

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS

COMPLIANCE EXAMINATION

For the Year Ended June 30, 2006

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2006

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STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2006

COUNCIL MEMBERS

John Polak, Chairman
David Gibson
John Bredenkamp
Young B. Kim
Paul Kwak
Jerome Lewicki
Charles Kwon

ADMINISTRATOR

Williams & Company Consulting, Inc.

Council administrator offices are located at:

814 Pierce Street
P.O. Box 9400
Sioux City, Iowa 51102

1000 Tower Lane, Suite 140
P.O. Box 480
Bensenville, Illinois 60106

MANAGEMENT ASSERTION LETTER

December 11, 2006

Honorable William G. Holland
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703-3154

Dear Mr. Holland:

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 Drycleaner Environmental Response Trust Fund Council of Illinois (Council). 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 Council's compliance with the following assertions during the one-year period ended June 30, 2006. Based on this evaluation, we assert that during the year ended June 30, 2006, the Council has materially complied with the assertions below.

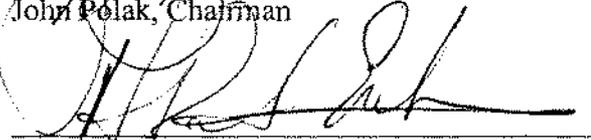
- A. The Council has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Council has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Council has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Council are in accordance with applicable laws and regulations and the accounting and record keeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Council on behalf of the State or held in trust by the Council have been properly and legally administered, and the accounting and record keeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Drycleaner Environmental Response Trust
Fund Council of Illinois



John Polak, Chairman



H. Patrick Eriksen, Third Party Administrator

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2006

COMPLIANCE REPORT

SUMMARY

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORT

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	2	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
06-1	9	Failure to enforce statutory timeframes for payment requests
06-2	11	Failure to adopt rules regarding the retention of records

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2006

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Council representatives at an exit conference on April 3, 2007.

Attending were:

Drycleaner Council

John Polak, Chairman

Williams & Company Consulting, Inc.

H. Patrick Ericksen

Dorcee Lauen

Illinois Office of the Auditor General

Lisa Warden, CPA – Audit Manager

Jessica West – Audit Supervisor

Responses to the recommendations were provided by H. Patrick Ericksen in correspondence dated April 8, 2007.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the Drycleaner Environmental Response Trust Fund Council of Illinois' compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2006. The management of the Drycleaner Environmental Response Trust Fund Council of Illinois is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Drycleaner Environmental Response Trust Fund Council of Illinois' compliance based on our examination.

- A. The Drycleaner Environmental Response Trust Fund Council of Illinois 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 Drycleaner Environmental Response Trust Fund Council of Illinois 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 Drycleaner Environmental Response Trust Fund Council of Illinois has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Drycleaner Environmental Response Trust Fund Council of Illinois 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 Drycleaner Environmental Response Trust Fund Council of Illinois on behalf of the State or held in trust by the Drycleaner Environmental Response Trust Fund Council of Illinois have been

properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Drycleaner Environmental Response Trust Fund Council of Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Drycleaner Environmental Response Trust Fund Council of Illinois' compliance with specified requirements.

In our opinion, the Drycleaner Environmental Response Trust Fund Council of Illinois complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2006. However, the results of our procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 06-1 and 06-2.

As required by the Audit Guide, an immaterial finding relating to an instance of noncompliance excluded from this report has been reported in a separate letter.

Internal Control

The management of the Drycleaner Environmental Response Trust Fund Council of Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Drycleaner Environmental Response Trust Fund Council of Illinois' internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses.

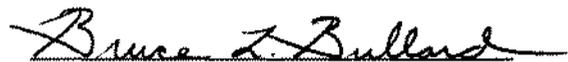
As required by the Audit Guide, an immaterial finding relating to an internal control deficiency excluded from this report has been reported in a separate letter.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2006 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2005 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

December 11, 2006

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2006

06-1. **FINDING** (Failure to enforce statutory timeframes for payment requests)

The Drycleaner Environmental Response Trust Fund Council of Illinois (Council) did not require owners and operators of drycleaning facilities to submit invoices and bills within 30 days of completion of remediation work as required by statute.

The Council reimburses drycleaner facilities for costs of remedial action in the event of solvent releases that occurred in Fiscal Years 1998 through 2006. During testing of remedial claims, we noted 25 of 35 (71%) vouchers tested, totaling \$413,893, contained invoices and bills that were submitted to the Council from 2 to 1,008 days late.

The Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135/40(f)(6)) states that claimants are subject to limitations on reimbursement, including a requirement that “all invoices and bills relating to the remediation work shall be submitted with appropriate documentation, as deemed necessary by the Council, not later than 30 days after the work has been performed.”

Council representatives stated the Council did not enforce the 30-day law because it is impractical for the reimbursement request supporting documents to be prepared within 30 days of when the work is actually performed. Council representatives also stated that often, laboratory analyses are not received by the facility until 14 to 21 days after the work has been performed. Further, site characterization or remedial objectives reports often take more than 30 days for environmental consulting firms to prepare and be issued due to internal quality control procedures of the firms.

Failure to require claimants to submit invoices within 30 days after the remediation work has been performed is noncompliance with the Act by extending the statutory timeframe for eligible reimbursements. (Finding Code No. 06-1)

RECOMMENDATION

We recommend the Council enforce the requirement that invoices and necessary documentation be submitted timely as required by the Act or seek legislative remedy to the statutory requirement.

COUNCIL RESPONSE

The Council is aware of the 30-day requirement in the statute but unfortunately, it is impractical for the claim reimbursement request and supporting documentation to be

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2006

Current findings – continued

prepared and submitted to the Council within 30 days of when the work was actually performed. Enforcing the 30-day requirement would result in a majority of the claim reimbursement requests being denied for reimbursement. This would result in the cleanup not being completed at the contaminated facility and would be counterproductive to the legislative intent of the Trust Fund Act which is cleanup of soil and groundwater contamination caused by the release of drycleaning solvents into the environment.

The Council will immediately seek a legislative remedy to eliminate this statutory 30-day requirement.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2006

Current findings – continued

06-2. **FINDING** (Failure to adopt rules regarding the retention of records)

The Drycleaner Environmental Response Trust Fund Council of Illinois (Council) failed to adopt rules prescribing record retention requirements for drycleaning facilities as required by the Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135/20 (e)).

The Council did not adopt rules specifically addressing the requirement for the retention of records by an owner or operator of a drycleaning facility and the periods for which the records must be retained. The Council licensed 1,288 drycleaning facilities and issued 784 insurance policies during Fiscal Year 2006.

The Act requires the Council to adopt rules prescribing requirements for the retention of records by an owner or operator of a drycleaning facility and the periods for which he or she must retain those records.

Council representatives stated that the retention of records is implied by the license and insurance application processes and forms because drycleaner owners and operators are required to submit copies of records annually to receive or renew licenses and insurance policies.

Failure to adopt rules related to record retention is noncompliance with the Act. Additionally, formal administrative rules can help protect agencies from legal challenges and give additional legitimacy to agency actions and agency requests of external parties. (Finding Code No. 06-2)

RECOMMENDATION

We recommend the Council adopt rules regarding record retention as required by the Drycleaner Environmental Response Trust Fund Act or seek legislative remedy to the statutory requirement.

COUNCIL RESPONSE

Records retention has not been an issue that has impeded the licensing or insuring of active drycleaning facilities. The Illinois Administrative Code (35 Ill. Adm. Code 1500.70(a)) outlines the application information necessary, including applicable records, to receive a license from the Fund.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2006

Current findings – continued

35 Ill. Adm. Code 1500.70(b) outlines the application information necessary, including applicable records, for the Fund to issue pollution liability insurance coverage for a licensed drycleaning facility.

The Council will begin the process to adopt rules to further clarify the record retention requirements as they pertain to the licensing and insurance application processes.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2006

Prior Findings Not Repeated

There were no findings noted during the Compliance Examination for the year ended June 30, 2004.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2006

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the
State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Accounts Receivable

- Analysis of Operations:

- Council Functions and Planning Program
 - Service Efforts and Accomplishments (Not Examined)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND COUNCIL OF ILLINOIS
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Year Ended June 30, 2006

P.A. 94-0015 FISCAL YEAR 2006	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Reappropriated July 1	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31			
<u>APPROPRIATED FUNDS</u>						
DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 0548						
Operating Expenses of the Drycleaner Environmental Response Trust Fund Council of Illinois	\$ 7,022,120	\$ 4,934,884	\$ 426,415	\$ 5,361,299	\$ 0	\$ 1,660,821
GRAND TOTAL - ALL FUNDS	<u>\$ 7,022,120</u>	<u>\$ 4,934,884</u>	<u>\$ 426,415</u>	<u>\$ 5,361,299</u>	<u>\$ 0</u>	<u>\$ 1,660,821</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Council records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL OF ILLINOIS
 COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
 EXPENDITURES AND LAPSED BALANCES**
 For the Fiscal Years Ended June 30,

	Fiscal Year	
	2006	2005
DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 0548	P.A. 94-0015	P.A. 93-0842
Appropriations (Net of Transfers)	\$ 7,022,120	\$ 8,000,000
<u>Expenditures</u>		
Operating Expenses of the Drycleaner Environmental Response Trust Fund Council of Illinois	5,361,299	4,808,694
Total Expenditures	\$ 5,361,299	\$ 4,808,694
Balance Reappropriated	0	22,120
Lapsed Balances	\$ 1,660,821	\$ 3,169,186

Note: The Council did not make any efficiency initiative payments during FY05 or FY06.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL OF ILLINOIS
 COMPLIANCE EXAMINATION
**RECONCILIATION OF CASH RECEIPTS TO DEPOSITS
 REMITTED TO THE STATE COMPTROLLER**
 For the Fiscal Year Ended June 30, 2006

DRYCLEANER ENVIRONMENTAL
 RESPONSE TRUST FUND - 0548

Receipts per agency records	\$ 1,165,322
Plus: deposits in transit, beginning of year	232,842
Less: deposits in transit, end of year	<u>(233,536)</u>
Deposits Recorded by the Comptroller	<u><u>\$ 1,164,628</u></u>

Reconciliation of Fund Receipts

Insurance premiums collected	\$ 1,119,800
Late payment fees and miscellaneous	<u>44,828</u>
Total deposits recorded by the Comptroller deposited by the Drycleaner Council	<u>1,164,628</u>
License fees collected	1,253,957
Solvent taxes collected	<u>1,063,868</u>
Total deposits recorded by the Comptroller deposited by the Department of Revenue	<u>2,317,825</u>
Interest income - deposited by the Office of the Treasurer	<u>178,958</u>
Total Deposits to the Drycleaner Environmental Response Trust Fund (Fund 0548)	<u><u>\$ 3,661,411</u></u>

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL OF ILLINOIS
 COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
 For the Year Ended June 30, 2006

<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	<u>FISCAL YEAR</u>	
	<u>2006</u>	<u>2005</u>
Contractual Services	\$ 912,448	\$ 1,030,491
Travel	2,438	3,089
Awards and Grants (Claims Payments)	4,424,205	3,742,384
Refunds	<u>22,208</u>	<u>32,730</u>
 Total Expenditures	 <u>\$ 5,361,299</u>	 <u>\$ 4,808,694</u>

A comparative schedule of significant variations in expenditures (fluctuations of 20% or more) for the fiscal year ended June 30, 2006 are shown below:

	<u>FISCAL YEAR ENDED</u>		<u>INCREASE</u>	
	<u>JUNE 30</u>		<u>(DECREASE)</u>	
	<u>2006</u>	<u>2005</u>	<u>AMOUNT</u>	<u>%</u>
Travel	\$2,438	\$3,089	(\$651)	(21%)
Refunds	\$22,208	\$32,730	(\$10,522)	(32%)

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2006 AND 2005

Drycleaner Environmental Response Trust Fund - 0548

Travel

The decrease in travel expenditures was due to Council members teleconferencing to some Council meetings in FY06 rather than traveling to meetings in FY05.

Refunds

The decrease in refund expenditures was due to the Council issuing less insurance refunds in FY06 compared to FY05. Fewer insurers overpaid premiums or had insurance applications returned in FY06.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL OF ILLINOIS
 COMPLIANCE EXAMINATION
ANALYSIS OF ACCOUNTS RECEIVABLE
 June 30, 2006 and 2005
 (Expressed in Thousands)

	Fiscal Year	
<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	2006	2005
Current	\$ 0	\$ 3
31-90 days	0	0
91-180 days	1	0
Over 180 days	16	16
GROSS RECEIVABLES	17	19
Less estimated uncollectables	(16)	(16)
NET RECEIVABLES	\$ 1	\$ 3

ANALYSIS OF ACCOUNTS RECEIVABLE

Late payment fee receivable

Pursuant to statutory authority, the Council assesses a late payment of \$5 per day for all license fees received subsequent to the due date. For some drycleaners, the late fees are significant and payment would represent a financial hardship to the facility. To provide a financially viable alternative to such facilities, the Council will enter into a longer term payment arrangement with the facility requiring payment of the total late fee balance. At June 30, 2006 and 2005, the total unpaid late fees under payment arrangements approximated \$17,000 and \$19,000 respectively. To the extent the drycleaners are allowed such payment terms and are making payments as scheduled, the entire receivable balance is considered current. An allowance for doubtful accounts of \$16,000 at June 30, 2006 was reported.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2006

COUNCIL FUNCTIONS AND PLANNING PROGRAM

The primary purpose of the Drycleaner Environmental Response Trust Fund Council of Illinois (Council) is to administer the Drycleaner Environmental Response Trust Fund Act (Act) and adopt rules and procedures regarding the disbursement of money from the fund. The Act was established to protect the health and safety of the citizens and natural resources of the State of Illinois.

Beginning January 1998, all active drycleaning facilities in Illinois were required to obtain a license from the Council, to be renewed annually. Required annual licensure fees range from \$500 to \$4,500, depending on the quantity of drycleaning solvents purchased by the individual drycleaning facility. In addition to the license fees, all drycleaning facilities are required to pay a tax based on the quantity of drycleaning solvent purchases. The Department of Revenue collects all license fees and taxes and deposits the receipts into the Drycleaner Environmental Response Trust Fund (0548), less a 4% processing fee as set by statute.

Pursuant to the Act, the Council has established a program to reimburse drycleaner facilities for costs of remedial action in the event of solvent releases that occurred after July 1, 1997 and prior to July 1, 2006. In addition, the Council has established a program to offer insurance to drycleaner facilities to insure against solvent release cleanup costs subsequent to June 30, 2006.

While the Council is ultimately responsible for administering the Fund, they have contracted with Williams & Company Consulting, Inc. to be its administrator. Therefore, Williams & Company Consulting, Inc. is responsible for all day-to-day, fiscal, and administrative duties, under the oversight of the Council.

The Council is to be composed of seven members appointed by the Governor. Four members are to own or operate a drycleaning facility, one member is to represent wholesale distributors of drycleaning solvents, one member is to represent drycleaning equipment manufacturers and the vendor community and one member is to have experience in financial markets or the insurance industry. The Council members at June 30, 2006 are as follows:

John Polak, Chairman
David Gibson
John Bredenkamp
Young B. Kim
Paul Kwak
Jerome Lewicki
Charles Kwon

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL OF ILLINOIS
COMPLIANCE EXAMINATION
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2006

PLANNING

The Council's planning activities include program reviews performed on an on-going basis by the Administrator. These reviews are discussed at regular Council meetings and Annual Strategic Planning Sessions. This annual session addresses the licensure program, remedial action program and the insurance program, the three major components of the Council's responsibilities. A significant component of the planning session is the discussion of financial projections prepared by the Administrator using multiple variations of assumptions of the revenues to be collected (solvent taxes and licensure fees), estimated administrative costs and projected claims as well as how such assumptions could be impacted by existing and proposed legislation.

Financial projections conducted during FY06 indicated the projected deficit at the sunset date of the program, January 1, 2020, would be approximately \$21.5 million based on FY06 revenue stream levels. All remedial claims were required to be filed by June 30, 2006 and license fees were increased effective January 1, 2007. Based on the projections at December 31, 2006, the projected deficit was reduced to approximately \$2 million due to the increasing of license fees.

AUDITOR'S ASSESSMENT

The Council's planning program and goals are prioritized, monitored, and directed towards attaining the goals identified in accordance with the Drycleaner Environmental Response Trust Fund Act. We believe that this planning is adequate to meet the functions of the Council.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL OF ILLINOIS
 COMPLIANCE EXAMINATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Year Ended June 30, 2006
 (Not Examined)

The Council has identified the following key financial and performance data that are significant to the operations, functions, and responsibilities of the Council:

	<u>Fiscal Year 2005 Actual</u>	<u>Fiscal Year 2006 Target</u>	<u>Fiscal Year 2006 Actual</u>
Input Indicators			
Budgeted appropriation/expenditures	\$4,808,694	\$7,022,000	\$5,361,299
Output Indicators			
License applications received	1,345	1,400	1,311
Insurance applications received	872	830	791
Total eligible claims filed	494	705	656
Outcome Indicators			
Licenses issued	1,312	1,400	1,288
Insurance policies issued	848	830	784
Total eligible claims closed	41	90	88
Total open remedial claims	451	N/A	567
Remedial claims with payments made	453	N/A	609
Total open insurance claims	2	N/A	1
Insurance claims with payments made	0	N/A	1
Efficiency/Cost Effectiveness Indicators			
Cost per license application	\$77	\$79	\$79
Cost per insurance application	\$92	\$94	\$94
Cost per eligible claim filed	\$585	\$585	\$430