



Fact Sheet

Underground Storage Tank Cleanup Fund Fraud Deterrence

The Underground Storage Tank Cleanup Fund (UST Cleanup Fund), created in 1989 and administered by the State Water Resources Control Board (State Water Board), reimburses eligible reasonable and necessary costs for corrective action of petroleum fuel releases from eligible USTs. For more on the State Water Board's UST Cleanup Fund, please visit: http://www.waterboards.ca.gov/water_issues/programs/ustcf/.

What's at Stake

The UST Cleanup Fund reimburses up to \$1.0 million per claim for claims submitted on or after January 1, 2015, and \$1.5 million for claims that were submitted prior to that date. The UST Cleanup Fund has reimbursed over \$3.8 billion since 1992 for over 10,900 claims that have been fully reimbursed and are now closed, and over 2,500 open claims. The UST Cleanup Fund has an annual appropriation of \$200 million to reimburse open claims. An additional 2,900 claims where corrective action has been completed await reimbursement. It is estimated that nearly \$1.0 billion remains to be reimbursed.

State Water Board Enforcement

In January 2010, the State Water Board launched an enforcement initiative which resulted in the establishment of a permanent Fraud, Waste, and Abuse (Fraud) Prevention Unit within the Office of Enforcement. The Fraud Prevention Unit works with the UST Cleanup Fund to deter, investigate, and prosecute fraud against the UST Cleanup Fund.

Deterrence is the Goal

The goal of fraud detection, prevention, investigation, and prosecution efforts is to deter claimants and contractors from submitting fraudulent claims to the UST Cleanup Fund. The State Water Board's Fraud Prevention Unit has uncovered common patterns of fraudulent activity and utilizes forensic techniques in conducting audits and investigations to detect that activity.

Prevention and Detection

Prevention and detection efforts implemented by the State Water Board include: review of reimbursement requests; electronic submittal of reimbursement requests through the State Water Board's GeoTracker database, which allows electronic data checking; auditing claims at various stages in the reimbursement process; cost control and cost containment through annual site budgets; and through detailed project execution plans agreed upon by UST Cleanup Fund and regulatory staff, and claimants with their consultants.



Investigation and Prosecution of Suspected Fraud

Investigation and prosecution of fraud, waste, abuse, and professional negligence believed to be perpetrated against the UST Cleanup Fund is being aggressively pursued by the State Water Board. Cases of fraud have been prosecuted criminally and/or civilly with the assistance of the Office of the Attorney General and other prosecutorial agencies. Effective September 25, 2014, the Health and Safety Code was amended to authorize additional safeguards to combat fraud against the UST Cleanup Fund. The law gives the State Water Board the authority to disqualify claimants and their consultants from participating in the UST Cleanup Fund, impose penalties of up to \$500,000 per violation, recover costs for investigation and prosecution, and prosecute cases administratively.

Outcomes

Since 2010, the Fraud Prevention Unit has referred cases to the Office of the Attorney General that have resulted in criminal and civil complaints being filed and search warrants being conducted at several consultant and contractor offices. Many of these cases have resulted in the permanent disqualification of over a dozen businesses and persons from participating in the UST Cleanup Fund as well as other State Water Board programs. For a list of disqualified businesses and persons, and related criminal, civil, and administrative enforcement actions please visit: http://www.waterboards.ca.gov/water_issues/programs/ustcf/dbp.shtml.

Recent Enforcement Actions

SOMA Environmental Engineering Inc.: In February 2019, a settlement between SOMA Environmental Engineering Inc. (SOMA) and the State Water Board was reached over allegations of submitting false documents and padded invoices to the UST Cleanup Fund. The State Water Board's Fraud Prevention Unit was able to demonstrate by using video surveillance that work was not being conducted as claimed. As part of the settlement SOMA will pay a \$200,000 penalty, and the company and its principal, Mansour Sepeher, will be disqualified from participating in any State Water Board reimbursement program. https://www.waterboards.ca.gov/press_room/press_releases/2019/pr01182019_soma.pdf

Hayden Environmental Inc. dba TKO EnviroServices: In January 2019, a settlement between Hayden Environmental Inc. (HEI) and the State Water Board was reached over allegations of overbilling the UST Cleanup Fund. HEI will pay \$100,000 in penalties and is debarred from future work overseen, directed, funded, submitted to or administered by the State Water Board. In addition, the principals, Kurt and Julie Hayden, are also disqualified from all work involving the State Water Board. The Haydens are alleged to have made misrepresentations to the State, including: negotiating and receiving a credit for a portion of crane service costs, but submitting the full cost invoice to the Cleanup Fund; altering electricity bills to hide costs not eligible for reimbursement from the Cleanup Fund; billing staff at higher project management rates when they do not possess the requisite education or experience; and charging to lease storage space even though the expense was unrelated to the claim. The Haydens entered guilty pleas in a related criminal matter in Santa Barbara County. https://www.waterboards.ca.gov/press_room/press_releases/2019/pr01312019_hei_barred_from_work.pdf

Cal Tech Environmental Laboratories: The owner of a Southern California environmental laboratory plead guilty to a felony charge on filing false information and overcharging for clean-up costs submitted to the State Water Board's UST Cleanup Fund. In addition to being sentenced to 30 days community service, Roobik Yaghoubi, owner of Cal Tech Environmental Laboratories was ordered to pay \$190,000 in restitution to the State Water Board, including \$70,000 already seized from his home. The pleas resulted from an investigation by the Environmental Laboratory Accreditation Program and the Office of Enforcement. The investigation uncovered evidence of altered data, failed quality control tests, gaps in the chain of custody, improper reuse of containers, and poor housekeeping of laboratory equipment. https://www.waterboards.ca.gov/water_issues/programs/enforcement/docs/2017/caltech_felony_PR_final.pdf

For a full list of enforcement actions and disqualified businesses and persons, please visit: https://www.waterboards.ca.gov/water_issues/programs/enforcement/fwa/dbp.html

Report Fraud

To report fraud: call our toll-free message line at 1-800-813-FUND (3863) or email ReportFraud@waterboards.ca.gov. Our fraud reporting complaint form can be found at: http://www.waterboards.ca.gov/water_issues/programs/ustcf/fraud.shtml