



Audit Highlights

Highlights of Legislative Auditor report on the Division of Environmental Protection issued on December 4, 2003. Report #LA04-09.

Background

The Division of Environmental Protection (Division) is responsible for implementing statewide regulatory programs to protect the environment, and health and welfare of the public. Programmatic areas include air quality, water quality, hazardous and solid waste management, mining reclamation, highly hazardous chemicals and alternative fuels, federal facilities, and water pollution issues. The Division also provides staff support to the State Environmental Commission, the Board to Review Petroleum Claims, and the Board for Financing Water Projects. The Division has offices located in Carson City and Las Vegas and had 194.5 positions as of April 2003.

Purpose of Audit

The purpose of this audit was to determine if revenues were collected in accordance with laws, regulations, and Division policies and procedures. The audit included a review of the Division's revenue processes for collecting, receipting, and recording fees, taxes and reimbursements for calendar year 2002.

Audit Recommendations

This report contains eight recommendations to improve the Division's revenue process. Specifically, the Division should review hazardous waste fee reports for accuracy and completeness, establish processes to ensure clean-up costs are reimbursed timely, and ensure permits are renewed timely and fees are collected in accordance with regulations. In addition, the Division needs to develop policies and procedures to ensure debt collection reports are accurate and bad debts are identified, evaluated, and written off as state laws allow. Furthermore, the Division should provide guidance regarding the assessment of annual fees on bankrupt and abandoned facilities and pursue all available collection techniques.

The Division of Environmental Protection accepted all eight recommendations.

Status of Recommendations

The Division's 60-day plan for corrective action is due on March 4, 2004. In addition, the six-month report on the status of audit recommendations is due on September 6, 2004.

Division of Environmental Protection

Department of Conservation and Natural Resources

Results in Brief

While the Division has controls over revenue once it is received, weaknesses exist over the collection of fees and reimbursable expenditures. We found improvements are necessary to ensure revenue is collected accurately, timely, and in accordance with laws and regulations. Insufficient controls contributed to the Division not collecting about \$131,000 in revenues and allowing a hazardous waste facility to take a refund of \$78,000 without validating its accuracy.

Current efforts to ensure all revenues owed the Division are collected could be improved. Specifically, quarterly collection reports contain errors and omissions resulting in an understatement of the Division's total accounts receivable. In addition, uncollectible amounts are carried on debt collection reports even though state laws and procedures exist for write off. Furthermore, the Division bills bankrupt and abandoned facilities for annual fees when the likelihood of collection is minimal. Finally, the Division does not pursue all available collection techniques. Because of these weaknesses, the Division is at risk of losing thousands of dollars in revenue and may be giving unrealistic expectations of amounts owed the State.

Principal Findings

Hazardous waste fee reports were not accurate or complete. A majority of the hazardous waste fees collected by the Division are generated by the State's only commercial hazardous waste landfill facility. The facility pays fees for the treatment, storage, and disposal of hazardous waste ranging from \$1.50 to \$33.14 per ton, based on waste type. However, complete waste shipments and portions of other shipments were omitted from quarterly reports. An additional \$43,000 in fees was subsequently collected after we identified shipment omissions from facility reports.

Three of the 4 quarterly reports we reviewed contained mathematical errors. These mathematical errors prompted the facility to revise the third quarter 2002 report and reduce fees by approximately \$78,000. While this refund may be valid, the Division allowed the facility to take this credit without verifying its accuracy.

The Division did not recover all expenditures for environmental clean-up sites. Approximately \$87,500 in expenditures went unrecovered over a four-year period because reimbursements were not sought. In addition, the Division lost the opportunity to earn interest because expenditures were allowed to remain outstanding for extended time periods.

About half of the permits we reviewed were issued months and even years after old permits expired. State laws and regulations limit permit periods to five years. As a result, renewal fees are not collected every five years as anticipated and the Division may be at risk of losing revenue in future years if current practices continue.

Quarterly debt collection reports prepared by individual Bureau's were often inaccurate or incomplete. Reports omitted prior year fees and reimbursements, had incorrect amounts, and had computational errors. This resulted in an understatement of Division receivables. Even though not all accounts receivable are collectible, accurate accounts receivable information is essential if the Division is to effectively pursue receivables due from its permit holders and others.

The Division has not written off accounts receivable, even though some are designated as uncollectible and others are for facilities that are bankrupt or abandoned. Realistically these amounts will not be collected and should be written off. State law authorizes agencies to write off uncollectible debts with the approval of the State Board of Examiners. However, the Division does not have procedures guiding when amounts should be considered for write off.