

SCRAP TIRE DISPOSAL ACCOUNT

GRANTS SCRAP TIRE PROGRAM

State Authorization: GS 130A-309.64

**N.C. Department of Environmental Quality
Division of Waste Management**

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The auditor shall not consider the Supplement to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor shall be prepared to justify departures from the suggested procedures. The auditor may 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 scrap tire management program is designed to encourage the proper management of discarded tires. Counties are required to accept discarded tires at a collection center(s).

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 (**70%**) directly to counties to fund each county’s 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 each load of scrap tires. Counties may charge disposal fees for scrap tires generated out-of-state, manufacturer unsalable new tires, 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:

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70% Distributed directly to all 100 counties

30% Distributed to the General Fund

Up to \$425,000 retained by NCDOR for the cost of tax proceed collection

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 treatment and/or disposal. Also, some counties have higher than expected volumes of discarded tires due to the presence of regional dealers.

The Scrap Tire Disposal Account Fund was established, in part, to provide the additional monies counties may need over the per capita amount they receive from the Department of Revenue. The NC Department of Environmental Quality (DEQ) receives \$420,000 each FY in appropriations from the general fund into this account to make cleanup and cost overrun grants to counties.

Scrap Tire cleanup grants may be awarded on an ongoing basis. Counties must contact DEQ to discuss and submit required documentation. Counties are eligible for a cost overrun grant when their expenses for scrap tire management exceeds their income during the preceding six months prior to the application period. DEQ has designated the six-month periods for which a county may determine if it can apply for a grant. The six-month periods are:

October - March

April - September

Counties apply for the grants by completing and submitting an application form to DEQ. The county states its total scrap tire income and costs for the preceding (designated) six-month period. If costs exceeded income, the county is eligible to apply for a grant to cover the difference. The amount of grant funds awarded to each county is based on criteria stated in the Scrap Tire Disposal Act and those developed by the Solid Waste Section.

III. COMPLIANCE REQUIREMENTS

Noted below in the following matrix are the types of compliance requirements that are applicable to the State program. These Types are determined by the State agency noted by "Y."

If the Matrix indicates "Y," the auditor must determine if a particular type of compliance requirement has a direct and material effect on the State program for the auditee.

1	2	3	4	5	6	7	8	9	10	12	13	14
Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Conflict of Interest	Eligibility	Equipment/ Real Property Management	Matching, Level of Effort, Earmarking	Period Of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions
Y	Y	N	Y	N	Y	N	Y	N	N	Y	N	Y

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 transportation and disposal costs charged by scrap tire recyclers, and may also include labor at county scrap tire collection facilities.

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 shall not use grants for an expense that does not directly relate to the management of discarded tires. Grants shall not 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 scrap tires for a six-month period preceding the date the unit files an application for a grant exceeded the amount the unit of local government 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. Confer 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/applicable application period.
4. Obtain a sample of Scrap Tire Certification Forms to determine the tires are only from North Carolina. This may 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

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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 shall 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. Confer with the county solid waste manager and finance officer to determine how scrap tire management expense is determined.
2. Ascertain what categories of expenses are included in the application. After determining what costs are included, verify that expenses are applicable to the program.
3. Assure the 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 G.S. 14-234 regarding conflict of interest for local governments.

Audit Objectives

Determine compliance with G.S. 14-234.

Suggested Audit Procedures

Verify compliance with G.S. 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 it is being followed.

8. Period of Performance

Compliance Requirements

Reported expenses must have occurred during the timeframe of the grant cycle: reimbursement of expenses that occurred during the previous six-month period.

Audit Objectives

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

Suggested Audit Procedures

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

12. Reporting

Compliance Requirements

Each county shall complete an annual report on a form prescribed by the Division and submit it by September 1 each year. This is part of the requirements in G.S. 130A- 309.09A.

Other report requirements are described in G.S. 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 six-period for the management of scrap tires. The program's obligation is to ensure collection of a fee for the disposal of scrap tires generated out of state or for those not generated 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.