

STATE OF LOUISIANA LEGISLATIVE AUDITOR

Motor Fuels Underground Storage
Tank Trust Fund
Department of Environmental Quality
State of Louisiana
Baton Rouge, Louisiana

February 3, 2000



Financial and Compliance Audit Division

*Daniel G. Kyle, Ph.D., CPA, CFE
Legislative Auditor*

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**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA
Baton Rouge, Louisiana**

**Special Purpose Financial Statement
and Independent Auditor's Report
For the Year Ended June 30, 1999**

Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

February 2, 2000

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA**

Special Purpose Financial Statement and
Independent Auditor's Reports
For the Year Ended June 30, 1999

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HAROLD S. BYRD, PRESIDENT
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December 15, 1999

Independent Auditor's Report
On the Financial Statement

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the accompanying special purpose financial statement of the Motor Fuels Underground Storage Tank Trust Fund for the year ended June 30, 1999, as listed in the foregoing table of contents. This financial statement is the responsibility of management of the Department of Environmental Quality. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in note 1 to the financial statement, the accompanying special purpose financial statement was prepared for the purpose of complying with Louisiana Revised Statute 33:2155.5 and is not intended to be a presentation in conformity with generally accepted accounting principles.

In our opinion, the special purpose financial statement referred to above presents fairly, in all material respects, the cash receipts, disbursements, and changes in balance of the Motor Fuels Underground Storage Tank Trust Fund for the year ended June 30, 1999, on the basis of accounting described in note 1.

In accordance with Government Auditing Standards, we have also issued a report dated December 15, 1999, on our consideration of the Motor Fuels Underground Storage Tank Trust Fund's internal control over financial reporting and our tests of its compliance with certain laws and regulations.

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA
Audit Report, June 30, 1999**

This report is intended solely for the information and use of the Motor Fuels Underground Storage Tank Trust Fund, Department of Environmental Quality and its management and is not intended to be, and should not be, used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



David G. Kyle, CPA, CFE
Legislative Auditor

DHS-WMD/PEP:as

06/08/99

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA**

Statement of Cash Receipts, Disbursements,
and Changes in Balance
For the Year Ended June 30, 1999

RECEIPTS	
Bulk distribution fees	\$21,157,380
Annual assessment fees	74,195
Interest earnings	603,873
Refunds	58,821
Total receipts	<u>22,094,269</u>
DISBURSEMENTS	
Claims for reimbursement	<u>10,975,456</u>
EXCESS OF RECEIPTS OVER DISBURSEMENTS	11,118,813
TRANSFER TO ENVIRONMENTAL TRUST FUND (note 4)	(918,264)
CASH IN STATE TREASURY AT JULY 1, 1998	<u>13,089,842</u>
CASH IN STATE TREASURY AT JUNE 30, 1999	<u>\$10,169,578</u>

The accompanying notes are an integral part of this statement.

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA**

Notes to the Financial Statement
For the Year Ended June 30, 1989

INTRODUCTION

The Motor Fuels Underground Storage Tank Trust Fund was established by Louisiana Revised Statutes (R.S.) 30:2184-2197 in response to the 1984 Subtitle I amendments to the Resource Conservation and Recovery Act, which provided for the development and implementation of a comprehensive regulatory program for underground storage tanks containing petroleum and hazardous liquids. The underground storage tank program is a section within the Department of Environmental Quality. All disbursements are handled by the department under the guidance of an Underground Motor Fuels Storage Tank Advisory Board that is composed of six members as follows: the secretary of the Department of Environmental Quality or his designee, one member appointed by the secretary of the Department of Environmental Quality to represent the Respond/Action Contractor Community, two members appointed by the president of the Louisiana Oil Marketers Association, one member appointed by the Mid-Continent Oil and Gas Association, and one member appointed by the Bayou State Gasoline Retail Dealers Association. The board members serve without per diem. The monies in the Motor Fuels Underground Storage Tank Trust Fund are used to reimburse all necessary and appropriate expenditures for investigation, assessment, and remediation of sites contaminated by a motor fuels release from an underground storage tank. Remediation consists of cleanup of soil, groundwater, and inland surface waters, using cost-effective methods that are technologically feasible and reliable, while insuring adequate protection of the public health, safety, and welfare and minimizing environmental damage, in accordance with the site selection and cleanup criteria established by the department. Approximately 15,000 tanks are registered by the underground storage tank section. The section is staffed by eight employees.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PRESENTATION

The accompanying financial statement has been prepared on the cash basis of accounting, with collections recognized when received and disbursements reflected when paid. As such, the accompanying financial statement does not reflect the receivables and related payables associated with the activities of the trust fund.

B. TRUST FUND

The accompanying Statement of Cash Receipts, Disbursements, and Changes in Balance is a special presentation intended to provide information in order to comply with R.S. 30:2185.5. Accordingly, the statement does not necessarily present the financial activities of the trust fund in its entirety. The trust fund accounts for the proceeds of fuel

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA
Notes to the Financial Statement (Continued)**

distribution fees, annual assessment fees, and interest earned on investments that are legally dedicated to the Motor Fuels Underground Storage Tank Trust Fund.

C. RECEIPTS AND DISBURSEMENTS

Receipts

Bulk distribution fees, annual assessment fees, and interest earnings are recorded when the receipts are deposited in the depository bank and classified by the State Treasurer's Office.

Disbursements

Disbursements are made for (1) reimbursements to underground storage tank owners for the rehabilitation and remediation of sites contaminated by a leak from a registered tank, and (2) payments to the third party who brings a claim against an owner because of damages sustained by a release into the underground or subsurface soils and who has obtained a final judgment in said action against an owner who is in substantial compliance with the laws, rules, and regulations at the time the release occurred. R.S. 30:2105.4 provides the procedures for disbursements from the trust fund.

2. CASH

At June 30, 1999, cash is composed of deposits with the state treasury totaling \$10,185,014. Cash balances held and controlled by the state treasurer are secured from risk by the state treasurer through separate custodial agreements, and the risk disclosures required by generally accepted accounting principles are included within the state's general purpose financial statements.

**3. BULK DISTRIBUTION AND
ANNUAL ASSESSMENT FEES**

Act 5014 of 1990 amended R.S. 30:2105.3, effective September 1, 1990, and required the collection of a bulk distribution fee by the bulk fuel dealer based on a charge for each separate withdrawal of motor fuel at a rate of \$13.00 per 0,000 gallons. Act 176 of 1993, effective August 15, 1993, amended R.S. 30:2105.3 to increase the bulk distribution fee by the bulk fuel dealer based on a charge for each separate withdrawal of motor fuel at a rate of \$27.00 per 0,000 gallons. Act 395 of 1995, effective June 15, 1995, amended R.S. 30:2105.3 to increase

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA
Notes to the Financial Statements (Continued)**

the bulk distribution fee by the bulk fuel dealer based on a charge for each separate withdrawal of motor fuel at a rate of \$72.80 per 8,000 gallons. Fees not received in a timely manner are subject to a late penalty of an additional 5% per month of the calculated fee that is not remitted. In addition, a fee not to exceed \$275 per year per eligible underground motor fuel storage tank storing new or used motor oil is assessed to all owners of such tanks in accordance with R.S. 30:2195-3(B). Fees not received within 30 days after the due date are subject to a late penalty of an additional 10% per month of the assessed fee. The late penalty shall be calculated from the actual due date of the invoice.

On an annual basis, all owners of registered tanks are assessed a tank registration fee of \$45 for each tank. The revenue collected from the tank registration fee is deposited to the Environmental Trust Fund as provided by R.S. 30:2195-3(C).

Collection of the fees ceases when the unobligated balance in the trust fund equals or exceeds \$25,000,000. The fees are reinstated when the unobligated balance in the trust fund has fallen below \$15,000,000 as provided by R.S. 30:2195-3(A)(10).

**4. TRANSFER FROM MOTOR FUELS
UNDERGROUND STORAGE TANK TRUST
FUND TO ENVIRONMENTAL TRUST FUND**

The Motor Fuels Underground Storage Tank Trust Fund transferred \$515,254 during the 1998-99 fiscal year, as shown on Statement A, to the Environmental Trust Fund. R.S. 30:2195-4 (C)(2) states that if the secretary determines that funds deposited into the Environmental Trust Fund pursuant to R.S. 30:2195-3) are insufficient relative to the legislatively approved fiscal appropriation for the Underground Storage Tank Division during a given year, the secretary may order the treasurer to transfer from the Tank Trust Fund to the Environmental Trust Fund only that amount necessary to reach the authorized ceiling.

5. LITIGATION AND CLAIMS

At June 30, 1998, two lawsuits are pending against the Motor Fuels Underground Storage Tank Trust Fund. The attorney for the Department of Environmental Quality has advised that it appears probable that the trust fund will be liable for these two lawsuits. The outcome of the first lawsuit is less than \$100,000 and the outcome of the second lawsuit is not expected to exceed \$100,000. These amounts are not accrued in the financial statement, which is prepared on a cash basis of accounting.

**OTHER REPORT REQUIRED BY
GOVERNMENT AUDITING STANDARDS**

The following pages contain a report on compliance with laws and regulations and on internal control as required by Government Auditing Standards, issued by the Comptroller General of the United States. This report is based solely on the audit of the financial statement and includes, where appropriate, any reportable conditions and/or material weaknesses in internal control or compliance that would be material to the presented financial statement.



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December 15, 1999

Report on Compliance and on Internal Control Over
Financial Reporting Based on an Audit of the Special Purpose
Financial Statement Prepared in Accordance With
Government Auditing Standards

**MOTOR FUELS UNDERGROUND STORAGE
TANK TRUST FUND
DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA**
Baton Rouge, Louisiana

We have audited the special purpose financial statement of the Motor Fuels Underground Storage Tank Trust Fund for the year ended June 30, 1999, and have issued our report thereon dated December 15, 1999. We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Motor Fuels Underground Storage Tank Trust Fund's special purpose financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with these provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Motor Fuels Underground Storage Tank Trust Fund's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the special purpose financial statement and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the special purpose financial statement being

Legislative Auditor

**MOTOR FUELS UNDERGROUND STORAGE
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DEPARTMENT OF ENVIRONMENTAL QUALITY
STATE OF LOUISIANA**

Compliance and Internal Control Report

December 10, 1999

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audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Motor Fuels Underground Storage Tank Trust Fund, Department of Environmental Quality and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Respectfully submitted,



Daniel G. Kyle, CPA, CFE
Legislative Auditor

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pr:vmh