



At a Glance

Why We Did This Review

In the process of evaluating the U.S. Environmental Protection Agency's (EPA's) progress in reducing taxpayer liabilities through the use of financial assurance instruments for cleanup sites, we became aware of significant data gaps and invalid financial assurance instruments that pose a risk to the EPA and taxpayers. We are issuing this management alert now because we believe that the EPA cannot provide reasonable assurance of proper controls over its programs and operations that protect the public from environmental harm and safeguard federal funds.

Companies with facilities regulated under the Resource Conservation and Recovery Act (RCRA) are required to provide financial assurance that they have sufficient financial assets to cover closure and post-closure costs. Hazardous waste sites regulated under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA), or Superfund, are required to obtain financial assurance for the estimated cost of cleanup.

This report addresses the following EPA goal or cross-agency strategy:

- *Protecting human health and the environment by enforcing laws and assuring compliance.*

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Management Alert: Significant Data Quality Deficiencies Impede EPA's Ability to Ensure Companies Can Pay for Cleanups

What We Found

Data quality deficiencies and a lack of internal controls prevent the EPA from properly overseeing and managing its financial assurance program for RCRA and CERCLA. For these programs, EPA data for corporate self-insurance show:

- The estimated total cost is \$9.1 billion.
- An estimated \$577 million is expired.
- More than \$6 billion is insufficient or not documented as being provided to the EPA.

Environmental and extensive financial risks exist from the EPA's failure to have accurate and complete data to monitor and ensure compliance with RCRA and CERCLA financial assurance requirements.

The EPA is aware of the poor quality of its data and the resulting vulnerabilities. The EPA can take steps to mitigate risk to human health and the environment if a responsible company declares bankruptcy or abandons a facility. However, if the EPA cannot determine if it has secured valid and sufficient financial assurance instruments from those private parties, taxpayers are at risk for paying significant amounts of those parties' financial obligations. In addition, public health protections may be delayed or deferred. Despite the EPA's awareness of this risk, it has not taken meaningful steps to address the problem. Furthermore, the EPA has not disclosed this area of vulnerability in its Federal Managers' Financial Integrity Act report in the past 5 years.

Although we are now reporting this time-critical disclosure issue, our ongoing evaluation could result in additional matters being reported to the agency.

Recommendations and Agency Comments

The EPA's data deficiencies, coupled with a lack of controls over billions of dollars in financial assurance instruments, significantly impair and threaten the management of the EPA's RCRA and Superfund programs, which present environmental and significant financial risks to the EPA. The agency disagreed with the estimated cost of invalid financial assurance instruments, and our portrayal of human health and financial risk. However, the EPA could not provide any other data on financial assurance to support its disagreement. We recommend that the EPA develop and take corrective actions to address the vulnerabilities. In addition, we recommend that the EPA include the significant vulnerabilities and exposure related to the RCRA and CERCLA financial assurance data gaps and noncompliance as a material weakness in its Federal Managers' Financial Integrity Act reporting. The agency disagreed that the issue should rise to the material weakness level; thus, our recommendations are unresolved as we work toward resolution.