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Report Highlights

Fee Collection in the Waste Tire Management Program

Department of Environmental Quality

Audit Control # 40130005

Performance Audit Services • July 2014

Why We Conducted This Audit

We conducted this audit to determine if the Department of Environmental Quality (DEQ) effectively manages the Waste Tire Management Program (WTMP) to ensure the state receives complete, accurate, and timely waste tire fees.

What We Found

Overall, we found that DEQ needs to improve its management of the WTMP and consistently enforce program requirements to ensure that the state receives complete, accurate, and timely waste tire fees. A waste tire generator (“generator”) is a business that generates waste tires as part of its operations, including businesses that sell new or used tires, such as Firestone, Sears, Wal-Mart, and car dealerships. Specifically, we found that:

- **DEQ does not have an effective process to identify and follow up with generators that fail to submit monthly fee reports as required by state law. Without these reports, DEQ cannot ensure that generators are remitting all fees owed to the state.** Generators that sell new or used tires or new motor vehicles are required by state law to remit waste tire fee reports and fees to the state by the 20th of each month for the previous month’s tire sales. Of the 2,165 generators that operated during fiscal year 2012, DEQ identified 138 (6%) that did not submit one or more of the required monthly reports. However, we reviewed DEQ data for the same fiscal year and found that 538 (25%) of the 2,165 generators failed to submit their fee reports in one or more months. Since the WTMP is only funded by waste tire fees collected by DEQ, it is important that the department ensures that all generators are remitting their fees so that it has the funds needed to reimburse processors for recycling waste tires.

**Monthly Waste Tire Reports Submitted by Generators
Fiscal Years 2011 through 2013**

Months Submitted	FY 2011		FY 2012		FY 2013	
	Number	Percentage	Number	Percentage	Number	Percentage
All 12	1,777	82.9%	1,627	75.1%	1,383	60.2%
Some of 12	293	13.7%	411	19.0%	667	29.0%
None of 12	72	3.4%	127	5.9%	249	10.8%
Total Generators	2,142	100%	2,165	100%	2,299	100%

Note: This analysis only includes generators that were registered during the entire fiscal year.

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

- **DEQ does not monitor generators to ensure they remit monthly reports and fees in a timely manner as required by state law. We found that during fiscal years 2012 and 2013, 1,001 generators submitted \$2.9 million in fees late, with \$1 million of these fees being over 30 days late.** It is important that DEQ receives waste tire fees on time so that it can pay processors in a timely manner for recycling waste tires.
- **DEQ’s audit coverage and selection criteria do not adequately ensure remitted fees are accurate. During fiscal years 2011 through 2013, DEQ audited an average of 3.0% of waste tire generators and focused on generators that did not submit reports and fees rather than those that potentially underpaid fees.**

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What We Found (Cont.)

Number and Percentage of Generators Audited Fiscal Years 2011 through 2013			
	Total Number of Active Generators	Number of Generators Audited	Percentage of Generators Audited
FY 2011	2,142	80	3.7%
FY 2012	2,165	55	2.5%
FY 2013	2,299	60	2.6%
Total	6,606	195	3.0%

Source: Prepared by legislative auditor's staff using audit tracking information provided by DEQ.

Of the 195 total waste tire audits conducted during fiscal years 2011 through 2013, DEQ identified unpaid fees in 166 (85.1%) of the audits. In these 166 audits, DEQ found an average of \$5,898 in unpaid fees per audit for a total of \$979,110 in unpaid fees. Because this audit coverage includes 3.0% of all generators operating during these three fiscal years, the amount of unpaid fees may be significantly higher.

- **DEQ does not penalize generators that fail to remit complete, accurate, and timely waste tire reports and fees to the state. We identified at least 1,045 delinquent generators in fiscal year 2013, but DEQ only penalized one generator.**

Number of Generators Penalized by DEQ Fiscal Years 2011 through 2013			
	FY 2011	FY 2012	FY 2013
Total Generators	2,142	2,165	2,299
Expedited Penalties	5	0	1
Formal Penalties	3	1	0
Total Number	8	1	1
Total Penalties	\$9,104	\$4,360	\$400

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

We identified 249 generators that failed to submit any reports during fiscal year 2013. In addition, we identified at least 796 generators that did not submit their fees timely during this timeframe. If DEQ issued an expedited penalty of \$200 on all 1,045 generators, it could have assessed an additional \$209,000 in penalties during fiscal year 2013. In addition, we found that it takes DEQ on average 23 months to issue formal penalties and at least 11 months to issue expedited penalties.

In addition, we found that the Waste Tire Program Task Force created during the 2013 Regular Legislative Session has not met to study program operations and make recommendations for improvement as required by state law. Act 323 designates DEQ's Secretary as the task force chairman and required it to meet by August 31, 2013. In addition, the task force was to submit its findings and recommendations to the House Committee on Natural Resources and the Senate Committee on Environmental Quality on or before February 15, 2014. According to DEQ, however, as of May 2, 2014, the task force has not yet met because of scheduling conflicts.