



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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P.O. BOX 4025, SACRAMENTO, CALIFORNIA 95812

August 22, 2014

Bob Peoples, Ph.D.
Executive Director
Carpet America Recovery Effort (CARE)
100 South Hamilton Street
P.O. Box 2048 Dalton, GA 30720

Re: CARE Independent Audit included in the California Carpet Stewardship Annual Report

Dear Dr. ^{Bob} Peoples:

CalRecycle acknowledges receipt of the document, *Annual Report to CalRecycle, January 2013 – December 2013, California Carpet Stewardship Plan (2013 Annual Report)*, which includes an independent financial audit. According to regulations (see reference below), CalRecycle has 60 days to provide its finding on the audit contained in the 2013 Annual Report. This letter informs you of the results of our review of the audit. For reference, the regulations that pertain to the Annual Report for the California Carpet Stewardship Program are found in the California Natural Resources Regulations, Title 14, Division 7, Chapter 11, Article 1, Section 18944 *Annual Report Compliance Criteria*.

(<http://www.calrecycle.ca.gov/Laws/Regulations/Title14/Chap11/default.htm>).

We will be separately providing feedback on the rest of the Annual Report when we have completed our review.

Appendix IV, Section 11.4.2 in the Audited Financial Statements presents a Schedule of Findings and Responses. This Section covers findings from the previous Audited Financial Statement (covers the year 2012) and how the findings have been addressed over the past year and it covers any new findings for 2013.

CalRecycle previously had concerns about Finding 12-2 *Functional Allocation Substantiation*, which stated that CARE did not have documentation of the allocations of CARE's salary expense for AB 2398 or documentation of approval by a third party. The independent auditor's recommendation was to establish a record keeping system to support the allocation of expenses to AB2398 and to settle monthly invoices in a timely manner. The independent auditor found the recommendation was fully implemented. Two new findings were found in 2013. Finding 13-1 concerns the need to update the Agreed Upon Procedures to ensure they capture new reporting requirements whereby manufacturers and recyclers are to report and request payment within 30 days of the end of the calendar quarter. Finding 13-2 indicates a need for a central repository of documents pertaining to the program to facilitate future audits. CARE agrees to



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address both findings. CalRecycle has no further comment on the specific measures CARE has taken or plans to take to respond to these findings.

Additionally, CalRecycle conducted its own independent compliance audit of the AB2398 program in early 2014. The results of the audit found no material instances of noncompliance regarding CARE's compliance with AB2398 program provisions.

The regulations noted above require that the audit report include a separate State Compliance Report (SCR) on the carpet program requirements as directed by the department. CalRecycle provided CARE with guidance on the SCR in a letter dated June 4, 2014. CARE agreed to provide the SCR by September 30, 2014. Future Annual Reports will need to include an SCR along with the audit report as required in the regulations noted above.

CalRecycle looks forward to continued improvements in the administration and implementation of the California Carpet Stewardship Program. If you have questions, please direct them to Kathy Frevert at 916-341-6476.

Sincerely,



Howard Levenson, Ph.D.
Deputy Director, Materials Management & Local Assistance Division

cc: Caroll Mortensen, Director, CalRecycle
Brenda Smyth, Branch Chief, Statewide Technical & Analytical Resources, CalRecycle
Jessica Encarnacion, Acting Manager, Audits Office, CalRecycle
Brian Kono, Supervisor, Audits Office, CalRecycle
Renato Lim, Associate Management Auditor, CalRecycle
Kathy Frevert, Senior Environmental Scientist, CalRecycle