

WHITE GOODS MANAGEMENT ACCOUNT GRANTS

WHITE GOODS MANAGEMENT PROGRAM

State Authorization: GS 130A-309.83

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

Agency Contact Person - Program and Financial

Address Confirmation Letters To

Program:

Bill Patrakis
336-771-5091

Financial:

Brenda Clark
919-508-8423

Bill Patrakis
Solid Waste Section
NC Department of Environment and
Natural Resources
Winston-Salem Regional Office
585 Waughtown Street
Winston-Salem, NC 27107-2275

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.

Auditors may request documentation of monitoring visits by the State Agencies.

I. PROGRAM OBJECTIVES

The white goods management program is designed to encourage proper management of discarded white goods (appliances such as stoves, refrigerators, freezers, washers and dryers) and to recover and recycle chloroflourocarbon refrigerants (CFCs).

II. PROGRAM PROCEDURES

An advance disposal fee is charged at the point of sale of white goods and collected by the NC Department of Revenue. The Department of Revenue distributes a portion of the proceeds (75%) directly to each county to fund county white goods management programs. By law, counties are not allowed to charge disposal fees to accept discarded white goods. Studies indicate such fees lead to increased illegal dumping.

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

- 75% Distributed directly to all 100 counties
- 20% Distributed to the Department of Environment and Natural Resources (DENR) to fund the White Goods Management Account

5% to pay for the cost of collection

The Department of Revenue on a per capita basis distributes county proceeds. 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 local white goods recycling facilities and incur high transportation costs when shipping white goods to distant facilities.

The White Goods Management Account was established to provide additional funding to counties above the per capita amount they receive from the Department of Revenue. DENR uses its twenty 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 white goods 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 two periods are:

January - June

July - December

Counties apply for the grants by completing and submitting a one-page application form to DENR. The county states its total white goods income, tonnage of white goods collected for the six month period, and costs for the period. If costs exceeded income, the county is eligible for a grant to cover the difference.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed or Forbidden

Compliance Requirements

The purposes for which a county may use the grants include, but are not limited to:

- Operating costs associated with managing discarded white goods, such as labor, transportation, and CFC extraction.
- Capital improvements for infrastructure to manage discarded white goods, such as concrete pads for loading, equipment essential for moving white goods, storage sheds for equipment essential to white goods disposal management, and freon extraction equipment.
- The cleanup of illegal white goods disposal sites.

If a capital improvement or operating expense is partially related to the management of discarded white goods, a county may use the grant to finance a percentage of the costs equal to the percentage the improvement is used for white goods management.

White goods grants may be used to finance clean up of illegal disposal sites consisting of more than 50% white goods. If a site consists of 50% or less discarded white goods, grants may be used only to finance clean up of the white goods portion of the illegal disposal sites.

Except as stated above, a county may not use the grant for a capital improvement or operating expense that does not directly relate to the management of discarded white goods.

Audit Objectives

Determine whether grant funds are being used only for white goods management.

Suggested Audit Procedures

1. Check with the county solid waste manager and finance officer to determine how white goods management expense is determined.
 2. Verify how the county is using the funds through accounting records or the General Ledger. It is recommended that a separate account be established for white goods within the solid waste department's general ledger.
 3. Verify expenditures from the General Ledger from the prior six months
2. Allowable Costs/Costs Principles

Compliance Requirements

Counties are eligible for a grant equal to the amount their expenses exceeded their income in their white goods 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

Verify that the county accurately reported expenses.

Suggested Audit Procedures

1. Check with the county solid waste manager and finance officer to determine how white goods management expense is determined. Find out what expense categories are included (such as contract costs, equipment maintenance, and labor costs incurred for hauling, equipment operation, chlorofluorocarbons (CFCs) removal, metals improvement, and loading). In order to properly verify expenses for white goods management a separate account should be established for white goods within the solid waste department's general ledger.
 2. Verify that expenses reported are accurate and match accounting records being maintained.
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 established written procedures and policies for equipment management within the locality.

Audit Objectives

Ensure that the county follows any established written 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 White Goods Management Account.

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

On or before November 1 of each year, a county must submit a copy of its Annual Financial Information Report, prepared in accordance with GS 159-33.1, to the Department. The Secretary of the Local Government Commission must require the following information in that report:

- 1) The tonnage of white goods scrap metal collected for the timeframe stated.
- 2) The amount of revenue credited to its white goods account. This revenue should include all receipts derived from the white goods advance disposal fee, the sale of white goods scrap metals and CFC, and any grants from the White Goods Management Account.
- 3) The expenditures from its white goods account. The expenditures should include operating expenses and capital improvement costs associated with its white goods management program, and illegal disposal cleanup costs.
- 4) The designated and undesignated balances of its white goods account.

- 5) A comparison of the undesignated balance of its white goods account at the end of the fiscal year and the amount of white goods advance disposal fee proceeds it received, or would have received if it had been eligible to receive it under GS 130A-309.87, during the fiscal year.

Other report requirements are described in GS 159-34.

Audit Objectives

Verify that 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.