

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

COMPLIANCE EXAMINATION

For the Year Ended June 30, 2007

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2007

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For the Year Ended June 30, 2007

COUNCIL MEMBERS

John Polak, Chairman	(Term expires May 1, 2008)
David Gibson	(Term expired May 1, 2007)
Young B. Kim	(Term expired May 1, 2007)
Paul K. Kwak	(Term expired May 1, 2007)
Charles Kwon	(Term expired May 1, 2007)
John Bredenkamp	(Term expired May 1, 2006)
Jerome Lewicki	(Term expired May 1, 2006)

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



MANAGEMENT ASSERTION LETTER

April 28, 2008

Office of the Auditor General
115 Park Plaza
740 East Ash Street
Springfield, Illinois 62703

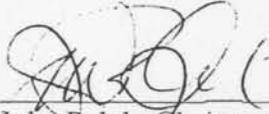
Ladies and Gentlemen:

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 Agency. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the one-year period ended June 30, 2007. Based on this evaluation, we assert that during the year ended June 30, 2007, the Agency has materially complied with the assertions below.

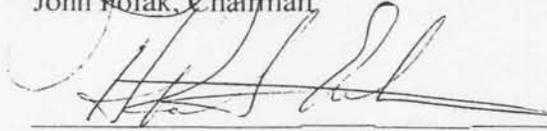
- A. The agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received and used public funds of the State in accordance with any limitations,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

Yours very truly,

Drycleaner Environmental Response Trust Fund Council of Illinois



John Rolak, Chairman



H. Patrick Eriksen, Administrator Representative

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
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For the Year Ended June 30, 2007

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.

ACCOUNTANTS' REPORT

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	3	2
Repeated findings	2	0
Prior recommendations implemented or not repeated	0	0

SCHEDULE OF FINDINGS

FINDINGS (STATE COMPLIANCE)

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
07-1	9	Failure to enforce statutory timeframes for payment requests
07-2	11	Failure to adopt rules regarding the retention of records
07-3	12	Expired Council member appointments

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For the Year Ended June 30, 2007

EXIT CONFERENCE

Council representatives waived a formal exit conference in correspondence dated April 21, 2008 from H. Patrick Eriksen, Third Party Administrator representative. Responses to the recommendations were provided by H. Patrick Eriksen on April 28, 2008.

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OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

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

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the Drycleaner Environmental Response Trust Fund Council'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, 2007. The management of the Drycleaner Environmental Response Trust Fund Council is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Drycleaner Environmental Response Trust Fund Council's compliance based on our examination.

- 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.
- E. Money or negotiable securities or similar assets handled by the Drycleaner Environmental Response Trust Fund Council on behalf of the State or held in trust by the Drycleaner Environmental Response Trust Fund Council have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Drycleaner Environmental Response Trust Fund Council'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 Drycleaner Environmental Response Trust Fund Council's compliance with specified requirements.

In our opinion, the Drycleaner Environmental Response Trust Fund Council complied, in all material respects, with the aforementioned requirements listed in the first paragraph of this report during the year ended June 30, 2007. However, the results of our procedures disclosed instances of noncompliance, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of State findings as findings 07-1, 07-2 and 07-3. There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

Internal Control

The management of the 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 Drycleaner Environmental Response Trust Fund Council's internal control over compliance with the requirements listed in the first paragraph of this report in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Drycleaner Environmental Response Trust Fund Council's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Drycleaner Environmental Response Trust Fund Council's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with the requirements listed in the first paragraph of this report on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to

comply with the requirements listed in the first paragraph of this report such that there is more than a remote likelihood that noncompliance with a requirement that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 07-1 and 07-2 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings to be material weaknesses. Additionally, the results of our procedures disclosed another matter involving internal control over compliance, which is required to be reported in accordance with criteria established by the Audit Guide issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings as finding 07-3.

There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

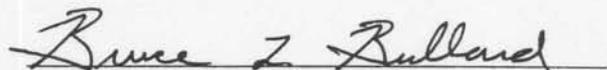
The Drycleaner Environmental Response Trust Fund Council's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the Drycleaner Environmental Response Trust Fund Council's responses and, accordingly, we express no opinion on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

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2007 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2006 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

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


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

April 28, 2008

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

07-1. **FINDING** (Failure to enforce statutory timeframes for payment requests)

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

The Council reimburses drycleaner facilities for costs of remedial action in the event of solvent releases that occurred in Fiscal Years 1998 through 2006. During testing of remedial claims, we noted 20 of 35 (57%) vouchers tested, totaling \$305,972, contained invoices and bills that were submitted to the Council from 4 to 888 days late.

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

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

Failure to require claimants to submit invoices within 30 days after the remediation work has been performed is noncompliance with the Act by extending the statutory timeframe for eligible reimbursements. (Finding Code No. 07-1, 06-1)

RECOMMENDATION

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

COUNCIL RESPONSE

The Council is seeking a legislative remedy to eliminate the statutory 30-day requirement. When the Council became aware of the non-compliance finding in April

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COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current findings – continued

2007, they took action at their April 24, 2007 Council meeting by passing a motion to seek legislation to eliminate the requirement.

Legislation was introduced in March 2008 which would eliminate the 30-day requirement.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current findings – continued

07-2. **FINDING** (Failure to adopt rules regarding the retention of records)

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

The Council did not adopt rules specifically addressing the requirement for the retention of records by an owner or operator of a drycleaning facility and the periods for which the records must be retained. The Council licensed 1,239 drycleaning facilities and issued 712 insurance policies during Fiscal Year 2007.

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

Council representatives stated that the retention of records is implied by the license and insurance application processes and forms because drycleaner owners and operators are required to submit copies of records annually to receive or renew licenses and insurance policies. Officials further stated that rule amendments have been drafted to comply with the Act, and will be submitted to the Joint Committee on Administrative Rules in the future.

Failure to adopt rules related to record retention is noncompliance with the Act. Additionally, formal administrative rules can help protect agencies from legal challenges and give additional legitimacy to agency actions and agency requests of external parties. (Finding Code No. 07-2, 06-2)

RECOMMENDATION

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

COUNCIL RESPONSE

The Council has filed amended rules with the Secretary of State's office to further clarify the record retention requirements as they pertain to the licensing and the insurance application processes, the filing of claims and the filing of appeals with the Council.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Current findings – continued

07-3. **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 FY07, the appointed terms had expired for six of seven (86%) of the Council members. The appointed terms expired on May 1, 2006 for two Council members and on May 1, 2007 for four Council members. The term of the remaining Council member will expire on May 1, 2008.

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

Council administration stated they had spoken with the Governor's Office inquiring into the status of appointments, but had not yet received any reappointments or new appointments from the Governor.

Although Council members are allowed to continue to serve past their terms until new appointments are made, lack of current appointments or reappointments fails to satisfy Act provisions for re-evaluation of Council membership every three years. (Finding Code No. 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

The Council will continue to make contacts with the Governor's Office to obtain current appointments for the terms that have expired. After making the contacts, however, the appointments are out of the Council's control.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
SCHEDULE OF FINDINGS
For the Year Ended June 30, 2007

Prior Findings Not Repeated

There were no prior findings not repeated noted during the compliance examination for the year ended June 30, 2007.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2007

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

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

- Fiscal Schedules and Analysis:

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

- Analysis of Operations:

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

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

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

For the Fiscal Year Ended June 30, 2007

P.A. 94-798 FISCAL YEAR 2007	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
<u>APPROPRIATED FUNDS</u>					
DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 0548					
For Use In Accordance with the Drycleaner Environmental Response Trust Fund Act	\$ 7,000,000	\$ 3,108,939	\$ 408,579	\$ 3,517,518	\$ 3,482,482
GRAND TOTAL - ALL FUNDS	<u><u>\$ 7,000,000</u></u>	<u><u>\$ 3,108,939</u></u>	<u><u>\$ 408,579</u></u>	<u><u>\$ 3,517,518</u></u>	<u><u>\$ 3,482,482</u></u>

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

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

	Fiscal Year	
	2007	2006
DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 0548	P.A. 94-798	P.A. 94-0015
Appropriations (Net of Transfers)	<u>\$ 7,000,000</u>	<u>\$ 7,022,120</u>
<u>Expenditures</u>		
For Use in Accordance with the Drycleaner Environmental Response Trust Fund Act	<u>\$ 3,517,518</u>	<u>\$ 5,361,299</u>
Total Expenditures	<u>\$ 3,517,518</u>	<u>\$ 5,361,299</u>
Lapsed Balances	<u>\$ 3,482,482</u>	<u>\$ 1,660,821</u>

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

<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 0548</u>	Fiscal Year	
	<u>2007</u>	<u>2006</u>
Receipts per agency records	\$ 1,042,332	\$ 1,165,322
Plus: deposits in transit, beginning of year	233,536	232,842
Less: deposits in transit, end of year	<u>(205,845)</u>	<u>(233,536)</u>
Deposits Recorded by the Comptroller	<u><u>\$ 1,070,023</u></u>	<u><u>\$ 1,164,628</u></u>

<u>Reconciliation of Fund Receipts</u>	Fiscal Year	
	<u>2007</u>	<u>2006</u>
Insurance premiums collected	\$ 1,026,200	\$ 1,119,800
Late payment fees and miscellaneous	<u>43,823</u>	<u>44,828</u>
Total deposits recorded by the Comptroller deposited by the Drycleaner Council	<u><u>\$ 1,070,023</u></u>	<u><u>\$ 1,164,628</u></u>
License fees collected	\$ 2,564,633	\$ 1,253,957
Solvent taxes collected	<u>979,683</u>	<u>1,063,868</u>
Total deposits recorded by the Comptroller deposited by the Department of Revenue	<u><u>\$ 3,544,316</u></u>	<u><u>\$ 2,317,825</u></u>
Interest income recorded by the Comptroller and deposited by the State Treasurer	<u><u>\$ 198,805</u></u>	<u><u>\$ 178,958</u></u>
Total Deposits to the Drycleaner Environmental Response Trust Fund (Fund 0548)	<u><u>\$ 4,813,144</u></u>	<u><u>\$ 3,661,411</u></u>

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
 COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
 For the Year Ended June 30, 2007

The Council expended its lump sum appropriations as follows:

<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	<u>FISCAL YEAR</u>	
	<u>2007</u>	<u>2006</u>
Contractual Services	\$ 789,978	\$ 912,448
Travel	2,606	2,438
Awards and Grants (Claims Payments)	2,694,659	4,424,205
Refunds	<u>30,275</u>	<u>22,208</u>
Total Expenditures	<u>\$ 3,517,518</u>	<u>\$ 5,361,299</u>

A comparative schedule of significant variations in expenditures (fluctuations of 20% or more) for the fiscal year ended June 30, 2007 are shown below:

	<u>FISCAL YEAR ENDED</u>		<u>INCREASE</u>	
	<u>JUNE 30,</u>		<u>(DECREASE)</u>	
	<u>2007</u>	<u>2006</u>	<u>AMOUNT</u>	<u>%</u>
Awards and Grants (Claims Payments)	\$2,694,659	\$4,424,205	(\$1,729,546)	(39%)
Refunds	\$30,275	\$22,208	\$8,067	36%

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL
YEARS 2007 AND 2006**

Drycleaner Environmental Response Trust Fund - 0548

Claims Payments

The decrease in claims payments was due to funding limitations and claims prioritization being implemented effective April 1, 2006. At that time, the Council limited payments to claims that had been funded based on the priority of the claimants site and on budgets that had been approved prior to prioritization.

STATE OF ILLINOIS
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COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Year Ended June 30, 2007

Claims Payments (Continued)

According to the Illinois Administrative Code, prioritization is based upon Fund limitations. The Fund is not liable to satisfy a remedial action claim award when paying the award would require the Fund to exceed its then current funding limitations. The Council may prioritize claim expenditures from the remedial action account if there are not sufficient funds to settle all current claims. (35 Ill. Adm. Code 1500.40(g))

Refunds

The increase in refund expenditures was due to an increase in refunds for insurance policies. The Council received more applications for new insurance policies but returned many applications because either the drycleaner failed to meet underwriting requirements or the drycleaner requested the application be returned. Accordingly, the insurance premium payment was refunded.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
 COMPLIANCE EXAMINATION
ANALYSIS OF ACCOUNTS RECEIVABLE
 June 30, 2007 and 2006
 (Expressed in Thousands)

	Fiscal Year	
<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	2007	2006
Current	\$ 0	\$ 0
31-90 days	0	0
91-180 days	0	1
Over 180 days	16	16
GROSS RECEIVABLES	16	17
Less estimated uncollectibles	(16)	(16)
NET RECEIVABLES	\$ 0	\$ 1

ANALYSIS OF ACCOUNTS RECEIVABLE

Late payment fee receivable

Pursuant to statutory authority, the Council assesses a late payment fee of \$5 per day for all license fees received subsequent to the due date. For some drycleaners, the late fees are significant and payment would represent a financial hardship to the facility. To provide a financially viable alternative to such facilities, the Council will enter into a longer term payment arrangement with the facility requiring payment of the total late fee balance. At June 30, 2007 and 2006, the total unpaid late fees under payment arrangements approximated \$16,000 and \$17,000 respectively. To the extent the drycleaners are allowed such payment terms and are making payments as scheduled, the entire receivable balance is considered current. An allowance for doubtful accounts of \$16,000 at June 30, 2007 was reported.

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2007

COUNCIL FUNCTIONS AND PLANNING PROGRAM

The Drycleaner Environmental Response Trust Fund Council (Council) was created August 19, 1997 by the Drycleaner Environmental Response Trust Fund Act (Act) (415 ILCS 135/1 *et. seq.*). 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, 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 occurred after July 1, 1997 and prior to July 1, 2006. In addition, the Council has established a program to offer insurance to drycleaner facilities to insure against solvent release cleanup costs subsequent to June 30, 2006.

While the Council is ultimately responsible for administering the Fund, 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 is 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. The seven individuals serving on the Council at June 30, 2007, and their respective appointment expiration date were as follows:

STATE OF ILLINOIS
DRYCLEANER ENVIRONMENTAL RESPONSE
TRUST FUND COUNCIL
COMPLIANCE EXAMINATION
ANALYSIS OF OPERATIONS
For the Year Ended June 30, 2007

John Polak, Chairman	May 1, 2008
David Gibson	May 1, 2007
Young B. Kim	May 1, 2007
Paul Kwak	May 1, 2007
Charles Kwon	May 1, 2007
John Bredenkamp	May 1, 2006
Jerome Lewicki	May 1, 2006

PLANNING

The Council's planning activities include program reviews performed on an on-going basis by the administrator. These reviews are discussed at regular Council meetings and annual strategic planning sessions. 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.

The Council's Fund financial projections prepared during FY06 indicated projected Fund deficits of approximately \$21.5 million at the Fund's original sunset date of January 1, 2010, based on FY06 program assumptions. Based on the Council's program assumptions at December 31, 2006, the projected deficit was reduced to approximately \$2 million due to adjusted revenue stream assumptions, primarily reflecting an increase in license fees.

Effective January 1, 2007, the Council increased license fees to help offset the costs of the remedial action program. Required annual license fees currently range from \$1,500 to \$5,000, depending on the quantity of drycleaning solvents purchased by the individual drycleaning facility. During FY07, the Council's Fund financial projections for the period of July 1, 2007 through the Fund's revised sunset date of January 1, 2020, indicated the Fund would have program deficits of approximately \$501,000, based on program assumptions at August 22, 2007.

STATE OF ILLINOIS
 DRYCLEANER ENVIRONMENTAL RESPONSE
 TRUST FUND COUNCIL
 COMPLIANCE EXAMINATION
SERVICE EFFORTS AND ACCOMPLISHMENTS
 For the Year Ended June 30, 2007
 (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 2006 Actual</u>	<u>Fiscal Year 2007 Target</u>	<u>Fiscal Year 2007 Actual</u>
Input Indicators			
Budgeted appropriation/expenditures	\$5,361,299	\$7,000,000	\$3,517,518
License applications received	1,311	1,300	1,272
Insurance applications received	791	750	719
Eligible remedial and insurance claims filed	656	692	699
Output Indicators			
Licenses in force	1,288	1,300	1,239
Insurance policies in force	784	750	712
Eligible remedial and insurance claims closed	88	125	151
Open remedial claims	567	n/a	547
Remedial claims with payments made	609	n/a	666
Open insurance claims	1	n/a	1
Insurance claims with payments made	1	n/a	1
Efficiency/Cost Effectiveness Indicators			
Cost per license application	\$79	\$80	\$81
Cost per insurance application	\$94	\$95	\$97
Cost per eligible claim filed	\$430	\$430	\$351