

**STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL**

COMPLIANCE EXAMINATION

For the Year Ended June 30, 2016

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
 COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2016

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STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2016

COUNCIL MEMBERS

John Polak, Chairman (Term Expired 5/1/2008)

John Bredenkamp (Term Expired 5/1/2015)

Young B. Kim (Term Expired 5/1/2007)

Paul K. Kwak (Term Expired 5/1/2013)

Jerome Lewicki (Term Expired 5/1/2015)

Sung Do Kang (Term Expired 5/1/2016)

Daniel Kim (Term Expired 5/1/2016)

ADMINISTRATOR

Williams & Company Consulting, Inc.

Council administrator offices are located at:

814 Pierce Street
Sioux City, Iowa 51101

1000 Tower Lane, Suite 140
Bensenville, Illinois 60106

STATE COMPLIANCE EXAMINATION

MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
740 East Ash Street
Springfield, IL 62703-3154

FEB 13 2017

Dear General Mautino:

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 (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 year ended June 30, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016, 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. State revenues and receipts collected by the Council 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.

Yours truly,

Drycleaner Environmental Response Trust Fund Council

SIGNED ORIGINAL ON FILE

(John Polak, Chairman)

SIGNED ORIGINAL ON FILE

(H. Patrick Eriksen, Third Party Administrator)

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
 COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2016

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.

ACCOUNTANT’S REPORT

The Independent Accountant’s 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>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	1	1
Repeated findings	1	1
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDING (STATE COMPLIANCE)			
2016-001	7	Expired Council Member Appointments	Noncompliance

EXIT CONFERENCE

The Council waived a formal exit conference in correspondence dated February 13, 2017 from Dorcee Lauen, Third Party Administrator Manager. The Council’s response to the recommendation was provided by Dorcee Lauen, Third Party Administrator Manager, in correspondence dated February 13, 2017.

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CHICAGO OFFICE:
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FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Drycleaner Environmental Response Trust Fund Council's 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, 2016. The management of the State of Illinois, Drycleaner Environmental Response Trust Fund Council is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Drycleaner Environmental Response Trust Fund Council's compliance based on our examination.

- A. The State of Illinois, Drycleaner Environmental Response Trust Fund 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 State of Illinois, Drycleaner Environmental Response Trust Fund 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 State of Illinois, Drycleaner Environmental Response Trust Fund 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. State revenues and receipts collected by the State of Illinois, Drycleaner Environmental Response Trust Fund Council 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.

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 State of Illinois, Drycleaner Environmental Response Trust Fund Council's compliance with those requirements listed in the first paragraph of this report 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 State of Illinois, Drycleaner Environmental Response Trust Fund Council's compliance with specified requirements.

In our opinion, the State of Illinois, Drycleaner Environmental Response Trust Fund Council complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2016. However, the results of our procedures disclosed instances of noncompliance with the 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 findings as item 2016-001.

Internal Control

Management of the State of Illinois, Drycleaner Environmental Response Trust Fund Council is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Drycleaner Environmental Response Trust Fund Council's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Drycleaner Environmental Response Trust Fund Council's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Drycleaner Environmental Response Trust Fund Council's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less

severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

The State of Illinois, Drycleaner Environmental Response Trust Fund Council's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the State of Illinois, Drycleaner Environmental Response Trust Fund Council's response and, accordingly, we express no opinion on the response.

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 for the year ended June 30, 2016, in Schedules 1 through 7 and the Analysis of Operations Section 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 June 30, 2016, accompanying supplementary information in Schedules 1 through 7. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedules 2 through 5, 7, and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and the State of Illinois, Drycleaner Environmental Response Trust Fund Council's membership and management, and is not intended to be and should not be used by anyone other than these specified parties.

SIGNED ORIGINAL ON FILE

BRUCE L. BULLARD, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
February 13, 2017

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2016

2016-001. **FINDING** (Expired Council Member Appointments)

The Drycleaner Environmental Response Trust Fund Council (Council) member appointments or reappointments had not been made as required by statute during the examination period. The appointed terms had expired for all seven (100%) of the Council members as of May 1, 2007, May 1, 2008, May 1, 2013, May 1, 2015, and May 1, 2016.

The Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135/15(a)) requires the Council be comprised of seven voting members appointed by the Governor to terms of three years.

Council administration stated that the Council has continued to make attempts to contact the Governor's Office regarding reappointments for the expired members.

Although members are allowed to continue to serve past their terms until new appointments are made, the lack of current appointments or reappointments fails to satisfy the Act's provisions for re-evaluation of Council membership every three years. (Finding Code No. 2016-001, 2015-001, 2014-001, 2013-001, 12-1, 11-1, 10-1, 09-1, 08-2, 07-3)

RECOMMENDATION

We recommend the Council continue to work with the Governor's Office to obtain current Council member appointments as soon as possible.

COUNCIL RESPONSE

Council members have applied for reappointment directly and online. The Council has and will continue to make contacts with the Governor's Office to secure appointments for the terms that have expired.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2016

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 -
Fiscal Year 2016
 - Comparative Schedule of Net Appropriations, Expenditures
and Lapsed Balances
 - Comparative Schedule of Cash Receipts and Reconciliation
of Cash Receipts to Deposits Remitted to the
State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Receipts
 - Analysis of Significant Lapse Period Spending
 - Analysis of Accounts Receivable

- Analysis of Operations (Not Examined):
 - Council Functions and Planning Program (Not Examined)
 - Budget Impasse Disclosure (Not Examined)
 - Alternative Financing in Lieu of Appropriations and Programs to
Address Untimely Payments to Vendors (Not Examined)
 - Interest Costs on Fiscal Year 2016 Invoices (Not Examined)
 - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2016, accompanying supplementary information in Schedules 1 through 7. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND COUNCIL
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 Appropriations for Fiscal Year 2016
 Fourteen Months Ended August 31, 2016

	Appropriations	Expenditures		Lapse Period Expenditures July 1 to August 31	Total Expenditures	Balances Lapsed
		Through June 30				
Public Act 99-0524						
<u>APPROPRIATED FUNDS</u>						
Drycleaner Environmental Response Trust Fund - 0548						
For use in accordance with the Drycleaner Environmental Response Trust Fund Act	\$ 4,100,000	\$ -	\$ 1,519,112	\$ 1,519,112	\$ 2,580,888	
GRAND TOTAL	\$ 4,100,000	\$ -	\$ 1,519,112	\$ 1,519,112	\$ 2,580,888	

Note 1: Appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to Council records.

Note 2: Expenditure amounts are vouchers approved for payment by the Council and submitted to the State Comptroller for payment to the vendor.

Note 3: During Fiscal Year 2016, the Council operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Council incurred non-payroll obligations within Fund 548, which the Council was unable to pay until the passage of Public Act 99-0524.

Note 4: Public Act 99-0524 authorizes the Council to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 19 includes information from Council management about the number of invoices and the total dollar amount of invoices held by the Council to be submitted against its Fiscal Year 2017 appropriation.

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

	Fiscal Year	
	2016	2015
	<u>P.A. 99-0524</u>	<u>P.A. 98-0679</u>
Drycleaner Environmental Response Trust Fund - 0548		
Appropriations	<u>\$ 4,100,000</u>	<u>\$ 5,360,000</u>
Expenditures		
For use in accordance with the Drycleaner Environmental Response Trust Fund Act	<u>1,519,112</u>	<u>3,237,426</u>
Total Expenditures	<u>\$ 1,519,112</u>	<u>\$ 3,237,426</u>
Lapsed Balances	<u>\$ 2,580,888</u>	<u>\$ 2,122,574</u>

Note 1: Appropriations, expenditures and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and August 31, 2015, and have been reconciled to Council records.

Note 2: Expenditure amounts are vouchers approved for payment by the Council and submitted to the State Comptroller for payment to the vendor.

Note 3: During Fiscal Year 2016, the Council operated without enacted appropriations until Public Act 99-0524 was signed into law on June 30, 2016. During the impasse, the Council incurred non-payroll obligations within Fund 548, which the Council was unable to pay until the passage of Public Act 99-0524.

Note 4: Public Act 99-0524 authorizes the Council to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 19 includes information from Council management about the number of invoices and the total dollar amount of invoices held by the Council to be submitted against its Fiscal Year 2017 appropriation.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND
 RECONCILIATION OF CASH RECEIPTS TO
 DEPOSITS REMITTED TO THE STATE COMPTROLLER**

For the Fiscal Years Ended June 30,

Drycleaner Environmental Response Trust Fund - 0548	2016	2015
Insurance premiums	\$ 560,317	\$ 536,744
Solvent supplier penalty fees	4,500	500
Late payment fees	25,081	30,458
Receipts from Council	\$ 589,898	\$ 567,702
<p>The following information was obtained from the Council and Comptroller records and includes that portion of the receipts reported by the Department of Revenue and the Office of the Treasurer. License fees and solvent taxes collected are reported net of a 4% collection fee charged by the Department of Revenue.</p>		
License fees collected	\$ 1,417,609	\$ 1,513,022
Solvent taxes collected	360,925	377,926
Total deposits recorded by the Comptroller deposited by the Department of Revenue	\$ 1,778,534	\$ 1,890,948
Interest income recorded by the Comptroller and deposited by the State Treasurer	\$ 9,515	\$ 7,256
Receipts from other agencies	\$ 1,788,049	\$ 1,898,204
Total cash receipts from all sources	\$ 2,377,947	\$ 2,465,906
Less - In transit at End of Year	(52,563)	(82,233)
Plus - In transit at Beginning of Year	82,233	81,900
Total cash receipts per State Comptroller's Records	\$ 2,407,617	\$ 2,465,573

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2016

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2016 AND 2015

Drycleaner Environmental Response Trust Fund - 0548

Total expenditures decreased by \$1,718,314 (53%) from Fiscal Year 2015 to Fiscal Year 2016. The majority of the decrease is attributed to fewer claims payments during Fiscal Year 2016. The Council informed consultants and dry cleaning facility operators that the Council did not have the budget authority to pay claims. As a result, consultants and dry cleaning facilities scaled back on remediation projects.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Year Ended June 30, 2016

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL
YEARS 2016 AND 2015**

Drycleaner Environmental Response Trust Fund - 0548

Solvent Supplier Penalty Fees

The increase in solvent supplier fees was due to a solvent supplier that received a default judgment during Fiscal Year 2016 for delivering solvent to unlicensed drycleaners. During Fiscal Year 2015, there was only one violation cited for a total of \$500.

Interest Income

The increase in interest income was due to additional available cash invested at the Office of the Treasurer. Fiscal Year 2015's ending cash balance was \$1,053,508, while Fiscal Year 2016's ending cash balance was \$3,282,700.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2016

FISCAL YEAR 2016

Drycleaner Environmental Response Trust Fund - 0548

The significant spending during the Lapse Period was due to the Council processing invoices received during Fiscal Year 2016 after the passage of Public Act 99-0524 on June 30, 2016.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
ANALYSIS OF ACCOUNTS RECEIVABLE
 For the Fiscal Year Ended June 30,

<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	Fiscal Years	
	2016	2015
Current	\$ 0	\$ 17,340
31-90 days	10,925	147,183
91-180 days	0	2,445
Over 180 days	364,006	203,874
GROSS RECEIVABLES	\$ 374,931	\$ 370,842
Less estimated uncollectibles	(374,931)	(369,002)
NET RECEIVABLES	\$ 0	\$ 1,840

ANALYSIS OF ACCOUNTS RECEIVABLE

License fee and late payment fee receivables

Pursuant to statutory authority, the Council assesses a late payment fee of \$3 per day on the 31st day after payment was due through day 60 and then \$5 per day on the 61st day thereafter. In addition, the Council requires drycleaners to pay for licenses for years in which they were operating without a license.

Solvent Supplier Penalties

Certain provisions of the Drycleaner Environmental Response Trust Fund Act stipulate that drycleaner facilities cannot purchase solvents from vendors without a valid license. The vendors are subject to various penalties and fines if found in violation of these provisions. The Council becomes aware of a solvent supplier delivering solvent to an unlicensed drycleaner when the drycleaner renews its license the next calendar year.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF ACCOUNTS RECEIVABLE
For the Fiscal Year Ended June 30, 2016

Collection procedures

For some drycleaners and solvent suppliers, the late fees and penalties are significant and payment would represent a financial hardship to the drycleaners and solvent suppliers. To provide a financially viable alternative, the Council may enter into a longer term payment arrangement requiring payment of the total receivable balance. In other instances, the Council may refer outstanding receivables to the Attorney General's Office for collection efforts, which may result in a legal judgment against the drycleaner or solvent supplier for a determined amount. The Attorney General's Office and the Council may also enter into an installment agreement with the drycleaner or solvent supplier to satisfy the balance owed as determined through legal judgment.

The Council provides notification when a receivable subject to an installment agreement is approximately 10 days past due. During this process, the Council attempts to determine the likelihood of collection. Generally, uncollectible receivables over 90 days past due and greater than \$5,000 are referred to the Department of Revenue's Debt Collection Bureau and the Comptroller's offset system and those over \$250 are referred to the Comptroller's offset system and internal collections are performed.

Gross receivables increased by \$4,000 from Fiscal Year 2015 to Fiscal Year 2016, primarily due to one large receivable booked from a judgment received during Fiscal Year 2016.

Drycleaners and solvent suppliers that have not been able to generate enough revenue to be profitable in the current economy have not been able to pay fees and penalties that are based on annual solvent usage. In addition, those drycleaners have not been able to pay the associated late renewal fees of \$3 per day and \$5 per day. The Council has pursued payment of these overdue fees and penalties through the Attorney General's office. The Council establishes an allowance for doubtful accounts for those receivables deemed not collectible. An allowance for doubtful accounts of \$374,931 at June 30, 2016, was reported. The allowance account includes receivables that have been referred to the Attorney General's office for collection and amounts owed by facilities in bankruptcy or out of business.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COUNCIL FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)
For the Year Ended June 30, 2016

COUNCIL FUNCTIONS

The Drycleaner Environmental Response Trust Fund Council (Council) was created August 19, 1997, by the Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135). The Council was established to provide financial resources for drycleaning facilities to pay for the cleanup of drycleaning solvent contamination. The Council administers a mandatory license program, a remediation program, and a voluntary insurance program for all retail drycleaning facilities in Illinois.

Beginning January 1998, all active drycleaning facilities in Illinois were required to obtain a license from the Council. The license is required to be renewed annually. All drycleaning facilities are required to pay annual license fees and 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 (Fund), 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 were discovered 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, it has contracted with Williams & Company Consulting, Inc. (administrator) to provide third party administrative services. The administrator is responsible for all administrative and fiscal duties, under the oversight of the Council. These services include accounting and record keeping, as well as receipt and processing of applications for licensure, insurance coverage, and remedial claims.

The Act requires the Council to be composed of seven members appointed by the Governor to three year terms. 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.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COUNCIL FUNCTIONS AND PLANNING PROGRAM (NOT EXAMINED)
For the Year Ended June 30, 2016

PLANNING PROGRAM

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. The annual session addresses the licensure, remedial action, and insurance programs, which are 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. The projections are prepared using multiple variations of assumptions of the revenues to be collected (solvent taxes and licensure fees), estimated administrative costs, and projected claims. Also discussed is how such assumptions could be impacted by existing and proposed legislation.

During Fiscal Year 2016, the Council's financial projections for the Drycleaner Environmental Response Trust Fund (Fund) for the period of July 1, 2016, through the Fund's sunset date of January 1, 2020, indicated the Fund would have program deficits of approximately \$18,006,445, based on program assumptions as of July 1, 2016. It has also been noted that the Council has several legislative and non-legislative options to reduce the projected program deficit. Some non-legislative options include: increasing license fees, increasing solvent taxes, and increasing the remedial action deductible. Options requiring legislative action include: extending the sunset date, requiring "drop off" locations to pay for a license, a gross receipts tax, and a sales tax on drycleaners. The administrator will provide the General Assembly with all necessary facts and figures for these issues. The Council has approved seeking legislation to extend the sunset date to 2030. House Bill 209 was introduced in January 2015, but has stalled due to more pressing legislative issues. As of June 30, 2016, the Fund's modified accrual balance was \$1,578,891.

Public Act 098-0327 established a Drycleaner Trust Fund Task Force (Task Force) made up of 17 appointed members to study the Fund and make recommendations for funding and improving the Fund. However, appointments to the Task Force were not made and Public Act 098-0327 was repealed, effective January 1, 2016.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
BUDGET IMPASSE DISCLOSURES (NOT EXAMINED)
For the Year Ended June 30, 2016

Payment of Fiscal Year 2016 Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the Drycleaner Environmental Response Trust Fund Council (Council) to pay Fiscal Year 2016 costs using the Council's Fiscal Year 2017 appropriations for non-payroll expenditures. The Council did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016. Therefore, the Council does not intend to use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND PROGRAMS
TO ADDRESS UNTIMELY PAYMENTS TO VENDORS (NOT EXAMINED)**
For the Year Ended June 30, 2016

Transactions Involving the Illinois Finance Authority

The Drycleaner Environmental Response Trust Fund Council (Council) and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Council's vendors participated in the Vendor Payment Program or the Vendor Support Initiative Program during Fiscal Year 2015 and Fiscal Year 2016.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
INTEREST COSTS ON FISCAL YEAR 2016 INVOICES (NOT EXAMINED)
 For the Year Ended June 30, 2016

Prompt Payment Interest Costs

The Drycleaner Environmental Response Trust Fund Council (Council) plans to calculate prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) using the vendor's proper bill date through the date the State Comptroller issues a warrant to the vendor, regardless of when and if an enacted appropriation existed during Fiscal Year 2016. The Act (30 ILCS 540/3-2) and the Illinois Administrative Code (74 Ill. Admin. Code 900.100) require interest to be paid under a daily simple interest rate of .033% (1% over a 30-day period) for every day elapsed following the 90th day after a vendor submits an eligible proper bill to the Council. The following chart shows the Council's prompt payment interest incurred related to Fiscal Year 2016 invoices, calculated on the accrual basis of accounting, through June 30, 2016, by fund:

PROMPT PAYMENT INTEREST INCURRED
 Year Ended June 30, 2016

Fund #	Fund Name	Invoices	Vendors	Dollar Value
548	Drycleaner Environmental Response Trust Fund	14	3	\$ 14,709
		14	3	\$ 14,709

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
SERVICE EFFORTS AND ACCOMPLISHMENTS (NOT EXAMINED)
 For the Year Ended June 30, 2016

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 2015 Actual</u>	<u>Fiscal Year 2016 Target</u>	<u>Fiscal Year 2016 Actual</u>
Input Indicators			
Budgeted appropriation/expenditures	\$3,237,400	\$4,100,000	\$1,519,100
License applications received	873	828	836
Insurance applications received	487	475	459
Eligible remedial and insurance claims filed	699	699	699
Output Indicators			
Licenses in force	868	828	829
Insurance policies in force	483	475	455
Eligible remedial and insurance claims closed	513	517	515
Open remedial claims	186	N/A	184
Remedial claims with payments made	677	N/A	678
Open insurance claims	0	N/A	0
Insurance claims with payments made	1	N/A	1
Efficiency/Cost Effectiveness Indicators			
Cost per license application	\$106	\$107	\$107
Cost per insurance application	\$107	\$108	\$107
Cost per eligible claim filed	\$776	\$800	\$518

Note: N/A denotes that no Fiscal Year 2016 targets were established by the Council for this output indicator.