



Fact Sheet

Underground Storage Tank Cleanup Fund Fraud Prevention

The State Water Resources Control Board (State Water Board) launched an enforcement initiative to deter, investigate, and prosecute fraud against the Underground Storage Tank (UST) Cleanup Fund.

Prevention and Detection

Prevention and detection efforts are being implemented by the State Water Board. Actions include: placing all claims for residential, small and medium businesses on annual budgets to increase both cost control and cost containment; increasing review of reimbursement requests for certain types of high-cost cleanup activities; and increasing auditing of claims at various stages in the reimbursement process.

Investigation and Prosecution of Suspected Fraud

Investigation and prosecution of fraud believed to be perpetrated against the UST Cleanup Fund is being aggressively pursued by the State Water Board. The State Water Board is conducting a project focused on investigating the improper use of State Water Board monies. The project detected significant billing discrepancies by several major UST cleanup contractors working for claimants that receive reimbursement from the UST Cleanup Fund. The State Water Board is developing cases for prosecution by the Attorney General's Office that could lead to criminal and/or civil convictions resulting from the findings of the project team. The State Water Board will seek civil fines and restitution of the funds obtained through fraud.

Deterrence is the Goal

The goal of these efforts is to deter claimants and contractors from submitting fraudulent claims to the UST Cleanup Fund. This enforcement initiative utilizes the investigative tools and findings developed by the project over the last 24 months. State Water Board staff conducting the project found common patterns of fraudulent activity and developed techniques for conducting audits and investigations to detect that activity that had both already occurred in the past and could potentially be occurring now. The State Water Board is also developing protocols with the Attorney General's Office to prosecute fraudulent claims and recover funds back to the UST Cleanup Fund.

The Water Board Is Taking Steps to Deter Fraud Against the UST Cleanup Fund

- Once fraud is identified, the State Water Board works with the State Attorney General's Office to prosecute criminally, where appropriate, and to pursue civil remedies, including fines and restitution of the fraudulently obtained funds.
- The State Water Board has implemented internal reimbursement review process improvements.
- Plans include continuing the project for at least another year.



What's At Stake

Currently, the UST Cleanup Fund reimburses up to \$1.5 million at eligible petroleum-contaminated underground storage tank sites for cleanup of the contamination. As of Fiscal Year (FY) 2011-2012, there are approximately 3,700 active claims. The UST Cleanup Fund has reimbursed \$2.9 billion for eligible costs since 1992; including approximately \$255 million in FY 2010-2011. Approximately 6,500 UST Cleanup Fund sites have been cleaned up and closed since the program's inception in 1989.

Additional Resources & Project Timeline

- A State Water Board enforcement action resulted in a March 2010 judgment of \$1.2 million entered against E2C Remediation, Inc. (E2C), an environmental engineering and consulting firm headquartered in Bakersfield, to settle allegations of submitting fraudulent reimbursement requests to the UST Cleanup Fund between 2005 and 2008. For more information please click this link:
http://www.waterboards.ca.gov/press_room/press_releases/2010/pr_e2c031116.pdf
- At approximately the same time, an audit of the UST Cleanup Fund program in 2010 determined existing rules could be improved to assist staff in identifying potential fraud, waste and abuse.
http://www.swrcb.ca.gov/water_issues/programs/ustcf/docs/audit_rpt022210.pdf
- The State Water Board creates the Fraud, Waste and Abuse Unit within the Office of Enforcement. (*Outcome of 2009 Enforcement report – detailed on Page 12*):
http://www.waterboards.ca.gov/water_issues/programs/enforcement/docs/annl_rpt2009.pdf

Background on the UST Cleanup Fund Program

The Barry Keene Underground Storage Tank Cleanup Fund Act of 1989 was created by the California Legislature, and is administered by the California State Water Resources Control Board, to provide a means for petroleum UST owners and operators to meet the federal and state requirements. The Fund also assists a large number of small businesses and individuals by providing reimbursement for unexpected and catastrophic expenses associated with the cleanup of leaking petroleum USTs. For more on the State Water Board's UST Cleanup Fund, please visit: http://www.waterboards.ca.gov/water_issues/programs/ustcf/