

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL

COMPLIANCE EXAMINATION

For the Year Ended June 30, 2020

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND COUNCIL
 COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2020

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STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2020

COUNCIL OFFICIALS

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

COUNCIL MEMBERS

Member (7/1/19 – 6/30/20)	Mr. Young B. Kim
Member (7/1/19 – 6/30/20)	Mr. John Polak
Member (7/1/19 – 6/30/20)	Mr. Daniel Kim
Member (7/1/19 – 6/30/20)	Ms. Jemma Jones
Member (7/1/19 – 6/30/20)	Mr. Robert Dunham
Member (7/1/19 – 6/30/20)	Mr. Sung Do Kang

Effective July 1, 2020, Public Act 101-0400 transferred all powers, duties, rights, and responsibilities of the Drycleaner Environmental Response Trust Fund Council (Council) to the Environmental Protection Agency (Agency).

The Agency's primary administrative office is located at:

1021 North Grand Avenue East
Springfield, Illinois 62794



MANAGEMENT ASSERTION LETTER

August 24, 2020

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

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 State of Illinois, 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 specified requirements during the one-year period ended June 30, 2020. Based on this evaluation, we assert that during the year ended June 30, 2020, the Council has materially complied with the specified requirements listed 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,

State of Illinois, 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
 STATE COMPLIANCE EXAMINATION
 For the Year Ended June 30, 2020

COMPLIANCE REPORT

SUMMARY

Effective July 1, 2020, Public Act 101-0400 transferred all powers, duties, rights, and responsibilities of the Drycleaner Environmental Response Trust Fund Council (Council) to the Environmental Protection Agency (Agency).

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and 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>Prior</u>
	<u>Report</u>	<u>Report</u>
Findings	0	1
Repeated Findings	0	1
Prior Recommendations Implemented or Not Repeated	1	0

SCHEDULE OF FINDINGS

<u>Item No.</u>	<u>Page</u>	<u>Last/First</u> <u>Reported</u>	<u>Description</u>	<u>Finding Type</u>
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PRIOR FINDINGS NOT REPEATED

A	7	2019/2007	Expired Council Member Appointments
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EXIT CONFERENCE

The Council’s management waived a formal exit conference in correspondence from John Polak, Chairman, on August 21, 2020.

SPRINGFIELD OFFICE:

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740 EAST ASH • 62703-3154
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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

and

Governing Board
Drycleaner Environmental Response Trust Fund Council

Compliance

We have examined compliance by the State of Illinois, Drycleaner Environmental Response Trust Fund Council (Council) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the year ended June 30, 2020. Management of the Council is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Council's compliance with the specified requirements based on our examination.

The specified requirements are:

- 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.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Council complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Council complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the Council's compliance with the specified requirements.

In our opinion, the Council complied with the specified requirements during the year ended June 30, 2020, in all material respects.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Council is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Council's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Council's compliance with the specified requirements and to test and report on the Council's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

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

combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our examination, we did not identify any deficiencies in internal control 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 is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on the Council's compliance with the specified requirements. The accompanying supplementary information for the year ended June 30, 2020, in Schedules 1 through 4 and the Analysis of Operations section are presented for purposes of additional analysis. Such information is the responsibility of Council management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the year ended June 30, 2020, in Schedules 1 through 4. We have not applied procedures to the accompanying supplementary information for the year ended June 30, 2019, in Schedules 2 through 4 and in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 through 4 or the Analysis of Operations Section.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
August 24, 2020

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
SCHEDULE OF FINDINGS – NOT REPEATED FINDING
For the Year Ended June 30, 2020

A. **FINDING** (Expired Council Member Appointments)

During the prior examination, the Drycleaner Environmental Response Trust Fund Council (Council) had several members serving on expired terms as well as a vacancy.

During the current examination, the Council was dissolved on June 30, 2020. Effective July 1, 2020, Public Act 101-0400 transferred all powers, duties, rights, and responsibilities of the Council to the Illinois Environmental Protection Agency. As a result, this finding was deemed no longer relevant to the Council. (Finding Code No. 2019-001, 2018-001, 2017-001, 2016-001, 2015-001, 2014-001, 2013-001, 12-1, 11-1, 10-1, 09-1, 08-2, 07-3)

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND COUNCIL
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES
 Expenditure Authority for Fiscal Year 2020

For the Twelve Months Ended June 30, 2020

Public Act 100-0007	Appropriations	Expenditures Through June 30	Balances Transferred June 30	Balances Lapsed June 30
FISCAL YEAR 2020				
APPROPRIATED FUND				
Drycleaner Environmental Response Trust Fund - 548				
For use in accordance with the Drycleaner Environmental Response Trust Fund Act	\$ 3,200,000	\$ 1,874,433	\$ 1,325,567	\$ -
GRAND TOTAL	\$ 3,200,000	\$ 1,874,433	\$ 1,325,567	\$ -

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Council's records and have been reconciled to the State Comptroller's records as of June 30, 2020.

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 101-0400 abolished the Council, effective July 1, 2020. All of the Council's unexpended appropriations, balances, and other funds were transferred to the Environmental Protection Agency.

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

For the Fiscal Year Ended June 30,

	<u>2020</u>	<u>2019</u>
APPROPRIATED FUND		
Drycleaner Environmental Response Trust Fund - 548		
Expenditure Authority	\$ 3,200,000	\$ 3,200,000
Expenditures:		
For use in accordance with the Drycleaner Environmental Response Trust Fund Act	\$ 1,874,433	\$ 2,095,941
Total Expenditures	\$ 1,874,433	\$ 2,095,941
Balances Transferred	\$ 1,325,567	\$ -
Balances Lapsed	\$ -	\$ 1,104,059

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the Council's records and have been reconciled to the State Comptroller's records as of June 30, 2020.

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 101-0400 abolished the Council, effective July 1, 2020. All of the Council's unexpended appropriations, balances, and other funds were transferred to the Environmental Protection Agency.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
**COMPARATIVE SCHEDULE OF NET EXPENDITURES
 BY MAJOR ACTIVITY**

For the Fiscal Year Ended June 30,

	2020	2019
EXPENDITURE STATISTICS		
All State Treasury Funds		
Total Operations Expenditures:	\$ 608,857	\$ 685,980
Percentage of Total Expenditures:	32.5%	32.7%
Total Awards and Grants Expenditures:	\$ 1,255,535	\$ 1,406,032
Percentage of Total Expenditures:	67.0%	67.1%
Total Refund Expenditures:	\$ 10,041	\$ 3,929
Percentage of Total Expenditures:	0.5%	0.2%
GRAND TOTAL - ALL EXPENDITURES:	\$ 1,874,433	\$ 2,095,941

Note 1: Expenditure amounts were obtained from the Council's records and have been reconciled to the State Comptroller's records as of June 30, 2020.

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

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
**COMPARATIVE SCHEDULE OF CASH RECEIPTS
 AND DEPOSITS INTO THE STATE TREASURY**

For the Fiscal Year Ended June 30,

	2020	2019
STATE TREASURY FUND		
Drycleaner Environmental Response		
Trust Fund - 548		
Receipt Sources:		
Insurance premiums	\$ 392,036	\$ 406,356
Solvent suppliers penalties fees	500	-
Late payment fees	20,718	23,535
Interest	-	1,724
Prior year refunds	-	-
Total Receipts, per the Council's Records	\$ 413,254	\$ 431,615
Receipts, per the Council's Records	\$ 413,254	\$ 431,615
Deposits in Transit, Beginning of the Fiscal Year	41,060	57,638
Deposits in Transit, End of the Fiscal Year	59,822	41,060
Deposits, Recorded by the State Comptroller	\$ 394,492	\$ 448,193

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2020

(NOT EXAMINED)

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 dry cleaning solvent contamination. The Council administered a mandatory license program, a remediation program, and a voluntary insurance program for all retail drycleaning facilities within the State.

Beginning 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 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 established a program to offer insurance to drycleaner facilities to insure against solvent release cleanup costs subsequent to June 30, 2006.

While the Council was ultimately responsible for administering the Fund, it contracted with Williams & Company Consulting, Inc. (Administrator) to provide third party administrative services. The Administrator was responsible for all administrative and fiscal duties, under the oversight of the Council. These services included accounting and record keeping, as well as receipt and processing of applications for licensure, insurance coverage, and remedial claims.

The Act required 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
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2020

(NOT EXAMINED)

Functions (continued)

Senate Bill 171 passed both houses of the General Assembly on May 27, 2019. The bill was signed by the Governor on August 16, 2019 as Public Act 101-0400. This law:

- 1) transferred the Council's powers, duties, rights, and responsibilities to the Environmental Protection Agency as of July 1, 2020;
- 2) limited administrative costs paid from the Fund;
- 3) required the prioritization of expenditures from the Fund in accordance with rules to be adopted by the Pollution Control Board;
- 4) established an additional administrative assessment fee;
- 5) established criminal penalties for false statements;
- 6) abolished the Council on July 1, 2020;
- 7) prohibited the Council from extending the Administrator's contract beyond June 30, 2020; and,
- 8) extended the sunset date of the Fund to January 1, 2030.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
ANALYSIS OF OPERATIONS
 For the Year Ended June 30, 2020

(NOT EXAMINED)

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

	<u>Fiscal Year 2019 Actual</u>	<u>Fiscal Year 2020 Target</u>	<u>Fiscal Year 2020 Actual</u>
Input Indicators			
Budgeted appropriation/expenditures	\$2,095,900	\$3,200,000	\$1,874,433
Output Indicators			
License applications received	678	626	623
Insurance applications received	366	350	333
Eligible remedial and insurance claims filed	702	702	703
New claims received	2	0	2
Total open claims	149	142	137
Outcome Indicators			
Licenses in force	676	626	623
Insurance policies in force	363	350	331
Eligible remedial and insurance claims closed	553	560	566
New claims filed	2	0	0
Eligible remedial and insurance claims open	149	142	137
Open remedial claims	147	N/A*	135
Remedial claims with payments made	678	N/A*	678
Open insurance claims	2	N/A*	2
Insurance claims with payments made	2	N/A*	3
Efficiency/Cost Effectiveness Indicators			
Cost per license application	\$111	\$112	**
Cost per insurance application	\$111	\$112	**
Cost per eligible claim filed	\$885	\$925	**

* N/A denotes that no Fiscal Year 2020 targets were established by the Council for this outcome indicator.

** The Council did not maintain this information for Fiscal Year 2020.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2020

(NOT EXAMINED)

Fiscal Year 2020 Compared to Fiscal Year 2019

Drycleaner Environmental Response Trust Fund – 548

The Council did not have any significant variations in expenditures.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS
For the Year Ended June 30, 2020

(NOT EXAMINED)

Fiscal Year 2020 Compared to Fiscal Year 2019

Drycleaner Environmental Response Trust Fund - 548

Solvent Supplier Penalty Fees

The increase in solvent supplier penalty fees during Fiscal Year 2020 is due to an increase in the amount of issued fees. These fees are expected to fluctuate from year to year based on civil penalties assessed by the Council for violations of the Drycleaner Environmental Response Trust Fund Act.

Interest

The decrease in interest during Fiscal Year 2020 was due to a judgement that was ordered in Fiscal Year 2019. No such judgements were made in Fiscal Year 2020.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Year Ended June 30, 2020

(NOT EXAMINED)

Fiscal Year 2020

Drycleaner Environmental Response Trust Fund – 548

Per Public Act 101-0400, the Council was abolished effective July 1, 2020. Therefore, there were no instances of Lapse Period spending during Fiscal Year 2020.