

Department of Resources Recycling & Recovery (CalRecycle)

Division of Recycling

Informal Regulatory Workshop - Pre-Payment Controls

May 25, 2016

SUBCHAPTER [XX]

Article [X]. Prepayment Controls

SECTION [1111]. PREPAYMENT CONTROLS.

- (a) Pursuant to Section 14552 of the Act, the Division may audit any claim submitted by a processor, recycling center, curbside program, community service program, or dropoff or collection program prior to authorizing payment for refund value, administrative costs, or administrative fees.
- (b) As part of the prepayment audit, the Division may review any record it determines to be relevant prior to authorizing payment.
- (c) The Division may require an inspection of the shipped beverage container material prior to authorizing payment on the claim.
- (d) The Division may withhold payment authorization until after the audit is completed.
- e) All claims submitted to the Department for reimbursement may be placed on hold for up to two (2) working days from the date that the processor receives the beverage containers material.
- f) Audited claims placed on hold may be subject to reduction or denial by the Department.

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SECTION [2222]. NOTICE TO CERTIFIED OR REGISTERED ENTITIES SUBJECT TO PREPAYMENT CONTROLS.

(a) The Division shall provide written notice to any certified or registered entity when placing the certified or registered entity on prepayment controls. The notice shall include all of the following:

- (1) The certified or registered entities name, and facility or mailing address; and
- (2) The certified or registered entities certification or registration number; and
- (3) The name and phone number of the Division's contact person for scheduling a shipment subject to prepayment controls; and
- (4) The effective date of the prepayment controls; and
- (5) Any conditions placed on the recycler; and
- (6) The printed name, signature, and phone number of the Division's representative issuing the notice to the recycler; and
- (7) The printed name and signature, if obtained, of the operator or the recycler's representative.

(b) The Division shall deliver the notice to the certified or registered entity by certified mail, personal delivery, or email.

(c) The Division, on a weekly basis, shall provide notice to processors listing the certified or registered entities subject to prepayment controls. The list of certified or registered entities subject to prepayment controls shall be posted on the Division's public webpage and the Division of Recycling Integrated Information System (DORIIS) portal landing page.

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SECTION [3333]. SCHEDULING SHIPMENTS SUBJECT TO PREPAYMENT CONTROLS.

(a) Certified or registered entities subject to prepayment controls shall schedule a delivery appointment with the Division at least forty-eight (48) hours prior to shipping beverage container materials to any processor or recycling center. To schedule a delivery, the shipping entity must contact the Division on a working day during the hours of 8:00 a.m. and 4:30 p.m., by calling the Division's contact person as provided on the notice of prepayment controls.

(b) The certified or registered entity must deliver the material to the designated processor or to a Department approved recycling center within thirty (30) minutes of the scheduled delivery time.

(c) Any recycler that is not able to deliver the shipment on the scheduled date and time must contact the Division to cancel at least twenty-four (24) hours prior to the scheduled delivery and must reschedule the delivery at least twenty-four (24) hours in advance of the requested rescheduled delivery date.

(d) Recycling centers subject to prepayment controls shall submit to the Division all requested original consumer transaction logs, consumer transaction receipts, daily summaries, or other relevant records as support documentation for shipping reports submitted to the Division at the time of delivery or made available immediately upon request.

(e) Dropoff or collection programs subject to prepayment controls shall submit all requested original documentation, or other relevant records, records as support documentation prepared pursuant to section 2615(a) of these regulations to the Division at the time of delivery or made available immediately upon request.

(f) Community service programs subject to prepayment controls shall submit original records as support documentation prepared pursuant to Section 2715(a) of these regulations to the Division at the time of delivery or made available immediately upon request.

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SECTION [4444]. REQUIREMENTS FOR PROCESSORS AND RECYCLING CENTERS RECEIVING SHIPMENTS SUBJECT TO PREPAYMENT CONTROLS.

(a) Processors and/or recycling centers receiving shipments subject to prepayment controls shall not pay the recycler any amounts pursuant to Section 14572.5(a) of the Act until after the Division authorizes payment.

(b) Processors and/or recycling centers shall not accept any shipment from a certified or registered entity subject to prepayment controls delivered more than thirty (30) minutes prior to or thirty (30) minutes after the recycler's scheduled delivery time, unless approved by the Division.

(c) Nothing in this section shall lessen or abolish processor requirements under subchapter 5 of these regulations including, but not limited to, inspection, recordkeeping, and reporting requirements.

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SECTION [55555]. EVALUATION OF CLAIMS SUBJECT TO PREPAYMENT CONTROLS.

- (a) The Division shall review the list of certified or registered entities on prepayment control and evaluate each certified or registered entity to determine whether the recycler should remain on prepayment controls.
- (b) The Division shall review the list of certified or registered entities on prepayment controls every sixty (60) calendar days to evaluate each certified or registered entities compliance with the Division's regulations and with provisions of the Act, to determine whether the certified or registered entity should remain on, or be removed from, prepayment controls. The Division shall provide written notice to certified or registered entities removed from prepayment controls.
- (c) Nothing in this section prohibits the Division from reestablishing prepayment controls on a recycler previously removed from prepayment control status.

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Section [6666]. PREPAYMENT REVIEW OF RECYCLING CENTER SHIPMENTS.

(a) Notwithstanding Sections XXXX-XXXX of this article, the Division, without notice, may inspect shipments of beverage container materials delivered to a processor or recycling center by a recycling center.

(b) The Division may immediately place a hold on a recycling center's claim for reimbursement, pending further review by the Division. The Division shall provide the receiving processor or recycling center, and shipping recycling center with written notice of any shipments placed on hold, instructing the receiving processor or recycling center to withhold payment to the recycling center.

(c) Prior to authorizing payment, the Division may inspect and audit any record relevant to a recycling center's claim for reimbursement of refund value, administrative costs, and processing payments.

(d) As part of its prepayment review, the Division may also conduct a comprehensive investigation of the recycling center's facility and operations.

(e) Within ten (10) working days of initiating a prepayment review hold, the Division shall instruct the receiving processor or recycling center to either pay or reduce the claim presented by the shipping recycling center or provide an update in writing of the status of the claim. Nothing in this section shall limit the Division's authority from taking disciplinary action against a recycling center on any paid claim.

(f) If payment of a recycling center's shipment is reduced or denied based on violations of the Act or regulations, the Division shall provide written notice to the shipping recycling center and to the receiving processor or recycling center stating the basis for the reduction or denial of payment.

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SECTION [7777]. PREPAYMENT REVIEW OF COLLECTION OR DROPOFF, COMMUNITY SERVICE, AND CURBSIDE PROGRAMS.

(a) Notwithstanding Sections XXXX-XXXX of this article, the Division, without notice, may inspect shipments of beverage containers materials delivered to a processor or recycling center by a dropoff or collection program, community service program, or curbside program.

(b) The Division may immediately place a hold on a dropoff or collection program, community service program, or curbside program's claim for reimbursement, pending further review by the Division. The Division shall provide the receiving processor or recycling center, and the shipping recycler, with written notice of any shipments placed on hold, instructing the processor or recycling center to withhold payment to the shipping dropoff or collection program, community service program, or curbside program.

(c) Prior to authorizing payment, the Division may inspect and audit any record relevant to the shipping recycler's claim for reimbursement of the applicable commingled rate.

(d) As part of the prepayment review, the Division may also conduct an investigation of the dropoff or collection program, or community service program's facility and operations including the recycler's collection route, dropoff location, and/or event location.

(e) Within ten (10) working days of initiating a prepayment review hold, the Division shall instruct the receiving processor or recycling center to either pay or reduce the claim presented by the shipping dropoff or collection program, community service program, or curbside program or provide an update in writing of the status of the claim. Nothing in this section shall limit the Division's authority from taking disciplinary action against a certified or registered entity on any paid claim.

(f) If payment of a shipping dropoff or collection program, community service program, or curbside program shipment is reduced or denied based on violation of the Act or these regulations, Division shall provide written notice to the shipping dropoff or collection program, or community service program and to the receiving processor or recycling center stating the basis for the reduction or denial of payment.

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SECTION [8888]. PREPAYMENT HOLD REVIEWS.

(a) In addition to any other prepayment controls utilized by the Division, the Division may also place a prepayment hold on any claim submitted through the Division of Recycling Integrated Information System (DORIIS), pending review by the Division.

(b) The Division shall provide written notice to the receiving processor or recycling center, instructing the processor not to pay refund value, administrative costs, or administrative fees on a shipping report placed on prepayment hold, until authorized by the Division. The Division shall also notify the shipping recycler of the prepayment hold.

(c) As part of its prepayment review, the Division may request the shipping certified entity to submit all original records that support the claim including, but not limited to, records prepared and maintained pursuant to sections 2525, 2615 and 2715 of these regulations.

(d) The Division shall complete prepayment hold reviews within ten (10) working days or provide an update in writing of the status of the claim. At that time, the Division shall either release the hold and authorize the processor to pay, or issue a written Notice of Action Taken to the shipping certified or registered entity. The Notice of Action Taken shall include all of the following information:

- (1) The operator's name and certification or registration number; and
- (2) The shipping report number; and
- (3) The date the shipping report was reduced / denied; and
- (4) The amount the claim was reduced/ denied; and
- (5) The basis for the reduction / denial.

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SECTION [9999]. PREPAYMENT CONTROL APPEALS.

(a) Recyclers may file a formal appeal by writing to the Division within thirty (30) calendar days from the date of the Notice of Action Taken. The Division shall reject appeals submitted after this time. All written appeals must include the following:

(1) Name, certification or registration number, and address of the certified entity; and

(2) A copy of the Notice of Action Taken I; and

(3) A short statement explaining why the determination was in error; and

(4) Any other document that supports the appeal.

(b) The Division shall issue a written decision on the appeal within fifteen (15) working days from the date of receipt of the appeal.