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Report Highlights

Progress Report: Fee Collection in the Waste Tire Management Program

Louisiana Department of Environmental Quality

Audit Control # 40180030

Performance Audit Services • July 2019

Why We Conducted This Audit

We evaluated the Louisiana Department of Environmental Quality's (LDEQ) progress toward addressing the issues identified in our 2014 performance audit on fee collection in the Waste Tire Management Program (WTMP). We also evaluated the revenues and expenses associated with the Waste Tire Management Fund, in accordance with Act 530 of the 2018 Regular Legislative Session, to determine if the fees collected by LDEQ are adequate to cover the costs associated with the WTMP.

What We Found

Overall, we found that LDEQ has made progress toward addressing the issues identified in our 2014 audit. However, we identified areas where LDEQ could further improve its oversight of the WTMP to ensure that the state receives complete, accurate, and timely waste tire fees.

- **LDEQ has implemented a new module of LaGov that identifies generators that do not submit waste tire fees and reports each month as required by state law. However, because LDEQ does not have a complete and accurate list of active generators, it cannot ensure that it identifies all noncompliant generators and collects all waste tire fees.** According to LDEQ, it does not yet have a complete and accurate list of generators, in part, because it has reduced staffing levels for the Waste Tire Division since 2014 and the volume of generators in the waste tire universe makes it difficult to ensure that all comply with self-reporting and closure notification requirements in a timely manner.
- **Since implementing the LaGov module in April 2018, LDEQ has identified 933 generators that submitted late reports or tire fees and assessed \$202,840 in late fees. However, limitations with LaGov resulted in LDEQ not assessing generators an additional \$8,629 in late fees.** In addition, LDEQ has not yet established a process using LaGov to pursue the collection of tire fees and associated late fees from generators that did not pay waste tire fees on time.

The goal of the WTMP is to reduce or eliminate illegal tire dumps by providing subsidies to waste tire processors that receive and process eligible waste tires for use in recycling projects approved by LDEQ, such as using tire materials for alternative fuel or engineering projects.

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What We Found (Cont.)

- LDEQ increased its audit coverage by 40.7%, from 60 (2.6%) of 2,299 waste tire generators in fiscal year 2013 to 90 (3.7%) of 2,451 waste tire generators in fiscal year 2018. In addition, LDEQ is gathering historical payment data in LaGov that will enable it to prioritize its audits based on those generators that have a higher risk of remitting incorrect fee amounts to the state.** Of the 340 audits conducted during fiscal years 2014 through 2018, LDEQ identified unpaid fees in 261 (76.8%) audits and assessed approximately \$1.4 million in tire fees, interest, and late fees.
- The Waste Tire Program Task Force met 19 times during fiscal years 2015 through 2019 to study program operations and make recommendations for improvements as required by state law.** During these meetings, Task Force members addressed agenda items such as waste tire regulations, the waste tire program fee structure, and potential new end-use markets for waste tire material.
- Fees collected by LDEQ for the Waste Tire Management Fund were not adequate to cover the costs associated with the WTMP during fiscal years 2014 through 2018.** According to LDEQ, it was able to use statutorily-dedicated funds from the Environmental Trust Fund to cover the difference. The exhibit below shows WTMP administrative costs that LDEQ was unable to recover.

**LDEQ Unrecovered Waste Tire Management Program Costs
Fiscal Years 2014 through 2018**

Category	FY14	FY15	FY16	FY17	FY18	Total
LDEQ Administrative Costs	\$1,361,345	\$1,409,161	\$1,223,022	\$1,229,380	\$1,596,267	\$6,819,176
Tire and Late Fees Used by LDEQ to Administer Program*	997,283 (9.0%)	1,124,752 (10%)	1,152,892 (10%)	1,156,770 (9.9%)	1,240,029 (10%)	5,671,726
LDEQ Unrecovered Costs	\$364,062	\$284,409	\$70,131	\$72,610	\$356,239	\$1,147,450

*Up to 10% allowed.

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