

SCRAP TIRE DISPOSAL ACCOUNT GRANTS

SCRAP TIRE PROGRAM

State Authorization: GS 130A-309.63

**N.C. Department of Environment and Natural Resources
Division of Waste Management**

Agency Contact Person - Program and Financial

Address Confirmation Letters To

Program:

Pam Moore
919-508-8509

Pam Moore
Solid Waste Section
NC Department of Environment and
Natural Resources
1646 Mail Service Center
Raleigh, NC 27699-1646

Financial:

Brenda Rivers
919-508-8423

The auditor should not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the supplement a “safe harbor” for identification of compliance requirements to be tested if the auditor performs reasonable procedures to ensure that the requirements in the Supplement are current. The grantor agency may elect to review audit working papers to determine that audit tests are adequate.

I. PROGRAM OBJECTIVES

The scrap tire management program is designed to encourage proper management of discarded tires. Counties are required to accept discarded tires at landfills or other collection centers.

II. PROGRAM PROCEDURES

An advance disposal fee is charged at the point of sale of new tires and collected by the NC Department of Revenue. The Department of Revenue distributes a portion of the proceeds (68%) directly to each county to fund county scrap tire management programs.

By law, counties are not allowed to charge disposal fees to accept scrap tires, which were generated in North Carolina in the normal course of business. Tires presented for free disposal must be accompanied by a completed Scrap Tire Certification form, which documents origin of the load of scrap tires. Counties may charge disposal fees for scrap tires generated out-of-state, tires not generated in the normal course of business in North Carolina, and tires which were presented for disposal without a completed Scrap Tire Certification form.

The NC Department of Revenue distributes advance disposal fee proceeds as follows:

- 68% Distributed directly to all 100 counties
- 27% Distributed to the Department of Environment and Natural Resources (DENR) to fund the Scrap Tire Disposal Account
- 5% Other programs

County proceeds are distributed by the Department of Revenue on a per capita basis. This distribution method does not take into account special needs or additional expenses incurred in some counties. For example, some western counties do not have ready access to scrap tire recycling facilities and incur high transportation costs shipping tires to distant facilities. Also, some counties have higher than expected volumes of discarded tires due to the presence of regional dealers.

The Scrap Tire Disposal Account was established, in part, to provide the additional funds counties may need over the per capita amount they receive from the Department of Revenue. DENR uses its twenty-seven percent of the advance disposal fee proceeds to fund this account to make grants to counties.

Counties are eligible for a grant when their expenses for tire management exceed their income during the preceding six months. DENR has designated the six-month periods for which a county may apply for grants. The six-month periods are:

- October - March
- April - September

Counties apply for the grants by completing and submitting a one-page application form to DENR. The county states its total scrap tire income and costs for the preceding six-month period. If costs exceeded income, the county is eligible for a grant to cover the difference. If requests for grant funds exceed the amount of grant funds available, the amount awarded each county will be based on review criteria developed by the Solid Waste Section.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Unallowed

Compliance Requirements

The purposes for which a county may use the grants include:

- Operating costs associated with managing scrap tires generated in North Carolina in the normal course of business and which were accompanied by a completed Scrap Tire Certification form when presented for disposal. This includes such expenses as labor, transportation, and disposal costs charged by scrap tire recyclers.
- Capital improvements for infrastructure to manage discarded tires, including trailers, loading equipment, and concrete pads.

If an expense is partially related to the management of discarded tires, a county may use the grant to finance the percentage of the expense used for scrap tire management.

A county may not use grants for an expense that does not directly relate to the management of discarded tires. Grants cannot be used for disposal of tires generated out-of-state or tires which were presented for disposal without a completed Scrap Tire Certification form.

A unit of local government is not eligible for a grant unless its costs of managing tires for a six-month period preceding the date the unit files an application for a grant exceeded

the amount the unit received during that period from the proceeds of the scrap tire advance disposal fee under G.S. 105-187.19.

Audit Objectives

1. Determine whether grants are being used only for management of North Carolina scrap tires.

Suggested Audit Procedures

1. Check with the county solid waste manager and finance officer to determine how scrap tire management expense is determined and how the county is using the funds.
2. Verify how the county is using the funds through accounting records or the General Ledger.
3. Verify expenditures from the General Ledger from the prior six months.
4. Obtain a sample of Scrap Tire Certification forms and check to see that the tires are only from North Carolina. This can be accomplished by calling the disposer listed on the form and verifying the information entered on the form, including the number and origin of scrap tires and supporting documentation.

2. Allowable Costs/Costs Principles

Compliance Requirements

Counties are eligible for a grant equal to the amount their expenses exceed their income in their scrap tire management program. Therefore, reported expenses must be accurate. Counties should not overstate their expenses in order to claim larger deficits and to claim eligibility for larger grant awards.

Audit Objectives

Determine whether the reported expenses are accurate.

Suggested Audit Procedures

1. Check with the county solid waste manager and finance officer to determine how scrap tire management expense is determined.
2. Determine what categories of expense are included, such as contract costs, equipment maintenance, labor (assisting the public, hauling, equipment operation, loading, etc.). After determining what costs are included, verify that expenses are applicable to the programs.
3. Make sure that costs reported are only for scrap tire management. If an expense benefits both scrap tires and another program it will be necessary to verify that the costs are pro-rated.

4. Conflict of Interest

Compliance Requirements

Refer to GS 14-234 regarding conflict of interest for local governments.

Audit Objectives

Determine compliance with GS 14-234.

Suggested Audit Procedures

Verify compliance with GS 14-234.

6. Equipment and Real Property Management

Compliance Requirements

The county should follow local procedures and policies for equipment management.

Audit Objectives

Ensure that the county follows any local procedures for equipment management.

Suggested Audit Procedures

Obtain a description of local procedures and policies for equipment management and determine if that is being followed for equipment purchased by Scrap Tire Disposal Account grants.

8. Period of Availability of State Funds

Compliance Requirements

Reported expenses must have occurred during the timeframe of the grant cycle as this acts as a reimbursement of expenses that occurred during the previous six month period.

Audit Objectives

Determine whether reported expenses occurred during the timeframe of the grant cycle.

Suggested Audit Procedures

Verify that reported expenses were incurred during the grant cycle timeframe.

12. Reporting

Compliance Requirements

Each county must complete an annual report on a form prescribed by the Division and submit it by October 31 each year. This is part of the requirements in GS 130A-309.09.

Other report requirements are described in GS 159-34, regarding reporting to the Local Government Commission.

Audit Objectives

Determine whether reporting is accurate and reliable.

Suggested Audit Procedures

Trace reported costs to the general ledger and accounting records to verify that costs reported were supported by documentation to include invoices if deemed necessary.

14. Special Tests and Provisions

Compliance Requirements

The grant is to provide reimbursement to counties for excess expenditures incurred in the prior period for the removal of scrap tires. The program's obligation is to ensure collection of a fee for the removal of scrap tires generated out of state or generated not in the normal course of business.

Audit Objectives

Determine if information entered on the application addresses the county efforts to avoid giving free disposal for tires generated out-of-state.

Suggested Audit Procedures

1. Verify that the county's description on the grant application form accurately describes county efforts to deter the disposal of tires generated out-of-state.