



# Georgia Department of Audits and Accounts Performance Audit Division

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## Why we did this review

This follow-up review was conducted to determine the extent to which the Environmental Protection Division (EPD) of the Department of Natural Resources (DNR) addressed recommendations in our September 2015 performance audit (report #14-24) of the Solid Waste Trust Fund (SWTF).

The 2015 audit examined whether the SWTF had sufficient funding to address its authorized uses and EPD's management of the scrap tire program, cleanup, and fee collection activities.

## About the Solid Waste Trust Fund

The SWTF was created in 1992 to help finance a number of solid waste initiatives. These initiatives include preventing and cleaning up scrap tire piles, providing grants to encourage the reduction of solid waste disposal, and monitoring or cleaning up solid waste sites that pose a threat to public health.

To provide funding for the SWTF, state law imposes a \$1.00 fee on the retail sale of new replacement tires. Fee revenue is deposited into the state's General Fund and may be appropriated to the SWTF. Unspent funds do not lapse to the treasury. The SWTF had a fund balance of approximately \$3 million at the end of fiscal year 2017.

## Follow-Up Review Solid Waste Trust Fund

### EPD has taken steps to improve scrap tire program but SWTF reauthorization questions remain

### What we found

Since our September 2015 performance audit, the Environmental Protection Division (EPD) has taken action to address many of the recommendations in the original performance audit of the Solid Waste Trust Fund (SWTF).

The original audit found that appropriations to the SWTF were well below annual collections and that the number of activities financed by the SWTF had dropped over the previous ten years. The reduction in financed activities were the result of reduced appropriations, not an EPD reassessment of solid waste issues that need to be addressed. Since the audit, appropriations have remained well below collections and EPD has not assessed whether previously funded solid waste activities should be resumed. Officials indicated that the assessment of funding needs will occur before the deadline for reauthorizing the \$1 per scrap tire fee, which sunsets in June 2019.

Regarding the scrap tire program, the original audit found deficiencies in inspection and enforcement, resulting from several factors: staffing vacancies and workload distribution, insufficient guidance for inspectors, decentralized information systems, and inadequate management oversight. It also noted that the program lacked methods to ensure that scrap tire fees were being properly collected and remitted.

A number of actions were taken to improve scrap tire inspections and enforcement. During the audit, EPD created a Tire Management Unit to centralize the management of the program

inspectors. To address the quality and consistence of inspections, the unit created new policies and procedures to guide the work of inspectors and a single manager to review work and provide feedback. In addition to detailing the expected frequency of routine inspections, the procedures include a method for selecting targeted inspections that includes a review of scrap tire generator reports and delinquency in remitting fees. The program has also filled vacant inspector positions and reallocated workloads to account for the varying number of regulated entities within the existing regions.

The program's information system used for tracking enforcement actions for scrap tire dumps allows program staff to set and track deadlines for responsible parties and to quickly identify those who have not responded to program communications. However, our review found that many parties had not responded to notices of violations sent by the program in 2017. Officials indicated that the workload makes it difficult to follow up in all cases and that staff follow-up phone calls or emails would not be captured in the system. It also noted that it has focused on educating but will "begin issuing stricter enforcement actions for those facilities that are unwilling to comply."

Regarding collection of the scrap tire fee, the program now reviews quarterly reports and targets some inspections to retailers that have failed to submit required fees. It has also standardized the fee amounts for failure to collect fees or to submit reports. The program has not developed a method to estimate if total collections are reasonably accurate and has chosen to keep fee collection in-house, rather than outsourcing to the Department of Revenue.

*EPD's Response: EPD agreed with the current status of the findings as presented.*

The following table summarizes the findings and recommendations in our 2015 report and actions taken to address them. A copy of the 2015 performance audit report (14-24) may be accessed at <http://www.audits.ga.gov/rsaAudits>.

| <b>Solid Waste Trust Fund<br/>Follow-Up Review, June 2018</b>  |  |
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| Original Findings/Recommendations  | Current Status   |
| <p><b>Scrap tire fees may generate more revenue than necessary to address SWTF statutorily authorized uses. However, only a portion of these uses are currently funded because most fee revenue is not appropriated to the SWTF.</b></p> <p>We recommended that prior to the next SWTF fee reauthorization decision, EPD determine the funding needed (if any) for each authorized use. This would provide the General Assembly with information needed to determine whether the scrap tire fee of \$1 should be raised, lowered, or eliminated.</p> | <p><b>Not Addressed</b> – The re-authorization of the fee for the Solid Waste Trust Fund does not occur until 2019; therefore, EPD has not yet prepared estimates of funding needs. Prior to developing its estimate, EPD intends to engage stakeholders to discuss authorized uses of the SWTF.</p> <p>Appropriations to the SWTF remain only a portion of fee collections each year. Fee collections increased from \$6.4 million in fiscal year 2015 to \$7.2 million in fiscal year 2017. Appropriations to the SWTF were \$2.8 million in fiscal year 2018 and had exceeded \$3.0 million only once in the last four years—\$3.2 million in fiscal year 2017.</p>   |
| <p><b>The program’s inspection and enforcement activities are not adequate to ensure that scrap tires are properly disposed.</b></p> <p>We recommended that the program identify the appropriate staffing levels for each district and resume local enforcement grants to take advantage of partnerships in enforcing the state’s scrap tire laws. In addition, we recommended that the program formalize inspection procedures to guide the work of inspectors and that program management ensure inspectors adhere to the policies.</p>            | <p><b>Fully Addressed</b> – Since the audit, the Tire Management Unit (program) has had greater success staffing its seven regions and has re-drawn the regions to better allocate inspector workloads. It has not resumed grants to local government for enforcement activities that would supplement state staff. EPD believes that scrap tire enforcement would not be a priority for local governments.</p> <p>The program created standard operating procedures for each type of inspection. The procedures for scrap tire generator inspections note the frequency of standard inspections but also include a process for targeted inspections that are based on errors in generator reports or a delinquency in remitting required fees. The program manager determines when targeted inspections will occur. According to EPD, these procedures are used to train staff and are updated as needed.</p> <p>Regarding consistency among inspectors, all report to one manager who reviews inspection reports and enforcement actions. In addition, monthly meetings are used to discuss various issues, including confirmation that inspections and enforcement are being handled consistently across the state.</p> |
| <p><b>Current information systems do not provide reliable information about program activities and outcomes.</b></p> <p>We recommended that EPD continue development of a new information system to streamline data entry and provide necessary management information. We also recommended that program management review data entered into systems to ensure accuracy and completeness.</p>  | <p><b>Partially Addressed</b> – While the Land Environmental Management Information Repository (LEMIR) went into effect in February 2016, some program-related data is not yet included.</p> <p>LEMIR helps manage most activities, including inspections, complaints, enforcement, identification numbers, and permits. It does not yet contain the list of scrap tire dumps. Our comparison of enforcement actions and the separate inventory of scrap tire dumps identified dumps not included on the program’s inventory.</p> <p>While the EPD Complaint Tracking System is still used, scrap tire-related records are transferred to LEMIR. The program no longer requires district reports and other reports that had required inspectors to enter the same information in multiple locations.</p> <p>According to EPD, the program manager reviews data in inspection reports, enforcement reports, generator identification applications, issue letters, and tire carrier permit applications prior to approval in the LEMIR system.</p>   |

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| <p><b>While many scrap tire dumps have been abated, the program lacks adequate information and processes to ensure that remaining dumps are abated in a timely, efficient, and consistent manner.</b></p> <p>We recommended that the program ensure that the scrap tire inventory includes necessary data fields and updated information. We also recommended that the program have a policy identifying how sites are prioritized for state-funded cleanup or enforcement actions. Finally, we recommended that enforcement actions be standardized and that follow-ups occur in a timely manner.</p>   | <p><b>Partially Addressed</b> – After the audit, EPD updated the inventory of scrap tire dumps to better track the status of enforcements and cleanups. However, we noted minor inconsistencies between the list of sites in the inventory and the division’s primary information system, LEMIR. The program stated that the inventory will be incorporated into LEMIR by the end of 2018.</p> <p>Following the audit, the program standardized how it identifies the sites for state-funded cleanup. According to EPD, the program manager ensures state-funded tire dump abatement recommendations are consistent and follow the enforcement policy before including the site for state-funded abatement.</p> <p>To facilitate greater consistency among staff, the program revised and clarified its enforcement policy after the audit. In addition, the new LEMIR information system includes an expected response date field for all enforcement actions and allows management to easily identify parties that have not responded. However, our review of recent actions found that many parties do not respond by the due date. The database does not capture actions (e.g., phone calls, mail) taken by inspectors to follow up on noncompliant parties, and management acknowledged that workload makes it difficult to follow up on all violations. Management indicated that the focus has been on educating the regulated community but added that the program is “entering a time that we will begin issuing stricter enforcement actions for those facilities that are unwilling to comply.”</p> <p>It should be noted that since the audit, EPD has reinstated a local government partnership program for scrap tire abatement. The program reimburses local governments for site cleanups, right-of-way cleanups, and amnesty days.</p> |
| <p><b>The program cannot provide reasonable assurance that tire retailers have collected and remitted the total amount of scrap tire fee revenue owed to the state.</b></p> <p>To determine if the annual collections are reasonable, we recommended that the program estimate the number of scrap tires generated that are subject to the scrap tire fee to estimate potential revenue. We recommended that the program review quarterly reports and payment data for delinquencies, target inspections to delinquent retailers, and standardize penalty assessments. We also recommended the program consider outsourcing the collection of fees to DOR, as allowed by law.</p> <p>Finally, we recommended that the General Assembly consider revising state law to apply the scrap tire fee to wholesalers rather than retailers.</p> | <p><b>Partially Addressed</b> – The program still cannot estimate whether total collections are reasonable but has taken steps to address noncompliance by permitted generators.</p> <p>The program has not developed a mechanism for estimating the fees that should be collected, noting that “to develop a more detailed projection methodology based on an estimated number of new tires sold would be difficult and very time consuming.”</p> <p>As part of its revised policies, the program reviews quarterly reports and targets some inspections to delinquent generators. The policy also includes set penalty amounts for failure to collect fees or to file reports.</p> <p>The program decided not to outsource the fee’s collection to DOR. The program stated that it is trying to get all scrap tire generators to begin using the EPD Online System that will allow fees and reports to be sent electronically to the program.</p> <p>Finally, the General Assembly has not revised state law to move fee payment from retailers to wholesalers. The program stated that it discussed the issues with stakeholders, who were not in favor of a change. The program noted that legal restrictions, such as a business’s lack of physical presence in the state, could prohibit the collection of fees from any out-of-state wholesalers.</p>  |
| <p><b>5 Findings</b></p>   | <p><b>1 Fully Addressed</b></p> <p><b>3 Partially Addressed</b></p> <p><b>1 Not Addressed</b></p>   |

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The Performance Audit Division was established in 1971 to conduct in-depth reviews of state-funded programs. Our reviews determine if programs are meeting goals and objectives; measure program results and effectiveness; identify alternate methods to meet goals; evaluate efficiency of resource allocation; assess compliance with laws and regulations; and provide credible management information to decision makers. For more information, contact us at (404)656-2180 or visit our website at [www.audits.ga.gov](http://www.audits.ga.gov).