

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

**COMPLIANCE EXAMINATION**

**For the Year Ended June 30, 2008**

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

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STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

**COUNCIL MEMBERS**

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

**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

Honorable William G. Holland  
Auditor General  
Iles Park Plaza  
740 East Ash Street  
Springfield, IL 62703  
Attention: Lisa Warden, Audit Manager

February 13, 2009

Auditor General Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the 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, 2008. Based on this evaluation, we assert that during the year ended June 30, 2008, the Agency has materially complied with the assertions below.

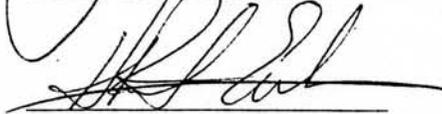
- A. The agency has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The agency has obligated, expended, received and used public funds of the State in accordance with any limitations, 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. 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. 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

A handwritten signature in black ink, appearing to be 'John Polak', written over a horizontal line.

John Polak, Chairman

A handwritten signature in black ink, appearing to be 'Pat Eriksen', written over a horizontal line.

Pat Eriksen, Third Party Administrator

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
 COMPLIANCE EXAMINATION  
 For the Year Ended June 30, 2008

**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	3
Repeated findings	2	2
Prior recommendations implemented or not repeated	1	0

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS (STATE COMPLIANCE)			
08-1	9	Failure to enforce statutory timeframes for payment requests	Significant Deficiency and Noncompliance
08-2	11	Expired Council member appointments	Noncompliance
08-3	12	Inadequate control over accounts receivable	Significant Deficiency and Noncompliance

PRIOR FINDINGS NOT REPEATED

A	14	Failure to adopt rules regarding the retention of records
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STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
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COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

**EXIT CONFERENCE**

Council representative waived a formal exit conference in correspondence dated February 4, 2009 from H. Patrick Eriksen, Third Party Administrator representative. Responses to recommendations were provided by H. Patrick Eriksen in correspondence dated February 11, 2009.

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

FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. • SUITE S-900  
160 NORTH LASALLE • 60601-3103  
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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, 2008. 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 requirements listed in the first paragraph of this report during the year ended June 30, 2008. 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 findings as findings 08-1, 08-2, and 08-3.

### **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 findings 08-1 and 08-3 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.

There were no immaterial findings 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 2008 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 2007 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 Council members 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

February 13, 2009

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2008

08-1. **FINDING** (Failure to enforce statutory timeframes for payment requests)

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

The Council reimburses drycleaner facilities for costs of remedial action in the event of solvent releases that occurred in Fiscal Years 1998 through 2006. During testing of remedial claims, we noted 28 of 35 (80%) vouchers tested, totaling \$723,651, contained invoices and bills that were submitted to the Council from 7 to 570 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 introduced statutory changes to eliminate the 30-day requirement to the General Assembly in 2007. The House of Representatives approved the changes as an amendment to House Bill 2170 in 2008, but the bill was not approved in the Senate before the legislative session expired. Council representatives stated they will reintroduce the changes to the General Assembly in the next legislative session.

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. 08-1, 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.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
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COMPLIANCE EXAMINATION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2008

Current findings – continued

**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 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 (House Bill 2170) which would eliminate the 30-day requirement. The House of Representatives approved the change but the bill was not considered by the Senate before the legislative session expired.

Legislation eliminating the statutory 30-day requirement is currently being drafted and is expected to be filed by mid-February.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2008

Current findings – continued

08-2. **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 FY08, the appointed terms had expired for seven of seven (100%) of the Council members. The appointed terms expired on May 1, 2008 for one Council member, on May 1, 2007 for four Council members, and on May 1, 2006 for two Council members.

The Drycleaner Environmental Response Trust Fund Act (Act) requires 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. 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**

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, 2008

Current findings – continued

08-3. **FINDING** (Inadequate control over accounts receivable)

The Drycleaner Environmental Response Trust Fund Council (Council) of Illinois did not maintain adequate control over the collection and write off of its overdue accounts receivable.

We noted the following:

- The Council did not submit 1 of 3 (33%) accounts receivable representing \$1,646, which was over 90 days past due, to the Comptroller's Offset System.

The Illinois State Collection Act of 1986 (30 ILCS 210/3) requires agencies to aggressively pursue the collection of accounts receivable through all reasonable means. According to the Statewide Accounting Management System (SAMS), Procedure 26.40.20, State agencies should use the Comptroller's Offset when it is determined to be in the best economic interest of the State. While the Comptroller's Office suggests placement of accounts for offset early in the collection process, agencies must place all debts over \$1,000 and more than 90 days past due in the Comptroller's Offset System, unless the agency and debtor enter in a deferred payment plan, the agency demonstrate to the Comptroller's satisfaction that referral of the account to Comptroller's Offset System is not cost effective, or the claim is against a State agency.

Council administration stated they did not send the account to the Comptroller's Offset System due to the Council's continuing efforts to collect the receivable. However, the Council subsequently entered into a deferred payment plan with the debtor on August 21, 2008.

- The Council did not take action to write off 2 of 2 (100%) uncollectible receivables more than five years old, totaling \$16,514.

According to SAMS, Procedure 26.40.80, State agencies may immediately delete debts from its records that are greater than or equal to \$1,000, more than five years old, and have been certified as uncollectible by the Attorney General.

Council administration stated they were not aware of State guidelines to write off accounts receivable within a prescribed time period.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2008

Current findings – continued

- In addition, the Council did not have adequate written policies in place defining the procedures for collecting and writing off uncollectible accounts.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to maintain a system of fiscal and internal administrative controls to ensure funds are safeguarded against loss, and to ensure funds applicable to operations are properly accounted for to permit the preparation of reliable financial reports and to maintain accountability over the State's resources. Such controls should include internal written policies for the collection and write off of accounts receivable.

Council administration stated they were in the process of establishing a comprehensive policy regarding the collection and removal of overdue and uncollectible accounts receivable.

Placing eligible accounts receivable into the Comptroller's Offset system according to SAMS guidelines increases the likelihood of the collection of overdue receivables. Writing off receivables when determined to be uncollectible according to SAMS guidelines ensures the reliable accounting and reporting of State funds. In addition, written policies regarding the collection and write-off of overdue receivables provides internal controls to ensure collection efforts are in the best economic interest of the State and to ensure the reliable accounting and reporting of State funds. (Finding Code No. 08-3)

**RECOMMENDATION**

We recommend the Council follow SAMS procedures for collecting and writing off overdue accounts receivable. In addition, we recommend the Council establish written internal policies to ensure compliance with laws, rules, and SAMS for the collection and removal of overdue and uncollectible accounts receivable.

**COUNCIL RESPONSE**

The Council is working with the Department of Revenue and the Attorney General's Office to finalize a comprehensive policy for collecting overdue accounts receivable. The Council's finalized written policies will ensure compliance with laws, rules, and SAMS for the collection and removal of overdue and uncollectible accounts receivable.

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
**SCHEDULE OF FINDINGS**  
For the Year Ended June 30, 2008

Prior Findings Not Repeated

A **FINDING** (Failure to adopt rules regarding the retention of records)

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

The Council adopted rules on September 26, 2008 prescribing record retention requirements for drycleaning facilities as required by the Act. (Finding Code No. 07-2, 06-2)

STATE OF ILLINOIS  
DRYCLEANER ENVIRONMENTAL RESPONSE  
TRUST FUND COUNCIL  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2008

**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, 2008

P.A. 95-348 FISCAL YEAR 2008	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
	Appropriations (Net of Transfers)	Expenditures Through June 30 August 31		
<u>APPROPRIATED FUNDS</u>				
DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 0548				
For Use In Accordance with the Drycleaner Environmental Response Trust Fund Act	\$ 6,860,000	\$ 3,417,015	\$ 148,605	\$ 3,565,620
	<u>\$ 6,860,000</u>	<u>\$ 3,417,015</u>	<u>\$ 148,605</u>	<u>\$ 3,565,620</u>
<b>GRAND TOTAL - ALL FUNDS</b>				<u><u>\$ 3,294,380</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  
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 COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
 EXPENDITURES AND LAPSED BALANCES**  
 For the Fiscal Years Ended June 30

	Fiscal Year	
	2008	2007
DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND - 0548	P.A. 95-348	P.A. 94-798
Appropriations (Net of Transfers)	<u>\$ 6,860,000</u>	<u>\$ 7,000,000</u>
<u>Expenditures</u>		
For Use in Accordance with the Drycleaner Environmental Response Trust Fund Act	<u>3,565,620</u>	<u>3,517,518</u>
Total Expenditures	<u>\$ 3,565,620</u>	<u>\$ 3,517,518</u>
Lapsed Balances	<u>\$ 3,294,380</u>	<u>\$ 3,482,482</u>

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
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**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	
	2008	2007
Receipts per agency records	\$ 1,034,122	\$ 1,042,332
Plus: deposits in transit, beginning of year	205,845	233,536
Less: deposits in transit, end of year	(164,939)	(205,845)
Deposits Recorded by the Comptroller	\$ 1,404,906	\$ 1,481,713

The following information was obtained from agency and Comptroller records and includes that portion of the receipts reported by the Illinois Department of Revenue and the Office of the Treasurer. License fees and solvent taxes collected are reported net of a 4% collection fee charged by the Department of Revenue.

<u>Reconciliation of Fund Receipts</u>	Fiscal Year	
	2008	2007
Insurance premiums collected	\$ 1,024,100	\$ 1,026,200
Late payment fees and miscellaneous	50,928	43,823
Total deposits recorded by the Comptroller deposited by the Drycleaner Council	\$ 1,075,028	\$ 1,070,023
License fees collected	\$ 2,405,450	\$ 2,564,633
Solvent taxes collected	850,972	979,683
Total deposits recorded by the Comptroller deposited by the Department of Revenue	\$ 3,256,422	\$ 3,544,316
Interest income recorded by the Comptroller and deposited by the State Treasurer	\$ 245,086	\$ 198,805
Total Deposits to the Drycleaner Environmental Response Trust Fund (Fund 0548)	\$ 4,576,536	\$ 4,813,144

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
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 COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
 For the Year Ended June 30, 2008

The Council expended its lump sum appropriations as follows:

<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	<u>FISCAL YEAR</u>	
	<u>2008</u>	<u>2007</u>
Contractual Services	\$ 771,694	\$ 789,978
Travel	4,267	2,606
Awards and Grants (Claims Payments)	2,754,704	2,694,659
Refunds	<u>34,955</u>	<u>30,275</u>
Total Expenditures	<u>\$ 3,565,620</u>	<u>\$ 3,517,518</u>

A comparative schedule of significant variations in expenditures (fluctuations of 20% or more) for the fiscal year ended June 30, 2008 are shown below:

<u>EXPENDITURE ITEM</u>	<u>FISCAL YEAR ENDED JUNE 30,</u>		<u>INCREASE (DECREASE)</u>	
	<u>2008</u>	<u>2007</u>	<u>AMOUNT</u>	<u>%</u>
Travel	\$4,267	\$2,606	\$1,661	64%

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL  
YEARS 2008 AND 2007**

**Drycleaner Environmental Response Trust Fund - 0548**

**Travel**

The increase in travel expenditures was due to more council meetings held during FY08 than in FY07 where council members traveled to the council meeting and received reimbursement for their travel expenses.

STATE OF ILLINOIS  
 DRYCLEANER ENVIRONMENTAL RESPONSE  
 TRUST FUND COUNCIL  
 COMPLIANCE EXAMINATION  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
 June 30, 2008 and 2007  
 (Expressed in Thousands)

	Fiscal Year	
<u>DRYCLEANER ENVIRONMENTAL RESPONSE TRUST FUND – 0548</u>	2008	2007
Current	\$ 0	\$ 0
31-90 days	0	0
91-180 days	2	0
Over 180 days	16	16
<b>GROSS RECEIVABLES</b>	<b>\$ 18</b>	<b>\$ 16</b>
Less estimated uncollectables	(16)	(16)
<b>NET RECEIVABLES</b>	<b>\$ 2</b>	<b>\$ 0</b>

**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, 2008 and 2007, the total unpaid late fees under payment arrangements approximated \$18,000 and \$16,000, respectively. To the extent the drycleaners are allowed such payment terms and are making payments as scheduled, the entire receivable balance is considered current.

Collection procedures

The Council notifies the drycleaner when a receivable becomes approximately 30 to 60 days past due. During this process, the Council attempts to determine the likelihood of collection.

STATE OF ILLINOIS  
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COMPLIANCE EXAMINATION  
**ANALYSIS OF ACCOUNTS RECEIVABLE**  
June 30, 2008 and 2007

Collection procedures - continued

Generally, uncollectible receivables over 90 days past due and greater than \$1,000 are referred to the Comptroller's Offset system. At the discretion of the Council, uncollectible amounts generally greater than \$1,000 may also be referred to the Attorney General's Office, which may take appropriate legal action to collect the debt. However, our testing showed the Council did not maintain adequate control over the collection and write off of overdue accounts receivable. See finding 08-3 for problems noted regarding Council's accounts receivable. An allowance for doubtful accounts of \$16,000 at June 30, 2008 was reported.

STATE OF ILLINOIS  
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COMPLIANCE EXAMINATION  
**ANALYSIS OF OPERATIONS**  
For the Year Ended June 30, 2008

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 were discovered after July 1, 1997 and prior to July 1, 2006. In addition, the Council has established a program to offer insurance to drycleaner facilities to insure against solvent release cleanup costs subsequent to June 30, 2006.

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

The Act requires the Council to be composed of seven members appointed by the Governor to three year terms. Four members are to own or operate a drycleaning facility, one member is to represent wholesale distributors of drycleaning solvents, one member is to represent drycleaning equipment manufacturers and the vendor community, and one member is to have experience in financial markets or the insurance industry. The seven individuals serving on the Council at June 30, 2008, and their respective appointment expiration date were as follows:

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For the Year Ended June 30, 2008

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 Bredekamp	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.

During FY08, the Council's Fund financial projections for the period of July 1, 2008 through the Fund's revised sunset date of January 1, 2020 indicated the Fund would have program deficits of approximately \$4,799,174, based on program assumptions as of July 1, 2008. At the Council's February 27, 2008 meeting, the Council took steps to adjust the license fees to deal with a potential deficit. The license fee adjustment would have become effective January 1, 2010 once public hearings were held, rule amendments were filed with the Joint Committee on Administrative Rules, and a final review was conducted by the Council. However, due to a fund sweep of \$2,000,000 in October of 2008 and the economic downturn, the Council subsequently tabled all fee adjustments until the effect of those changes could be determined.

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 DRYCLEANER ENVIRONMENTAL RESPONSE  
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**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
 For the Year Ended June 30, 2008  
 (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 2007 Actual</u>	<u>Fiscal Year 2008 Target</u>	<u>Fiscal Year 2008 Actual</u>
<b>Input Indicators</b>			
Budgeted appropriation/expenditures	\$3,517,518	\$6,860,000	\$3,565,620
License applications received	1,272	1,300	1,217
Insurance applications received	719	700	685
Eligible remedial and insurance claims filed	699	699	699
<b>Output Indicators</b>			
Licenses in force	1,239	1,300	1,197
Insurance policies in force	712	700	674
Eligible remedial and insurance claims closed	151	200	254
Open remedial claims	547	n/a	444
Remedial claims with payments made	666	n/a	673
Open insurance claims	1	n/a	1
Insurance claims with payments made	1	n/a	1
<b>Efficiency/Cost Effectiveness Indicators</b>			
Cost per license application	\$81	\$83	\$84
Cost per insurance application	\$97	\$99	\$100
Cost per eligible claim filed	\$351	\$351	\$312

Note: n/a denotes that no FY 2008 targets were established by the Council for this output indicator.