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 and 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
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
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