Report to the Office of Comptroller no later than the last day of the month following the last day of the quarter.
- One of 38 (3%) property deletions, totaling \$11,326, was recorded 356 days late. The Illinois Administrative Code (Code) (44 Ill. Adm. Code 5010.400) requires the Agency to adjust their property records within 90 days of acquisition, change, or deletion of equipment items.
- With the approval of the Department of Central Management Services (DCMS), the Agency conducts 100% inventory over a two-year period with the regional inventory conducted in even calendar years and the headquarters in odd calendar years. During Fiscal Year 2021, the Agency reported 43 unlocated items totaling \$244,386 in the Annual Inventory Certification submitted to DCMS. The unlocated items represent 3.17% of the total dollar amount of required inventoried items in the headquarters and generally consisted of equipment used by the Bureau of Air / Air Monitoring. The Act (30 ILCS 605/4) requires the Agency to be accountable for the supervision, control, and inventory of all property under its jurisdiction and control.

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The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance that funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.

Agency management indicated the exceptions noted were due to transitioning of property information in the Enterprise Resource Planning (ERP) system asset management and staff turnover.

Failure to exercise adequate controls over State property, maintain accurate property control records, and timely submit reports increases the risk of loss, misappropriation, and inaccurate information being submitted to the Office of Comptroller and DCMS. (Finding Code No. 2022-009)

RECOMMENDATION

We recommend the Agency implement procedures to strengthen controls over property and ensure accurate recordkeeping, accountability, and timely reporting for all State property.

AGENCY RESPONSE

The Agency partially agrees with finding 2022-009. Agency personnel will be routinely reminded of the requirement to notify the property control manager when property is moved so it can be updated in the accounting system. The Agency will ensure timely submittal of the C-15 reports. The Agency will also follow up and document all deletions to ensure the records are updated accordingly. Lastly, the Agency is performing a thorough review of all Agency inventory records.

ACCOUNTANTS' COMMENT

Since the Agency's response does not state which portion of the finding they do not agree with, we are unable to evaluate any such concerns.

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2022-010. **FINDING** (Inadequate Change Management Procedures)

The Environmental Protection Agency (Agency) did not have adequate change management procedures.

The Agency had several critical and/or financially sensitive systems including, the Program Reporting System, the Loans and Grants Tracking System, and the Cost Recovery System, among others, for meeting its mission objectives.

During testing, we noted the Agency had not documented formal change management procedures for the Loans and Grants Tracking System. Additionally, during our testing of 21 system changes, we noted 16 (76%) system changes did not have documentation of user acceptance testing and approval before its deployment to the production environment.

This finding was first reported in Fiscal Year 2018. In subsequent years, the Agency has been unsuccessful in establishing adequate controls related to change management procedures.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Configuration Management section, endorses the implementation of change management procedures that require modifications to application systems be consistently documented.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

Agency management indicated this issue was due to oversight.

Lack of adequate change management procedures increases the risk of unauthorized or improper changes to computer systems. (Finding Code No. 2022-010, 2020-010, 2018-010)

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RECOMMENDATION

We recommend the Agency establish formal change management procedures to include user acceptance testing and approval prior to moving changes into the production environment.

AGENCY RESPONSE

The Agency partially agrees with finding 2022-010. The contractor tracks all changes to the system. The contractor makes the changes and tests the changes. Agency personnel also tests the changes and confirms via positive contact with the contractor that the change is effective. Additionally, the Agency now tracks all change requests and compiles documentation in a spreadsheet.

ACCOUNTANTS' COMMENT

We are confused by the Agency's response stating they had completed testing, as no documentation was provided to demonstrate such.

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2022-011. **FINDING** (Statutory Committee and Board Requirements)

The Environmental Protection Agency (Agency) did not comply with committee and board requirements mandated by State law.

The Agency is required by State law to ensure the composition of certain committees as defined and for boards to perform mandated duties. Our testing noted the Agency failed to abide by the following statutory committee and board requirements during the examination period:

- The Environmental Protection Act (Act) (415 ILCS 5/17.8(e)) requires the Director of the Agency to establish an Environmental Laboratory Certification Committee composed of 9 persons to perform the following duties: (1) consider any alternative assessment schedules submitted by the Agency; (2) review and evaluate the financial implications of current and future State and federal requirements for certification of environmental laboratories; (3) review and evaluate management and financial audit reports relating to the certification program and to make recommendations regarding the Agency's efforts to implement alternative assessment schedules; (4) consider appropriate means for long-term financial support of the laboratory certification program and to make recommendations to the Agency regarding a preferred approach; (5) provide technical review and evaluation of the laboratory certification program; (6) hold meetings at times and places designated by the Director or the Chairperson of the Committee; and (7) conduct any other activities as may be deemed appropriate by the Director. As of June 30, 2022, the Environmental Laboratory Certification Committee had not been created.
- The Public Water Supply Operations Act (415 ILCS 45/11) requires the Community Water Supply Operator's Advisory Board (Advisory Board) composed of the Director of the Agency, who is the Secretary of the Advisory Board, and 5 members appointed by the Governor to assist in the formulation of and review the policies and program of the Agency as developed under authority of the Public Water Supply Operations Act, and to make recommendations and to provide the Agency with such technical advice and assistance as may be requested. In addition, the Public Water Supply Operations Act requires the Advisory Board to meet annually and at such intervals as necessary to transact business which may come before it upon call of the Agency, the Chairman of the Advisory Board, or any 3 of its members. The Advisory Board failed to hold a meeting during the calendar year 2020.
- The Consumer Electronics Recycling Act (Act) (415 ILCS 151/1-85(a)-(b)) requires the Director of the Agency to appoint an Advisory Electronics Task Force composed of 10 members responsible for submitting to the Agency for

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posting on its website by November 1 of each year, a list of agreed-to best practices to be used at program collection sites and one-day collection events. The Act also requires vacancies to be filled by the Director of the Agency for the remainder of the current term. The Act (415 ILCS 151/1-85(c)) requires the Agency to provide the Task Force with administrative support as necessary. As of June 30, 2022, the Advisory Electronics Task Force (Task Force) was comprised of only seven members. The Agency failed to fill three vacancies in the Task Force. The Task Force lacked a representative each from the county recycling programs, recycling companies, and manufacturing industry. In addition, although the Agency is tasked to provide administrative support to the Task Force, the Agency did not assist the Task Force in ensuring it prepared and submitted a list of agreed-to-best practices to be used at program collection sites and one-day collection events for posting on the Agency's website.

Agency officials stated the Committee requirement was submitted for consideration in the annual omnibus Governor's Office of Management and Budget (GOMB) repealer bill but was not actioned. This will be resubmitted for consideration. Additionally, Agency officials stated due to the conflicting interpretations of the Advisory Board's policies regarding ability to conduct meetings remotely, the Advisory Board did not meet in 2020 due to the COVID-19 pandemic. Agency officials also stated the vacant positions in the Task Force are due to resignations and retirements and the struggle to fill the vacancies. Agency officials stated the failure to submit the list of agreed-to-best practices to be used at program collection sites and one-day collection events for posting on the Agency's website is due to not having a quorum at any Task Force meetings since August 2021.

Failure to establish statutorily required committee and perform mandated board and task force duties lessens governmental oversight and does not achieve the legislative intent of the affected programs. (Finding Code No. 2022-011)

RECOMMENDATION

We recommend the Agency establish the Environmental Laboratory Certification Committee and ensure the Advisory Board meet annually to comply with the Acts. We also recommend the Agency timely fill the vacancies on the Task Force as required.

AGENCY RESPONSE

The Agency generally agrees with the recommendations in finding 2022-011. However, the Agency intends to resubmit the Committee for repeal via GOMB's annual Budgeting for Results bill and/or file a standalone legislative proposal to repeal the Committee, which has not been established since its creation

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in 2012. The Agency will ensure the Advisory Board meets its statutory obligation to meet annually. The Agency will also work to timely fill vacancies on the Task Force.

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2022-012. **FINDING** (Failure to Perform Quarterly Inspections on the Release of Radionuclides at Nuclear Power Plants)

The Environmental Protection Agency (Agency), in cooperation with the Illinois Emergency Management Agency, failed to perform inspections on the release of radionuclides at nuclear power plants.

During our testing, we noted for one of eight (13%) quarterly inspections tested, the Agency did not inspect a nuclear power plant in Illinois during the second quarter of Fiscal Year 2021.

The Environmental Protection Act (Act) (415 ILCS 5/13.6(d)) requires the Agency and the Illinois Emergency Management Agency to inspect each nuclear power plant for compliance no less than once each calendar quarter for release of radionuclides.

Agency officials stated the inspection was missed due to the retirement of the staff member who conducted those inspections and there was a delay in getting those inspections re-established.

Failure to perform quarterly inspection on the release of radionuclides at nuclear power plants resulted in noncompliance of the Act. (Finding Code No. 2022-012)

RECOMMENDATION

We recommend the Agency ensure compliance with the provisions of the Act by performing the inspections of the release of radionuclides at nuclear power plants on a quarterly basis.

AGENCY RESPONSE

The Agency agrees with finding 2022-012. Since 1st quarter 2021, Champaign Regional Office field staff have conducted all of the required quarterly radionuclide inspections of the Clinton Power Station. Field Office supervisors will ensure that these required quarterly inspections will continue for all six nuclear power plants in the future.

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2022-013. **FINDING** (Noncompliance with Application and Permit Requirements)

The Environmental Protection Agency (Agency) did not ensure all applications for permits complied with the statutory requirements before permits and approvals were issued.

During testing of statutory mandates, the auditors noted for the one (100%) permit application the Agency received and approved during the examination period, for the development or construction of composting facility, the Agency did not ensure the applicant provided the required notices to the public and to the owners of all real property located within 250 feet of the site of the proposed facility prior to issuance of the permit.

During the prior engagement period, the Agency did not maintain a record of the evaluation of an applicant's prior experience in asphalt shingle recycling operations before the beneficial use determination was issued. In addition, a River Edge Redevelopment Zone Site Remediation Tax Credit received by the Agency did not include a certification from the Illinois Department of Commerce and Economic Opportunity that the site is an enterprise zone. This application was approved by the Agency 14 days late. During the current engagement period, the Agency maintained records of the evaluation of an applicant's prior experience in asphalt shingle recycling operations. There were no River Edge Redevelopment Zone Site Remediation Tax Credits received by the Agency during the examination period.

The Environmental Protection Act (Act) (415 ILCS 5/22.26) requires the Agency to not issue a development or construction permit for any composting facility unless the applicant has given notice (1) in person or by mail to the members of the General Assembly from the legislative district in which the proposed facility is located, (2) by registered or certified mail to the owners of all real property located within 250 feet of the site of the proposed facility, and (3) to the general public by publication in a newspaper of general circulation in the county in which the proposed facility is located.

Agency officials stated the notices were misfiled.

Failure to ensure necessary requirements were satisfied prior to issuance of the permit could result in the Agency's inability to justify issuance of permits to qualified applicants or support its decisions in relation to the issued permits. (Finding Code No. 2022-013, 2020-014)

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RECOMMENDATION

We recommend the Agency ensure applications are complete prior to issuance of the permit. We also recommend documentation of required notices are maintained.

AGENCY RESPONSE

The Agency agrees with finding 2022-013. The Agency will pursue the audit recommendations and ensure all notices are filed correctly.

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2022-014. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Environmental Protection Agency (Agency) has not implemented adequate practices and controls to protect confidential information.

It is the mission of the Agency to “safeguard environmental quality, consistent with the social and economic needs of the State, so as to protect health, welfare, property and the quality of life.” As a result of their mission, the Agency maintains large volumes of confidential information including names, addresses, and social security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-24) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Agency’s cybersecurity program, practices, and control of confidential information, we noted the Agency had not:

- Approved a formal security program (policies and procedures) to ensure its resources and data were adequately protected.
- Completed a formal comprehensive risk assessment of its computing resources to identify confidential or personal information to ensure such information was protected from unauthorized disclosure.
- Completed the classification of all its data to identify and ensure adequate protection of information.
- Ensured corrective action was timely taken to remediate identified vulnerabilities.
- Established a policy for ensuring electronic media was adequately sanitized prior to disposal.
- Established a formal policy for granting access to systems and applications, including procedures for documenting access requests and approvals.
- Ensured all staff and contractors completed the annual cybersecurity training. Fourteen individuals (consisting of 9 employees and 5 contractors) did not complete the annual cybersecurity training as required by the Data Security on State Computers Act (20 ILCS 450/25), during calendar year 2021 training period.

The *Framework for Improving Critical Infrastructure Cybersecurity and the Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology require entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

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The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

Agency management indicated the cybersecurity issues were due to lack of resources and competing priorities.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities which ultimately leads to the Agency's volumes of personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2022-014, 2020-015)

RECOMMENDATION

We recommend the Agency:

- Finalize and approve the formal security program (policies and procedures) to ensure its resources and data are adequately protected.
- Complete a formal comprehensive risk assessment of its computing resources to identify confidential or personal information to ensure such information is protected from unauthorized disclosure.
- Complete the classification of its data to identify and ensure adequate protection of information.
- Ensure corrective action is timely taken to remediate identified vulnerabilities.
- Establish a policy for ensuring electronic media is adequately sanitized prior to disposal.
- Establish access provisioning procedures to ensure requested access is adequately documented and approved.
- Ensure employees and contractors complete the annual cybersecurity Awareness Training.

AGENCY RESPONSE

The Agency agrees with finding 2022-014. The Agency has adopted a formal Cybersecurity Program Policy since the end of the 2022 fiscal year. The Agency has initiated a review of IT resources to identify corrective actions needed and to provide hardening of IT resources in coordination with DoIT security practices.

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2022-015. **FINDING** (Failure to Create a Form for Registration of Underground Storage Tank Containing Hazardous Waste)

The Environmental Protection Agency (Agency) did not create a form for owners of underground storage tanks containing hazardous waste to register.

During our testing, we noted the Agency did not provide a form for registration of underground storage tanks containing hazardous waste.

The Environmental Protection Act (Act) (415 ILCS 5/22.12(b)) requires the owner of an underground storage tank containing hazardous waste to register the tank with the Agency on form provided by the Agency pursuant to Subtitle I of the Hazardous and Solid Waste Amendments of 1984 of the Resource Conservation and Recovery Act of 1976.

Agency officials stated the only registration form in the cited federal statute is for tanks containing petroleum or hazardous substances, therefore, there is no form to provide owners of hazardous waste tanks. Agency officials also stated pursuant to the Act (415 ILCS 5/7.2), the Illinois hazardous waste regulations are “identical-in-substance” to the federal regulations, and these do not require the registration of hazardous waste tanks.

Failure to provide a form for registration of underground storage tanks containing hazardous waste is noncompliance with the Act. (Finding Code No. 2022-015)

RECOMMENDATION

We recommend the Agency ensure compliance with the Act by creating a form for the registration of underground storage tanks containing hazardous waste or seek legislative remedy.

AGENCY RESPONSE

The Agency agrees with finding 2022-015. The Agency is unsure if a form was ever provided for those tank owners to register their underground storage tanks containing hazardous waste by May 8, 1986 since that was over 37 years ago. A form may have been provided at that time but the Agency could not locate the form. In addition, since 1987 the Illinois Office of the State Fire Marshal’s office was tasked with registering all underground storage tanks pursuant to their regulations. However, the Illinois EPA understands the finding and will repeal Section 22.12 (b-e) to address this finding.

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2022-016. **FINDING** (Noncompliance with the Fiscal Control and Auditing Act)

The Environmental Protection Agency (Agency) did not comply with the Fiscal Control and Internal Auditing Act (Act).

During our testing of the Agency’s internal auditing activities, we noted seven of nine (78%) audits proposed to be performed in Fiscal Year 2022 were not completed. These seven internal audits were in process as of June 30, 2022.

The Act (30 ILCS 10/2003) requires the internal auditing program to include audits of major systems of internal accounting and administrative controls be conducted on a periodic basis so all major systems are reviewed at least once every two years, The audits must include testing of the obligation, expenditure, receipt, and use of public funds of the State and of funds held in trust to determine whether those activities are in accordance with applicable laws and regulations. The Act further requires the chief executive officer of each designated State agency to ensure that the internal auditing program includes a two-year plan, identifying audits scheduled for the pending fiscal year and approved by the chief executive officer before the beginning of the fiscal year.

Agency officials stated the issues noted were due to competing priorities.

Failure to ensure planned internal audits are completed is a violation of the Act. (Finding Code No. 2022-016, 2020-017)

RECOMMENDATION

We recommend the Agency ensure planned audits are completed.

AGENCY RESPONSE

The Agency agrees with finding 2022-016. The Agency’s planned internal audits have been completed in the FY2022-2023 approved Internal Audit Plan. Some of the IT Project Pre-Implementation audits were ongoing at the end of FY2022 and have uncontrolled completion dates. Unforeseen audit activities during the audit period were addressed in response to organizational needs and risk assessment, as permitted by the approved Internal Audit Charter.

ACCOUNTANTS’ COMMENT

As reported in the finding, seven of nine planned internal audits were not completed as of June 30, 2022.

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2022-017. **FINDING** (Inadequate Contingency Planning and Testing)

The Environmental Protection Agency (Agency) did not establish contingency plans and had not conducted recovery testing.

The Agency had several critical and/or financially sensitive systems including, the Program Reporting System; the Loans and Grants Tracking System; and the Cost Recovery System, among others, for meeting its mission objectives.

During testing, we noted contingency plans had not been established and tested during the examination period.

The *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology, Contingency Plan section, requires entities to have an updated and regularly tested contingency plan to ensure the timely recovery of applications and data.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use, and misappropriation and maintain accountability over the State's resources.

Agency management indicated the Plan had not been updated due to competing priorities.

Without an adequately documented and tested contingency plan, the Agency cannot ensure its critical systems could be recovered within an acceptable period, and therefore minimizing the impact associated with a disaster. (Finding Code No. 2022-017, 2020-018)

RECOMMENDATION

We recommend the Agency establish a comprehensive contingency plan that covers all its critical applications to ensure adequate protection of its data and information systems. Additionally, we recommend the contingency plan be reviewed and updated at least annually and once updated, the Agency should ensure the contingency plan is tested at least annually.

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AGENCY RESPONSE

The Agency agrees with finding 2022-017. The Agency intends to expand the repository of existing contingency plans to include all critical applications and testing. The Agency will start the testing in summer of 2023.

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2022-018. **FINDING** (Required Reports and Fees Not Received and Reported in a Timely Manner)

The Environmental Protection Agency (Agency) did not receive required reports and appropriate fees in a timely manner and did not properly submit statutorily mandated reports.

During testing of statutory mandates, we noted:

- For 23 of 29 (79%) Quarterly Potentially Infectious Medical Waste (PIMW) Reports tested, the Agency received the PIMW Reports and transporter fees four to 249 days late.

The Environmental Protection Act (Act) (415 ILCS 5/56.6(a)) requires the Agency to collect from each transporter of PIMW a fee in the amount of 3 cents per pound of PIMW transported. Additionally, the Act (415 ILCS 5/56.6(b)) requires the Agency to establish procedures to include, but not limited to: (i) necessary records identifying the quantities of potentially infectious medical waste transported; (ii) the form and submission of reports to accompany the payment of fees to the Agency; and (iii) the time and manner of payment of fees to the Agency, which payments shall be not more often than quarterly. The Code (35 Ill. Adm. Code 1450.202 (c)-(d)) states the Quarterly PIMW Report shall be received by the Agency on or before April 15, July 15, October 15, and January 15 of each calendar year and shall cover the three calendar months preceding the receipt date. The PIMW transporter fee required to be paid shall be included with the submission of the quarterly PIMW Report.

- For three of eight (38%) Quarterly Hazardous Waste Summary (Summary) tested, the Agency received the quarterly Summaries and the appropriate fee from owners or operators of hazardous waste sites seven to ten days late.

The Act (415 ILCS 5/22.2(b)(1)) requires the Agency to collect fees from the owner or operator of hazardous waste disposal sites. Additionally, the Act (415 ILCS 5/22.2(c)) to establish procedures to include, but not limited to: (1) necessary records identifying the quantities of hazardous waste received or disposed; (2) the form and submission of reports to accompany the payment of fees to the Agency; and (3) the time and manner of payment of fees to the Agency, which payments shall be not more often than quarterly. The Code (35 Ill. Adm. Code 855.210) states the Quarterly Hazardous Waste Summary, together with the applicable Monthly Hazardous Waste Summaries and the appropriate fee payment for that quarter shall be received by the Agency no later than the fifteenth day of the month following the calendar quarter (i.e., April 15, July 15, October 15, and January 15).

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- For two of 40 (5%) National Pollutant Discharge Elimination System (NPDES) and domestic sewage sludge generator or user (sludge) permits tested, the Agency did not accrue and collect interest penalty for late payment of the permit fees. These fees were paid 14 and 36 days late with interest penalty of \$35.

The Act (415 ILCS 5/12.5(b)) requires the Agency to send a fee notice by mail to each existing permittee subject to a fee at his or her address of record. The notice shall state the amount of the applicable annual fee and the date by which payment is required. Additionally, the Act (415 ILCS 5/12.5(d)) requires an interest penalty be calculated at the rate in effect from time to time for tax delinquencies under subsection (a) of Section 1003 of the Illinois Income Tax Act, from the date the fee is due until the date the fee payment is received by the Agency.

- For one of eight (13%) 401 Water Quality Certification fees tested, the Agency did not deposit the fee collected totaling \$10,000 into the Illinois Clean Water Fund (Fund 0731) but instead was deposited in the Environmental Laboratory Certification Fund (Fund 0336).

The Act (415 ILCS 5/12.6) requires the Agency to collect a fee from each applicant for a state water quality certification required by Section 401 of the federal Clean Water Act to be deposited into the Illinois Clean Water Fund.

- The Agency did not provide documentation to support its submission of its 2020/2022 Integrated Water Quality Report to the Governor and members of the General Assembly. As such, we were unable to determine if the Agency complied with the reporting requirements of the Rivers, Lakes and Streams Act.

The Rivers, Lakes and Streams Act (615 ILCS 5/14a) requires the Agency to regularly conduct water quality and lake bed surveys to evaluate the ecology and the quality of water in Lake Michigan. Additionally, the Rivers, Lakes and Streams Act requires the Agency to report biennially or such other times as the Governor shall direct the results of surveys of the hydrologic, biologic, and chemical data together with recommendations to the Governor and members of the General Assembly. The requirement for reporting to the General Assembly shall be satisfied by filing copies of the report with the State Government Report Distribution Center for the General Assembly as required under paragraph (t) of Section 7 of the State Library Act.

- The Agency did not prepare and submit to the Office of the Governor an annual report during Fiscal Year 2020 and Fiscal Year 2021.

STATE OF ILLINOIS
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SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022

The State Finance Act (30 ILCS 105/3(a)) requires the Agency, at least 10 days preceding each regular session of the General Assembly, to make and deliver to the Governor an annual report of its acts and doings of each fiscal year. The Fiscal Year 2021 report was due on January 14, 2022, and the Fiscal Year 2021 report was due on January 4, 2021. The State Finance Act was amended effective May 13, 2022, and required the Agency make and deliver to the Governor, no later than January 7 of each year, the annual report of its acts and doings.

- The Agency prepared, but did not make available on its website, the electronic copy of the calendar year 2021 report on the status of the Drycleaner Environmental Response Trust Fund (Fund).

The Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135/25(h)) requires the Agency, in calendar years 2021 and 2022 and as deemed necessary by the Director of the Agency thereafter, to prepare a report on the status of the Fund and convene a public meeting for purposes of disseminating the information in the report and accepting questions from members of the public on its contents. The reports prepared by the Agency shall, at a minimum, describe the current financial status of the Fund, identify administrative expenses incurred by the Agency in its administration of the Fund, identify amounts from the Fund that have been applied toward remedial action and insurance claims under the Act, and list the drycleaning facilities in the State eligible for reimbursement from the Fund that have completed remedial action. The Agency shall make available on its website an electronic copy of the reports.

Agency officials stated the statutory provisions of the PIMW and hazardous waste disposal fees do not prohibit the Agency from accepting reports and fees after the statutory due date, and this is an obligation of the regulated community, not the Agency. The other issues were due to competing priorities and oversight.

The failure to receive the quarterly reports and summaries timely is noncompliance with the Code. Failure to accrue and collect interest penalty will result in a loss of revenue. Failure to submit statutorily required reports prevents the appropriate oversight authorities from receiving relevant feedback and monitoring of programs and could decrease the effectiveness of future decisions when accurate information is not available. (Finding Code No. 2022-018)

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2022**

RECOMMENDATION

We recommend the Agency:

- strengthen its enforcement mechanisms to ensure Quarterly Potentially Infectious Medical Waste Reports and the Hazardous Waste Summaries and the appropriate fees are received by the deadlines set by the Code;
- ensure accrual and collection of interest penalties;
- ensure fees collected were deposited to correct funds; and
- submit statutorily required reports and maintain documentation of its submission.

AGENCY RESPONSE

The Agency partially agrees with finding 2022-018 as it applies to PIMW and hazardous waste reports. This finding mischaracterizes the Agency's authority. State law requires entities that handle certain types of waste to submit reports to the Agency by a specified date. The tested provision does not create an obligation on the Agency other than to accept the reports. State law does not prohibit the Agency from receiving reports late. In fact, refusing to accept the reports would be contrary to applicable law. By accepting the reports at the time they were submitted, the Agency met its statutory obligation. The Agency will work with DoIT to explore a system change to allow daily accrual of interest and remind staff to ensure all fees are deposited in the appropriate fund. The Agency will work with the Illinois Department of Natural Resources to update Section 14a of the Rivers, Lakes, and Streams Act, 615 ILCS 5/14A, to better reflect the Agency and Illinois Department of Natural Resources current Lake Michigan programs. The Agency will prepare and submit the annual report of acts and doings timely on a go forward basis. In addition, the Agency will make Drycleaner Environmental Response Trust Fund reports available on the Agency website.

ACCOUNTANTS' COMMENT

As reported in the finding, administrative rules (the Code) state PIMW and hazardous waste reports and fees "shall be received by the Agency" no later than the due dates outlined in the Code. The facts are 79% and 38% of PIMW and hazardous waste reports and fees, respectively, were received up to 249 days after the due dates required by the Code, in violation of adopted regulations.

STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2022

A. **FINDING** (Noncompliance with Statutory Requirements in Providing Public Notices and Administrative Citation Warning Notice)

During the prior engagement period, the Environmental Protection Agency (Agency) did not ensure it issued the proper press release and notice of the action for enforcement in relation to the ownership or operation of a community water system. Additionally, the Agency failed to issue and serve an administrative citation warning notice to the person in violation of the Environmental Protection Act.

During the current engagement period, our sample testing disclosed the Agency issued public notices and administrative citation warnings in accordance with the Environmental Protection Act. (Finding Code No. 2020-009, 2018-009)

B. **FINDING** (Statutory Reporting Requirements)

During the prior engagement period, the Agency did not comply with reporting requirements mandated by the Solid Waste Site Operator Certification Law (Law) and the Environmental Protection Act (Act).

During the current engagement period, the Agency timely published and submitted the summary of statistical information relating to new and renewal applications required by the Law and Used Tire Program Biennial Report required by the Act. (Finding Code No. 2020-011)

C. **FINDING** (Noncompliance with the Consumer Electronics Recycling Act)

During the prior engagement period, the Agency did not comply with certain provisions of the Consumer Electronics Recycling Act (Act).

During the current engagement period, the Agency timely submitted the calculation of adjusted and unadjusted proportionate shares during Fiscal Years 2021 and 2022. (Finding Code 2020-012)

D. **FINDING** (Statutory Task Force Requirements)

During the prior engagement period, the Agency did not comply with task force requirements mandated by State law.

During the current engagement period, Public Act 100-925 effective December 31, 2022 repealed the requirement to create a Pharmaceutical Disposal Task Force. The issue on the vacancies on the Advisory Electronics Task Force and its failure to submit the list of agreed-to-best practices to be used at program collection sites and one-day collection events were reported in Finding 2022-011. (Finding Code No. 2020-013)

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SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2022**

- E. **FINDING** (Lack of Adequate Controls over the Review of Internal Controls for Service Providers)

During the prior engagement period, the Agency did not obtain or conduct timely independent internal control reviews over its service providers.

During the current engagement period, the Agency analyzed vendors to determine if they were service providers. Our sample testing indicated the Agency implemented procedures to obtain and timely review System Organization Control reports from service providers. (Finding Code No. 2020-016)