

**State of Illinois
Environmental
Protection Agency**

**COMPLIANCE
EXAMINATION**

**FOR THE TWO YEARS ENDED
JUNE 30, 2024**

**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, 2024**

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**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

AGENCY OFFICIALS

Acting Director (09/13/24 – Present)	Mr. James Jennings
Interim Director (07/16/24 – 09/12/24)	Mr. James Jennings
Director (Through 07/15/24)	Mr. John J. Kim
Deputy Director (07/16/24 – Present)	Vacant
Deputy Director (04/04/23 – 07/15/24)	Mr. James Jennings
Deputy Director (Through 04/03/23)	Mr. Todd Rettig
Chief of Staff	Ms. Laura Roche
Chief Legal Counsel (07/01/24 – Present)	Mr. Andrew Armstrong
Chief Legal Counsel (Through 06/30/24)	Mr. Charles Gunnarson
Chief Financial Officer	Mr. Jacob Poeschel
Chief Internal Auditor (06/01/24 – Present)	Ms. Sally Burton
Chief Internal Auditor (02/01/24 – 5/31/24)	Vacant
Chief Internal Auditor (Through 01/31/24)	Ms. Ellen Jennings Fairfield

The Illinois Environmental Protection Agency's primary administrative office is located at:

2520 West Iles Avenue
Springfield, Illinois 62704



ILLINOIS ENVIRONMENTAL PROTECTION AGENCY

2520 WEST ILES AVENUE, P.O. BOX 19276, SPRINGFIELD, ILLINOIS 62794-9276 • (217) 782-3397

JB PRITZKER, GOVERNOR

JAMES JENNINGS, ACTING DIRECTOR

MANAGEMENT ASSERTION LETTER

June 23, 2025

Roth & Company LLP
540 West Madison Street, Suite 2450
Chicago, Illinois 60661

Roth & Company LLP:

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, 2024. Based on this evaluation, we assert that during the years ended June 30, 2023, and June 30, 2024, 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.

2125 S. First Street, Champaign, IL 61820 (217) 278-5800
115 S. LaSalle Street, Suite 2203, Chicago, IL 60603
1101 Eastport Plaza Dr., Suite 100, Collinsville, IL 62234 (618) 346-5120
9511 Harrison Street, Des Plaines, IL 60016 (847) 294-4000

595 S. State Street, Elgin, IL 60123 (847) 608-3131
2309 W. Main Street, Suite 116, Marion, IL 62959 (618) 993-7200
412 SW Washington Street, Suite D, Peoria, IL 61602 (309) 671-3022
4302 N. Main Street, Rockford, IL 61103 (815) 987-7760

Yours truly,

State of Illinois, Environmental Protection Agency

SIGNED ORIGINAL ON FILE

James M. Jennings
Acting Director

SIGNED ORIGINAL ON FILE

Jacob Poeschel
Chief Financial Officer

SIGNED ORIGINAL ON FILE

Andrew Armstrong
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*.

ACCOUNTANTS' REPORT

The Independent Accountants' 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 material weaknesses over internal control over compliance.

SUMMARY OF FINDINGS

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

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
Current Findings				
2024-001	12	2022/2020	Inadequate Internal Controls over Census Data	Material Weakness and Material Noncompliance
2024-002	14	2022/2018	Voucher Processing Internal Controls Not Operating Effectively	Material Weakness and Material Noncompliance
2024-003	17	2022/2014	Inadequate Controls over State Vehicles	Significant Deficiency and Noncompliance

STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
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For the Two Years Ended June 30, 2024

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				
2024-004	20	2022/2014	Inadequate Controls over Accounts Receivable	Significant Deficiency and Noncompliance
2024-005	23	2022/1994	Inadequate Controls over Personal Services	Significant Deficiency and Noncompliance
2024-006	27	2022/2018	Inadequate Controls over Awards and Grants	Significant Deficiency and Noncompliance
2024-007	29	2022/2018	Inadequate Controls over Monthly Reconciliations	Significant Deficiency and Noncompliance
2024-008	32	2022/2020	Inaccurate Agency Fee Imposition Reports	Significant Deficiency and Noncompliance
2024-009	33	2022/2022	Inadequate Controls over Property	Significant Deficiency and Noncompliance
2024-010	35	2022/2022	Statutory Committee and Board Requirements	Significant Deficiency and Noncompliance
2024-011	37	2022/2020	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2024-012	39	2022/2020	Noncompliance with the Fiscal Control and Internal Auditing Act	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				
2024-013	41	2022/2020	Inadequate Contingency Planning and Testing	Significant Deficiency and Noncompliance
2024-014	43	New	Noncompliance with the Illinois Solid Waste Management Act	Significant Deficiency and Noncompliance
2024-015	44	New	Noncompliance with the Toxic Pollution Prevention Act	Significant Deficiency and Noncompliance
2024-016	45	New	Noncompliance with the Recycled Newsprint Use Act	Significant Deficiency and Noncompliance
2024-017	47	New	Noncompliance with the Environmental Protection Act Pertaining to Lead Service Line Replacement	Significant Deficiency and Noncompliance
2024-018	49	New	Inadequate Controls over Contractual Agreements	Significant Deficiency and Noncompliance
Prior Findings Not Repeated				
A	51	2022/2018	Inadequate Change Management Procedures	
B	51	2022/2022	Failure to Perform Quarterly Inspections on the Release of Radionuclides at Nuclear Power Plants	

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>
Prior Findings Not Repeated			
C	51	2022/2020	Noncompliance with Application and Permit Requirements
D	51	2022/2022	Failure to Create a Form for Registration of Underground Storage Tank Containing Hazardous Waste
E	52	2022/2022	Required Reports and Fees Not Received and Reported in a Timely Manner

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
STATE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2024**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on June 18, 2025.

Attending were:

Environmental Protection Agency

Mr. James Jennings, Director
Mr. Jacob Poeschel, Chief Financial Officer
Ms. Sally Burton, Chief Internal Auditor

Office of the Auditor General

Ms. Lisa Warden, Senior Audit Manager

Roth & Company, LLP

Ms. Elda Arriola, Partner
Mr. Lou Jonathan Cabrera, Manager
Mr. John Reazo, Supervisor
Mr. Derrick Separo, Senior

The responses to the recommendations were provided by Sally Burton, Chief Internal Auditor, in a correspondence dated June 23, 2025.



INDEPENDENT ACCOUNTANTS' 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, 2024. 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.

Illinois
540 W. Madison Street
Suite 2450
Chicago, IL 60661
P (312) 876-1900
F (312) 876-1191

info@rothcocpa.com
www.rothcocpa.com

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, 2024. As described in the accompanying Schedule of Findings as items 2024-001 and 2024-002, 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, 2024, 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 2024-003 through 2024-018.

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 2024-001 and 2024-002 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 2024-003 through 2024-018 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 23, 2025



**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-001. **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 SEGIP sponsored by 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.

We noted the Agency had not prepared or maintained sufficient documentation that a complete reconciliation was properly performed for census data used to calculate the Fund's pension and OPEB balances used for their Fiscal Year 2024 financial statements. Although the Agency performed a reconciliation of its census data, they did not take or document sufficient measures to ensure 100% of data in the base year was checked for completeness and accuracy.

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 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'

**STATE OF ILLINOIS
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2024-001. **FINDING** (Inadequate Internal Controls over Census Data) - Continued

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 to 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 to 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 and to maintain accountability over the State's resources.

Agency staff indicated a sufficiently documented base year reconciliation was not completed due to competing priorities.

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. 2024-001, 2022-001, 2021-002, 2020-001)

RECOMMENDATION

We recommend the Agency ensure a base year reconciliation of its active members' census data from its underlying records and source documents to a report of the census data submitted to the plan's actuary is complete and accurate. We also recommend the Agency maintain sufficient documentation of the reconciliations performed, including the methodology used, data traced, exceptions identified, and conclusions reached.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-002. **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 14 of 140 (10%) attributes were not properly entered into the ERP System. Additionally, the Agency was unable to provide support for one voucher tested; as such, we were unable to determine whether the 4 (3%) key attributes were 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) Manual (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. In addition, the Illinois Administrative Code (Code) (74 Ill. Admin. Code 900.30) requires the Agency to maintain records which reflect the date goods were received and accepted, the date services were rendered, and the proper bill date. Further, the State Records Act (5 ILCS 160/8) requires the Agency to make and preserve adequate and proper documentation of the essential transactions of the Agency designed to furnish information 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 (FCIAA) (30 ILCS 10/3001) requires the Agency to 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.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-002. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively) - Continued

Even given the limitations noted above, we conducted an analysis of the Agency's expenditures data for Fiscal Years 2023 and 2024 and noted the following:

- The Agency owed one vendor interest totaling \$13 in Fiscal Year 2023; however, the Agency had not approved the voucher for payment to the vendor.

The State Prompt Payment Act (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 1,005 of 23,175 (4%) vouchers processed during the examination period, totaling \$8,446,431. We noted these vouchers were approved between 31 and 299 days after receipt of a proper bill or other obligating document.

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. The Code (74 Ill. Admin. Code 1000.50) also requires the Agency to process payments within 30 days after physical receipt of Internal Service Fund bills.

The FCIAA (30 ILCS 10/3001) requires the Agency to establish and maintain a system, or systems, of internal fiscal and administrative controls, which shall provide assurance that 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.

- Two of 100 (2%) vouchers tested, totaling \$1,747, were not coded with the proper detail object code.

The SAMS Manual (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 within a common object.

- One of 25 (4%) travel vouchers tested, totaling \$384, was submitted 81 days after the last day of travel.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
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2024-002. **FINDING** (Voucher Processing Internal Controls Not Operating Effectively) - Continued

The Internal Revenue Service (IRS) Publication 463, Travel, Gift and Car Expenses, notes employees receiving travel reimbursements must have paid or incurred deductible expenses while performing employment services, adequately accounted for the expenses within a reasonable period of time generally defined by Publication 463 as within 60 days after the expenses were paid or incurred and returned any excess reimbursements within a reasonable period of time.

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 that due to many review and approval paths within the Agency, the 30-day window could not always be met because some invoices had to have additional work for changes or confirmation of amounts. Agency management also indicated the other issues were due to staff error.

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 and obligations due may result in noncompliance, unnecessary interest charges, and cash flow challenges for payees. In addition, failure to approve vouchers for payment of interest due, submit travel vouchers, and ensure vouchers are properly recorded represent noncompliance with the Act and State regulations. (Finding Code No. 2024-002, 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 timely approve proper bills and obligations due, approve vouchers for payment of interest due to vendors, submit travel vouchers, and properly record vouchers.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-003. **FINDING** (Inadequate Controls over State Vehicles)

The Environmental Protection Agency (Agency) did not exercise adequate internal controls over automobiles. As of June 30, 2024, the Agency had 100 vehicles.

During testing, we 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:
 - Five (28%) vehicles tested had an oil change past the allowed oil change intervals. Additionally, five (28%) vehicles tested had inadequate documentation; therefore, we were not able to determine whether these vehicles had oil changes within the allowed interval.
 - Three (17%) 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.

- The Agency did not exercise adequate control over the required annual certifications of licensure and automobile liability coverage form (certification form). We noted six of 13 (46%) employees tested submitted the certification forms from 10 to 84 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 to provide a certification affirming 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 exceptions were due to staff error.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-003. **FINDING** (Inadequate Controls over State Vehicles) - Continued

- The Agency submitted the Fiscal Year 2022 Individually Assigned Vehicle (IAV) Report 13 days late.

The Code (44 Ill. Adm. Code 5040.340) states that vehicles may be assigned to specific individuals if authorized in writing by the head of the agency to which the vehicle is assigned and requires agencies to report to DCMS 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 issue was due to staff error.

Population Completeness

We requested the Agency to provide the population of its employees who are allowed the personal use of State vehicles. However, the Agency indicated that it did not maintain a listing of such employees. Due to this deficiency, we were unable to conclude the Agency's records were sufficiently precise and detailed under the Attestation Standards promulgated by the American Institute of Certified Public Accountants (AT-C § 205.36) to test the Agency's controls over monitoring and reporting of employee fringe benefits.

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.

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 that failure to monitor its personal use of vehicles was due to the vehicle coordinator's position being vacant during the examination period.

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2024-003. **FINDING** (Inadequate Controls over State Vehicles) - Continued

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 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. Further, failure to timely submit the annual IAV Report to DCMS lessens government oversight for fleet efficiency and accountability for State resources. Failure to monitor personal use of State vehicles and not maintaining a complete list of employees allowed this benefit may result in the inaccurate reporting of employee wages for tax purposes. (Finding Code No. 2024-003, 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.
- Review and enforce procedures over the timely filing of the required annual certifications of license and liability insurance coverage.
- Ensure the required annual report on Individually Assigned Vehicles are timely completed and submitted to DCMS.
- Ensure personal use of State vehicles and fringe benefits are monitored, including maintaining the complete list of employees allowed this benefit, to comply with laws and regulations.

AGENCY RESPONSE

The Agency accepts the recommendation.

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2024-004. **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 \$47.7 million in accounts receivable, of which \$13 million was over one year past due, as of June 30, 2024, and \$82 million, of which \$12.1 million was over one year past due, as of June 30, 2023.

During testing, the auditors noted the following:

- Two of 40 (5%) accounts receivable tested, amounting to \$222,951, were 13 and 14 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 three of 40 (8%) accounts receivable tested, totaling \$13,869, 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 106 to 5,453 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) Manual (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, to request the Attorney General to certify the claim or account receivable to be uncollectible. The Act (30 ILCS 210/3) and the SAMS Manual (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 one of 40 (3%) accounts receivable tested, totaling \$273,224, the amount was improperly recorded. The amount reported was overstated by \$79,646.

To support the recognition and tracking of receivables, the SAMS Manual (Procedure 26.20.10) requires the Agency to record and maintain detail information related to each receivable.

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2024-004. **FINDING** (Inadequate Controls over Accounts Receivable) - Continued

- For four of 40 (10%) accounts receivable totaling \$5,109,241, 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 to make and preserve adequate and proper documentation of the essential transactions of the Agency designed to furnish information to protect the legal and financial 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.

- The amount of receivables reported in Quarterly Summary of Accounts Receivable Activity Reports (Form C-97) did not agree with Agency's Accounts Receivable Aging Reports and supporting documentation for eight of 18 (44%) Form C-97 Reports submitted to the Comptroller for the quarter ending June 30, 2023, and for 11 of 18 (61%) Form C-97 Reports submitted to the Comptroller for the quarter ending June 30, 2024. The auditors noted discrepancies between the Forms C-97 and Aging Reports and supporting documentation of \$39.459 million and \$1.218 million in accounts receivable balance and estimated uncollectibles, respectively, for the quarter ending June 30, 2023. Additionally, the auditors noted discrepancies between the Forms C-97 and Aging Reports and supporting documentation of \$18.88 million and \$1.414 million in accounts receivable balance and estimated uncollectibles, respectively, for the quarter ending June 30, 2024.

The SAMS Manual (Procedure 26.30.10) requires the Agency to complete and submit to the Comptroller Form C-97 on a quarterly basis information on receivables activity such as totals for adjustments to receivables, additions to accounts receivable, collections, write-offs, estimated uncollectibles, and number of accounts from gross receivable at the end of the quarter and write-offs.

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.

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2024-004. **FINDING** (Inadequate Controls over Accounts Receivable) - Continued

Agency officials stated the files did not have the required information due to the age of the account and the other issues were due to staff error.

Failure to timely refer receivables to the Comptroller's Offset System and to the Department of Revenue's Debt Collection 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. In addition, failure to properly record the amount of accounts receivable could result in inaccurate reporting and is noncompliance with SAMS. (Finding Code No. 2024-004, 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. Further, we recommend the Agency ensure accounts receivable are properly recorded.

AGENCY RESPONSE

The Agency accepts the recommendation. During the audit cycle the Agency has made great progress on removing the old account receivable balances.

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2024-005. **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:

- Fourteen of 40 (35%) employees tested had probationary performance evaluations not completed within the required timeframe. The delinquencies ranged from one to 62 days late.

The Illinois Administrative Code (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 management monitors completion of employee performance evaluations and reminds the individual bureaus and divisions responsible for the evaluations of the importance of completing them timely.

- For one of 40 (3%) employee files tested, the Agency was unable to provide the employer's section of the Form I-9; therefore, we were not able to determine whether it was completed and signed by the Agency's authorized representative.

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 employee with a missing Form I-9 was a transferee and the Form I-9 was kept by the transferring agency. Agency officials stated that current Agency practice is to complete a Form I-9 for all staff regardless of whether they are new to the Agency or transferred in.

- For four of 40 (10%) employees tested, five requests for 96 hours of vacation and personal leave were submitted from one to 10 days after the leave was taken. In addition, for eight of 40 (20%) employees tested, 14 requests for 72

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2024-005. **FINDING** (Inadequate Controls over Personal Services) - Continued

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 that employees may call in for the day or get verbal approval and submit the request when they return to the office. Agency officials further stated that approval for the time off may also have been given via e-mail, with an official request submitted later.

- For 10 of 40 (25%) employees tested, 37 requests for 29 hours of equivalent earned time (EET) and 41 hours of overtime were not timely approved by the supervisors. These requests were approved from one to 12 days after the overtime was worked or the request was submitted. In addition, for 17 of 40 (43%) employees tested, 43 requests for one hour of EET and 71 hours of overtime were submitted from one to 19 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 Handbook, require prior approval from the appropriate Bureau, Division or Office head or designee.

Agency officials stated that frequently, verbal requests or e-mail discussions are held for EET and overtime requests, and approval is given in advance.

- Agency employees did not complete all mandatory trainings within the required timeframes. We noted the following:
 - One of 17 (6%) new hires tested did not complete the initial ethics training and sexual harassment prevention training.
 - Two of 17 (12%) new hires tested did not complete the initial ethics training within 30 days after commencement of employment. The employees completed the initial ethics training 34 and 236 days late.

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2024-005. **FINDING** (Inadequate Controls over Personal Services) - Continued

The State Officials and Employees Ethics Act (5 ILCS 430/5-10(c)) requires new employees entering a position requiring ethics training to complete an initial ethics training course within 30 days after commencement of employment. Additionally, the State Officials and Employees Ethics Act (5 ILCS 430/5-10(a)) requires each officer, member, and employee to complete an ethics training annually.

The Illinois Human Rights Act (775 ILCS 5/2-105(B)(5)(c)) requires the Agency to provide training on sexual harassment prevention and the Agency's sexual harassment policy as a component of all ongoing or new employee training programs. Additionally, the State Officials and Employees Ethics Act (5 ILCS 430/5-10.5(a)) requires all new employees entering a position requiring sexual harassment training to complete their initial training within 30 days after commencement of employment. It also requires each officer, member, and employee to complete, at least annually, a harassment and discrimination prevention training.

The Data Security on State Computers Act (20 ILCS 450/25) requires every employee to annually undergo the online cybersecurity training established by the Department of Innovation and Technology (DoIT) which includes detecting phishing scams, preventing spyware infections and identity theft, and preventing and responding to data breaches.

Agency officials stated that lack of workforce resources and enforcement deficiencies resulted in the exceptions.

This finding was first reported during the period ended June 30, 1994. In the subsequent years, the Agency has been unsuccessful in implementing appropriate 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. Failure to properly complete I-9 forms within the required timeframe and retain the forms for a specified period after employment has ended may subject the Agency to fines and penalties. 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 complete training within the required timeframe may lead to employees

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2024-005. **FINDING** (Inadequate Controls over Personal Services) - Continued

being unaware of specific requirements for State employees and State policies regarding ethics, sexual harassment, cybersecurity and safeguarding of confidential information. As a result, there is a risk the Agency could be exposed to legal and financial risks due to noncompliance. (Finding Code No. 2024-005, 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 in a timely manner.
- Ensure personnel files contain all required documentation, such as completed I-9 forms.
- Ensure leave requests and overtime requests are timely submitted, properly approved in advance, and pre-approval is documented and maintained. At the same time, if the Agency believes that certain procedures are outdated, we suggest that the Agency update these policies and ensure timely communication with employees.
- Strengthen its controls to ensure all employees complete the required trainings.

AGENCY RESPONSE

The Agency accepts the recommendation.

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2024-006. **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 \$468 million (71%) and \$701 million (78%) for awards and grants of its total expenditures of approximately \$661 million and \$895 million during Fiscal Year 2023 and Fiscal Year 2024, respectively. The auditors sampled nine grant programs: Driving a Cleaner Illinois Program, Wastewater Collection and Transport Infrastructure R&R Project, Solid Waste Planning Grant Program, Lead Service Line Inventory Program, National Great Rivers Research and Education Program, Residential Sharps Collection Program, Distribution System and Water Maintenance Rehabilitation Program, Unsewered Communities Planning Grant Program and Nonpoint Source Program. Forty grant agreements totaling \$49,394,703 were tested. A total of 274 progress reports were submitted by the grantees for the applicable year tested.

- Two of 274 (1%) progress reports tested were submitted to the Agency four to seven days late.
- Seventeen of 274 (6%) progress reports tested did not have evidence of a review by Agency personnel.
- Three of 274 (1%) progress reports tested were reviewed by the Agency 48 to 369 days after the submission date by the grantee.

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.

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.

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2024-006. **FINDING** (Inadequate Controls over Awards and Grants) - Continued

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.

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.

Agency officials stated the deficiencies were due to staff turnover. Further, Agency officials stated they do not have control over when the grantee submits their reports and there is no GATA rule to document review of the grantee progress reports.

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. 2024-006, 2022-005, 2020-005, 2018-005)

RECOMMENDATION

We recommend the Agency strengthen its controls to ensure documentation is maintained and reviews of grantees' 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 accepts the recommendation.

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2024-007. **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, we noted the following:

- For the Monthly Appropriation Status Reports (SB01):
 - Thirteen of 32 (41%) reconciliations were not reviewed timely. The reconciliations were reviewed 4 to 110 days late.
 - The Agency performs monthly reconciliations for 28 funds. For 10 of the required monthly reconciliations, there were eight fund reconciliations 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):
 - The Agency performs monthly reconciliations for 21 funds. The Agency did not perform reconciliations for two of the funds, while the remaining funds have missing reconciliations for one to 18 months. Additionally, all funds had no documentation of supervisory review for one to 11 monthly reconciliations.
 - Seven of 24 (29%) monthly reconciliations were not reviewed timely. The reconciliations were reviewed 13 to 89 days late.
- For the Monthly Cash Reports (SB05):
 - The Agency performs monthly reconciliations for 23 funds. Twenty-one of 24 (88%) required monthly reconciliations 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.
 - One of 23 (4%) fund reconciliations was not performed for the month of June 30, 2023. Additionally, six (26%) fund reconciliations were not performed for the month of June 30, 2024.
 - One of 24 (4%) reconciliations was not reviewed timely. The reconciliation was reviewed 19 days late.

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2024-007. **FINDING** (Inadequate Controls over Monthly Reconciliations) - Continued

- For the Monthly Agency Contract Report (SC14) or Monthly Obligation Activity Report (SC15):
 - Three of 24 (13%) reconciliations did not contain the date the reconciliations were completed; therefore, the timeliness of preparation could not be determined. Additionally, these reconciliations have no documentation of the date and which employee performed the supervisory review.

The Statewide Accounting Management System (SAMS) Manual (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, the SAMS Manual requires reconciliations be completed within 60 days of the month end and discrepancies be reported to the Comptroller immediately for corrections.

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.

Agency officials stated the reconciliations were not performed, dated, and signed due to oversight and unexpected employee turnover. Agency officials also stated system issues and limitations contributed to the exceptions.

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, cash and revenues. Failure to document when reconciliations are performed hinders the Agency from demonstrating compliance with SAMS requirements. (Finding Code No. 2024-007, 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.

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2024-007. **FINDING** (Inadequate Controls over Monthly Reconciliations) - Continued

AGENCY RESPONSE

The Agency accepts the recommendation.

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SCHEDULE OF FINDINGS – CURRENT FINDINGS
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2024-008. **FINDING** (Inaccurate Agency Fee Imposition Reports)

The Environmental Protection Agency (Agency) failed to accurately report fees in the Agency Fee Imposition Reports.

During testing, the auditors noted the Agency did not accurately report fees collected on its Fiscal Year 2023 and Fiscal Year 2024 Agency Fee Imposition Reports (Report). Three of 48 (6%) fees on the Fiscal Year 2023 Report and three of 47 (6%) fees on the Fiscal Year 2024 Report did not agree with the Agency's records, resulting in an overstatement of fees reported, totaling \$868,647 and \$10,413, respectively.

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.

During the prior examination period, there were issues noted on late deposit of a receipt and a refund, and date of receipt of a refund was not documented, and this finding was described as *Inadequate Controls over Receipts, Refunds, and Agency Fee Imposition Reporting*. During the current examination period, we did not identify any issues in our sample testing of receipts and refunds; therefore, the finding description was revised to pertain only to *Inaccurate Agency Fee Imposition Reports*.

Agency officials stated the issues were due to staff error.

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. 2024-008, 2022-007, 2020-007)

RECOMMENDATION

We recommend the Agency review and ensure fees reported in the Agency Fee Imposition Reports are accurate.

AGENCY RESPONSE

The Agency accepts the recommendation.

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2024-009. **FINDING** (Inadequate Controls over Property)

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

During testing, we noted the following:

- One of 80 (1%) equipment items tested, totaling \$88,983, was not found at the location indicated on the Agency's property listing. The State Property Control 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.
- The Agency was not able to provide supporting documents for two of 40 (5%) property deletions tested, totaling \$4,900. Therefore, we were not able to test whether deletions were properly approved and timely removed from the property records. The Illinois Administrative Code (Code) (44 Admin. Code Section 5010.310) requires the Agency to maintain documentation for certain deletions from the Agency's inventory. The Code also requires deletions from agency property records to be approved by the Department of Central Management Services (DCMS) prior to completing the transaction. Further, the Code (44 Ill. Admin. Code 5010.400) requires the Agency to adjust its property records within 90 days of acquisition, change, or deletion of equipment items.
- One of 40 (3%) property additions tested, totaling \$10,628, was not accurately recorded. The cost of the property reported in the Agency's property listing did not include the shipping cost of \$528. The Statewide Accounting Management System (SAMS) Manual (Procedure 03.30.20) requires capital assets to be reported at historical cost and to include ancillary costs to place the asset in service such as freight charges, in-transit insurance, applicable taxes, the cost of special foundations or bases; and assembly, installation, and testing costs.

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 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.

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2024-009. **FINDING** (Inadequate Controls over Property) - Continued

Agency management indicated the exceptions noted were due to human error and staff turnover.

Failure to exercise adequate controls over State property and maintain accurate property control records increases the risk of loss, misappropriation, and inaccurate information being submitted to the Office of Comptroller and DCMS. (Finding Code No. 2024-009, 2022-009)

RECOMMENDATION

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

AGENCY RESPONSE

The Agency accepts the recommendation.

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2024-010. **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 (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, 2024, the Environmental Laboratory Certification Committee had not been created.

Agency officials stated the Committee requirement was submitted to a legislative panel for dissolution but was rejected. This will be resubmitted for consideration.

- The Public Water Supply Operations Act (415 ILCS 45/11) requires the Community Water Supply Operator's Advisory Board (Advisory Board) to be 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. As of June 30, 2024, the Advisory Board lacked three members. Additionally,

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2024-010. **FINDING** (Statutory Committee and Board Requirements) - Continued

the Advisory Board failed to hold meetings during Fiscal Years 2023 and 2024.

Agency officials stated they provided candidates to the Governor’s Office to consider for appointment, but appointments have not yet been made to cause a quorum.

- The Consumer Electronics Recycling Act (Act) (415 ILCS 151/1-85(a)-(b)) requires the Director of the Agency to appoint an Advisory Electronics Recycling Task Force (Task Force) composed of 10 members responsible for submitting to the Agency for 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, 2024, the 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.

Agency officials stated vacant positions in the Task Force are due to struggles finding replacements for members who resign or retire.

Failure to establish statutorily required committees 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. 2024-010, 2022-011)

RECOMMENDATION

We recommend the Agency establish the Environmental Laboratory Certification Committee or seek legislative remedy. Additionally, we recommend the Agency timely fill the vacancies on the Advisory Board and Task Force as required. We also recommend the Advisory Board meet annually to comply with the Act.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-011. **FINDING** (Weaknesses in Cybersecurity Programs and Practices)

The Environmental Protection Agency (Agency) had not implemented adequate internal controls related to cybersecurity programs and practices.

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 its mission, the Agency maintains large volumes of confidential information including names, addresses, and social security numbers.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) 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.
- Adequately 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.
- Adequately completed the classification of all its data to identify and ensure adequate protection of information.
- Established a policy for ensuring electronic media was adequately sanitized prior to disposal.
- Ensured access request and approval were documented. We noted five of five (100%) sampled newly created user accounts did not have documented access request and approval.

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 requires 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.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-011. **FINDING** (Weaknesses in Cybersecurity Programs and Practices) - Continued

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 and maintain accountability over the State's resources.

This finding was first reported during the period ended June 30, 2020. In subsequent years, the Agency has been unsuccessful in establishing adequate controls related to cybersecurity programs and practices.

Agency management indicated that they continue to address the cybersecurity issues; however, limited Agency information technology resources and competing priorities slowed additional progress during the examination period.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities which ultimately leads to the Agency's data and information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2024-011, 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.
- Adequately 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.
- Adequately complete the classification of its data to identify and ensure adequate protection of information.
- Establish a policy for ensuring electronic media is adequately sanitized prior to disposal.
- Maintain documentation of access request and approval.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-012. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act)

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

During our review of the Agency's internal auditing activities, we noted the following:

- Four of ten (40%) audits proposed to be performed in Fiscal Year 2024 were not completed.

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.

- During our testing of three internal audits completed by the Agency during Fiscal Years 2023 and 2024, we noted the following:
 - For two (67%) internal audits, entrance conferences were not documented in the audit file.
 - For one (33%) internal audit, the audit file did not contain supporting documentation for the findings.

The International Standards for the Professional Practice of Internal Auditing (Standards) (2410 – Criteria for Communicating) require internal auditors to communicate the results of the engagements to the appropriate parties, including the engagement's objectives and scope as well as applicable conclusions, recommendations, and action plans. The Standards (2330 – Documenting Information) also require internal auditors to document sufficient, reliable, relevant, and useful information to support the engagement results and conclusion.

This finding was first reported during the period ended June 30, 2020. In subsequent years, the Agency has been unsuccessful in implementing appropriate corrective action or procedures.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-012. **FINDING** (Noncompliance with the Fiscal Control and Internal Auditing Act) –
Continued

Agency officials stated the internal audits were not completed due to the Chief Internal Auditor position being vacant for a period during Fiscal Year 2024. Agency officials also stated that the four internal audits noted in the finding were not carried over to the subsequent two-year internal audit plan. In addition, Agency officials stated the issues noted on the audit documentation were due to employee oversight.

Failure to ensure audits are conducted and documented appropriately represents noncompliance with the Act and the Standards. (Finding Code No. 2024-012, 2022-016, 2020-017)

RECOMMENDATION

We recommend the Agency ensure planned audits are completed and that internal audit documentation contain sufficient, reliable, relevant, and useful information to support the engagement results and conclusions in order to comply with the Act and the Standards.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-013. **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 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 and maintain accountability over the State's resources.

This finding was first reported during the period ended June 30, 2020. In subsequent years, the Agency has been unsuccessful in establishing adequate controls related to contingency planning and testing.

Agency management indicated that they continue to address these issues, however, limited Agency information technology resources and competing priorities slowed additional progress during the examination period.

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. 2024-013, 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.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-013. **FINDING** (Inadequate Contingency Planning and Testing) - Continued

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-014. **FINDING** (Noncompliance with the Illinois Solid Waste Management Act)

The Environmental Protection Agency (Agency) did not comply with the Illinois Solid Waste Management Act (Act).

The Act (415 ILCS 20/3.1(g)) effective August 20, 2021, requires the Agency to develop guidelines and funding criteria for providing grant assistance to institutions for the implementation of approved waste reduction plans. During testing, we noted the Agency has not developed the guidelines and funding criteria required by the Act.

Agency officials stated the Department of Commerce and Economic Opportunity's (DCEO) recycling programs were transferred to the Agency effective August 20, 2021, however, that transfer came without any staff for continued implementation of the transferred programs. Additionally, Agency officials stated that since that time, the Agency has had to focus on programs already existing at the Agency as well as new programs that have been recently created. Additionally, Agency officials stated that the Agency has yet to fully integrate all of the transferred DCEO programs with the Agency's, but will continue to review the programs and implement or make changes as necessary.

Failure to carry out the mandated program and duties is noncompliance with the Act and does not achieve the legislative intent of the program to reduce waste and seek solutions to solid waste management problems, thereby protecting the environment and public health and safety. (Finding Code No. 2024-014)

RECOMMENDATION

We recommend the Agency assign staff to ensure implementation and administration of the mandated program, including timely development of guidelines and funding criteria for providing grant assistance.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-015. **FINDING** (Noncompliance with the Toxic Pollution Prevention Act)

The Environmental Protection Agency (Agency) did not comply with the Toxic Pollution Prevention Act (Act).

The Act (415 ILCS 85/4) requires the Agency to establish a Toxic Pollution Prevention Program (Program). The Act requires the Program to develop a list of toxic substances which it believes should receive priority consideration for toxic prevention based upon examination of toxic release inventory reports filed with the Agency pursuant to Section 313 of the federal Emergency Planning and Community Right to Know Act of 1986. The Act also requires the Program to review and update the list at least once every two years.

During our testing, we noted the Agency developed a listing of toxic substances reported in its 21st Annual Toxic Chemical Report (Report) dated November 2009. The listing of toxic chemicals in the Report was based on reported releases of toxic chemicals in Illinois for the calendar year 2007. The toxic substances listing has not been updated since then.

Agency officials stated they believe the mandate is outdated compared to other regulations designed to reduce the disposal and release of toxic pollutants, and that the intent of this mandate has been largely addressed by other regulations passed since the mandate's effective date.

Failure to update the list of toxic substances at least once every two years is noncompliance with the Act and does not achieve the legislative intent of the program to provide high level attention to toxic pollution prevention policies and reduce the disposal and release of toxic substances which may have adverse and serious health and environmental effects. (Finding Code No. 2024-015)

RECOMMENDATION

We recommend the Agency update the list of toxic substances based upon examination of toxic release inventory reports filed with the Agency at least every two years to comply with the Act or seek legislative remedy.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-016. **FINDING** (Noncompliance with the Recycled Newsprint Use Act)

The Environmental Protection Agency (Agency) failed to comply with the Recycled Newsprint Use Act.

Public Act 102-444, effective August 20, 2021, transferred certain rights, powers, duties, responsibilities, employees, property, funds, and functions from the Department of Commerce and Economic Opportunity to the Agency. One of the functions transferred to the Agency was the implementation of the Recycled Newsprint Use Act (Act). The Act (415 ILCS 110/2004) requires each consumer of newsprint within the State to certify to the Agency, on or before March 1 of each year, the amount in tons of every type of newsprint used by the consumer of newsprint the previous year and the percentage of recycled fibers present in each type of newsprint so that the Agency can calculate the recycled fiber usage for that consumer of newsprint. It also stated that only consumers of newsprint who provide timely usage certificates will receive credit for recycled fiber usage. Additionally, the Act (415 ILCS 110/2007) requires the Agency to develop and maintain a list that identifies every consumer of newsprint in Illinois and every person who supplies a consumer of newsprint with newsprint. In addition, for the purposes of implementing and enforcing the Act, the Act (415 ILCS 110/2008) requires the Agency to set comparable quality standards for each of the grades of newsprint available from all suppliers of newsprint to determine the comparable quality of recycled content newsprint to virgin material. The Act requires the Agency to review its standards at least once every two years and determine whether they should be adjusted to reflect changes in industry standards and practices. Further, the Act (415 ILCS 110/2010) and (415 ILCS 110/2011) requires the Agency to refer to the Attorney General for prosecution, within 30 days of making a determination, instances in which a person knowingly provides a consumer of newsprint with a false or misleading certificate concerning the recycled fiber percentage of the delivered newsprint, and instances in which a consumer of newsprint knowingly provides the Agency with a false or misleading certificate concerning the percentage of recycled fiber used, respectively.

During testing of the statutory mandates, the Agency was unable to provide documentation to support its implementation of the Act.

Agency officials stated the recycling and newsprint industry and markets have changed considerably since the mandate was originally written.

Failure to carry out these mandated duties is noncompliance with the Act. (Finding Code No. 2024-016)

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ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-016. **FINDING** (Noncompliance with the Recycled Newsprint Use Act) - Continued

RECOMMENDATION

We recommend the Agency implement the requirements of the Act or seek legislative remedy.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-017. **FINDING** (Noncompliance with the Environmental Protection Act Pertaining to Lead Service Line Replacement)

The Environmental Protection Agency (Agency) did not comply with certain provisions of the Environmental Protection Act (Act) (415 ILCS 5/17.12) pertaining to lead service line replacement.

During testing of statutory mandates, we noted the following:

- The Act (415 ILCS 5/17.12) requires the owners and operators of community water supplies to develop, implement, and maintain a comprehensive water service line material inventory and a comprehensive lead service line replacement plan. Additionally, the Act (415 ILCS 5/17.12(f)) requires the community water supply to submit a complete inventory to the Agency by April 15, 2024. The community water supply may apply for an extension to the Agency no less than 3 months prior to April 15, 2024, if they cannot submit by the due date. During testing, the Agency was unable to provide documentation to support the community water supply facilities submitted the required comprehensive water service line material inventory and lead service line replacement plan for 3 of 40 (8%) community water supply facilities tested. Therefore, we were unable to test compliance with the requirements of the Act for the referenced water supply facilities.
- The Act (415 ILCS 5/17.12(x to y)) requires the Agency to create the Lead Service Line Replacement Advisory Board (Advisory Board). The Advisory Board is composed of 28 members which includes the Director of the Agency, Director of Revenue, Director of Public Health, 15 members appointed by the Agency and 10 members who are mayors of the 10 largest municipalities in Illinois by population. The duties of the Advisory Board are: (1) advise the Agency on best practices in lead service line replacement; (2) review the progress of community water supplies toward lead service line replacement goals; (3) advise the Agency on other matters related to the administration of the provisions of this Section; (4) advise the Agency on the integration of existing lead service line replacement plans with any statewide plan, and (5) provide technical support and practical expertise in general. As of June 30, 2024, the Agency failed to fill three vacancies in the Advisory Board. The Advisory Board lacked a representative from the public health advocacy group, a representative from the publicly owned water utilities, and a research professional employed at an Illinois academic institution and specializing in water infrastructure research.

Agency officials stated vacant positions in the Advisory Board are due to struggles finding candidates. Agency officials also stated the missing documents are due to oversight.

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ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-017. **FINDING** (Noncompliance with the Environmental Protection Act Pertaining to Lead Service Line Replacement) - Continued

Failure to carry out these mandated duties is noncompliance with the Act and does not achieve the legislative intent of the program to protect the general health, safety, and welfare of the public against potentially harmful substances conveyed to the drinking water supply from the lead service lines. (Finding Code No. 2024-017)

RECOMMENDATION

We recommend the Agency ensure community water supply facilities submit the required comprehensive water service line material inventory and lead service line replacement plan and maintain documentation. Additionally, we recommend the Agency timely fill the vacancies on the Advisory Board to comply with the Act.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-018. **FINDING** (Inadequate Controls over Contractual Agreements)

The Environmental Protection Agency (Agency) did not have adequate controls over contractual agreements to ensure they were timely filed, properly completed, and accurately reported.

During our testing of 19 contractual agreements, we noted:

- One (5%) contractual agreement tested, totaling \$30,000, was not filed with the Office of Comptroller (Comptroller).

The Illinois Procurement Code (Code) (30 ILCS 500/20-80) requires the Agency to file with the Comptroller a copy of a contract, purchase order, grant, lease, cancellation or modification within 30 days of execution. When a contract, purchase order, grant, or lease obligation has not been filed within 30 days of execution, the Agency must file an affidavit with the Comptroller. The affidavit must be signed by the chief executive officer of the Agency or his or her designee, setting forth an explanation of why the contract liability was not filed within 30 days of execution.

- For eight (42%) contracts tested, the Contract Obligation Documents (CODs) were not properly completed. Specifically:
 - Five CODs totaling \$1,690,125 included incorrect award codes.
 - One COD amounting to \$119,780,100 indicated no subcontractor utilization and disclosure, however, the contract indicated subcontractor utilization and disclosure.
 - One COD amounting to \$31,760 indicated terms that were not consistent with the terms of the contracts.
 - One COD amounting to \$31,800 did not indicate the Illinois Procurement Bulletin/Bidbuy publication date and reference number.

The Statewide Accounting Management System (SAMS) Manual (Procedure 15.20.10) requires the contract obligation document to contain data elements, detailed description of the contract, and other procurement information required by the SAMS Manual.

Additionally, during our testing of the Agency's implementation of GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), we requested the Agency provide the population of subscription-based information technology arrangement (SBITAs) contracts during Fiscal Years 2023 and 2024. The Agency provided the lists of contracts that could possibly fall under GASB 96. The Agency did not identify any contracts on the lists as SBITAs; however, during our testing, we noted one contract, totaling \$90,858,

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ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – CURRENT FINDINGS
For the Two Years Ended June 30, 2024**

2024-018. **FINDING** (Inadequate Controls over Contractual Agreements) - Continued

as a SBITA. The Agency failed to provide the auditors its supporting documentation of its determination that the referenced contract was not a SBITA.

Additionally, the Agency did not submit the Accounting for SBITAs Form (Form SCO-560S) for this contract.

GASB Statement No. 96 defines a SBITA as a contract that conveys control of the right to use a SBITA vendor's information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period in an exchange or exchange-like transaction. GASB Statement No. 96 requires governments with SBITAs to recognize a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability.

The Statewide Accounting Management System (SAMS) Manual (Procedure 27.20.60S) requires all Agencies to report to the Comptroller's Office those arrangements that meet the definition of a SBITA by completing a Form SCO-560S. During Fiscal Year 2024, the Comptroller's Office only required each agency to prepare this form if the total subscription payments for the software and related IT asset(s) are greater than \$25,000.

Agency officials indicated the issues noted were due to employee data entry errors and oversight.

The lack of proper controls over contract obligation documents may result in inaccurate recording and a lack of accountability by the Agency. Failure to file a copy of the contract with the Comptroller is noncompliance with the Code. Failure to establish and maintain adequate internal fiscal and administrative controls over the determination, accurate recording, and proper reporting of SBITAs reduces the reliability of Statewide financial reporting. (Finding Code No. 2024-018)

RECOMMENDATION

We recommend the Agency strengthen its controls to ensure the proper completion of CODs and filing of contracts with the Comptroller as required. We also recommend the Agency exercise adequate controls to ensure proper implementation of the requirements of GASB Statement No. 96.

AGENCY RESPONSE

The Agency accepts the recommendation.

**STATE OF ILLINOIS
ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2024**

A. FINDING (Inadequate Change Management Procedures)

During the prior engagement period, the Environmental Protection Agency (Agency) did not have adequate change management procedures.

During the current engagement period, we noted the Agency's Loans and Grants Tracking System had documented its change management procedures and our sample testing disclosed the system changes had documentation of user acceptance testing and approval before its deployment to the production environment. (Finding Code No. 2022-010, 2020-010, 2018-010)

B. FINDING (Failure to Perform Quarterly Inspections on the Release of Radionuclides at Nuclear Power Plants)

During the prior engagement period, the Agency, in cooperation with the Illinois Emergency Management Agency, failed to perform inspections on the release of radionuclides at nuclear power plants.

During the current engagement period, our sample testing disclosed the Agency performed the quarterly inspections on the release of radionuclides at the nuclear power plants during Fiscal Years 2024 and 2023. (Finding Code No. 2022-012)

C. FINDING (Noncompliance with Application and Permit Requirements)

During the prior engagement period, the Agency did not ensure all applications for permits complied with the statutory requirements before permits and approvals were issued.

During the current engagement period, our testing disclosed the Agency ensured the one application for the development or construction of composting facility permit received during the examination period, complied with the statutory requirements before the permit and approval were issued. (Finding Code No. 2022-013, 2020-014)

D. FINDING (Failure to Create a Form for Registration of Underground Storage Tank Containing Hazardous Waste)

During the prior engagement period, the Agency did not create a form for owners of underground storage tanks containing hazardous waste to register.

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ENVIRONMENTAL PROTECTION AGENCY
SCHEDULE OF FINDINGS – PRIOR FINDINGS NOT REPEATED
For the Two Years Ended June 30, 2024**

D. FINDING (Failure to Create a Form for Registration of Underground Storage Tank Containing Hazardous Waste) - Continued

During the current engagement period, pursuant to Public Act 103-1025 effective January 1, 2025, the mandate was amended deleting outdated provisions requiring owners of the underground storage tanks containing hazardous waste to register the tanks with the Agency and provide the Agency with information concerning the contents of the tanks. The amended mandate also deleted a provision requiring owners of registered tanks to notify the Agency of any change in registration information or of the removal of the tank from service. (Finding Code No. 2022-015)

E. FINDING (Required Reports and Fees Not Received and Reported in a Timely Manner)

During the prior engagement period, the Agency did not timely receive or follow up on required reports and appropriate fees and did not properly submit statutorily mandated reports.

During the current engagement period, for samples tested, we noted the Agency accrued and collected interest penalties, correctly deposited fees, and made available on its website the electronic copy of the report on the status of the Drycleaner Environmental Response Trust Fund. In addition, the Agency significantly improved the timeliness of reports and fees. (Finding Code No. 2022-018)