



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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P.O. BOX 4025, SACRAMENTO, CALIFORNIA 95812

August 30, 2013

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. Peoples:

CalRecycle acknowledges receipt of the document, *Annual Report to CalRecycle, July 2011 – June 2013, California Carpet Stewardship Plan (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 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 III in the financial audits report presents Finding *12-2 Functional Allocation Substantiation* and states there was no documentation of the allocations of CARE salary expense for AB 2398 or documentation of approval by a third party. The management response provided to Finding 12-2 – Functional Allocations Substantiation, does not specify that a record keeping system was developed or that CARE is in the process of developing a system to support the allocation of expenses. The response, that the payroll allocation percentages will be provided to Accounting in writing, does not demonstrate that a record keeping system, including the related controls, are in place and operating. Please provide CalRecycle with the specific measures CARE has taken or plans to take to develop a system that supports how expenses will be allocated, including the applicable controls.



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 will provide CARE and its accounting partners with guidance on the SCR prior to the next Annual Report. 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 your response regarding Finding 12-2 and to receiving future Annual Reports that incorporate an SCR with the audit report so as to conform with the requirements in regulations. 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
Audrey Traina, Manager, Audits Office, CalRecycle
Brian Kono, Supervisor, Audits Office, CalRecycle
Kathy Frevert, Senior Integrated Waste Management Specialist, CalRecycle