



At a Glance

Why We Did This Review

Financial assurance is meant to provide documentation or proof that those responsible for the closure, post-closure care or cleanup of contaminated sites or facilities that handle hazardous waste have adequate financial resources to do so. We did this evaluation to determine whether the U.S. Environmental Protection Agency (EPA) includes all environmental liabilities in its reviews of financial assurance and whether it reviews the validity of Resource Conservation and Recovery Act (RCRA) and Superfund financial assurance liabilities for companies with multiple facilities/sites nationwide.

This report focuses on companies with multiple environmental liabilities covered by self-insurance instruments (e.g., financial tests demonstrating or corporate guarantees stating the companies have enough assets to cover their liabilities). In a March 2016 [report](#), we identified data quality and control deficiencies that prevented the EPA's proper management of RCRA and Superfund financial assurance.

This report addresses the following:

- *Cleaning up and revitalizing land.*
- *Operating efficiently and effectively.*

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Self-Insurance for Companies With Multiple Cleanup Liabilities Presents Financial and Environmental Risks for EPA and the Public

What We Found

The EPA does not include and verify all self-insured environmental cleanup liabilities when evaluating requests for and reviewing corporate self-insurance. The EPA faces significant challenges to validating forms of self-insurance, including:

- **Regulatory constraints:** Most RCRA regulations and Superfund guidance we reviewed do not require full disclosure of all environmental liabilities, and the EPA lacks the information needed to independently validate all forms of self-insured liabilities. EPA guidance also does not require regional staff to check whether a company has multiple liabilities in other regions when validating a self-insurance instrument.
- **Data and technical gaps:** The EPA lacks a data system with the capability to track multiple environmental liabilities and the resources and technical ability to validate self-insurance for companies with multiple environmental liabilities. Survey responses from all 10 EPA regions showed that 70 percent of respondents believe insufficient staff training and expertise are moderate or extreme barriers to the efficient management and review of financial assurance instruments.

The EPA's ability to oversee self-insurance instruments is impaired, leaving the agency and taxpayers vulnerable to billions of dollars in financial risk and the public vulnerable to environmental risk. Unlike the EPA, some federal agencies do not accept corporate self-insurance.

The inability to validate a company's self-insurance is a high-risk issue for the EPA. If self-insurance is not valid, a company may default on its obligation to pay for cleanup or closure activities, in some cases necessitating a government response. This threatens the effectiveness of cleanup programs, as the EPA—and, ultimately, the taxpayers—could be left with billions of dollars in cleanup costs. If a cleanup is not performed by the facility as required, it can result in longer human and environmental exposures to unsafe substances. The EPA could mitigate the risks by requiring full disclosure of all self-insured environmental liabilities, or the agency could seek regulatory or statutory changes. During our review, we also found a lack of compliance with physical safeguards for hard-copy financial assurance instruments.

Recommendations and Planned Agency Corrective Actions

We recommend that the EPA study the costs associated with requiring full disclosure of all self-insured environmental liabilities and with eliminating the use of corporate self-insurance instruments. We also recommend that the EPA add controls to improve its oversight of financial assurance. The agency agreed with nine of our 14 recommendations. Work is underway to reach agreement on the five unresolved recommendations.