



LOUISIANA LEGISLATIVE AUDITOR  
DARYL G. PURPERA, CPA, CFE

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## DEPARTMENT OF ENVIRONMENTAL QUALITY WASTE TIRE MANAGEMENT PROGRAM, FEE COLLECTION

Money generated by the Department of Environmental Quality's Waste Tire Management Program is not being collected promptly because the agency does not have an effective procedure to identify retailers who fail to pay the fees they are required to collect on the sale of new and used tires, Legislative Auditor Daryl Purpera said Monday.

A performance audit of the waste tire program pointed out that during fiscal years 2012 and 2013, 1,001 retailers "submitted \$2.9 million in fees late, with \$1 million of these being over 30 days late." Auditors identified at least 1,045 of them as non-compliant in the 2013 fiscal year alone, and only one was penalized \$400 by DEQ.

DEQ penalized just 10 retailers a total of \$13,864 for waste tire fee violations from the 2011 fiscal year to the 2013 fiscal year.

The waste tire program was launched in 1989 with a goal of reducing or eliminating illegal tire dumps by providing subsidies to processors who recycle the tires into products such as alternative fuels or flooring for playgrounds. During the 2013 fiscal year, the department collected approximately \$10.7 million in fees from 2,299 tire retailers who are supposed to collect from \$2 to \$10 per tire sold, depending on the type of vehicle tire.

The state auditor said that DEQ needs to improve management of the program and "consistently enforce program requirements to ensure that the state receives complete, accurate and timely waste tire fees." According to the report, a special Waste Tire Program Task Force, created during the 2013 legislative session to study program operations and recommend improvements, did not meet nor submit its findings and recommendations as required by the Feb. 15, 2014 deadline.

Retailers are supposed to file monthly reports for the prior month's tire sales but DEQ "does not have an effective process to identify and follow up" on those who do not file as state law requires. Without these reports, the department cannot ensure all the fees are being remitted to the state. Of the 2,165 retailers in business in fiscal year 2012, DEQ identified 138 – or 6 percent – that failed to turn in one or more monthly reports.

The performance audit also said that DEQ "audited an average of 3 percent" of the retailers between 2011 and 2013, focusing on those that did not submit fees, rather than those who



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potentially underpaid fees. Of the total 6,606 opportunities DEQ had to audit retailers in the three-year period, the program audited 195, and 166 of them owed the state more than \$979,000 in unpaid fees. Because DEQ’s audits included about 3 percent of all retailers, the report said, “the amount of unpaid fees may be significantly higher.”

Auditors said that it is important that DEQ receive the waste tires fees promptly “so that it can pay processors in a timely manner for recycling waste tires.” The report pointed out that in fiscal years 2011 through 2013, the program was unable to pay 100 percent of the processors’ monthly billings. In February 2013, the full payments resumed.

When DEQ cites a retailer for a waste tire fee violation, it can take at least 11 months to issue a penalty under an expedited process, one in which the retailer waives an appeals process or an average of 23 months in a formal penalty process, one in which the retailer is allowed to appeal the fine.

According to DEQ, it does not penalize all retailers who fail to report or remit fees for the new and used tires they sell because its penalty process “takes too long and is not appropriate” for the types of violations that occur in this program.

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**On Twitter:** Money generated by DEQ’s Waste Tire Management Program is not being collected promptly.