

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

COMPLIANCE EXAMINATION

For the Year Ended June 30, 2017

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
 COMPLIANCE EXAMINATION  
 For the Year Ended June 30, 2017

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STATE OF ILLINOIS  
**DRYCLEANER ENVIRONMENTAL RESPONSE**  
**TRUST FUND COUNCIL**  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2017

**AGENCY OFFICIALS**

Chair	Mr. John Polak
Administrator	Williams & Company Consulting, Inc.

**COUNCIL MEMBERS**

Member	Mr. Young B. Kim	Term Expired May 1, 2007
Member	Mr. John Polak	Term Expired May 1, 2008
Member	Mr. John Bredenkamp	Term Expired May 1, 2015
Member	Mr. Daniel Kim	Term Expired May 1, 2016
Member (03/13/17 – Present)	Mr. Dae Kim	Term Expires May 1, 2018
Member (07/01/16 – 03/12/17)	Mr. Paul K. Kwak	
Member (02/27/17 – Present)	Mr. Robert Dunham	Term Expires May 1, 2018
Member (07/01/16 – 02/26/17)	Mr. Jerome Lewicki	
Member	Mr. Sung Do Kang	Term Expires May 1, 2019

The Council's offices are located at:

814 Pierce Street  
Sioux City, Iowa 51101

1000 Tower Lane, Suite 140  
Bensenville, Illinois 60106



# DRYCLEANER

ENVIRONMENTAL RESPONSE  
TRUST FUND OF ILLINOIS

## COUNCIL MEMBERS

John Bredenkamp · Sung Do Kang · Robert Dunham · Dae Kim · Daniel Kim · Young B. Kim · John Polak

### STATE COMPLIANCE EXAMINATION

### MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino  
Auditor General  
Iles Park Plaza  
740 East Ash Street  
Springfield, Illinois 62703-3154

FEB 14 2018

Auditor 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. 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 Drycleaner Environmental Response Trust Fund Council's compliance with the following assertions during the year ended June 30, 2017. Based on this evaluation, we assert that during the year ended June 30, 2017, the Drycleaner Environmental Response Trust Fund Council has materially complied with the assertions below.

- A. The 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 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 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 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.

Yours truly,

Drycleaner Environmental Response Trust Fund Council

**SIGNED ORIGINAL ON FILE**

John Polak, Chair

**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, 2017

**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 Report</u>	<u>Prior 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>
FINDINGS (STATE COMPLIANCE)			
2017-001	7	Expired Council Member Appointments	Noncompliance

**EXIT CONFERENCE**

The Council waived a formal exit conference in correspondence dated January 29, 2018, from Dorcee Lauen, a manager at the Council’s third-party administrator. The Council’s response to the recommendation was provided by Dorcee Lauen, a manager at the Council’s third-party administrator in a correspondence dated February 14, 2018.

SPRINGFIELD OFFICE:

ILES PARK PLAZA  
740 EAST ASH • 62703-3154  
PHONE: 217/782-6046

FAX: 217/785-8222 • TTY: 888/261-2887  
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. • SUITE 5-900  
160 NORTH LASALLE • 60601-3103

PHONE: 312/814-4000  
FAX: 312/814-4006

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, 2017. 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 (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 State of Illinois, Drycleaner Environmental Response Trust Fund Council complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Drycleaner Environmental Response Trust Fund Council complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide 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, 2017. 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 2017-001.

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. The State of Illinois, Drycleaner Environmental Response Trust Fund Council's response was not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the response.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **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. 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 purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **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, 2017, in Schedules 1 through 3 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, 2017, accompanying supplementary information in Schedules 1 through 3. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2016, accompanying supplementary information in Schedules 2 and 3 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK, CPA  
Director of Financial and Compliance Audits

Springfield, Illinois  
February 14, 2018

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
 For the Year Ended June 30, 2017

2017-001. **FINDING** (Expired Council Member Appointments)

The Drycleaner Environmental Response Trust Fund Council (Council) has several members serving on expired terms.

During testing, we noted Council member appointments or reappointments had not been made as required by the Drycleaner Environmental Response Trust Fund Act (Act) for four of the seven Council member positions (57%). The following chart depicts the amount of time passed as of June 30, 2017, after each noted Council member’s term expired:

Member #1	Term Expired May 1, 2007	3,713 Days
Member #2	Term Expired May 1, 2008	3,347 Days
Member #3	Term Expired May 1, 2015	791 Days
Member #4	Term Expired May 1, 2016	425 Days

The Act (415 ILCS 135/15(a)) requires the Council be comprised of seven voting members appointed by the Governor to three-year terms.

Council officials stated the Council has continued to make attempts to reach out to the Governor’s Office regarding reappointments for expired members. In addition, since the Council’s last examination, the Governor appointed two new members and reappointed one member to the Council.

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 a reevaluation of the Council’s membership every three years. (Finding Code No. 2017-001, 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, 2017

**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 2017

- 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 Operations (Not Examined):

- Council Functions and Planning Program (Not Examined)

- Analysis of Significant Variations in Expenditures (Not Examined)

- Analysis of Significant Variations in Receipts (Not Examined)

- Analysis of Significant Lapse Period Spending (Not Examined)

- Analysis of Accounts Receivable (Not Examined)

- Budget Impasse Disclosures (Not Examined)

- Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)

- Interest Costs on 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, 2017, accompanying supplementary information in Schedules 1 through 3. 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  
 COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
 Expenditure Authority for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

Public Act 99-0524 FISCAL YEAR 2017	Expenditure Authority	Expenditures Through June 30	Lapse Period		Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
			Expenditures July 1 to September 30	Expenditures September 30		
	\$ 4,100,000	\$ 1,847,978	\$ 298,828	\$ 2,146,806	\$ 1,953,194	
<b>GRAND TOTAL</b>	<b>\$ 4,100,000</b>	<b>\$ 1,847,978</b>	<b>\$ 298,828</b>	<b>\$ 2,146,806</b>	<b>\$ 1,953,194</b>	

DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 548

For use in accordance with the Drycleaner Environmental Response Trust Fund Act

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, 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: Public Act 99-0524 authorized 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 submitted against its Fiscal Year 2017 appropriation.
- Note 4: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Council to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 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 from Fiscal Year 2016 and Fiscal Year 2017 held by the Council to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

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

	Fiscal Year	
	2017	2016
	P.A. 99-0524	P.A. 99-0524
<b>APPROPRIATED FUNDS</b>		
<b>Drycleaner Environmental Response</b>		
<b>Trust Fund - 548</b>		
Appropriations	\$ 4,100,000	\$ 4,100,000
Expenditures		
For use in accordance with the Drycleaner Environmental Response Trust Fund Act	\$ 2,146,806	\$ 1,519,112
Total Expenditures	\$ 2,146,806	\$ 1,519,112
Lapsed Balances	\$ 1,953,194	\$ 2,580,888

- Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, 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: Public Act 99-0524 authorized the Council to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations 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 submitted against its Fiscal Year 2017 appropriation.
- Note 4: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Council to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 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 from Fiscal Year 2016 and Fiscal Year 2017 held by the Council to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 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 Year Ended June 30,

**Drycleaner Environmental Response**

**Trust Fund - 548**

	2017	2016
Insurance premiums	\$ 484,314	\$ 533,626
Solvent supplier penalty fees	1,000	4,500
Late payment fees	14,562	22,102
Total cash receipts per Council	499,876	560,228
Less - In transit at End of Year	\$ (47,717)	\$ (52,563)
Plus - In transit at Beginning of Year	52,563	82,233
Total cash receipts per State Comptroller's Records	\$ 504,722	\$ 589,898

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**COUNCIL FUNCTIONS AND PLANNING PROGRAM**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

**COUNCIL FUNCTIONS**

The Drycleaner Environmental Response Trust Fund Council (Council) was created on 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 within the State.

Beginning in January 1998, all active drycleaning facilities within the State 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 recordkeeping, 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 dry cleaning facility, one member is to represent wholesale distributors of dry cleaning 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**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

**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 2017, the Council's financial projections for the period of July 1, 2017, through the Fund's sunset date of January 1, 2020, indicated the Fund would have program deficits of approximately \$17,920,896 based on program assumptions as of July 1, 2017. 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, 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, a sales tax on drycleaners, and a contribution by real estate owners. The Administrator will provide to the General Assembly all necessary facts and figures for these issues.

Senate Bill 1648 was introduced February 9, 2017. This Senate Bill would transfer the powers, duties, rights, and responsibilities of the Council to the Environmental Protection Agency on July 1, 2018. However, this Senate Bill has stalled due to more pressing legislative issues.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016**

**Drycleaner Environmental Response Trust Fund – 548**

The increase in expenditures was due to the timing of when the Fund received an appropriation for Fiscal Year 2016 and Fiscal Year 2017. Because there were no Fiscal Year 2016 appropriations until the passage of Public Act 99-0524 on June 30, 2016, consultants reduced or ceased work on environmental cleanups during Fiscal Year 2016. Work began again in July 2016, which led to an increase in claim costs during Fiscal Year 2017.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016**

**Drycleaner Environmental Response Trust Fund - 548**

Solvent Supplier Penalty Fees

The decrease in solvent supplier penalties during Fiscal Year 2017 was due to a solvent supplier paying its final quarterly payment to the Council in August 2016.

Late Payment Fees

The decrease in late payment fees during Fiscal Year 2017 was due to fewer drycleaners paying late fees. During Fiscal Year 2016, 74 drycleaners paid late fees. During Fiscal Year 2017, 64 drycleaners paid late fees.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

There were no significant expenditures incurred during the Lapse Period during Fiscal Year 2017.

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

(Not Examined)

<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 548</u>	Fiscal Year	
	2017	2016
Current	\$ -	\$ -
31-90 days	-	10,925
91-180 days	-	-
Over 180 days	376,702	364,006
<b>GROSS RECEIVABLES</b>	<b>\$ 376,702</b>	<b>\$ 374,931</b>
Less estimated uncollectibles	(376,702)	(374,931)
<b>NET RECEIVABLES</b>	<b>\$ -</b>	<b>\$ -</b>

**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 Penalty Fees

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 their 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, 2017

(Not Examined)

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 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.

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. 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  
COMPLIANCE EXAMINATION  
**BUDGET IMPASSE DISCLOSURES**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

Article 74 of Public Act 99-0524 authorized the 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 did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs.

In addition, Article 998 of Public Act 100-0021 authorized the Council to pay its unpaid Fiscal Year 2016 and Fiscal Year 2017 costs using either the Council's Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Council did not have any outstanding invoices from Fiscal Year 2017 unpaid after the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017. Therefore, the Council did not use its Fiscal Year 2017 appropriations to pay its Fiscal Year 2016 costs and does not intend to use either its Fiscal Year 2017 or Fiscal Year 2018 appropriations to pay its Fiscal Year 2016 or Fiscal Year 2017 costs.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND  
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Council and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2017.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Council's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2017.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**INTEREST COSTS ON INVOICES**  
For the Year Ended June 30, 2017

(NOT EXAMINED)

Prompt Payment Interest Costs

The Council did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The Council's vendors were either paid within 90 days or paid from funds and accounts that are ineligible for prompt payment interest due to vendors under the Act.

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
 COMPLIANCE EXAMINATION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
 For the Year Ended June 30, 2017

(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 2016 Actual</u>	<u>Fiscal Year 2017 Target</u>	<u>Fiscal Year 2017 Actual</u>
<b>Input Indicators</b>			
Budgeted appropriation/expenditures	\$1,519,112	\$4,100,000	\$2,146,806
License applications received	836	804	787
Insurance applications received	459	450	432
Eligible remedial and insurance claims filed	699	699	700
<b>Output Indicators</b>			
Licenses in force	829	804	783
Insurance policies in force	455	450	428
Eligible remedial and insurance claims closed	515	525	537
Open remedial claims	184	N/A	162
Remedial claims with payments made	678	N/A	678
Open insurance claims	0	N/A	1
Insurance claims with payments made	1	N/A	1
<b>Efficiency/Cost Effectiveness Indicators</b>			
Cost per license application	\$107	\$108	\$108
Cost per insurance application	\$107	\$108	\$109
Cost per eligible claim filed	\$518	\$800	\$605

Note: N/A denotes that no Fiscal Year 2017 targets were established by the Council for this output indicator.