



AB 2398 OBSERVATIONS AND RECOMMENDATIONS

Brian Woodman, CPA
Habif, Arogeti & Wynne, LLP



HA&W's Role

- Report to Executive Director
 - Third Party
- Risk Assessment
 - Based on size, complexity, and subjective factors
 - Cost benefit
- Agreed Upon Procedures (AUPs)
 - Recycler Side
 - Mill Side

Mill Surveys

Control functions within the following areas

- Sales cycle
- Billing and shipping

Degree of sophistication

- Highly automated
- Manual processes

Assertions

- Completeness of sales reported

Recycler Surveys

Control functions within the following areas

- Purchasing
- Sales cycle (shipping and billing)

Degree of sophistication

- Automated financial processes
- Manual processes

Assertions

- Existence of CA PCC received, Completeness of Non-CA
- Existence of sales reported

Supporting the Assertions

The goal is to achieve the following through the use of processes and controls:

- Maintain proper records for compliance with AB2398
- Serve as your own internal audit function to mitigate the risk of error
- Target areas of operational weakness which may result in identified cost savings

Recycler Observations

Numerical Control of Receipts and Reconciliations

- Numerically sequence transactions
- Maintain detailed logs of information
- Automate entry for receipts of PCC
- Reconcile and check against an alternative population

Inventory Control

- Tagging and segregation more important if California lbs tracked separately

Recycler Observations (Continued)

Determination of weights

- Certified weights for a representative sample
- Consider outliers
- Consider origin and loading in calculations
 - i.e. usually higher if hauled over longer distance

Recycler Observations (Continued)

Evidence of Receipts

- Bill of lading
- Third party signatures
- Weight tickets
- Indication of trailer size if no weight

Receipts Reporting

- Reconcile request to internal receipts and accounting system
- Secondary review

Recycler Observations (Continued)

Output Reporting

- Numerically controlled documents
- Reconciliations
 - Logs to invoicing
 - Invoicing to financial statements

Yields

- Sample frequently
- Retain records of studies
- Evaluate by product type

Recycler Observations (Continued)

Inventory Segregation

- Segregation by type
- Segregation from Related Parties

Inventory Observation

- Inventory subject to observation by CARE

Review your work

Recycler Observations (Continued)

Takeaways

- 1) Daily Receipt Logs, Numerical Control and Reconciliations
- 2) Check rebate request against internal reconciliations by one other person
- 3) Keep internal yield documentation
- 4) Keep inventory segregated
- 5) Fill out AB2398 request electronically

Mill Observations

Risk Assessment

- Update and Document Risks for AB2398
- Internal Discussions regarding the risks of understatement
- Oversight over preparation and submission

Mill Observations (Continued)

Documentation

- Develop and document formal procedures
- Be able to transfer knowledge more easily

Change Management

- Test changes
- Functional test cases
 - Document the test of changes

Mill Observations (Continued)

Review of Reporting Submission

- Dedicated personnel
- Mitigate Human Error
 - Automate
 - Secondary review
 - Reproduction

Enjoy the Conference

Thank you!

Brian Woodman, CPA

brian.woodman@hawcpa.com

404-822-5916