



# FINANCIAL ASSURANCE COMPLIANCE TRACKING TOOL

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**Albuquerque ASTSWMO Meeting**

July 12, 2006

# Key Points

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- Overview of the Tool
  - Tracking Tool Framework
  - Tracking Tool Structure
  - Notable Tool Features
- Summary Report Functions
- Standard Operating Procedures
- Final Thoughts

# Overview of the Tool

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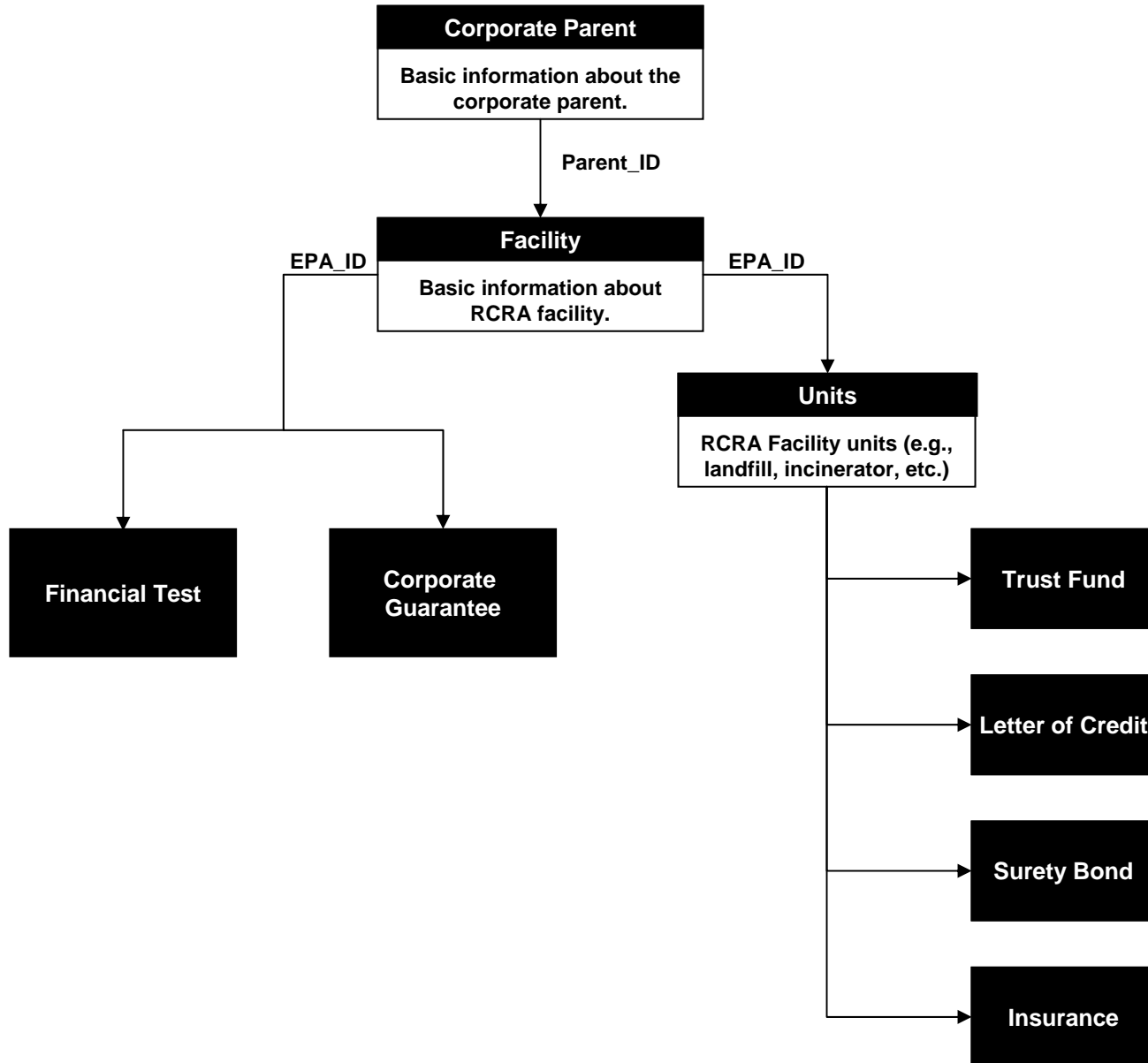
- Designed for EPA and State Regulators
- Objectives:
  - Facilitate review and tracking of financial assurance data for facilities subject to **RCRA Subtitle C Closure/Post-Closure** and **RCRA Corrective Action**.
  - Standardize financial assurance data collection.
  - Assist regulators in identifying companies of concern.

# Tracking Tool Framework: RCRA Subtitle C Closure/Post-Closure

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- Begins at the Corporate Parent level
- Financial assurance information is divided into two categories:
  - Self Insurance – **Financial Test, Corporate Guarantee** – organized at the facility level
  - Third-Party Instruments – **LOC, Trust Fund, Surety Bond, Insurance** – organized at the unit level

# TRACKING TOOL FRAMEWORK: Closure/Post-Closure

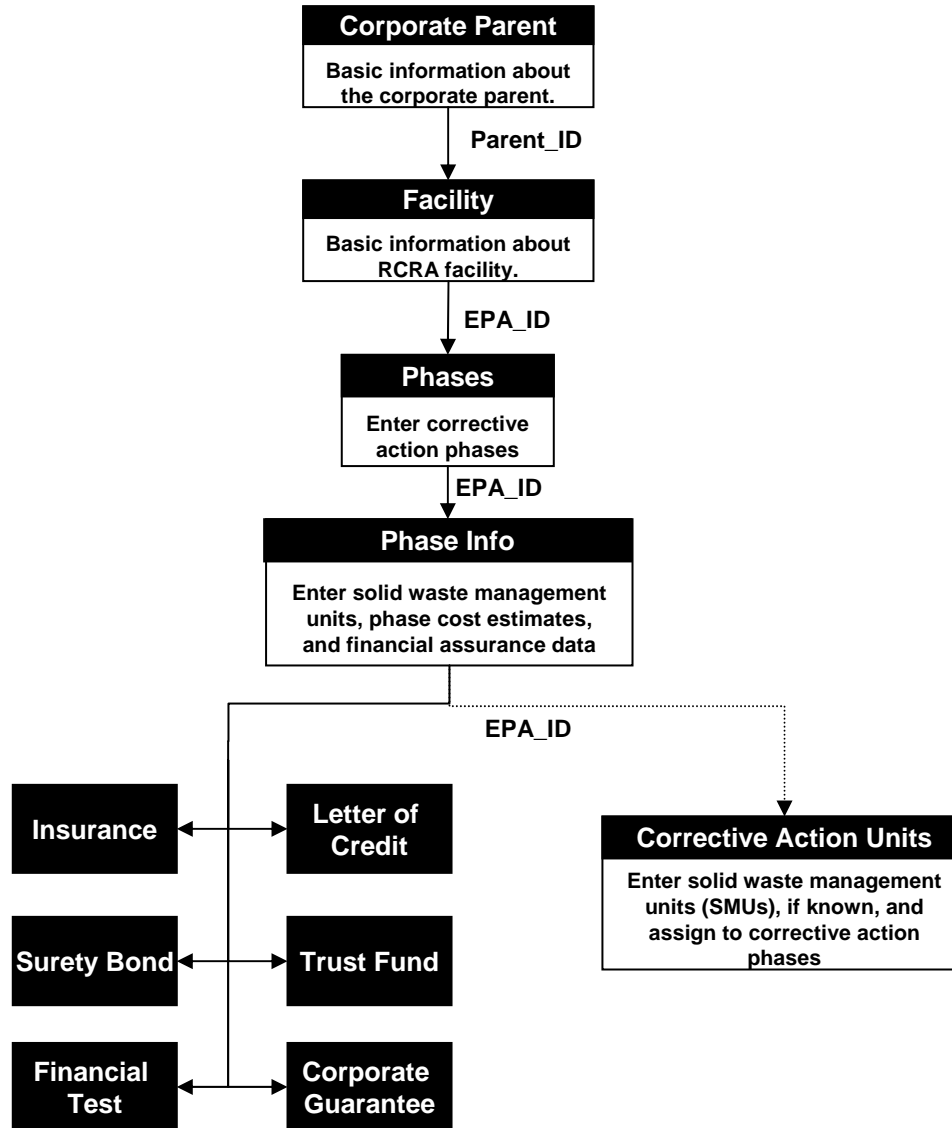


# Tracking Tool Framework: RCRA Corrective Action

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- Same point of entry as RCRA Subtitle C Closure/Post-Closure – Corporate Parent Level
- But, financial assurance information is organized by **corrective action phase** – RFA/RFI, CMS, Interim Measures
  - Allows for the use of hybrids across all financial assurance instruments, including financial test & corporate guarantee

# TRACKING TOOL FRAMEWORK: Corrective Action



# Tracking Tool Structure

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- Built in MS Access 97 
  - Allows for maximum flexibility/availability
- Developed (and refined) based on financial assurance case file reviews coordinated by EPA Headquarters, Regions, and States
  - Used to capture financial assurance data for **840 facilities** across 9 EPA regions and 15 states, as of March 3, 2006.



# Notable Tool Features

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- Captures multiple levels of information:
  - Parent company
  - Facility
  - Regulatory Requirements
  - Cost Estimates
  - Financial Instrument
    - Regulatory Checklist

# Notable Tool Features

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- Financial Test
  - Automatically runs the financial test.
  - Allows regulator to compare a company's financial test submission against their **audited financial statements**.
  - Capture **historical** financial test submissions.
  - Calculates the **maximum amount of coverage** available to a company based on their fiscal year end financial data.

# Notable Tool Features

- Financial Test

Maximum Amount of Coverage

**Financial Test**

**Financial Tests**

Name of Facility:  EPA Facility ID:  Corporate Parent:  Total Closure/Post-Closure Costs:

Liability Covered by Financial Test:  Cost Estimate:  Date of Cost Estimate:  Date of Financial Data:

**Test Alternative 1**  
(Only valid if all financial data was entered on previous screen)

**TEST 1a: Does the facility meet at least two of the three following ratios?**

- > Total liabilities / net worth < 2.0?**  
Total liabilities / net worth = 0.089
- > (Net income + depreciation + depletion + amort.) / total liabilities > 0.1?**  
(Net income + depr. + depl. + amort.) / total liabilities = 0.250
- > Current assets / current liabilities > 1.5?**  
Current assets / current liabilities = 27.224

**TEST 1b: Does the facility have net working capital and tangible net worth each at least six times the sum of the covered costs?**

Net working capital	=	\$6,376,170
Tangible net worth	=	\$12,790,382
6 * [covered costs]	=	\$2,885,196

**TEST 1c: Does the facility have tangible net worth of at least \$10 million?**

Tangible net worth	=	\$12,790,382
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**TEST 1d: Do the facility's U.S. assets equal at least 90 percent of total assets or six times the sum of the covered costs?**

Total U.S. assets	=	\$0
6 * [covered costs]	=	\$2,885,196

> than 90% of Total Assets? Yes

**Results of Test #1: Pass**

**TEST 2a: Is the current bond rating adequate?**

**Adequate Bond Ratings**

Standard and Poor's	Moodys
AAA	Aaa
AA	Aa
A	A
BBB	Baa

Bond Rating Agency:  
Bond Rating:

**TEST 2b: Does the facility have tangible net worth at least six times the sum of the covered costs?**

Tangible net worth	=	\$12,790,382
6 * [covered costs]	=	\$2,885,196

**TEST 2c: Does the facility have tangible net worth of at least \$10 million?**

Tangible net worth	=	\$12,790,382
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**TEST 2d: Do the facility's U.S. assets equal at least 90 percent of total assets or six times the sum of the covered costs?**

Total U.S. assets	=	\$0
6 * [covered costs]	=	\$2,885,196

> than 90% of Total Assets? Yes

**Results of Test #2: Fail**

**Maximum amount of coverage:**

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Record: 1 of 1 (Filtered)

# Notable Tool Features

- Insurance
  - Facilitate tracking of **Captive Insurer** information

**Insurance Info**

**Insurance**

Name of Facility: ABC Landfill EPA Facility ID: DC123456789 Company Name: ABC Company Total Costs Covered by Instrument: \$3,500,000.00 View Cost Info

**Insurance**

Did the facility provide an original copy of the certificate of insurance?

Did the facility provide an original copy of the policy's declaration page?

Did the facility provide an original copy of the insurance policy?

Are there endorsements to the insurance policy?

Insurance Provider: Monument Insurance Limited

Policy Number: XA123456

Effective Date of Policy: 01-Jan-05

Policy Expiration Date: 01-Jan-06

Face Value of Policy: \$1,000,000.00

Annual Premium Payment: \$1,000,000.00

Status of Policy: Active

Is the insurance provider a captive insurer?

Location of Original Documentation / Comments:

**Regulatory Checklist**

Is the face value of the policy greater than or equal to the potential cost estimate?

Is the insurer licensed to transact the business of insurance or eligible to provide insurance as an excess (or surplus) lines insurer in at least one state?

Does the language of the certificate of insurance match 40 CFR 264.151(e) or state equivalent?

Does the insurance policy stipulate that the insurer may not cancel, terminate, or fail to renew the policy unless the facility fails to pay its premium?

Is the insurance policy automatically renewable at no less than the face amount of the expiring policy?

Does the insurance policy contain a provision that allows it to be assigned or transferred to the facility's successor?

Does the insurance policy ensure that the policy cannot be canceled once closure has been ordered?

If any of the above boxes are unchecked, then check to see if the facility maintains other financial assurance instruments. If not, the facility may not be in full compliance with the applicable financial assurance requirements. Consult with your legal counsel.

# Notable Tool Features

## ■ Insurance

### Captive Insurer

- Fronting/Reinsurance
- Third Party Rating
- Other affiliates for which the captive underwrites insurance

The screenshot displays a web application window titled "Captive Info" with a yellow background. The main heading is "Captive Insurer Information". The form includes the following fields and sections:

- Name of Captive Insurer:** A text input field containing "Monument Insurance Limited".
- Rating Agency:** A dropdown menu.
- Does Captive use Fronting?** and **Or Reinsurance?** checkboxes.
- By whom?** and **How much?** text input fields, with "\$0.00" entered in the "How much?" field.
- Captive's Financial Rating:** A text input field.
- States in Which Captive is Licensed to Conduct Business:** A list box.
- Names and address of all companies for which insurer underwrites insurance:** A table with columns for Company Name, Address, City, State, and Zip Code.
- Location of Original Documentation / Comments:** A text area.
- Return to Previous Screen:** A button.
- Last Modified By:** and **Date Modified:** text input fields.

At the bottom of the window, there is a footer with the text: "Privileged and Confidential: May Contain Confidential Business Information. DRAFT PROTOTYPE: FOR INTERNAL AGENCY REVIEW ONLY Version 4: 16-Sep-05".

# Summary Report Functions

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- View Summary Report
  - Company Name
  - Facility & EPA ID
  - Cost Estimates by Regulatory Requirement
  - Active Financial Instrument

# Summary Report Functions

- View Summary Report

Microsoft Access - [Overview Report]

File Edit View Tools Window Help

88% Close

### Active Financial Assurance Instruments

Name	Facility	EPA_ID	Closure Costs	PostClosure	Corrective Action	CG	FT	Ins	LOC	TF	SB	Other
ABC Company												
	ABC Hazardous Waste Facility	DC 123456789	\$3,500,000	\$160,000	\$3,400,000	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Finest Inc.												
	Finest Chemical Inc. - Somerville	US A123456789	\$0	\$327,330	\$0	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

# Summary Report Functions

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- **View Summary Queries**
  - Allows the user to create reports by financial assurance instrument for a group of facilities:
    - All facilities;
    - Closure/Post-Closure Facilities;
    - Corrective Action Facilities; or
    - User-Selected Facilities
  - It allows the user to create a report with summary comments.



# Summary Report Functions

- View Summary Queries

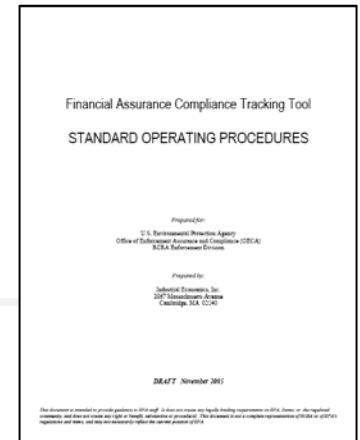
Microsoft Access - [Overview Report]

File Edit View Tools Window Help

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## Active Financial Assurance Instruments

Company / Facility	EPA_ID	Facility Cost Estimates	Facility Cost Estimate Date	Financial Mechanisms	Instrument Value	Comments
ABC Company						
ABC Hazardous Waste Facility	DC123456789	<b>Closure:</b>	\$3,500,000	30-May-02	CG <input type="checkbox"/> FT <input checked="" type="checkbox"/>	Regulator comments here.
		<b>Post-Closure:</b>	\$0		<b>FT/CG Test Result:</b>	
		<b>Corrective Action:</b>	\$3,400,000	01-Sep-04	LOC <input checked="" type="checkbox"/> TF <input checked="" type="checkbox"/> \$6,941,000 Ins <input type="checkbox"/> SB <input type="checkbox"/> Other <input type="checkbox"/>	



# Standard Operating Procedures

- SOPs provide user guidance on additional topics such as:
  - Start-up Procedures
  - Reporting Functions
  - Frequently Asked Questions
  - Troubleshooting
  - Corporate Bond Ratings
  - Insurance Ratings

# Final Thoughts

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- The Tool is designed to facilitate **tracking financial assurance data** for multiple companies
- Allows the regulator **quick access to** financial assurance data on any company at any time
- Assists regulators in identifying **companies of concern**
- Provides a means to look at **trends and patterns** across facilities