



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

**VILLAGE OF ROBBINS' USE OF
MUNICIPAL ECONOMIC DEVELOPMENT FUND MONIES**

FINANCIAL, COMPLIANCE, & PROGRAM AUDIT

For the Year Ended: December 31, 2013

Release Date: November 2014

SYNOPSIS

The Public Utilities Act (220 ILCS 5/8-403.1) requires the Auditor General to conduct an annual financial, compliance, and program audit of distributions received by any municipality from the Municipal Economic Development Fund (MEDF). Qualified solid waste energy facilities were required to pay into the Fund \$0.0006 per kilowatt hour of electricity the facilities sold to electric utilities; this requirement expired in January 2013.

Each audit is to be for distributions from the Fund for the immediately preceding year. This is the fifteenth audit conducted under this requirement. This audit covers distributions from the Fund during calendar year 2013. The Village of Robbins was the only entity to receive distributions from the Fund. The audit concluded that:

- In 2013, Robbins received \$227,048.04 in disbursements from the Fund.
- Robbins used these monies for employee payroll, insurance expenses, payment on a fire truck, and general Village expenses. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2013 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements.
- Robbins officials failed to recognize they had received nearly \$220,000 in MEDF monies in 2013 because the monies were electronically deposited into another Village account. Consequently, Robbins failed to keep the funds in a "separate account" as required by the Public Utilities Act. We recommended that Robbins strengthen its internal controls and hold all MEDF monies in a separate account.
- The Department of Revenue continued to collect payments from a qualified solid waste energy facility (QSWEF) for deposit into the MEDF after the requirement expired in January 2013. The monies totaling \$34,429.52 were distributed to Robbins. The Department had refunded most but not all of the payments made after January 2013 to the QSWEF. We recommended that Revenue should: strengthen controls to ensure that taxes are not collected from taxpayers when a tax has expired; notify the QSWEF of the remaining overpayment; and determine whether the amounts paid to Robbins should be recovered by the State, and if so, the means by which this should be accomplished.

MUNICIPAL ECONOMIC DEVELOPMENT FUND

The Public Utilities Act was amended in January 1999 to create the Municipal Economic Development Fund. The Municipal Economic Development Fund is a trust fund created to receive and maintain payments from qualified solid waste energy facilities that sell electricity to electric utilities. Each qualified facility was required to make payments of \$0.0006 per kilowatt hour of electricity it produced and sold to the electric utilities. The facilities made payments to the Department of Revenue, which deposited the payments into the Fund. The Department could assess penalties and interest if the facilities did not submit the payments.

Amendments added by Public Act 94-836 required that the Treasurer compare the monthly amount received to the amount received for the corresponding month in 2002. If the amount received in 2002 was greater, the difference was to be transferred from the General Revenue Fund to the MEDF. Since this requirement expired in January 2013, only \$23,815.44 was transferred from the General Revenue Fund to the MEDF in 2013.

The State Treasurer is required to make quarterly distributions from the Fund to each eligible municipality. Prior to August 2009, an eligible city, village, or incorporated town had to have within its boundaries an incinerator that:

(1) uses, or on the effective date of Public Act 90-813 [January 29, 1999], used municipal waste as its primary fuel to generate electricity;

(2) was determined by the Illinois Commerce Commission (ICC) to qualify as a qualified solid waste energy facility prior to the effective date of Public Act 89-448 [March 14, 1996]; and

(3) commenced operation prior to January 1, 1998.

According to information from the ICC and the Illinois Environmental Protection Agency, Robbins had the only operating incinerator in the State that met these criteria and was entitled to receive disbursements from the Municipal Economic Development Fund.

Public Act 96-449, effective August 14, 2009, changed the requirements for a municipality that is eligible to receive funds. An eligible municipality now must be located in Cook County and must have “approved construction of an incinerator within its boundaries that will burn recovered wood processed for fuel to generate electricity.” An official at IEPA confirmed that the plant in Robbins was the only place

in Cook County that had applied for and received an IEPA permit that meets the statutory criteria. However, that permit has now expired and construction of the incinerator has stopped. (pages 2–4)

EXPENDITURE OF FUNDS FROM THE MUNICIPAL ECONOMIC DEVELOPMENT FUND

Robbins was the only entity to receive distributions from the Municipal Economic Development Fund.

Robbins received \$227,048.04 from the Fund and earned \$1.43 in interest income in calendar year 2013.

Robbins disbursed \$269,743.38 in Fund receipts during calendar year 2013.

The Village of Robbins is the only entity to receive distributions from the Municipal Economic Development Fund. In calendar year 2013, Robbins’ net cash receipts from the Municipal Economic Development Fund (MEDF) totaled \$227,048.04 and the Village earned \$1.43 in interest income on monies deposited into its MED account. Digest Exhibit 1 shows that Robbins disbursed \$269,743.38 in Municipal Economic Development Fund receipts during calendar year 2013. Robbins began the year with a cash balance of \$42,871.62 in its bank account for Municipal Economic Development Funds and ended the year with a balance of \$177.71 in the account.

Digest Exhibit 1 ROBBINS’ RECEIPT AND DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2013)	
Fund Distribution Received 06/13:	\$91,724.97
Fund Distribution Received 06/13:	\$86,231.99
Fund Distribution Received 06/13:	\$31,897.61
Distribution Received 07/13 ¹ :	\$7,304.66
Fund Distribution Received 10/13:	\$11,349.47
Fund Distribution Received 11/13:	\$5,844.00
Less Offset by Comptroller:	(\$7,304.66)
Interest Income:	<u>\$1.43</u>
Total CY13 Cash Receipts:	\$227,049.47
Total CY13 Cash Disbursements:	<u>\$269,743.38</u>
(Deficiency) of Cash Receipts Over Cash Disbursements:	(\$42,693.91)
Cash Balance End of CY12:	\$42,871.62
Cash Balance as of 12/31/13:	<u>\$177.71</u>
Note: ¹ This amount was received from the Comptroller’s Offset Fund to repay an offset. Source: Village of Robbins.	

The Public Utilities Act establishes requirements regarding the allowable uses of Municipal Economic Development Funds (220 ILCS 5/8-403.1(j)). The Act states that MEDF

distributions may be used only to:

promote and enhance industrial, commercial, residential, service, transportation, and recreational activities and facilities within its boundaries, thereby enhancing the employment opportunities, public health and general welfare, and economic development within the community, including administrative expenditures exclusively to further these activities.

We concluded that Robbins' calendar year 2013 expenditures of MEDF receipts appeared to comply with statutory guidelines.

The Act also lists specific purposes for which the MEDF distributions cannot be used. Based on our review of documentation provided by the Village of Robbins, we concluded that Robbins' calendar year 2013 expenditures of MEDF receipts appeared to be consistent with Public Utilities Act requirements. Specific disbursements were made for employee payroll, insurance expenses, an installment payment for a fire truck, and general Village expenses. Digest Exhibit 2 summarizes the amount and purpose for Robbins' cash disbursements from the Municipal Economic Development Fund receipts during calendar year 2013.

Digest Exhibit 2 VILLAGE OF ROBBINS' DISBURSEMENT OF MUNICIPAL ECONOMIC DEVELOPMENT FUNDS (Calendar Year 2013)	
Amount	Purpose
\$203,344	Village employee payroll expenses
\$46,990	Village employee insurance expenses
\$11,250	Fire truck installment purchase payment
\$8,159	General Village expenses
<u>\$269,743</u>	Total Disbursements
Note: Figures rounded to the nearest dollar. Source: Village of Robbins.	

We recommended that the Village develop and implement written formal internal control procedures.

Village officials lacked internal controls and written procedures for the accounts under their control. The Village received nearly \$220,000 in MEDF monies from the State in 2013 that were electronically deposited into the Village's Motor Fuel Tax (MFT) account in error. Because they lacked written internal control procedures that required investigating unusual deposits or comparing account balances over time, Village officials failed to recognize that the MEDF monies were being electronically deposited into the MFT account. We recommended that the Village develop and implement formal written internal control procedures to ensure that funds are properly managed and accounted for.

We recommended that Robbins officials ensure that all monies received from the State's MEDF are held in a separate account until expended.

Consequently, because Robbins did not transfer the MEDF deposits from the MFT account and deposit them into the MED account, Robbins commingled MEDF monies with other Village funds. This resulted in non-compliance with the Public Utilities Act, which requires that MEDF monies be held in a "separate account." We recommended that Village officials ensure that all monies received from the State's MEDF are held in a separate account until expended for the purposes set forth in the Public Utilities Act.

We audited the Village of Robbins Statements of Cash Receipts from the Municipal Economic Development Fund and Cash Disbursements from those Cash Receipts for the year ended December 31, 2013. We concluded that the financial statement presents fairly, in all material respects, the cash receipts and cash disbursements made from those receipts for the year ended December 31, 2013. Appendix B to the full report contains the Independent Auditors' Report. (pages 5-9)

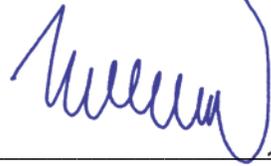
OTHER ISSUES

We recommended the Department of Revenue strengthen controls to ensure that taxes are not collected when the tax has expired.

The Department of Revenue continued to collect payments from a qualified solid waste energy facility (QSWEF) after the requirement to make payments expired in January 2013. These payments were deposited into the MEDF and distributed to Robbins. Using an FY14 appropriation for hardship refunds, the Department has refunded \$30,703 of the \$34,430 collected after the requirement expired, but had not refunded the full amount to the QSWEF. Further, as of September 2014, the Department had not attempted to recover the monies from Robbins. We recommended that the Department strengthen controls to ensure that taxes are not collected from taxpayers when the tax has expired, that the Department should notify the QSWEF of the remaining overpayment, and determine whether the payments to Robbins resulting from these overpayments should be recovered. (pages 9-10)

AGENCY RESPONSES

This audit contains two recommendations directed toward the Village of Robbins and one recommendation for the Department of Revenue. The Village of Robbins concurred with the findings. The Department of Revenue also agreed with the finding. The full text of the Village's and the Department's responses are included as Appendix C of the report.



WILLIAM G. HOLLAND
Auditor General

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

