Georgia Department of Audits and Accounts
Performance Audit Division
Greg S. Griffin, State Auditor
Leslie McGuire, Director

Solid Waste Trust Fund

Additional funding required only if SWTF expected to resume previous activities

Why we did this review

The Solid Waste Trust Fund (SWTF) is used to finance a number of solid waste activities. While the SWTF's authorized uses have remained unchanged, its fund balance dropped significantly between fiscal years 2002 and 2012.

This performance audit determines whether the SWTF has sufficient funding to address its authorized uses. Because a majority of SWTF dollars are expended on scrap tire-related activities, we also reviewed EPD's scrap tire management, 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 $2.3 million at the end of 2015.

What we found

While the authorized uses of the Solid Waste Trust Fund and the scrap tire fee are unchanged, the number of activities financed by the SWTF has dropped over the last ten years. Fewer activities were the result of reduced appropriations and a declining fund balance, not an Environmental Protection Division (EPD) reassessment of solid waste issues that may need to be addressed. However, EPD officials believe that each of the authorized uses continues to be relevant today.

We found that the revenue generated by the scrap tire fee is sufficient to fund current activities, address closed solid waste facilities, and even resume discontinued activities at their previous average funded level, if the General Assembly deems those activities and their funding level appropriate. Addressing all SWTF authorized uses would cost an estimated $29.1 million over five years, compared to estimated fee revenue of $31.9 million. Additional appropriations would be required to fund all activities.

Existing appropriations are sufficient to adequately address current SWTF activities. EPD officials estimated the funding needed for scrap tire management and cleanups, a reserve for emergency actions, monitoring of closed solid waste facilities, and environmental education and outreach to be about $10.1 million over five years. At current levels, appropriations would equal $13.6 million over five years.

Our review of the primary program funded by the SWTF – the scrap tire program – found it lacked methods to prevent new scrap tire dumps, to ensure dumps are cleaned up, and to ensure that the state is collecting all scrap tire fees owed. The program has made numerous changes to address the deficiencies. The improvements

included the creation of a Scrap Tire Compliance Unit, development of a new information system, flexibility in staffing allocation, and standardized inspection and enforcement practices.

The program's inspection and enforcement activities have not prevented the creation of new scrap tire dumps. While scrap tire generators are to be inspected once every two years, during 2013 and 2014 the program inspected just over one-third of the over 7,500 generators in the state. A similarly small portion of tire carriers was inspected. The inspections performed largely focused on the proper completion of forms instead of more substantive issues, such as the number of tires disposed compared to the number reportedly sold. Enforcement actions were also relatively low and inconsistent across districts. Inspectors did not routinely follow the program's enforcement policies, opting for their own, varying determinations of the appropriate action.

As of December 2014, the program had cleaned up approximately two-thirds of nearly 800 scrap tire dumps on its inventory. Little action had been taken to address the 248 dumps and 545,000 scrap tires that remained.[1] According to program records, the last recorded action on those dumps – frequently an initial investigation – was an average of 1.7 years ago. Enforcement actions were present in 42 cases, but we could not determine why enforcement had occurred in these cases but not others. Finally, when enforcement actions have been taken, they are not always effective. The 42 dumps have remained unabated an average of 2.2 years after the enforcement action.

The investigative and enforcement deficiencies result from several factors. The program has one inspector in each district, regardless of workload, and many positions were vacant for long periods in the last several years. Policies do not always provide sufficient guidance to inspectors and information systems do not capture relevant information to guide an inspector's work. Some problems could be attributed to a lack of management oversight, partly affected by the lack of reliable information in information systems that would have permitted an accurate assessment of program performance.

We also found that the program is likely collecting only a portion of scrap tire fees owed to the state. While the state's population has grown significantly, scrap tire fees have remained flat in the last 15 years. Using data from the scrap tire industry, we estimated that tire retailers should have collected and remitted approximately $7.9 million to the state in fiscal year 2014. Actual collections in 2014 totaled $6.1 million.

What we recommend

We recommend that EPD more formally assess the need for funding each of the SWTF's authorized uses prior to a reauthorization of the $1.00 per tire fee, which expires in 2019. The fee could be set at a level to meet the funding needs, as ultimately determined by the General Assembly.

Regarding the scrap tire program, we had recommendations related to inspection and enforcement, cleanup of scrap tire dumps, and scrap tire fee collection. These recommendations include improved program data, management oversight to ensure that policies are followed, development of policies for prioritizing and funding cleanups, and a method to estimate scrap tire fees that should be collected.

See Appendix A for a detailed listing of recommendations.

> ***EPD's Response:*** *EPD stated that the findings "reflect the impact of a legacy data system, decentralized organizational structure, and years of reduced program funding." It added that it has already taken actions to improve the program. These include creating a fully staffed Scrap Tire Compliance Unit, improving policies for using existing information systems and working on a new system, and addressing the backlog of scrap tire dumps. Specific responses are included at the end of each finding.*

[1] In August 2015, the program reported that the inventory contained 106 dumps and 250,000 tires.

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Purpose of the Audit

This report examines the Solid Waste Trust Fund and the operations of the primary use of the fund, the scrap tire management program. Specifically, the audit addressed the following objectives:

- Does the SWTF have sufficient resources to ensure authorized uses are addressed?
- Does the scrap tire management program ensure that scrap tire generators and carriers properly dispose of scrap tires?
- Does the program ensure that all scrap tire piles are remediated in a timely and cost-effective manner?
- Does the program ensure that the correct scrap tire fee revenue is remitted to the state?

A description of the objectives, scope, and methodology used in this review is included in Appendix B. A draft of the report was provided to EPD for its review, and pertinent responses were incorporated into the report.

Background

Purpose of the Solid Waste Trust Fund

The Comprehensive Solid Waste Management Act of 1990 (the Act) was amended in 1992 to create the Solid Waste Trust Fund (SWTF), ban whole tires from landfill disposal, and mandate the regulation of scrap tires. The SWTF may support a number of solid waste management activities, such as 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, the Act imposes a $1.00 fee on the retail sale of new replacement tires. This fee is collected by tire retailers from customers at the time of the sale and is subsequently remitted to the Environmental Protection Division's scrap tire management program. The program deposits the fee revenue into the state's General Fund. A portion of this revenue may then be appropriated to the SWTF, and unspent funds do not lapse to the treasury. The fee was last set to expire in June 2014, but the Act was amended in 2014 to extend the fee through June 2019.

Scrap Tire Management

Although the SWTF may provide funding for a variety of solid waste management initiatives, the majority of SWTF expenditures are currently related to the regulation of scrap tires and the cleanup of scrap tire dumps. Prior to the recognition of the public health threat posed by scrap tires and the adoption of legislation throughout the nation, scrap tires were routinely disposed of in solid waste landfills. The health and safety threat included the potential to catch fire, releasing toxic gases into the air and chemicals into the water supply. Scrap tires also serve as breeding grounds for disease-carrying mosquitoes and rodents.

Scrap Tire Disposal Process

Scrap tires are generated when replacement tires are purchased for a car, truck, trailer, or other motor vehicle or when vehicles are discarded. Three entities play significant roles in the scrap tire disposal process: scrap tire generators/retailers, carriers, and processors.

- **Generators/Retailers** – Scrap tire generators are often tire retailers that sell new replacement tires and obtain a scrap tire as a result. Tire retailers charge new tire customers a $1.00 fee that is to be remitted to the program. These retailers may also set and charge an additional tire disposal fee to cover their own costs of properly disposing of the scrap tire.

- **Carriers** – Scrap tire carriers are businesses that pick up scrap tires from generators and transport them to scrap tire processors. Carriers charge generators a fee for pickup and pay processors to take the tires. Processors may also take scrap tires to other states that allow them to be placed in landfills.

- **Processors** – Processors accept scrap tires for a fee and convert the tires into other products, such as fuel, mulch, or sports surfaces.

The market value of scrap tires affects the fees paid and/or charged by the three entities and the likelihood of improper tire disposal. Scrap tires have more marketable applications than they did prior to their prohibition from landfills, but the cost to process scrap tires still exceeds the market value of their products. As a result, the value of the scrap tire is not great enough for the processors – who sell tire-derived products – to pay carriers for the tires. When generators and carriers must pay someone to dispose of their tires, the incentive for improper disposal (i.e., illegal dumping) remains.

Georgia's Scrap Tire Management Activities

According to the program, its scrap tire management activities are intended "to help ensure that scrap tires generated in Georgia do not end up littering the state in illegal dumps, but are recovered for reuse." Staff implement the following activities to ensure that scrap tires are being managed in accordance with state laws and regulations.

- **Issuing approvals/permits** – The program issues identification numbers, approvals, or permits to businesses – located in Georgia and other states – that generate, transport, sort, process, and landfill scrap tires. As of August 2015, there were 7,579 generators/retailers with an identification number, 219 permitted carriers, 68 approved sorters, 44 permitted processors (only 11 located in Georgia), and nine approved scrap tire landfills (all out of state).

- **Managing fee collection** – The scrap tire generators collect the $1.00 fee for each new tire sold. Program personnel bill approved tire retailers and ensure that all tire retailers remit collected fees each quarter. In 2014, approximately $6 million was collected and remitted to the program.

- **Conducting site visits** – Program personnel perform routine inspections of scrap tire-related businesses across the state. In 2014, the program conducted 1,281 inspections. About 90% of the inspections were of scrap tire generators.

- **Investigating and monitoring scrap tire dumps** – According to Program data, there were 106 known illegal scrap tire piles with approximately 250,000 scrap tires in August 2015. When tires are found in illegal dumps, the program should identify responsible parties and issue enforcement actions requiring these parties to abate the sites.

- **Contracting with private entities or local governments to clean scrap tire dumps** – The SWTF can abate scrap tire dump sites if the owner of the site lacks the funds for the clean-up or is a victim of illegal tire dumping. In these cases, the program contracts with private entities or reimburses local governments to abate specific sites. During fiscal years 2010 to 2015, approximately $1.2 million of the SWTF has been used for scrap tire abatement projects.

Current Scrap Tire Dump Sites

According to the program's August 2015 inventory of scrap tire dump sites, there were 106 scrap tire dump sites with approximately 250,000 tires. The majority of these sites are relatively small, with 63 (59%) of the sites containing less than 500 scrap tires. These 63 sites contain approximately 12,000 scrap tires accounting for only 5% of the total number of tires in illegal dumps. As shown in **Exhibit 1**, besides scrap tires, these dump sites may also contain various types of solid waste.

Exhibit 1
Typical Small-Scale Scrap Tire Dump Site Containing Mixed Solid Waste

Source: DOAA photograph taken during audit site visit

While only one dump site, the Randolph County Transfer Station, contains 50,000 or more tires, it accounts for 20% of the illegally dumped scrap tires. In December 2014, the program staff estimated the facility to contain 50,000 off-road or tractor tires, equivalent to 150,000 passenger tires. **Exhibit 2** shows a satellite image of this scrap tire pile.

Exhibit 2
50,000 Scrap Tractor Tires at the Randolph County Transfer Station

Source: Google Earth 2015

Other Solid Waste Activities

Scrap tire-related activities represent the largest initiative funded by the SWTF. However, the Act authorizes EPD to use the SWTF for additional solid waste initiatives. These initiatives include:

- Taking emergency action in the case of release or substantial threat of release of contaminants from a solid waste disposal facility;
- Taking preventative or corrective action in the event of release of contaminants posing a public health or environmental threat, when the responsible party is unable or unwilling to perform corrective action;
- Providing monitoring and post-closure care of solid waste disposal facilities;
- Disbursing grants and loans to cities, counties, authorities, or state agencies for the development of solid waste management plans and waste reduction infrastructure;
- Developing through grants local government solid waste enforcement programs to prevent and abate illegal dumping of solid waste;
- Promoting through grants the development of innovative technologies for the recycling and reuse of solid waste (including but not limited to scrap tires); and,
- Education and outreach to promote waste reduction, recycling, and recycling market development.

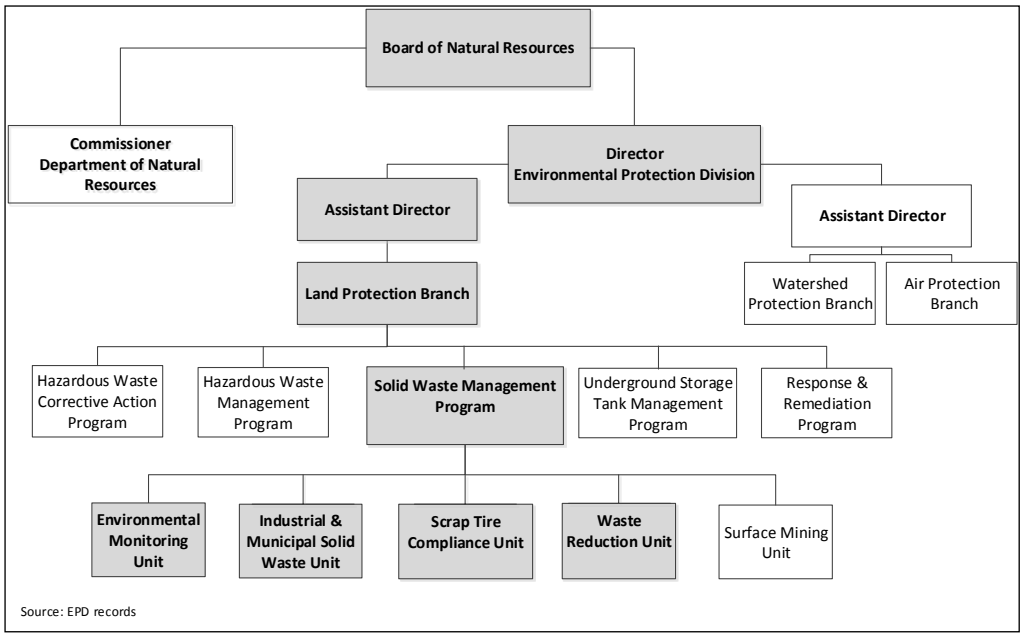
As discussed on page 8, EPD has eliminated funding or reduced funding for several of these initiatives in recent years. In fiscal year 2015, EPD funded corrective actions (e.g., cleaned up scrap tire dumps), environmental monitoring of solid waste disposal facilities, and limited education and outreach activities.

Organization and Staffing

As shown in **Exhibit 3**, the SWTF funded staff within EPD's Solid Waste Management Program in fiscal year 2015. In addition to funding two administrative staff in the Land Protection Branch and the Solid Waste Management Program manager, the SWTF also funded staff in four Solid Waste Management Program units.

- **Scrap Tire Compliance Unit** (8 positions) – Conducts compliance inspections and enforces state regulations for scrap tire generators, carriers and processors; responds to citizen complaints regarding scrap tire piles and takes enforcement action to ensure illegally dumped tires are removed.
- **Waste Reduction Unit** (7 positions) – Permits scrap tire generators, carriers, sorters, and processors; manages state contracts and grants for the abatement of scrap tire piles; assists local communities with solid waste planning and education; and administers the Solid Waste Trust Fund.
- **Environmental Monitoring Unit** (5 positions) – Monitors groundwater, surface water, and methane at all publicly and privately owned solid waste handling facilities.
- **Industrial and Municipal Solid Waste Unit** (1 position) – Permits new solid waste handling facilities, monitors the compliance of private solid waste handling facilities, and monitors the closure of all publicly and privately owned solid waste handling facilities.

Exhibit 3
SWTF funds positions in multiple units in EPD's Solid Waste Management Program (Fiscal Year 2015)



Source: EPD records

Financial Information

The SWTF is designed to fund the state's costs associated with the cleanup of scrap tire dumps, the regulation of scrap tire disposal, and other waste reduction activities. The Act (O.C.G.A. 12-8-40.1) provides that "all moneys deposited into the solid waste trust fund be deemed expended and contractually obligated and, therefore, not be required to lapse to the general fund."

The SWTF's primary source of funding is an annual appropriation that is based on collections of $1 per new replacement tire sold in Georgia. Revenues from the tire fee are collected quarterly and deposited into the state's general fund, a portion of which may then be appropriated to the SWTF. In addition, the EPD also receives the interest earned on the balance of the SWTF and the SWTF receives fines levied against any public authorities or private citizens that violate the Act. Unlike the $1 fee, the fine and interest revenue are paid directly to EPD and are not subject to the appropriation process. However, interest must be spent for SWTF activities in the same fiscal year it was earned or it shall be deposited into the state treasury.

As shown in **Exhibit 4**, in fiscal year 2010, the General Assembly did not appropriate funds to the program. Instead, all program costs were funded by the SWTF fund balance. The General Assembly resumed appropriating funds to the SWTF in 2011, with the amount increasing to $2.7 million in 2015. In fiscal year 2015, the majority of expenditures were used to fund personal services. Between 2010 and 2015, program expenditures decreased 48%. The largest decrease is in contracts related to the cleanup of illegal scrap tires and the emergency cleanup of abandoned landfills.

Exhibit 4
Increased Revenue, Decreased Spending Have Resulted in Growing Fund Balance

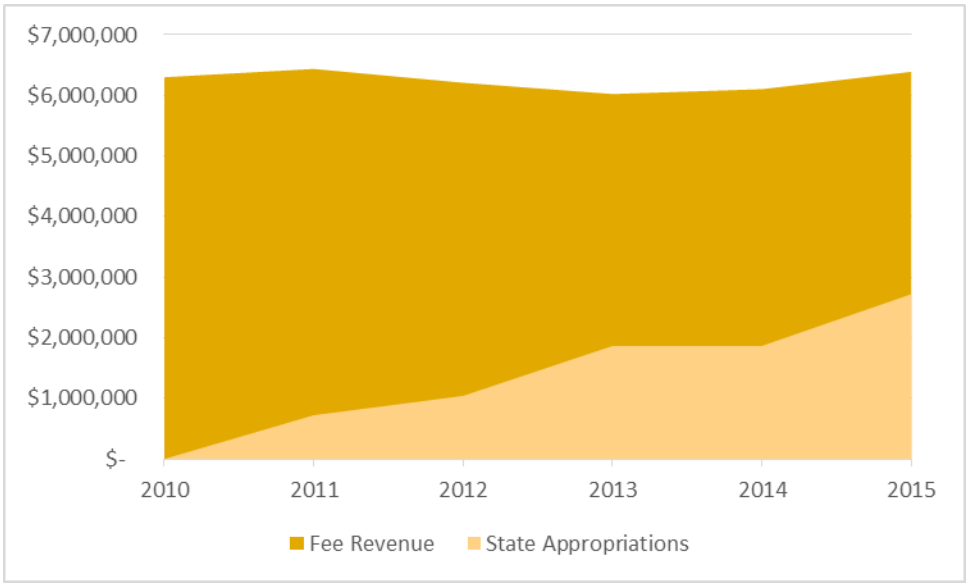
	2010	2011	2012	2013	2014	2015
Beginning Fund Balance	**$6,932,191**	**$3,636,587**	**$1,169,665**	**$239,844**	**$640,427**	**$1,100,893**
Revenue						
State Appropriations	$0	$722,139	$1,042,075	$1,865,775	$1,865,775	$2,720,775
Other[1]	178,017	141,526	141,587	143,873	223,274	337,196
Total Revenue	**$7,110,208**	**$4,500,252**	**$2,353,327**	**$2,249,492**	**$2,729,476**	**$4,158,864**
Expenditures						
Personal Services	$1,398,416	$1,535,975	$1,540,971	$1,392,611	$1,296,181	$1,416,254
Regular Operating	32,995	52,972	58,152	57,139	68,653	68,176
Grants	25,500					
Computer Charges	90	3,495	1,270	160		122
Real Estate Rentals	54,664	98,000		40,879	41,000	
Telecommunications	5,655	4,445	5,282	5,465	4,843	616
Contracts	$1,956,567	$1,638,757	$507,968	$113,433	$216,482	$336,944
Total	**$3,473,887**	**$3,333,645**	**$2,113,643**	**$1,609,688**	**$1,627,159**	**$1,822,112**
Ending Fund Balance [2]	**$3,636,587**	**$1,169,665**	**$239,844**	**$640,427**	**$1,100,893**	**$2,332,800**

Source: PeopleSoft records
[1] Other revenue includes interest, penalties/bonds, and fines.
[2] The fund balances reported are per EPD financial statements. The amounts differ slightly from calculated fund balances due to minor accounting adjustments.

Exhibit 4 also shows that the SWTF fund balance declined to a low of approximately $200,000 at the close of fiscal year 2012 due to the majority of program expenditures being funded with the fund balance. However, a combination of declining expenditures and increasing appropriations since 2012 have resulted in growth of the fund to the balance of $2.3 million at the end of fiscal year 2015.

Traditionally, the General Assembly has not appropriated to the SWTF all scrap tire fee revenue. Since the initiation of the SWTF in 1993, over $141 million in fee revenue has been generated, but only $85.5 million (61%) has been appropriated to the SWTF. **Exhibit 5** shows that in the past six years, the General Assembly has not appropriated to the SWTF the majority of scrap tire fee revenue. Only 22% ($8.2 million of the $37.5 million) in fee revenue generated since 2010 has been appropriated to the SWTF. Since no funds were appropriated in 2010, the amount appropriated to the SWTF has steadily increased to the current level of $2.7 million.

Exhibit 5
Majority of Fee Revenue Has Not Been Appropriated to SWTF (2010-2015)



Source: PeopleSoft

Findings and Recommendations

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.

Scrap tire fees generate more revenue than is likely needed to finance all of the SWTF's statutorily authorized uses, but current appropriations represent only a portion of fee collections. While appropriations appear sufficient to address current activities, resuming activities discontinued over the last decade would require an increase from $2.7 million to nearly $6.0 million annually.

Georgia law authorizes the SWTF to support various activities related to preventing and cleaning up scrap tire piles, reducing solid waste disposal, and monitoring or cleaning up solid waste sites that pose a threat to public health. These authorized uses have not changed since the early 1990s. In a 2001 performance audit, we noted that EPD lacked a strategic plan to determine the best use of SWTF money, given that the largest scrap tire piles had been addressed and spending was likely to be redirected. Before developing a strategic plan, appropriations were reduced and EPD limited financing to fewer activities. While the fee was reauthorized in 2014, EPD has not assessed whether all authorized uses remain appropriate 25 years after their adoption or the funding levels required to adequately address each.

To determine the funding needs, we requested that EPD review each SWTF-authorized activity and provide a cost estimate for those still deemed relevant. The cost estimates for some categories were based on limited information, but we determined that most were reasonable enough to assess the sufficiency of current SWTF revenue[2] . For some authorized uses, EPD had no cost estimate of resuming the activity but instead reported historical spending figures.

The cost of current activities is significantly lower than fee revenue. Based on recent collections, EPD will collect an estimated $31.9 million in fee revenue over five years,[3] while the estimate of funding required to meet current activities is $10.3 million for a five-year period. Based on this expenditure level, a scrap tire fee rate lowered to $0.50 would generate sufficient revenue to cover program expenditures.

As shown in **Exhibit 6**, continued appropriations to the SWTF at the existing level would generate $13.6 million[4] over five years, which is sufficient to meet the program's estimated costs for current activities. However, program staff have identified additional activities authorized under the Act that would be implemented if sufficient funding were available. The cost associated with these activities (if some are funded at historical levels) is estimated at $18.8 million over five years, bringing total SWTF spending to $29.1 million. Although current appropriations cannot meet all of these costs, sufficient scrap tire fee revenue is being collected.

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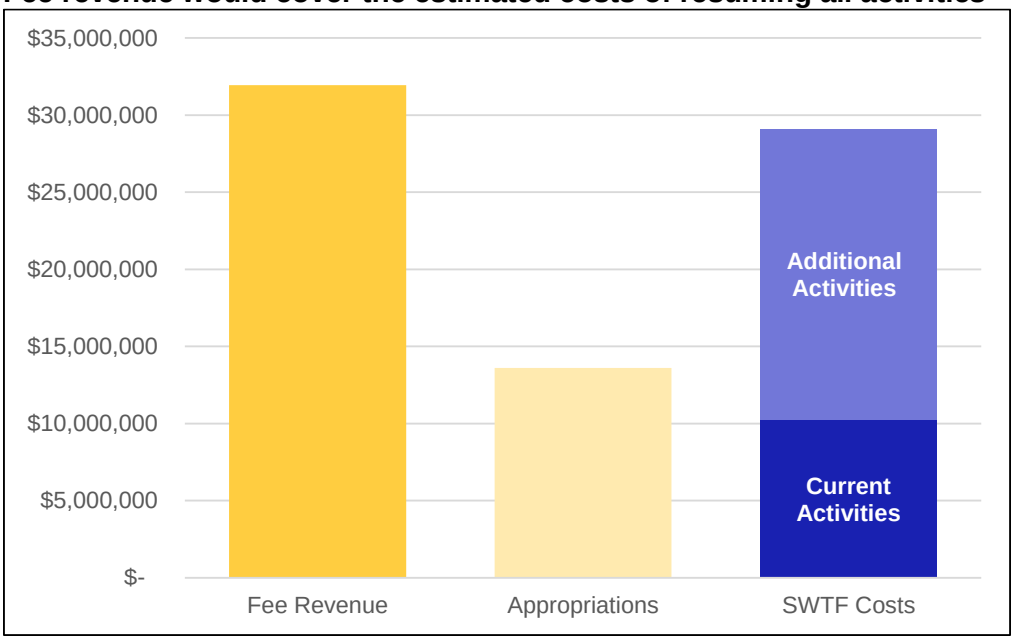
[2] As discussed on page 10, we did not use EPD's estimate for the annual cost of cleaning up scrap tire piles.

[3] We estimated revenue and expenditures for a five-year period for two reasons. The General Assembly authorizes the scrap tire fee for five years (last reauthorization was 2014). Also, some activities are likely to occur over multiple years.

[4] In addition, the SWTF had a fund balance of $2.3 million at the end of the fiscal year 2015.

Exhibit 6
Fee revenue would cover the estimated costs of resuming all activities



Source: EPD and DOAA estimates

Current Activities

EPD already funds several of the SWTF-authorized activities. EPD officials estimated the funding needs using current expenditures. Based on current expenditures, these activities would cost approximately $10.3 million over five years.

- **Scrap tire management program (O.C.G.A. § 12-8.27.1 (a)(4))** – As discussed on page 5, EPD has two units that enforce the state's scrap tire laws and regulations. In addition to the 15 positions within these units, several other individuals provide part-time support to scrap tire activities (e.g., branch chief, budget manager).

  EPD estimated the current annual cost for the scrap tire management program at $979,000, which would total approximately $4.9 million over five years.

- **Education and outreach to promote waste reduction and recycling (O.C.G.A. § 12-8.37.1 (c))** – EPD encourages the reduction, reuse, and recycling of solid wastes, including providing materials for K-12 schools and providing technical assistance on reducing the generation of wastes. Education and outreach services are provided by three positions. Other spending covers items such as industry software that tracks reductions in the solid waste stream and waste reduction educational resources, including a website.

  EPD estimated its current annual cost for education and outreach services to be $365,000 annually, or $1.8 million over five years.

- **Emergency action at solid waste disposal facilities (O.C.G.A. § 12-8.27.1 (a)(1))** – According to EPD, the SWTF has been used for emergencies such as

responding to tire fires, mitigating methane gas migration from landfills, and extinguish fires at solid waste landfills. According to EPD officials, the SWTF has addressed three facilities in the past, with the most expensive project costing $87,000. While EPD does not fund emergency actions every year, officials estimate that $100,000 is needed as a reserve.

- **Cleanup of scrap tire piles when responsible party is unable or unwilling (O.C.G.A. § 12-8.27.1 (a)(2) and O.C.G.A. § 12-8.37.1 (c))** – In fiscal year 2016, EPD has budgeted nearly $1.1 million to clean all dumps on its inventory – identified over many years – that do not have a responsible party. EPD officials noted that a number of factors (limited staffing and funding; inconsistent enforcement) make spending in recent years to be an unreliable source of estimating future needs; therefore, they were unable to provide any annual amount other than $1.1 million.

  While spending on scrap tire cleanups regularly exceeded $1 million annually before 2001, at that time the program was addressing a large number of large scrap tire dumps created over decades. Since 2001, annual cleanup spending has ranged from approximately $50,000 to $530,000. Based on recent annual spending and the program's new inspection and enforcement activities (which should result in the creation of fewer dumps), we projected scrap tire cleanups at $350,000 annually or $1.75 million over five years.

- **Post-closure care of solid waste disposal facilities (O.C.G.A. § 12-8.27.1 (a)(3))** – EPD provides monitoring and post-closure maintenance of abandoned landfills. Maintenance can include monitoring groundwater and methane, cutting grass, clearing debris around wells, maintaining fences, and addressing erosion. EPD currently has 2.5 positions that provide environmental monitoring services to closed sites and two abandoned sites require maintenance activities.

  EPD estimates that it spends approximately $337,000 on these activities, totaling about $1.7 million over five years.

Additional Activities

Due to limited funding, the activities below are not currently undertaken by EPD. While EPD officials believe that these authorized uses continue to be important and useful, in some cases they could not determine the funding level to meet today's needs. In those instances, we note historical spending on those activities and factors that could potentially impact funding needs.

- **Disbursing grants and loans to governmental entities for solid waste plans and waste reduction infrastructure (O.C.G.A. § 12-8.37.1 (a))** – Prior to 2012, EPD provided grants for the implementation of solid waste plans and for infrastructure such as additional collection vehicles and regional recycling hubs. Four regional recycling centers were built with grant funds.

  EPD officials estimated that $300,000 annually would allow for equipment upgrades and facility expansions. In addition, $2.2 million would help build four additional recycling centers in parts of the state with local governments

too small to support their own. Over five years, the total cost would be $3.7 million.

- **Disbursing grants for development of local solid waste enforcement programs (O.C.G.A. § 12-8.37.1 (c))** – Prior to 2006, EPD provided local governments with grants to enforce solid waste laws and the cleanup of illegal solid waste dumps. These programs included scrap tire enforcement and cleanup.

  EPD reported that the need for these grants continues, but it did not provide an estimate of funding necessary for the activity. According to EPD, it spent $1.7 million annually on these grants, which would cost $8.5 million over five years.

- **Disbursing grants to promote innovative technologies for recycling and reuse of solid waste (O.C.G.A. § 12-8.37.1 (c))** – Before 2010, EPD provided grants to educational or governmental organizations to develop new uses for solid waste, including scrap tires.

  EPD officials believe that this remains a relevant use of the SWTF, but it provided no appropriate funding level. EPD reported spending an average of $239,000 annually on the activity, totaling $1.2 million over five years.

- **Post-closure care of additional solid waste disposal facilities (O.C.G.A. § 12-8.27.1 (a)(3))** – In addition to the maintenance already occurring at two abandoned landfills, EPD officials indicated that another three – in Walker, Camden, and Sumter counties –have not been properly closed. Properly closing entails covering the landfills and installing groundwater and methane monitoring wells.

  EPD estimated the cost of properly closing these three landfills to be a total of $5 million. Once closed, these sites require ongoing post-closure maintenance, estimated at a total of $90,000 annually. Closing and post-closure maintenance over five years would cost approximately $5.45 million.

RECOMMENDATION

1. Prior to the next SWTF fee reauthorization decision, EPD should determine the funding needed (if any) for each authorized use. This would provide the General Assembly with the information needed to determine whether the scrap tire fee of $1 should be raised, lowered, or eliminated.

EPD Response: *In response to the recommendation, EPD stated that it "will continue to gather information to help determine the funding needs for each authorized use."*

Regarding the cost estimates, "EPD believes the estimated cost for future scrap tire clean-up of $350,000 annually is low. To base a cost estimate on the most recent years of activity when, as mentioned elsewhere in the report, the program had not received significant funding for cleanups in years, was not fully staffed, and enforcement had not yet been standardized under a single manager, is misleading. Furthermore, as the program was rebuilding, initial efforts to cleanup scrap tires focused on the less complex legacy sites. Cleanup cost is driven by a variety of factors, such as terrain, access,

size of the tires within a pile and transport distance to a processor. Over the next several years, as the staff begins to focus on these more complex sites, the costs are likely to be higher than the previous years' average. Therefore, until comprehensive data exists reflecting accurate cleanup costs, it is premature to definitively state that the estimated annual cost of $1 million is inaccurate."

> ***DOAA Response:*** *An accurate estimate of annual cleanup costs is difficult given recent program activity. However, we believe that $1.75 million over five years is much more reasonable than $5 million over the same period. According to EPD records, scrap tire cleanup costs exceeded $1 million annually through fiscal year 2000. Since 2001, abatement expenditures have exceeded $300,000 only four times (with a 2004 high of just over $500,000). EPD expects to spend nearly $1.1 million in fiscal year 2016, but this will address all state-funded sites on the current inventory. While the program has been unable to prevent all illegal dumping, it seems unlikely that the number of dumps in the state will result in annual cleanup costs similar to those observed early in the program's existence.*

The program's inspection and enforcement activities are not adequate to ensure that scrap tires are properly disposed of.

The program has not adequately monitored scrap tire generators, carriers, and end users to ensure that scrap tires are properly disposed of. The number and quality of inspections and the consistency of enforcement were not sufficient to prevent the creation of illegal scrap tire piles. While Georgia does not have the significant number of large scrap tire piles present during the 1990s, between 2001 and December 2014, the number of scrap tire piles in the state tripled from 78 to at least 248.[5]

In its 2005 annual report, the program acknowledged that preventing new scrap tire piles required a proactive prevention program and constant vigilance by the program and its partners, including local governments. Proactive prevention includes inspecting the businesses that generate, transport, sort, and process scrap tires, as well as consistently enforcing scrap tire regulations when noncompliance is found. We found that EPD has not operated an effective proactive prevention program in recent years, as detailed below.

- **Number of inspections** – Most district office activity reports reveal relatively few inspections of generators and carriers. Although program management reported a goal of inspecting each generator once every two years, during fiscal years 2013 and 2014, the districts reported 2,780 inspections of the existing 7,571 generators. While the number of inspections reported by two district offices met or exceeded the number of active generators in their district, the reported number of inspections in the remaining five district offices was less than 40% of the active permitted generators in those areas. The Atlanta district office reported 140 scrap tire generator inspections – representing approximately 6% of the permitted generators in the district.

[5] The actual number is likely higher. The program has not had staff in all areas of the state and no longer has partnerships with the local governments that previously identified and reported illegal scrap tires to the state.

In addition, although scrap tire carriers are a critical link in the scrap tire disposal chain, during calendar years 2013 and 2014, five district offices reported inspections of less than 30% of their active permitted carriers. None of the 26 carriers in the Cartersville district were inspected, and only two of the 59 carriers in the Atlanta district were inspected.

The number of inspections has declined significantly in the last decade. In 2003, program staff and local government partners conducted more than 3,700 generator inspections and 179 sorter or carrier inspections. In 2014, program staff reported 1,154 generator inspections and 46 sorter and carrier inspections. The reduced number of inspections was not accompanied by a method to target inspections to businesses at highest risk of non-compliance.

- **Quality of inspections** – We found that inspections of tire manifests and fee reports are typically limited to ensuring that the forms are properly completed versus a more substantive process to ensure the accuracy and completeness of scrap tire-related information maintained by the generator. Inspections should provide assurance that generators are properly disposing of all generated scrap tires and maintaining accurate records to prove that fact.

- **Consistency of enforcement** – We found that program staff have not consistently issued enforcement actions when violations of the Act and Rules were identified. For example, program staff should issue an enforcement action to scrap tire generators who fail to initiate a manifest completely and properly or fail to notify the program when a carrier fails to return the manifest within 30 days. We found that staff issued these enforcement actions for only 14 of the 151 manifest-related violations recorded in the program's online reporting system.

  We also observed differences in the routine practices employed by district inspectors. For example, one inspector indicated that he will issue a Notice of Violation (NOV) when any violation is identified. Another inspector noted that he will issue a NOV only when he determines that "they are breaking the law." For lesser violations he will record them in the investigation report as "found discrepancies."

The program's inspection and enforcement problems result from a limited number of personnel to conduct the activities, inadequate procedures and tools to guide the work of inspectors, and inadequate management oversight.

Inadequate Staffing and Distribution

The effectiveness of the program's inspection and enforcement efforts is directly impacted by the number of staff available to address the necessary workload. In the past eight years, only one of EPD's seven districts (Augusta) continuously employed a staff member dedicated to enforcing scrap tire laws. As shown **in Exhibit 7**, six districts had no dedicated scrap tire staff for periods ranging from six months to over six years[6]. According to program management, during periods of staffing vacancies

[6] According to EPD, vacancies were the result of a combination of limited funding and a lack of qualified candidates. While funding was limited, the SWTF did finance staff in other EPD programs identified on page 5.

other district personnel may have responded to scrap tire complaints but proactive prevention activities, such as inspections of scrap tire generators, were rarely conducted.

Exhibit 7
Six of Seven Districts Had Long Periods Without Program Staff (Fiscal Years 2008-2015)

District	Date Vacated	Date Filled	Years Vacant
Brunswick	July 2007	October 2013	6.3
Atlanta	February 2008	November 2013	5.8
Albany	July 2013	Not Filled[1]	2.2
Macon	March 2013	February 2015	1.9
Cartersville	May 2014	January 2015	0.7
Athens	October 2014	April 2015	0.5
Augusta	Not Vacated	Not Vacated	0.0

[1] As of June 30, 2015

Source: Program records

Even if the scrap tire program were fully staffed, the staffing plan did not consider the various workloads of each district. The staffing plan included one scrap tire specialist for each district despite a large disparity between districts in the number of permitted scrap tire generators, sorters, and carriers (see **Exhibit 8**). For example, the Atlanta district had almost three times more active permitted scrap tire generators (2,386) than the average of the remaining six districts (853) but had only one budgeted scrap tire position.

Exhibit 8
Number of Generators, Carriers, and Sorters Varies Significantly Across Districts (February 2015)

District	Generators	Carriers	Sorters
Albany	1,090	23	15
Athens	743	22	6
Atlanta	2,386	59	9
Augusta	797	11	10
Brunswick	787	17	3
Cartersville	919	26	11
Macon	783	14	6
Out-of-State	66	47	8

Source: Program records

Prior to 2004, the program leveraged additional resources by partnering with local governments to enforce scrap tire laws. Between 1994 and 2004, approximately $12.4 million of the SWTF was provided as education and enforcement grants to 96 local

government entities, some of which employed code enforcement officers. In the 2005 SWTF Annual Report, the program reported that in 2004 local governments alone investigated 1,687 complaints, conducted 2,720 inspections, and issued 304 enforcement actions. By contrast, program staff reported 126 complaints, 1,281 inspections, and 164 enforcement actions in 2014. Although the education and enforcement grants were designed as seed money and were not intended to fund local enforcement programs in perpetuity, many local governments no longer operate an enforcement program.

According to the U.S. Environmental Protection Agency's scrap tire management handbook, most effective state programs have drawn on local governments to identify scrap tire stockpiles. In addition, all seven southeastern states we reviewed provide some level of funding to local governments to assist with scrap tire management. Tennessee and North Carolina delegate scrap tire management to their county governments and allocate scrap tire fee revenue to the local governments to fund their programs, while Alabama, Florida, Kentucky, Mississippi, and South Carolina provide funding to local governments to offset their costs of abating illegal scrap tire dumps.

Inadequate Inspection Procedures

The quality and consistency of inspection efforts was adversely impacted by insufficient operational procedures to prioritize the work of program staff. Program staff were not provided guidance regarding how to identify and prioritize generators or carriers for inspection. Generators and carriers were typically identified for inspection based on their proximity to a geographic area randomly chosen by the inspector. Program staff did not target generators or carriers for inspection by reviewing readily available data for risk indicators such as the failure to remit required quarterly reports or fees and the submission of incomplete or inaccurate reports.

Lack of Management Oversight

Program management did not ensure that staff adhered to the program's enforcement policy, which outlines when to issue formal enforcement actions and the type of action to issue. Although the program established an "enforcement policy" in 2006 with the intent "to ensure compliance and to provide a uniform and consistent approach to enforcement of the scrap tire disposal provisions of the Comprehensive Solid Waste Management Act," program staff have not consistently implemented this policy.

Program management also did not ensure that staff used the program's inspection guidelines that outline a process to determine the accuracy of information reported by generators on tire manifests and scrap tire fee reports. This process requires inspectors to cross-check the reported number of scrap tires indicated on manifests with the number of tires sold reported in the scrap tire fee reports. Although the program established this guideline as early as 2003, these procedures were not routinely used at the time of our review.

RECOMMENDATIONS

1. The program should identify the appropriate staffing levels for each district and align staffing resources with workload.

2. Should funding become available, the program should resume the local enforcement grants to take advantage of partnerships in enforcing the state's

scrap tire laws. Any local government enforcement activities should be considered when allocating program staff resources.

3. The program should formalize inspection procedures to guide the work of its program inspectors. The procedures should specifically address the selection of entities for inspection. For example, the program should use the data it already collects (i.e., quarterly reports) to target inspections and to improve the quality of inspections.

4. Program management should ensure that program staff adhere to adopted inspection and enforcement policies.

EPD Response: *EPD noted that it began taking steps in November 2014 to address the issues identified in the finding. It created the Scrap Tire Compliance Unit (STCU) with a manager responsible for oversight of all scrap tire inspectors. The STCU is now fully staffed and, while each staff member has an assigned geographic area, the STCU manager has the ability to assign staff to other areas. "Work plans for the staff are based on need, not on area." It added that the manager "ensures that staff members are following the newly created Standard Operating Procedures and the Enforcement Policy that the STCU has in place. By having the staff under one manager, EPD can ensure that inspections and enforcement are consistent. Inspection reports and letter templates have been created and put into use by the STCU to also ensure consistency."*

Current information systems do not provide reliable information about program activities and outcomes.

While the program has multiple information systems intended to track inspection and enforcement activity, no system meets all program needs and staff do not consistently enter information into any system. Staff cannot rely on any system to track and direct their own work, and management cannot reliably identify regulatory activity occurring throughout the state or assess the results from the activities.

Program personnel utilize three management information systems – the Online Reporting System, the Complaint Tracking System (CTS), and monthly district activity reports. Some districts created their own systems, after determining that no state system met their needs. We found two problems with the use of multiple systems. First, because multiple systems capture the same data fields, inspectors are expected to enter the same information more than once. Second, because not all inspectors enter their activity in all required systems, the systems contain inconsistent and unreliable data (see **Exhibit 9**). Without accurate data about the activities of district inspectors, program management cannot determine whether staff are performing inspections or addressing non-compliance.

Exhibit 9
Reported Notices of Violations Differ in Each Management Information System (2013-2014)

Year	CTS	Online Reporting System	Monthly District Reports
2013	31	4	134
2014	8	20	135

Source: EPD records

Specific issues with each state system are detailed below.

- **Complaint Tracking System** – The Complaint Tracking System (CTS) is EPD's centralized system used to record and track the status of complaints and enforcement actions. Our review of the CTS found scrap tire complaint and enforcement data appears incomplete and unreliable. The distribution of activity indicates that some districts seldom, if ever, used this system. For example, Bibb County has the largest number of recorded scrap tire complaints (a total of 125 since 2005). By contrast, the larger metropolitan Atlanta counties of Fulton and DeKalb have only a total 13 and 7 scrap tire-related complaints respectively.

  Enforcement actions were also either inconsistently recorded in the CTS or program management was not reviewing the CTS to ensure that all complaints have been adequately resolved. We found that 101 of the 562 (18%) scrap tire complaints entered in CTS, some initiated as early as 2010, remain open. Twenty-eight of these 101 open complaints had no corresponding action (such as initial investigation, follow-up investigation, etc.) recorded in CTS. For the remaining 73 with a recorded action, the last action was recorded an average of 1.2 years ago (as of March 2015).

  Even if the CTS was consistently used, it lacks the fields necessary to track complaint status. Enforcement actions typically involve a required response date and a next step if the date is not met, but the CTS includes no field for required response dates. Consequently, program staff cannot rely on the system to notify them when the dates are not met.

- **Online Reporting System** – The Online Reporting System (ORS) is EPD's centralized system developed to record field staff's daily activity, such as inspections and investigations. Our review of the ORS found that inspections were frequently not recorded. In 2013, 15 inspections and investigations were recorded in ORS, compared to nearly 2,000 in the districts' monthly activity reports. In 2014, 307 were recorded in ORS but approximately 1,400 in monthly activity reports.

  Even when inspections were recorded in the system, program staff were not consistently utilizing the fields available to track enforcement actions. A violation was cited in 175 of 307 scrap tire inspections in 2014, but a corresponding action was recorded in only 22. Although case notes for some of the remaining cases indicate an action was or will be taken, the action was

not noted in the appropriate searchable field. As a result, neither program staff nor management can use the system to identify cases warranting further review. For example, case notes for one inspection indicate that the inspector will write a Notice of Violation and will give the entity 60 days to meet the requirements. However, the corresponding fields indicating this action, the required date for resolution, and the need for a follow-up inspection were not populated.

Additionally, the ORS does not include a data field to indicate whether an identified issue/violation has been cleared. As a result, the system cannot be used to track outstanding violations.

- **Monthly District Activity Reports** – The program largely relied on activity reports submitted by each district. The reports provide descriptive information identifying new scrap tire dumps identified and those reported as clean/resolved, but they only provide summary information on activities such as complaint investigations, generator and carrier inspections, and enforcement activities. Because program staff do not include the names of the entities inspected, program management lacks information to determine the accuracy of the activity reports. In addition, because the names and locations of the inspected entities are not included, management is unable to use this information to determine if all areas within a district are receiving adequate coverage.

It should be noted that EPD has contracted with a vendor to design a new information system for use by many of its programs. According to EPD personnel, the system needs of the scrap tire program have been prioritized within the Land Protection Branch. Officials expect to test the new system within the next few months.

RECOMMENDATIONS

1. EPD should continue its efforts in developing and implementing a new information system to streamline data entry and to provide the information necessary to manage its activities.

2. Until the new system is implemented, the program should determine whether it is necessary and reasonable to require field staff to enter data into multiple management information systems.

3. When data entry is deemed necessary, program management should review the information entered by field staff for accuracy and completeness.

EPD Response: *"EPD is currently in the process of developing and implementing a new information system, Land Environmental Management Information Repository (LEMIR). LEMIR is scheduled to be complete and ready to go live in February 2016." It noted that once LEMIR is in place, management will review entries for accuracy and completeness.*

Regarding recommendation 2, EPD stated, "Since the [Scrap Tire Compliance Unit] was created, staff are required to enter the inspections into the Online Reporting System and complaints into EPD's Complaint Tracking System. Staff are also required to provide the manager with weekly reports documenting their activities each week. This is part of the Local Operating Procedures that each staff member must follow since they are remote workers and tethered to the Land Protection Branch."

While many scrap tire dumps have been abated, the program lacked adequate information and processes to ensure that remaining dumps were abated in a timely, efficient, and consistent manner.

While program records indicated that approximately two-thirds of the scrap tire dumps had been cleaned up by December 2014, we found deficiencies in the program's processes for ensuring cleanup of all dumps. According to program records, the program lacked information necessary to prioritize action on the remaining illegal dumps, had not taken action on some dumps for years, and had not always followed its enforcement policy to compel responsible party cleanups.

As of December 2014, program staff reported that more than two-thirds (546 of 794) of the scrap tire dumps and 1.1 million tires had been abated by responsible parties, local governments, or the program. Approximately 545,000 scrap tires in 248 illegal dumps remained. These remaining dumps were the responsibility of private individuals or companies. If the program determines that no responsible party can be located or the party lacks the financial resources to clean up the dump, the program would use the SWTF for the cleanup.

In June 2015, near the end of our audit, program staff began a review of the scrap tire dump inventory. Program staff reported that they visited each listed dump to determine if scrap tires were still present. When no tires were found, the scrap tire dumps were listed as "clean" and the cases were closed. Based on this effort, 169 projects (68%) and 240,000 scrap tires were removed from the inventory, though the program did not receive documentation that the scrap tires were properly disposed of. In addition, the program used $166,472 of the SWTF to abate six dump sites containing a total of approximately 53,000 tires. With the additional dumps added since December, the program reports 106 scrap tire dumps, containing approximately 250,000 scrap tires, as of August 2015.

Inadequate Information

The program's database of scrap tire dumps could not be used by management to assess the effectiveness of the program's abatement efforts or to prioritize sites for state-funded cleanup. The database did not contain basic information such as the number of scrap tire piles cleaned up each year, the party that funded cleanup (i.e., responsible party, local government, SWTF), the age of remaining scrap tire piles, the degree of environmental degradation, and eligibility for state-funded cleanup.

The inventory of scrap tires that existed during the period of our audit was created in fiscal year 2011, with additional scrap tire dumps added as they were identified. This inventory resulted from the program's efforts to consolidate information regarding known illegal scrap tire dumps into one database. The program identified these illegal dumps through routine scrap tire inspections, complaints received from the public, and notifications by local government code and law enforcement personnel. For each dump, the inventory included descriptive information such as the site address, estimated number of tires, contact information, geographic coordinates, and photographs. However, the inventory lacked current, basic information required to manage the abatement of dump sites, as described below.

Entities that Clean Up Scrap Tire Dumps

Illegal scrap tire dumps are cleaned up by Scrap Tire Management Program contractors, local governments, or responsible parties. The SWTF may be used to cover the costs of abatement when local governments or state contractors abate sites.

- **Scrap Tire Management Program –** The program contracts with private entities to abate sites when the responsible party cannot be identified, when the property owner is a victim of illegal dumping, or when the responsible party lacks sufficient financial means to fund the abatement. Since 2010, approximately $1.0 million of the SWTF has been used for abatement projects. However, because these projects commonly involve multiple dump sites, it is not possible to identify the number of sites involved.
- **Governments –** Local governments that abate dump sites have often been reimbursed by the state for these efforts. During fiscal years 2010-2011 the program reimbursed eight local governments and one university a total of $206,000 for the abatement of tire dump sites. The program discontinued reimbursements in 2012 but reinstituted the program in July 2015.
- **Responsible Parties –** Through such efforts as education, technical assistance, and enforcement actions, program staff (and local governments in some cases) encourage property owners or other identified responsible parties to abate dump sites. To identify the portion of dump sites abated by responsible parties, we reviewed case notes recorded in the scrap tire inventory for 10% (55 of the 545) "clean" dump sites. We found that case notes for 26 sites (47%) indicated the responsible party cleaned up the site. It is likely additional sites in our sample were abated by the responsible party. The inventory lacked sufficient information for another 26 sites to make this conclusion.

- **Lack of Current Information** – At the time of our initial review, the status of many dump sites listed in the database had not been updated for several years. Of the 248 sites listed in the inventory as of December 2014, the last recorded action occurred an average of 1.7 years ago. The most common last action recorded (100 sites) – the initial investigation – occurred an average of 2.6 years ago.

- **Sites Not Prioritized for Action** – Other than comparing piles on relative size and identifying their location, the inventory was not useful in identifying which piles should be prioritized for state-funded cleanup or for enforcement actions. The inventory lacked information that would inform these decisions, such as the age of the pile, its degree of environmental impact, and whether the site is eligible for state funds. While the inventory had a "program priority" field, this field was not used in a consistent manner. Program staff identified two piles as a priority, with no indication as to why they were a priority over the other 246 piles.

- **Inadequate Enforcement Data** – The database did not include fields to capture important enforcement information, such as actions taken, due dates, and status of the actions. This information was inconsistently captured in the comments section. As a result, program staff and management could not rely on the inventory to identify which sites have had an enforcement action, when the required response dates were exceeded, or when the next enforcement step should occur.

- **Inadequate Effectiveness Data** – The inventory could not be used to reliably identify the number of piles that had been cleaned up, the party funding the cleanup, and when the piles were cleaned up. While the inventory had a field specifically to identify whether a tire pile had been cleaned up, information in the comments field for 14 of the 248 tire piles indicated those sites may also be clean. Additionally, because the "Date Closed" field was blank for 152 of the

545 sites listed as "clean," the inventory could not be used to identify the number of tire piles cleaned annually or the length of time that elapsed from the identification of the site to its abatement. Finally, the inventory did not track in a searchable manner whether state funds were used in the cleanup.

As previously discussed, near the end of our audit, program staff updated the scrap tire inventory by visiting sites not visited in several years and removing sites from the list that no longer have scrap tires present. This initiative resulted in improvements to the information maintained in the inventory including identifying the date sites were closed, if sites are eligible for state funding, if enforcement action has been taken, and the date such actions were taken.

Inconsistent and Infrequent Enforcement

Although the program established a policy in 2006 to help staff determine how to enforce provisions of the Act and Rules related to illegal dumping of scrap tires, enforcement practices appeared to be infrequent and inconsistent. Between January 2013 and June 2015, the program issued only two consent orders related to illegal dumping of scrap tires. The program's inventory did not have fields to capture other types of enforcement actions shown in **Exhibit 10**.

We reviewed case notes recorded in the scrap tire inventory (as of December 2014) and found that enforcement actions were taken for only 42 of the 248 (17%) unabated

Exhibit 10
Program officials can employ various enforcement actions to compel compliance

Documentation of Violation	A letter signed by program staff explaining the cause of violation to the individual or company. The letter requires the violator to immediately comply with the Act or Rules.
Enforcement Conference	A meeting held with violators and the program management and staff that describes documented violations, and necessary corrective and preventative actions.
Notice of Violation	A certified notice signed by program management that specifies the violations of the Act or Rules and requires the individual or company to take corrective action by a certain date.
Consent Order	A certified legally binding order signed by the Director of EPD and negotiated with the violator. In it the violations that occurred are specified along with the applicable sections of the Act or Rules that were violated. It contains conditions that are agreed upon by the violator and by program staff. It may or may not contain a monetary penalty, but usually includes immediate or scheduled corrective action.
Administrative Order	A certified order signed by the Director that typically results from a failure of preceding enforcement actions to resolve significant violations. The order specifies the provision of the Act or Rules alleged to have been violated and orders that necessary corrective action be taken within a prescribed time. The order becomes final and legally binding unless the person or persons named therein request in writing a hearing no later than 30 days of the order being served.
Civil Penalty Hearing	A public hearing held before an Administrative Law Judge the purpose of which is to decide the liability of the violator and the amount of civil penalty assessed.
Criminal Proceedings	A law enforcement officer acting under authority of the director of EPD and the Act may bring misdemeanor criminal charges for any violations specified in O.C.G.A. § 12-8-30.8, 16-7-43, and 16-7-53.

Source: EPD documents

tire dumps and 125 of the 546 (23%) tire dumps listed as "clean." It is not evident why enforcement action was taken in these cases and not others.

Enforcement actions did not always appear to follow the program policy. For example, program staff were directed to issue Notices of Violation (NOVs) to property owners or other responsible parties for all identified illegal dump sites with the exception of those cases in which property owners are victims of illegal dumping. However, as illustrated below, program staff inconsistently take such action.

- Program staff investigated an illegal scrap tire dump containing 500 tires in December 2008 and found that the property was owned by an elderly couple who no longer resided at the property. According to case notes maintained in the inventory, the couple were victims of illegal dumping; however, without further explanation, in November 2014 program staff issued the property owners a NOV. Prior to the conclusion of the audit, the site was recommended for state-funded abatement.

- Program staff identified an illegal scrap tire dump site in 2009 containing 11,000 tires. The responsible party was identified as the owner of a tire store. There is no indication that enforcement action was taken, but in February 2015 the site was recommended for state-funded abatement.

Even when enforcement action occurred, the actions were frequently not effective in abating dump sites remaining in the program's inventory. Of the 42 sites with an enforcement action, the sites remained unabated an average of 2.2 years after the action. As illustrated by the following examples, program staff do not issue follow-up enforcement actions in a timely manner.

- A dump site containing 57 tires was identified by program staff in June 2011 and a NOV was issued the same month. A year later a follow-up investigation was conducted and the scrap tires remained unabated. A second NOV was issued July 2012; however, no follow-up had occurred as of December 2014. In June 2015, the program discovered that the tires were no longer present and the site was removed from the list. It is not known if the tires were properly disposed of.

- A dump site containing 1,500 tires was identified by program staff in August 2008 and a NOV was sent to the property owner. As of December 2014, no follow-up had occurred.

Inconsistent Process to Identify Sites Eligible for State Funding

Program management issued guidance regarding how to determine whether tire dump sites are eligible for state-funded (SWTF) cleanup, but the guidance was not consistently followed by program staff. According to program guidance, state funds can be used to clean up dump sites for cases in which property owners have either been victims of illegal tire dumping or lack adequate financial resources to fund the cleanup. Property owners must submit letters attesting to their innocence or lack of financial resources, and program staff must investigate to confirm the information provided by the property owners.

We identified several sites where these steps were not taken prior to the sites being categorized as eligible for state funds. Conversely, we identified other sites that appeared to be eligible but had not yet been selected for state funding. Examples include:

- A dump site containing 200 scrap tires was identified by program staff in March 2014. Prior to identifying the property owner, staff recommended the site for state-funded cleanup in July 2014. During the audit, EPD subsequently removed this site from the list of sites designated for state-funds.

- A dump site containing 250 tires was identified in June 2011. Staff estimates the cost of cleanup to be $750. In July 2014, program staff spoke with the property owner who claimed he bought the property unaware of the dumped scrap tires and has no means to clean the site. Without requiring documentation from the property owner and without conducting an investigation, program staff recommended the site for state funds.

- A dump site containing 500 tires on land owned by the City of Atlanta was identified in December 2013. The site had not been selected for state-funded cleanup even though program staff determined that the city was a victim of illegal dumping. Program staff reported in June 2015 that the site was cleaned without the use of the SWTF.

RECOMMENDATIONS

1. The program should continue to improve the scrap tire inventory to include necessary data fields and updated/accurate information.

2. The program should establish a policy identifying how dump sites are prioritized for state-funded cleanup or enforcement action including criteria such as environmental impact, age, and size.

3. The program should standardize enforcement actions for each dump site.

4. The program should ensure that follow-up for enforcement actions occurs in a timely manner.

5. The program should ensure that it uses consistent criteria when determining state-funding eligibility.

EPD Response: *"In July 2015, the program completed a re-design of the Scrap Tire Dump spreadsheet. The re-design was completed after the program determined the necessary data fields. Information is entered into the spreadsheet as it is provided to the program."*

EPD noted that the November 2014 creation of the STCU with a single manager would bring more consistency to cleanup processes. Regarding the prioritization of sites for state-funded cleanup or enforcement actions, EPD stated that "the program follows the Enforcement Policy that was created in 2006 and updated in 2015. Now that staff are under the STCU, management can ensure that the policy is followed consistently." Regarding enforcement actions that should occur, EPD stated that "once the STCU was created, enforcement for tire dumps was standardized by Standard Operating Procedures and consistent managerial oversight to ensure that staff followed those procedures." The

central management, along with the creation of the LEMIR information system, will help ensure that timely follow-up enforcement actions occur.

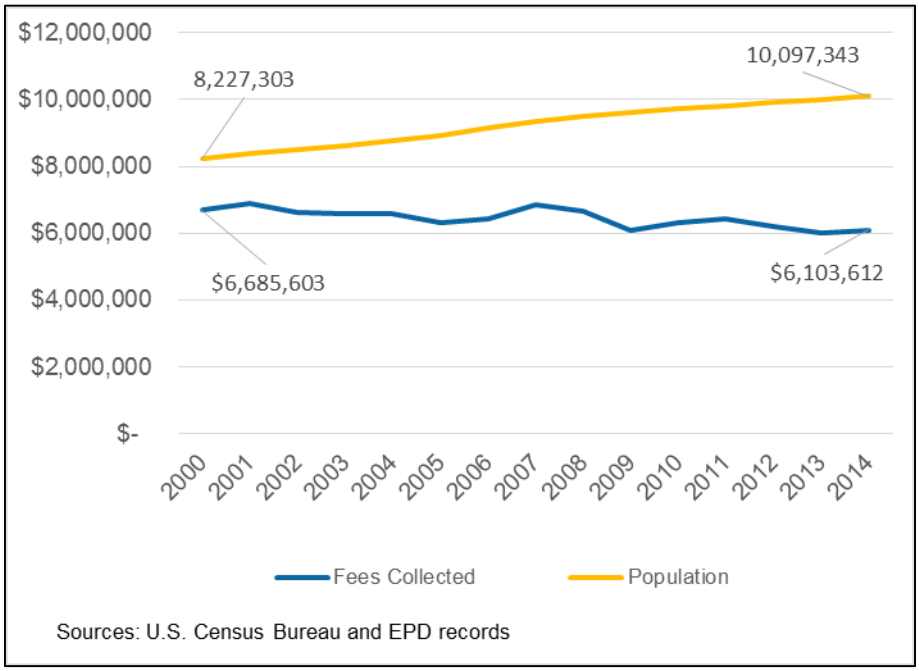
Regarding the criteria for determining state-funded cleanup, EPD stated that it "follows the enforcement policy and if the property owners are victims or financially unable to remove the tires then the sites are recommended for state-funded cleanup."

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.

The program has not estimated the total fee revenue that scrap tire retailers should remit to the state or developed procedures to ensure that retailers comply with fee payment requirements. Consequently, it has little assurance that all owed fee revenue has been remitted. Based on industry standards, we estimate that the program did not collect approximately 20% ($1.6 million) of the scrap tire fee revenue owed in 2014.

Our analysis indicates that, in recent years, the program has become less effective in collecting scrap tire fee revenue. Industry standards suggest a direct relationship between the number of scrap tires generated and a state's population (i.e., scrap tires increase as the population increases). However, as shown in **Exhibit 11**, between 2000 and 2014 the amount of scrap tire fees collected declined 9% even though Georgia's population has grown 23%. The fee has remained unchanged at $1 per scrap tire.

Exhibit 11
Scrap Tire Fee Revenue Declines Despite Population Growth (2000-2014)



The program has not developed a method to estimate the annual total number of scrap tires generated or amount of scrap tire fees owed. Without a reasonable estimate of revenue, the program cannot assess the effectiveness of its fee collection practices. We estimated the amount of fee revenue owed to the state by applying Georgia's population to a method[7] developed by the scrap tire industry (the Rubber Manufacturer's Association). We estimate that approximately 7.7 million scrap tires subject to the fee were generated in 2014, which would result in $7.7 million in fee revenue. Tire retailers remitted 79% of this amount ($6.1 million) to the program.

The revenue gap occurs partly because the program lacked adequate monitoring and enforcement processes to ensure that individual tire retailers collect and remit scrap tire fee revenue. The program had no system to ensure that all retailers submit quarterly fee reports and associated fee revenue, and the program rarely took formal enforcement action against retailers that failed to file fee reports or remit fee revenue.

- **Fee Reports Not Adequately Reviewed** – The program did not review the quarterly fee reports submitted by tire retailers to identify missing or late reports (and consequently missing payments), or to identify significant fluctuations that may indicate inaccurate payments. Likewise, tire retailers failing to remit quarterly reports and fees were not systematically notified of their delinquent status.

  The program had not taken measures to ensure that its list of permitted tire retailers is current, making it difficult to determine if a missing payment was the result of non-compliance by a tire retailer or if the retailer was no longer in business. Our review of fee report data showed that during fiscal years 2010-2014 an average of 31% of the expected quarterly payment reports were not submitted. In 2014 alone, 1,846 (43%) of the 4,306 tire retailers issued a payment reminder failed to submit at least one report.

- **Failure to Submit Reports or Fees Not Factored in Targeting Inspections**– Because the program did not analyze fee reports, it had not used a tire retailers' fee payment status to target inspections. Program staff only became aware of a tire retailer's failure to submit fee reports and fees after they were randomly chosen for inspection. And since relatively few inspections occurred (as discussed in the finding on page 12), the inspections were unlikely to result in the collection of delinquent fees.

  It should be noted that during the audit, the program developed a standard process to review fee payment data to generate a targeted list of delinquent tire retailers for inspection.

- **Penalties for Delinquent Reports and Fees Rarely Issued**– Delinquent fees were infrequently recovered, and it was not evident that penalties are consistently assessed when report and fee violations were discovered. Only

[7] The method considers that even though industry standards estimate one scrap passenger tire equivalent (PTE) is generated per capita, this is not a reflection of the number of tires generated that would be subject to the $1 tire fee. Using RMA data, we estimated the number of scrap passenger tires and scrap truck tires generated in the state. We then estimated the number of these scrap tires that would not be associated with the retail purchase of a new replacement tire (i.e., tires discarded from used vehicles and from scrapped vehicles) and, therefore, would not generate scrap tire fee revenue.

two of the seven districts reported recovering delinquent fees in 2013 and 2014. The Macon office recovered $27,466 in delinquent fees and the Augusta office recovered $3,092. No other districts recovered fees or assessed penalties in 2013 or 2014.

Although the program developed a formal enforcement policy for delinquent reports and fees in 2006, the program had not yet fully implemented this policy. The policy standardizes penalty assessment by defining when to apply the penalty and the amount to be assessed. For example, the policy requires that program staff issue a Consent Order or an Administrative Order with a civil penalty hearing for a tire retailer's first offense of failing to submit a tire fee report and related fee revenue. The policy also sets the civil penalty to be assessed for this first offense at $500 in addition to the unpaid fees.

Instead of increasing program monitoring of tire retailers for the collection of fees, Georgia could change its method for collecting and/or assessing scrap tire fees. Methods used by other states have the potential to increase revenue while decreasing the administrative burden to both the program and tire retailers. Other states rely on revenue collectors – not environmental inspectors – to collect their scrap tire fees. In addition, one state assesses the scrap tire fee on tire wholesalers rather than tire retailers.

- **Contracting with the Georgia Department of Revenue for Fee Collection**– Although state law O.C.G.A. § 12-8-40.1 (h)(1) allows for the Department of Revenue to collect scrap tire fees on behalf of the program, the program relies on its administrative staff to collect fee payment and its environmental specialists to enforce fee requirements. Outsourcing fee collection to DOR would delegate this responsibility to an agency experienced with such activity, potentially increasing fees collected. It would also allow environmental specialists to focus their efforts on the proper disposal of scrap tires.

  Our survey of scrap tire programs in eight other states found that all use an agency equivalent to the DOR to collect scrap tire fees.

- **Assessing Scrap Tire Fees on Tire Wholesalers Rather than Retailers**– Shifting fee payment responsibility to wholesalers could relieve the existing administrative burden on 4,000 tire retailers and the program. We surveyed scrap tire programs in eight other states and found that one state, Mississippi, recently shifted the assessment of new replacement tire fees to wholesalers from tire retailers. Program staff in Mississippi reported that they have not yet seen a revenue increase, but they did experience a decrease in the complexity of fee collection process and in the effort required to enforce it.

RECOMMENDATIONS

1. The program should develop a method to estimate the number of scrap tires generated that are subject to the scrap tire fee to estimate potential fee revenue.

2. The program should implement its newly developed fee compliance process that requires program staff to review quarterly report and payment data for delinquencies and to target inspections to delinquent retailers.

3. The program should implement its enforcement policy that standardizes the assessment of penalties by defining when to apply the penalty and the amount to be assessed.

4. The program should consider outsourcing the scrap tire fee collection function to DOR.

5. The General Assembly should consider revising the Act to apply the scrap tire fee to wholesalers rather than retailers.

EPD's Response: *EPD noted that the "tire fee only pertains to the sale of a new tire. The program uses population as a mechanism for estimating the number of tires sold each year to help estimate potential fee revenue. Once LEMIR is active, STCU staff will be able to more effectively target their inspections on facilities with delinquent fees, allowing management access to real data to reconcile the previous years' estimate and more accurately project the potential fee revenue for the upcoming year. The fee collected for the sale of a new tire is placed into the state general fund and the Legislature appropriates funds to the Solid Waste Trust Fund."*

Regarding targeting inspections, EPD stated that "the program has created work plans for staff based on delinquent fee report facilities. Once LEMIR is active, the STCU staff will be able to review the quarterly reports and run queries to determine which facilities needed to be targeted for delinquent reports." And regarding penalties, EPD wrote that it currently "uses the enforcement policy as criteria to determine what enforcement measures need to take place. The penalty rationale that goes along with the enforcement policy helps to consistently guide the program to determine the penalty amount."

Regarding other methods of collecting or assessing the fee, EPD said that the "new tire fee function is being reviewed by the program to evaluate collection alternatives" and that "collecting the fee from wholesalers would significantly cut down on the administrative workload of the program."

Appendix A: Table of Recommendations

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. (p.8)
1. Prior to the next SWTF fee reauthorization decision, EPD should determine the funding needed (if any) for each authorized use. This would provide the General Assembly with the information needed to determine whether the scrap tire fee of $1 should be raised, lowered, or eliminated.
The program's inspection and enforcement activities are not adequate to ensure that scrap tires are properly disposed. (p. 12)
2. The program should identify the appropriate staffing levels for each district and align staffing resources with workload.
3. The program should resume the local enforcement grants to take advantage of partnerships in enforcing the state's scrap tire laws. Any local government enforcement activities should be considered when allocating EPD staff resources.
4. The program should formalize inspection procedures to guide the work of its program inspectors. The procedures should specifically address issues such the selection of entities for inspection. For example, the program should use the data it already collects (i.e., quarterly reports) to target inspections and to improve the quality of inspections.
5. Program management should ensure that program staff adhere to adopted inspection and enforcement policies.
Current information systems do not provide reliable information about program activities and outcomes. (p. 16)
6. EPD should continue its efforts in developing and implementing a new information system to streamline data entry and to provide the information necessary to manage its activities.
7. Until the new system is implemented, the program should determine whether it is necessary and reasonable to require field staff to enter data into multiple management information systems.
8. When data entry is deemed necessary, program management should review the information entered by field staff for accuracy and completeness.
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. (p. 19)
9. The program should continue to improve the scrap tire inventory to include necessary data fields and updated/accurate information.
10. The program should establish a policy identifying how dump sites are prioritized for state-funded cleanup or enforcement action including criteria such as environmental impact, age, and size.
11. The program should standardize enforcement actions taken for each dump site.
12. The program should ensure that follow-up for enforcement actions occurs in a timely manner.
13. The program should ensure that it uses consistent criteria when determining state-funding eligibility.
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. (p. 24)
14. The program should develop a method to estimate the number of scrap tires generated that are subject to the scrap tire fee to estimate potential fee revenue.
15. The program should implement its newly developed fee compliance process that requires staff to review quarterly report and payment data for delinquencies and to target inspections to delinquent retailers.

16. The program should implement its enforcement policy that standardizes the assessment of penalties by defining when to apply the penalty and the amount to be assessed.
17. The program should consider outsourcing the scrap tire fee collection function to DOR.
18. The General Assembly should consider revising the Act to apply the scrap tire fee to wholesalers rather than retailers.

EPD's Response: *EPD stated that it has already taken many actions to improve program operations. Specific responses are included at the end of each finding.*

Appendix B: Objectives, Scope, and Methodology

Objectives

This report examines the Solid Waste Trust Fund (SWTF) and the operations of the primary use of the fund, the scrap tire management program. Specifically, the audit addressed the following objectives:

1. Does the SWTF have sufficient resources to ensure authorized uses are addressed?
2. Does the scrap tire management program ensure that scrap tire generators and carriers properly dispose of scrap tires?
3. Does the program ensure that all scrap tire piles are remediated in a timely and cost-effective manner?
4. Does the program ensure that the correct scrap tire fee revenue is remitted to the state?

Scope

This audit covered activity related to the SWTF that occurred from fiscal years 2010 to 2015, with consideration of earlier or later periods when relevant. The audit examined multiple information systems used by EPD to track inspection and enforcement activity, scrap tire dump inventory and cleanup, permitting, and quarterly reports submitted by scrap tire retailers and carriers.

- **Complaint Tracking System (CTS)** – EPD's centralized system used to record and track the status of complaints and enforcement actions.
- **Online Reporting System (ORS)** – EPD's centralized system developed to record field staff's daily activity, such as inspections and illegal dumping investigations.
- **Scrap Tire Dump List** – Excel workbook containing an inventory of existing scrap tire piles and dumps.
- **Scrap Tire Database** – Access database containing information about permitted entities (carriers, generators, etc.), fee reports and payments, and quarterly scrap tire carrier reports.

Government auditing standards require that we also report the scope of our work on internal control significant within the context of the audit objectives. We reviewed internal controls as a part of our work on Objectives 2, 3, and 4. Specific information related to the scope of our internal control work is described by objective in the methodology section below.

Methodology

The audit team used the following methodologies to complete the audit objectives:

- Reviewing relevant laws, rules, and regulations
- Examining program data from the existing information technology systems and databases used by EPD to track program activity

- Reviewing of monthly staff activity reports and other agency documents such as annual reports, program policies and procedures, and scrap tire generator, carrier, and processor files
- Interviewing agency officials and staff of the Environmental Protection Division (EPD)
- Conducting site visits at EPD district offices
- Conducting phone interviews with scrap tire program managers in other states
- Reviewing existing industry literature and research examining standards for scrap tire programs

The majority of staff funded by the SWTF work for the scrap tire program and are located at the central Atlanta office, with one scrap tire program inspector assigned to each of the seven EPD district offices. The audit team conducted site visits at five of seven EPD district offices which included interviews with Scrap Tire Compliance Unit staff and accompanying staff on inspections and compliance follow-up visits. Two district offices were not visited (Albany and Athens) due to prolonged staffing vacancies.

The audit team developed and conducted phone surveys for program managers of scrap tire programs in surrounding states (Alabama, Florida, Kentucky, Mississippi, North Carolina, South Carolina, and Tennessee) and California (because it appeared to have a more sophisticated scrap tire compliance and enforcement program with substantial local government involvement). All states solicited for participation agreed and ultimately completed phone interviews.

We assessed the controls over data used for this audit and determined that reliability concerns existed with CTS, ORS, and the Scrap Tire Dump list. The lack of proper controls and resultant unreliability of these data systems became a finding within the report (see finding 3, page 16). However, the Scrap Tire Dump Database and the Scrap Tire Database were sufficiently reliable for specific purposes and used to support conclusions in findings 2 (page 12), 4 (page 19), and 5 (page 24).

To determine whether the SWTF has adequate resources to address its authorized uses, we reviewed expenditure data, SWTF Annual Reports, and the Act to identify statutorily authorized uses, the type of activities funded for each use, and the historical cost of those activities. We found that several authorized uses have not been funded in the past three years. Because EPD had not developed a strategic plan identifying the uses that remain relevant and their associated cost, we interviewed EPD to obtain this information. Because the resulting list of relevant uses and associated cost estimates represent the opinion of EPD staff, we did not review this information for accuracy; however, we believe it represents a credible estimate given the limitations of the data. We projected fee revenue collections by averaging the annual amount collected over the past five years. We projected SWTF appropriations based on the average appropriations for the last two fiscal years.

To determine whether the program ensures that scrap tire generators and carriers properly dispose of scrap tires, we interviewed EPD staff; reviewed policies and procedures; reviewed permit, inspection enforcement records maintained in monthly

activity reports, the Scrap Tire Database, CTS, ORS, and the scrap tire dump list; and, observed EPD staff during inspections. Information gathered from interviews and site visits were used to identify current practices and procedures employed by program staff to ensure the proper disposal of scrap tires. We reviewed inspection and enforcement data maintained in CTS and ORS and found that EPD staff were rarely entering information into these systems. As a result, we could not rely on these systems to determine activity-levels and to assess the effectiveness of enforcement actions. Due to the unreliability of data maintained in CTS and ORS, we relied on self-reported data in each district's monthly activity reports to identify inspection and enforcement activity levels. While we did not independently verify this data, we concluded that the information was sufficiently reliable for the purposes of our review.

We analyzed permit information maintained in the Scrap Tire Database to identify the number of permitted generators, tire retailers, carriers, sorters, and processors in the state and in each EPD district. We assessed the controls over data used for this analysis and determined that the data used were sufficiently reliable for this purpose.

Phone interviews were conducted with scrap tire program managers in other states to compare regulatory approaches. We reviewed literature from the U.S. Environmental Protection Agency and the Rubber Manufacturer's Association to examine industry standards for scrap tire management.

To determine whether the program ensures that scrap tire dumps are remediated in a timely and cost-effective manner, we interviewed EPD staff, reviewed the scrap tire dump list in effect at the beginning of the audit, and reviewed the revised list provided to the audit team at the end of the audit. Staff interviews were used to obtain information regarding procedures followed by staff to report and document newly discovered dumps, to investigate reported dumps, to enforce provisions of the Act related to illegal dumping, and to prioritize sites for state-funded abatement.

The scrap tire dump list provided to the audit team at the beginning of the audit was reviewed to identify the number and location of dumps not cleaned up, the age of the dumps, the number of tires in these dumps, inspection and enforcement activities related to these dumps, and dumps identified as eligible for state-funded cleanup. The list was also reviewed to identify the number of dumps cleaned up, when the cleanup occurred, if state funds were used in the cleanup, and the age of the sites at the time of the cleanup.

We found that the list did not provide reliable data to identify the age of the dumps, the dumps deemed eligible for state-funded clean-up, inspection and enforcement actions taken, and if state-funds were used in cleanup. No other data system maintained by the program included this information. At the end of the audit, EPD provided an updated scrap tire dump list that significantly changed the number of dumps awaiting cleanup and identified the sites selected for state-funded cleanup. Although this data was subject to various sources of error, we believe it represents a credible estimate of the number of dump sites and actions taken. In addition, data problems found in the original dump list form the basis of many points in the finding.

To assess whether enforcement actions were implemented consistently across districts, EPD enforcement policies were reviewed and compared to enforcement actions taken as reported in the comments field of the scrap tire list. Again, although

this data was subject to various sources of error, we believe it represents a credible record of enforcement actions.

To determine whether the program ensures that the correct scrap tire fee revenue is remitted to the state, we interviewed EPD staff, reviewed policies and procedures, reviewed fee remittance and quarterly report data in the Scrap Tire Database, interviewed managers of scrap tire programs in other states, and discussed tire sales data and scrap tire generation statistics with a representative from the Rubber Manufacturer's Association.

We interviewed EPD staff to obtain information regarding the program's process for assessing accuracy of tire sales reported on generator quarterly reports, policies and procedures followed in the reconciling of fees remitted, actions taken to address fee delinquency status, and whether fee payment status was used to target inspections. Phone interviews were conducted with scrap tire program managers in other states to identify strategies and methods used to promote accurate and timely fee collection.

We reviewed fee remittance and quarterly report data maintained in the Scrap Tire Database. The data was analyzed to identify the percent of invoiced tire retailers that failed to submit quarterly fee reports for each quarter in fiscal years 2010 – 2014.

Because through interviews with agency staff we determined that EPD had no methodology estimating expected fee revenue, we contacted a representative from the Rubber Manufacturer's Association to identify a revenue estimate methodology. With input from this representative, we developed a methodology that incorporated the industry standard of one scrap passenger tire equivalent generated per capita and extracted an estimated number of those scrap tires that would not generate the $1 fee. This method included identifying the number of scrap truck tires (equivalent to five passenger tires) versus passenger tires generated in Georgia[8] and tires discarded from used and scrapped vehicles. The resulting estimated number of tires not subject to the $1 fee were subtracted from the yearly population estimate in order to more conservatively estimate the number of scrap tires likely to result from retail purchases that would generate fee revenue.

Finally, to assess whether fee revenue had followed population trends in recent years (as expected if proper fee collection were occurring), population trend data for Georgia was obtained from the U.S. Census Bureau and compared with total scrap tire fee revenue trends over the past five years.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

[8] Truck tires and passenger tires are assessed the same $1 fee regardless of the fact that truck tires equate to approximately five passenger tires. Because one truck tire is produced for every five people, estimating revenue by multiplying Georgia's population by $1 without considering the number of truck tires produced overestimates revenue.

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.