Special Report
Arkansas Legislative Audit

Review of Selected Policies, Procedures, and Transactions

Used Tire Programs 1 and 3

For the Period July 1, 2024 through June 30, 2025

INTRODUCTION

This report is issued pursuant to Ark. Code Ann. § 8-9-410, which requires Arkansas Legislative Audit (ALA) to review selected policies, procedures, and transactions of Arkansas's Used Tire Programs (Programs). As required by Ark. Code Ann. § 8-9-410, ALA selected Used Tire Programs 1 and 3 for review. The locations of the four Programs in the State are shown in **Exhibit I on page 2.**

OBJECTIVES

The objectives of this review were to determine if the Programs adhered to laws and regulations pertaining to the Programs and their Tire Accountability Boards (Boards); competitive bidding; payroll; Tire Accountability Program (TAP) reporting; and transactions involving Board members, administrators, and employees. Other objectives were to disclose internal control deficiencies that came to our attention related to our review of cash, revenues, receipting, and disbursements.

SCOPE AND METHODOLOGY

The review was conducted for the fiscal year ended June 30, 2025. For each Program selected, ALA staff reviewed minutes of Board meetings; pertinent policies, contracts, bank statements, expenditure and payroll records, travel expense reimbursements, and credit card and purchasing card (P-card) payments to vendors; related party transactions; applicable Arkansas Code; TAP Quarterly Progress Reports submitted to the Department of Environmental Quality (DEQ), a division of the Department of Energy and Environment; and, if applicable, audit reports issued by private certified public accounting (CPA) firms. In addition, personnel were interviewed.

BACKGROUND

Establishment of Used Tire Programs

Act 713 of 2023 (Act) created four "Used Tire Programs" in the State "to address efficiency in tire processing, including without limitation transportation." The Act requires that each District be governed by a Tire Accountability Board (similar to a Board of Directors) composed of 11 members: (a) two county judges appointed from the two most populous counties in the Program, according to the most recent federal census; (b) five county judges elected by the county judges of the Program; and (c) four mayors elected by the mayors of all of the cities in the Program. The Act also authorizes Programs to enter into interlocal agreements to determine the highest level of efficiency regarding tire processing. The State has four Programs, as shown in **Exhibit I on page 2.**

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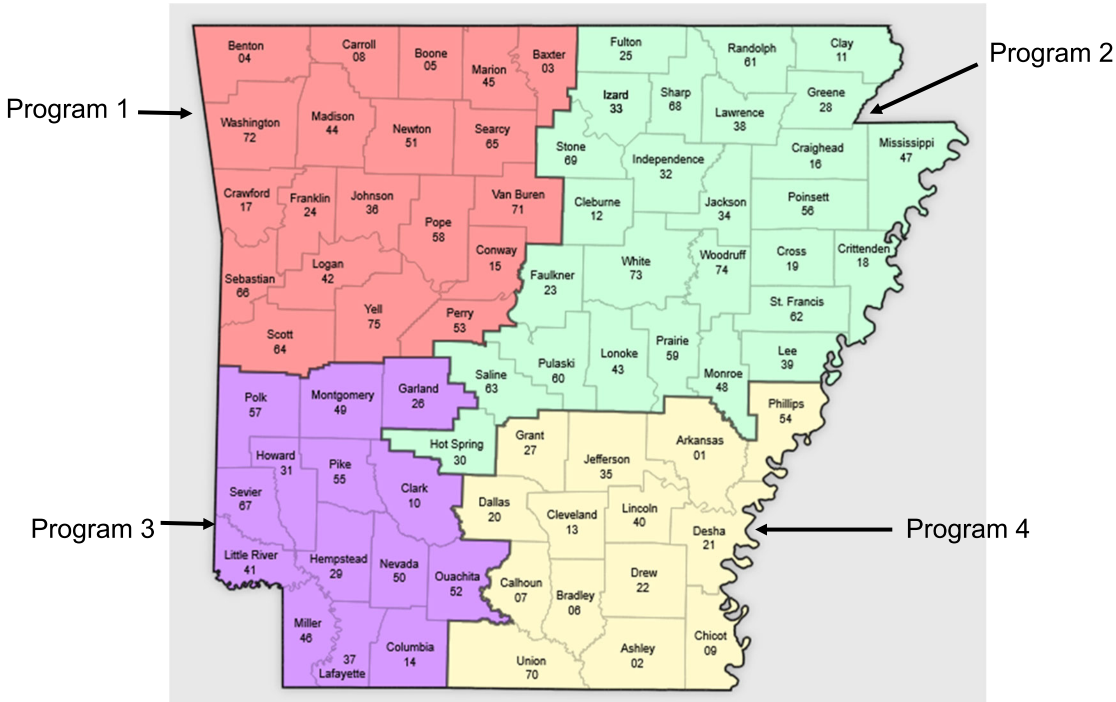
Exhibit I

Arkansas's Used Tire Programs



Note: Map shows Program boundaries after taking into consideration all interlocal agreements.

Source: *Arkansas Department of Energy and Environment website:* https://www.adeq.state.ar.us/ *(unaudited by Arkansas Legislative Audit)*

Private Audit Reports

The Act does not require the Programs to obtain an audit by a CPA. Consequently, Programs 1 and 3 did not do so.

RESULTS OF REVIEW

For all TAP reimbursements received by Programs 1 and 3 for the fiscal year ended June 30, 2025, ALA noted no exceptions based on review of TAP Quarterly Progress Reports and the approved business plan rates. These reimbursements covered tires processed during the second quarter of 2024 through the first quarter of 2025 and totaled $3,310,477 and $955,870 for Program 1 and 3, respectively.

The sections that follow provide brief background information for each of the Programs selected for review, as well as reportable findings, where applicable. Financial Information for each District is included in **Exhibit II on page 3.**

Exhibit II

Used Tire Programs 1 and 3
Financial Information
For the Period July 1, 2024 through June 30, 2025

	Used Tire Program 1	Used Tire Program 3
Cash Balance, July 1, 2024	$ 0	$ 0
Receipts:		
Waste Tire Management (TAP Reimbursements)	3,310,477	955,870
Disbursements:		
Boston Mountain Administrator Contract	203,851	
Boston Mountain Operator Contract	2,084,033	
West River Valley Operator Contract	941,163	
Upper Southwest District		955,870
Total Disbursements	3,229,047	955,870
Cash Balance, June 30, 2025	$ 81,430	$ 0

Source: *General Ledgers Provided by Used Tire Programs 1 and 3 (unaudited by Arkansas Legislative Audit)*

Used Tire Program 1 (Program 1)

Establishment

The Act mandated that Program 1 consist of Benton, Carroll, Boone, Marion, Baxter, Washington, Madison, Newton, Searcy, Crawford, Franklin, Johnson, Pope, Van Buren, Sebastian, Logan, Conway, Scott, Yell, and Perry Counties. Though allowed by the Act, Program 1 has not entered into interlocal agreements with any other Used Tire Programs. Per the approved business plan, Program 1 serves 14,031 square miles and a population of 1,077,783 based on the most recent federal census.

During its organizational Board meeting held on June 7, 2023, Program 1 adopted its bylaws. Subsequently, on March 15, 2024, the Arkansas Legislative Council (ALC) reviewed and approved Program 1's business plan and approved a tire reimbursement rate of $2.82 per tire.

Board Composition

As previously mentioned, the Board is composed of 11 members: (a) the county judges from the two most populous counties in the Program, who are permanent members; (b) five county judges elected by the county judges of the Program; and (c) four mayors elected by the mayors of all of the cities in the program. As a result of an election facilitated by the County Judges Association of Arkansas and the Arkansas Municipal League, the Program 1 Board consists of (a) the county judges of Washington and Benton Counties; (b) the county judges of Franklin, Scott, Van Buren, Pope, and Conway Counties; and (c) the mayors of Clarksville, Ozark, Berryville, and Morrilton. Elected members of the Board serve three-year staggered terms.

Sources and Uses of Funds

Program 1 began operating under the new approved business plan on April 1, 2024, and is comprised of the counties identified in **Exhibit I on page 2** and the cities within those counties. Program 1 receives Used Tire Recycling Funds from DEQ. Additionally, the Program contracts with two Vendors for administrative and used tire program operator services, as noted below. The Program Operators are allowed to retain fees on fee-waived paid tires[1] and any monies derived from the sale of the aggregate produced from processed tires.

Program 1 entered into two contracts for services with the Boston Mountain Regional Solid Waste Management District (Boston Mountain District):

- The Program Administrator contract stipulates that the Boston Mountain District will complete all administrative functions of Program 1 under the oversight of the Program 1 Accountability Board. The Boston Mountain District is compensated at a rate of $0.17 per tire processed by Program 1, which paid the Boston Mountain District $203,851 under this contract for the fiscal year ended June 30, 2025.
- The Program Operator contract stipulates that the Boston Mountain District will provide used tire collection and disposal services for Baxter, Benton, Boone, Carroll, Madison, Marion, Newton, Searcy, and Washington Counties. The Boston Mountain District is compensated at various rates per tire depending on county and size of tire. Program 1 paid the Boston Mountain District $2,084,033 under this contract for the fiscal year ended June 30, 2025.

Program 1 also entered into a Program Operator contract for services with the West River Valley Regional Solid Waste Management District (West River Valley District). Terms of the Contract stipulate that the West River Valley District will provide used tire collection and disposal services for Conway, Crawford, Franklin, Johnson, Logan, Perry, Pope, Sebastian, Scott, Van Buren, and Yell Counties. The West River Valley District is compensated at various rates per tire depending on size of tire. Program 1 paid the West River Valley District $941,163 for the fiscal year ended June 30, 2025.

Findings

ALA issued no findings for Program 1.

Used Tire Program 3 (Program 3)

Establishment

The Act mandated that Program 3 consist of Polk, Montgomery, Sevier, Howard, Pike, Clark, Little River, Hempstead, Nevada, Miller, Lafayette, Saline, Dallas, Ouachita, Union, Garland, Hot Spring, and Columbia Counties. Program 3 entered into interlocal agreements with Program 2, which stipulates that Program 2 provide services to Saline and Hot Springs Counties, and with Program 4, which stipulates that Program 4 provide services to Dallas and Union Counties. Per the approved business plan, Program 3 services 9,686 square miles and a population of 320,027 based on the most recent federal census.

Program 3 adopted its bylaws in an organizational Board meeting held on June 6, 2023. At a Board meeting held July 11, 2023, Program 3 adopted a resolution setting extra-large/ agriculture tire processing at $30 per tire and adopting the interlocal agreements noted above.

[1]"Fee-waived paid tires" are used tires for which no rim removal fee, commercial generator fee, or import fee has been collected, reported, and paid.

Subsequently, on March 15, 2024, the Arkansas Legislative Council (ALC) reviewed and approved Program 3's business plan and approved a tire reimbursement rate of $2.80 per tire.

Board Composition

As previously mentioned, the Board is composed of 11 members: (a) the county judges from the two most populous counties in the Program, who are permanent members; (b) five county judges elected by the county judges of the Program; and (c) four mayors elected by the mayors of all of the cities in the program. As a result of an election facilitated by the County Judges Association of Arkansas and the Arkansas Municipal League, the Program 3 Board consists of (a) the county judges of Garland and Saline Counties; (b) the county judges of Ouachita, Howard, Hot Spring, Polk, and Little River Counties; and (c) the mayors of DeQueen, Nashville, Magnolia, and Malvern. Subsequently, the DeQueen Mayor was replaced with the Mayor of Mena.

Sources and Uses of Funds

Program 3 began operating under the new approved business plan on April 1, 2024, and is comprised of the counties identified in **Exhibit I on page 2** and the cities within those counties. Program 3 receives Used Tire Recycling Funds from DEQ. The Program entered into an Intergovernmental and Joint Use Agreement Regarding Tire Collection, Transportation, Processing and Disposing whereby Program 3 remits all funds received from DEQ to the Upper Southwest Regional Solid Waste Management District (Upper Southwest District), which operates a tire disposal facility. The Upper Southwest District is allowed to retain fees on fee-waived paid tires and any monies derived from the sale of the aggregate produced from processed tires.

Findings

> ***Finding 1:*** Prenumbered receipts were not issued for all items of income, in noncompliance with Ark. Code Ann. §§ 8-9-405, 14-25-108.
>
> ***Management Response:*** The District will issue a prenumbered receipt for each of the four or more electronic payments deposited in our operating account from this point forward. The receipt will be issued as soon as we have confirmation of each deposit. Since these reimbursements from the State of Arkansas are the only sources of income for the District this should be an easy fix.
>
> ***Finding 2:*** Check images provided for Used Tire Program 3 bank accounts did not include both sides of cancelled checks, in noncompliance with Ark. Code Ann. §§ 19-2-501 – 19-2-509.
>
> ***Management Response:*** The bank has already been contacted and this issue is resolved. Check images will include both sides from this point forward.

SUMMARY

ALA staff review of Used Tire Programs 1 and 3 revealed violations of state law regarding use of prenumbered receipts and check images by Program 3. No findings were issued for Program 1.

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