
**Thomas P. DiNapoli
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**OFFICE OF THE
NEW YORK STATE COMPTROLLER**

**DIVISION OF STATE
GOVERNMENT ACCOUNTABILITY**

**LONG ISLAND POWER
AUTHORITY**

RECYCLING PROGRAM

Report 2008-S-135

AUDIT OBJECTIVE

The objective of this audit was to determine whether the Long Island Power Authority (LIPA) operates a recycling program that is in compliance with applicable State laws and Executive Orders.

AUDIT RESULTS - SUMMARY

LIPA is responsible for establishing a recycling program as outlined in the Solid Waste Management Act of 1988 (Act) and Executive Order 4 (EO 4). We found that LIPA's landlord has established such a program for LIPA's use, while its management and operating consultant also recycles scrap metals on LIPA's behalf. Officials reported that the latter program generated more than \$769,000 in revenue during 2007.

Under EO 4, State agencies and public authorities were required to assign an employee to serve as a Sustainability and Green Procurement Coordinator. We found that LIPA has assigned such staff. EO 4 also requires LIPA to begin reporting on its recycling efforts by March 1, 2009. We found it is unlikely that LIPA will be able to fulfill this requirement, because it has yet to begin collecting data on certain recycling activities.

Our report includes one recommendation to improve LIPA's recycling program, which LIPA officials agreed to implement.

This report, dated January 29, 2009, is available on our website at: <http://www.osc.state.ny.us>. Add or update your mailing list address by contacting us at: (518) 474-3271 or Office of the State Comptroller
Division of State Government Accountability
110 State Street, 11th Floor
Albany, NY 12236

BACKGROUND

New York State has a long history of encouraging the reduction and recycling of solid waste materials. Two decades ago, the State enacted the Solid Waste Management Act of 1988 (L 1988, ch 70) (Act), which laid out the priorities of the State's solid waste management policy:

- Reducing the amount of waste generated;
- Maximizing the amount of waste that is reused or recycled;
- Recovering as much energy as possible from what cannot be reused or recycled; and
- Disposing of the remaining solid waste appropriately.

The Act required most State agencies and public authorities to separate their solid waste at the point where it is discarded (source separation) by putting recyclable items like paper, metal, glass, and plastic into one container, and other non-recyclable items such as food and soiled items into another container. In addition, municipalities throughout the State were required to pass their own local ordinances or legislation requiring source separation of solid waste, whether it is left out for collection or delivered to a solid waste facility. LIPA's corporate office is located in the Town of

Hempstead, which has specified recycling requirements for residential properties, multi-residential complexes, and commercial establishments, including various types of newspaper, glass, metal, and plastics. In addition, commercial properties must also recycle cardboard and office paper.

In January 1991, the Governor issued Executive Order 142 (9 NYCRR 4.142) (EO 142) on *Establishing New Waste Reduction and Recycling Initiatives for State Agencies*, thereby reaffirming the State's commitment to reduce and recycle waste. Under EO 142, State agencies were required to source separate paper and other products from their waste stream. Public authorities, such as LIPA, were "urged" to undertake programs consistent with EO 142.

In April 2008, the Governor issued Executive Order 4 (9 NYCRR 7.4) (EO 4) on *Establishing a State Green Procurement and Agency Sustainability Program*. EO 4 created the Interagency Committee on Sustainability and Green Procurement (Committee), comprised of the heads of 12 State agencies and public authorities. EO 4 requires each State agency and public authority to designate a Sustainability and Green Procurement Coordinator and develop a comprehensive Sustainability and Environmental Stewardship Program (Program). EO 4 builds upon the requirements of EO 142 (which it superseded), in that each agency's Program must provide for source separation of its waste to maximize the amount of paper, metal, glass, and plastic that is recycled. Beginning March 1, 2009, State agencies and public authorities are required to submit an annual report to the Committee that will, in turn, provide a summary report to the Governor.

LIPA was established by Chapter 517 of the Laws of 1986 and serves as Long Island's

primary electric service provider. It owns and operates the electric transmission and distribution system in Nassau and Suffolk counties and a small portion of Queens County, and is responsible for supplying electricity to about 1.1 million customers within the service area. LIPA fulfills its statutory responsibilities through three key operating contracts with National Grid, which manages operations ranging from service delivery and repairs to customer billing and collections. For 2008, LIPA budgeted \$16.1 million for a staff of 103 employees.

AUDIT FINDINGS AND RECOMMENDATION

Recycling Program

The Act requires public authorities to begin source separating waste paper generated within their facilities by September 1, 1989. However, we observed that there is no source separation of recyclable waste at LIPA's main office, where all trash including recyclable materials is discarded in the same receptacles. LIPA officials told us that a recycling program was conducted through its lease with the building landlord. However, we found no specific language regarding recycling in the lease agreement. Upon further inquiry, we found that the landlord has a contract for weekly trash removal by a private carter. The waste materials are removed via three compactors, one of which is designated for cardboard, another for office waste, and the third for restaurant waste. The cardboard and office waste are then taken to a recycling facility, where the waste is further separated and recycled.

We also found that LIPA's operating contractor, National Grid, has implemented a recycling program for discarded scrap metals such as copper, aluminum, electric meters, and transformers. According to LIPA,

National Grid reported that it had obtained \$769,703 in recycling credits for scrap metals collected during 2007. LIPA officials informed us that the credits were to be applied as an offset to various project costs. We reviewed documentation supporting the credits earned for 4 of 19 transactions, totaling \$574,163, and found the amounts had been applied properly, and used to reduce costs for LIPA's Neptune Cable project and transformer purchases.

Reporting

Under EO 4, State agencies and authorities were to assign an employee to serve as a Sustainability and Green Procurement Coordinator. Coordinators are to be given full management support and provided with the necessary resources to enable the agency or authority to comply with the order. Our review found that LIPA has assigned staff, as required.

EO 4 also requires LIPA to begin reporting on its recycling efforts by March 1, 2009. However, because LIPA does not currently compile any information on recycling efforts at its main office, it is unlikely to have the data it needs to fulfill this reporting requirement. Data collection activities would not only help LIPA fulfill its annual reporting obligation; it could also help monitor the success of its waste prevention and recycling efforts and identify opportunities for improvement. However, as with any system, LIPA must develop effective controls and monitoring activities that will ensure the data being collected is accurate, comprehensive, and complete.

Recommendation

Compile data on recycling activities that will enable timely and accurate reporting as required by Executive Order 4.

AUDIT SCOPE AND METHODOLOGY

We audited LIPA's recycling activities for the period January 1, 2007 through October 29, 2008 to determine whether it is in compliance with applicable State laws and Executive Orders. To accomplish our objective, we reviewed the Act, EO 142, and EO 4; met with LIPA officials to confirm and enhance our understanding of LIPA's recycling programs; observed recycling efforts; and reviewed related documentation supporting recycling activities and the value of scrap metals recycled.

We conducted our 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.

In addition to being the State Auditor, the Comptroller performs certain other constitutionally and statutorily mandated duties as the chief fiscal officer of New York State. These include operating the State's accounting system; preparing the State's financial statements; and approving State contracts, refunds, and other payments. In addition, the Comptroller appoints members to certain boards, commissions, and public authorities, some of whom have minority voting rights. These duties may be considered management functions for purposes of evaluating organizational independence under generally accepted government auditing standards. In our opinion, these functions do not affect our ability to conduct independent audits of program performance.

AUTHORITY

The audit was performed pursuant to the State Comptroller's authority as set forth in Article X, Section 5, of the State Constitution and Section 2803 of the Public Authorities Law.

REPORTING REQUIREMENTS

A draft copy of this report was provided to LIPA officials for their review and comment. Their comments were considered in preparing this report, and are included as Appendix A.

Within 90 days of the final release of this report, as required by Section 170 of the

Executive Law, the Chairman of the Long Island Power Authority shall report to the Governor, the State Comptroller, and the leaders of the Legislature and fiscal committees, advising what steps were taken to implement the recommendation contained herein, and if not implemented, the reasons therefor.

CONTRIBUTORS TO THE REPORT

Major contributors to this report were Frank Houston, John Buyce, Myron Goldmeer, Dave Louie, Farhan Ahmad, and Mary McManus.

APPENDIX A – AUDITEE RESPONSE



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Kevin S. Law
President & Chief Executive Officer

January 16, 2009

Mr. Frank J. Houston
Audit Director
Office of the State Comptroller
Division of State Government Accountability
123 William Street – 21st Floor
New York, NY 10038

Dear Mr. Houston:

Thank you for your report relating to the audit on recycling to determine if the Long Island Power Authority operates a recycling program that is in compliance with applicable State Laws and Executive Orders. I am pleased that you have reported that LIPA's landlord has established such a program for LIPA's use and that LIPA's operating contractor, National Grid, has implemented a recycling program for discarded scrap metals such as copper, aluminum, electric meters, and transformers.

As noted in your report, LIPA has also assigned an employee to serve as a Sustainability and Green Procurement Coordinator. This person will work with our landlord and with various State agencies, including the Office of General Services and the Department of Environmental Conservation, to develop a mechanism to begin reporting on our recycling efforts by March 1, 2009, as required by Executive Order No. 4.

I want to personally thank you and the members of the audit team that worked here at LIPA for the professionalism and courtesy that was extended to the staff here at LIPA.

Sincerely,

A handwritten signature in black ink, appearing to be "K. Law", written over a horizontal line.

Kevin S. Law

cc: Michael Deering, Vice President of Environmental Affairs
Timothy Sullivan, Director of Financial Planning