



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ENVIRONMENTAL PROTECTION AGENCY

Compliance Examination
 For the Two Years Ended June 30, 2016

Release Date: August 22, 2017

FINDINGS THIS AUDIT: 6	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2014		16-1, 16-2, 16-3	
Category 2:	1	5	6	2010		16-5	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	1994		16-4	
TOTAL	1	5	6				
FINDINGS LAST AUDIT: 7							

SYNOPSIS

- (16-01) The Agency did not exercise adequate internal control over automobiles.
- (16-02) The Agency did not have adequate controls over equipment.
- (16-03) The Agency did not have adequate controls over the administration of its accounts receivable.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

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

**ENVIRONMENTAL PROTECTION AGENCY
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2016**

EXPENDITURE STATISTICS	2016	2015	2014
Total Expenditures.....	\$ 848,575,061	\$ 645,708,651	\$ 483,190,879
OPERATIONS TOTAL.....	\$ 183,021,626	\$ 170,691,614	\$ 157,829,967
% of Total Expenditures.....	21.6%	26.4%	32.7%
Personal Services.....	36,395,572	38,400,438	66,523,902
Other Payroll Costs (FICA, Retirement).....	27,590,652	27,014,346	49,032,752
All Other Operating Expenditures.....	119,035,402	105,276,830	42,273,313
AWARDS AND GRANTS.....	\$ 665,553,435	\$ 475,017,037	\$ 325,360,912
% of Total Expenditures.....	78.4%	73.6%	67.3%
Total Receipts.....	\$ 494,845,636	\$ 525,994,564	\$ 512,892,418
Average Number of Employees.....	710	778	799

SELECTED ACTIVITY MEASURES (Not Examined)	2016	2015	2014
CLEAN AIR			
Permits Issued.....	1,228	1,309	1,485
Pollutant-Emitting Facilities Inspected.....	572	598	707
Vehicle Emission Tests Performed.....	1,794,016	1,930,077	1,950,769
Enforcement Cases Referred to the Attorney General.....	6	25	52
CLEAN LAND			
Facility Permits Issued.....	773	882	740
Facilities Inspected.....	4,945	5,283	5,156
Household Hazardous Waste Collection.....	0	6	12
Leaking Underground Storage Tank (LUST) Incidents.....	323	373	339
Enforcement Cases Referred to the Attorney General.....	44	61	91
CLEAN WATER			
Non-Point Source Control Projects.....	13	14	35
Drinking Water Permits Issued.....	2,446	2,827	3,103
Drinking Water Facilities Inspected.....	435	563	673
Wastewater Permits Issued.....	3,115	3,227	3,385
Wastewater Facilities Inspected.....	548	549	506
Enforcement Cases Referred to the Attorney General.....	28	24	69

AGENCY DIRECTOR	
During the Examination Period:	Lisa Bonnett (07/01/14 - 06/30/16)
Currently:	Alec Messina (07/01/16 - Present)

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

INADEQUATE CONTROLS OVER STATE VEHICLES

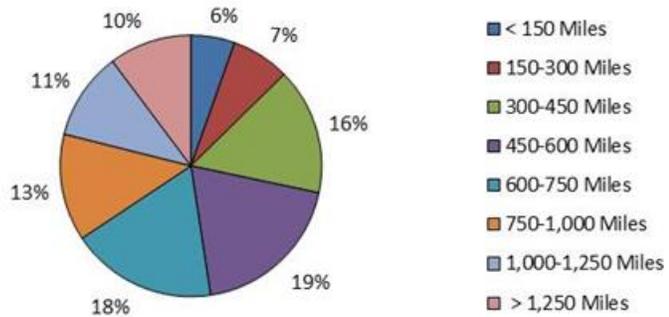
The Environmental Protection Agency (Agency) did not exercise adequate internal control over automobiles. As of December 31, 2015, the Agency had 166 vehicles.

During testing, auditors noted the following:

Analysis of automobiles not performed by agency

- The Agency had not performed an analysis of its automobiles to determine whether maintaining each vehicle can be justified as the most cost effective solution for the specific operational needs of the Agency. The auditors analyzed the total activity of the Agency’s 166 vehicles used throughout the eighteen month period ended December 31, 2015. During this period, the Agency’s vehicles traveled between 0 and 54,932 miles, with the following chart showing the average monthly vehicle utilization during the period:

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



Further, the auditors noted the following apparently underutilized vehicles during the eighteen-month period ending December 31, 2015:

Year	Make	Odometer on 12/31/2015	Total Usage	Average Monthly Usage
2003	Ford	106,320	0	0
1998	Ford	110,321	347	19
1998	Ford	56,603	375	21
2010	Ford	25,028	1,276	71
2001	Ford	63,232	1,348	75
1998	Ford	73,054	2,183	121
2007	Ford	25,044	2,241	125
2002	Dodge	115,731	2,446	136
2007	Dodge	30,382	2,607	145

- The Agency did not ensure its vehicles were properly maintained during the examination period. The auditors reviewed the maintenance records for 19 vehicles, noting the following:

Untimely oil changes

- 13 (68%) vehicles tested did not have routine oil changes performed on a timely basis;

Vehicles did not undergo an annual inspection

- Five (26%) vehicles tested did not undergo an annual inspection by the Department of Central Management Services (CMS) or an authorized vendor; and,

Tire rotations not performed at the required interval

- Seven (37%) vehicles tested did not receive tire rotations at the required interval.

Insurance certifications not on file

- The Agency did not exercise adequate control over insurance certifications for personally assigned vehicles. Three of 12 (25%) employees tested in Fiscal Year 2015 and 10 of 10 (100%) employees tested in Fiscal Year 2016 did not have the annual insurance certification on file at the Agency.

Untimely accident report

- One of 12 (8%) vehicle accidents tested was not reported timely to the Auto Liability Unit at CMS. The auditors noted this incident's *Illinois Motorist Report* (Form SR-1) was submitted 14 days late. (Finding 1, pages 10-13)

We recommended the Agency perform an analysis of its automobiles to determine whether each vehicle can be justified as the most cost effective solution for the Agency's specific operational needs. Further, the Agency should review its internal controls over monitoring its fleet to ensure vehicles receive timely maintenance. Finally, the Agency should properly document that its employees are duly licensed and insured and accident reports are timely filed with CMS as required by State law.

Agency officials agree

Agency officials agreed with the recommendation and stated they believe the vehicles were adequately utilized for Agency needs.

INADEQUATE CONTROLS OVER EQUIPMENT

The Agency did not have adequate controls over equipment.

During testing, the auditors noted the following:

Untimely recording of equipment transactions

- Two of 30 (7%) equipment additions tested, totaling \$4,242, were recorded on the Agency's property control records from 36 to 86 days late. In addition, five of 40 (13%) equipment deletions tested, totaling \$44,617, were removed from the Agency's property control records from 12 to 117 days late.

Unable to locate equipment items

- 15 of 110 (14%) equipment items tested, totaling \$13,813, selected from the Agency's property listing were unable to be physically located.

Items observed not recorded on the property records

Items observed were not tagged

Obsolete equipment observed

- Three of 110 (3%) items observed, including a multi-threat monitor, a refrigerator/freezer, and a hydrogen detector, were not tagged and were not found on the Agency's property listing. In addition, three of 110 (3%) equipment items tested, totaling \$10,260, did not have an identification tag.
- 12 of 110 (11%) equipment items tested, totaling \$18,401, appeared to be obsolete. (Finding 2, pages 14-15)

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

Agency officials agree

Agency officials agreed with the recommendation and stated the new Property Control Manager is actively working on updating the property control records as necessary and timely adding and deleting equipment items.

INADEQUATE CONTROLS OVER ACCOUNTS RECEIVABLE

The Agency did not have adequate controls over the administration of its accounts receivable. Excluding loans receivable from the Water Revolving Fund, the Agency reported \$72.6 million in accounts receivable, of which \$34.6 million was over one year past due, as of June 30, 2016.

During testing, auditors noted the following:

\$11.88 million in past due receivables not referred for offset

- Fourteen of 25 (56%) accounts receivable tested, totaling \$11.88 million, were over 90 days past due and had not been referred to the Office of the Comptroller's (Comptroller) Offset System or the Department of Revenue's Debt Collection Bureau (Bureau). In addition, 13 of 25 (52%) accounts receivable tested had balances, totaling \$11.86 million, that were over one year old and were not referred to the Attorney General for write off.

Receivable balances overstated by \$270,087

- Eight of 25 (32%) accounts receivable balances tested were incorrectly reported. The differences noted resulted in an overstatement of the Agency's accounts receivable by \$270,087. (Finding 3, pages 16-17)

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

Agency agrees with auditors

Agency officials agreed with the recommendation and stated Agency staff continues to improve collections with the main focus on current billings.

OTHER FINDINGS

The remaining findings pertain to employee performance evaluations, an insufficient number of members on the Community Water Testing

Supply Council, and noncompliance with the Fiscal Control and Internal Auditing Act. We will review the Agency's progress towards the implementation of our recommendations in our next compliance examination.

AUDITOR'S OPINION

The financial audit of the Agency's Water Revolving Fund as of and for the year ended June 30, 2016 was previously released. The auditors stated the financial statements of the Agency's Water Revolving Fund as of and for the year ended June 30, 2016, were fairly stated in all material respects.

This financial audit was conducted by the Office of the Auditor General's staff.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Agency for the two years ended June 30, 2016, as required by the Illinois State Auditing Act. The accountants stated the Agency complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by the Office of the Auditor General's staff.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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