



Report Highlights

Financial Assurance Process for Solid and Hazardous Waste Facilities

Louisiana Department of Environmental Quality

DARYL G. PURPERA,
CPA, CFE

Audit Control #40180027
Performance Audit Services • November 2019

Why We Conducted This Audit

We evaluated whether the Louisiana Department of Environmental Quality (LDEQ) ensured that solid and hazardous waste facilities provided financial assurance as required by state regulations. Ensuring that owners have adequate financial capacity is important to protect human health, the environment, and taxpayers from assuming the financial burden of environmental cleanup. If owners cannot demonstrate sufficient financial assurance, the state may be responsible for part or all of the cost of completing cleanup activities. The exhibit below summarizes the purpose of each of the three types of financial assurance that LDEQ requires for solid and hazardous waste facilities.

Types of Financial Assurance for Solid and Hazardous Waste Facilities

Type	Purpose
Closure	Ensure that facilities will have financial capacity to properly close the facility or unit when its operational life is over.
Post-Closure	Ensure that facilities will have financial capacity to cover the long-term maintenance of the facility or unit, including monitoring and record keeping during the required post-closure care period.
Corrective Action	Ensure that facilities will have financial capacity available for cleanup if waste is released into soil or water and corrective action is required.

Source: Prepared by legislative auditor’s staff using information provided by LDEQ.

What We Found

Overall we found that LDEQ could strengthen its financial assurance process in the following areas:

- **While LDEQ ensured that all solid and hazardous waste facilities provided financial assurance for expenses associated with closure or post-closure activities, it did not ensure that 28 (13.7%) of 204 permitted facilities submitted updated cost estimates and financial assurance mechanisms annually as required by state regulations.** As a result, LDEQ cannot ensure that the owners of these facilities continue to have adequate financial capacity to cover the costs associated with closure and post-closure activities. In addition, LDEQ did not ensure that three (1.7%) of 178 permitted solid waste facilities provided financial assurance that was sufficient to cover closure and post-closure cost estimates totaling at least \$992,081.

Financial assurance is demonstrated by evidence, such as surety bonds or letters of credit, that indicates that owners of solid and hazardous waste facilities have the financial capacity to properly clean up any contamination related to their facilities.

Continued on next page

Financial Assurance Process for Solid and Hazardous Waste Facilities

Louisiana Department of Environmental Quality

What We Found (Cont.)

- **State regulations do not require local governments that own solid waste facilities and use the financial test option as their financial assurance mechanism to submit supporting documentation to LDEQ, such as audited financial statements, to provide evidence of financial capacity.** As a result, LDEQ cannot ensure that local governments that own 18 (10.1%) of the 178 permitted solid waste facilities have the financial capacity needed to cover costs of closure and post-closure activities.
- **LDEQ has not established timeframes for when all solid and hazardous waste facilities in corrective action must submit evidence of financial assurance.** As of June 30, 2019, LDEQ had not received financial assurance that 14 (58.3%) of 24 hazardous waste facilities and three (75%) of four solid waste facilities in corrective action could cover expenses associated with their corrective action activities. The three solid waste facilities estimated that their corrective action activities will cost approximately \$5.0 million. As of June 30, 2019, an average of 6.4 years had passed since LDEQ approved remedies for the 14 hazardous waste facilities but these facilities have not yet submitted evidence of financial assurance to LDEQ.
- **LDEQ could strengthen its financial assurance process by requiring staff to enter complete and accurate financial assurance information into TEMPO and dedicating staff with financial expertise to review financial assurance documents.** We found that the information in TEMPO, the data system LDEQ uses to track cost estimates and financial assurance information, was often incomplete and inaccurate. In addition, LDEQ lacks dedicated staff with the financial expertise needed to effectively review financial assurance documents. LDEQ also has not developed procedures that designate which staff are responsible for obtaining and reviewing financial assurance mechanisms for corrective action.