



Transmitted via e-mail

April 18, 2011

Mr. Mark E. Leary, Acting Director  
Department of Resources Recycling and Recovery  
801 K Street, MS 25A  
Sacramento, CA 95814

Dear Mr. Leary:

**Final Report—CAM2 International, LLC, California Used Oil Recycling Fees Audit**

The Department of Finance, Office of State Audits and Evaluations (Finance), has completed its audit of CAM2 International, LLC, (CAM2) Used Oil Recycling Fee Returns for the period July 1, 2008 through June 30, 2009.

The enclosed report is for your review and response. After review of the draft report, CAM2 agreed with our observations and chose not to provide a written response. We appreciate CAM2's willingness to implement corrective actions. The observations in our report are intended to assist management in improving the effectiveness and efficiency of its operations.

This report will be placed on our website. Additionally, pursuant to Executive Order S-20-09, please post this report in its entirety to the Reporting Government Transparency website at <http://www.reportingtransparency.ca.gov/> within five working days of this transmittal.

We appreciate the assistance and cooperation of CAM2. If you have any questions regarding this report, please contact Kimberly Tarvin, Manager, or Alma Ramirez, Supervisor, at (916) 322-2985.

Sincerely,

Original signed by Rick Sierra for:

David Botelho, CPA  
Chief, Office of State Audits and Evaluations

Enclosure

cc: On following page

cc: Mr. Tom Estes, Deputy Director, Administration, Finance and Information Technology  
Division, Department of Resources Recycling and Recovery  
Mr. Howard Levenson, Deputy Director, Materials Management & Local Assistance  
Division, Department of Resources Recycling and Recovery  
Ms. Susan Villa, Chief, Fiscal Services Branch, Department of Resources Recycling and  
Recovery  
Ms. Shirley Willd-Wagner, Chief, Financial Resources Management Branch, Department of  
Resources Recycling and Recovery  
Ms. Audrey Traina, Acting Audits Branch Manager, Audits and Data Analysis Division,  
Audits Branch, Department of Resources Recycling and Recovery  
Mr. Brian Kono, Audit Manager, Statewide Disbursement Sections, Audits Branch,  
Department of Resources Recycling and Recovery  
Mr. David Bluestein, Controller, CAM2 International, LLC

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CAM2 International, LLC  
Used Oil Recycling Fee Returns

For the Period July 1, 2008  
through June 30, 2009

Prepared By:  
Office of State Audits and Evaluations  
Department of Finance

## **MEMBERS OF THE TEAM**

Kimberly Tarvin, CPA  
Manager

Alma Ramirez, CPA  
Supervisor

Staff  
Alice Yip

Final reports are available on our website at <http://www.dof.ca.gov>

You can contact our office at:

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# AN OIL RECYCLING FEE AUDIT

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## **BACKGROUND**

The Legislature enacted the California Oil Recycling Enhancement Act (Act), sections 48600 through 48691 of the Public Resources Code, to reduce illegal disposal of used oil, recycle and reclaim used oil in order to recover valuable natural resources, and avoid damage to the environment and threats to public health. This Act gives the California Integrated Waste Management Board (Board) the authority to adopt and implement a used oil recycling program, and to collect fees from oil manufacturers at a rate of 16 cents for each gallon of lubricating oil sold, transferred, or used in California. These fees support the California Used Oil Recycling Fund from which various state and local programs are operated. These programs help promote local efforts to recycle used oil before harmful environmental impacts can occur. On January 1, 2010, the Board was abolished and its duties were transferred to the new Department of Resources Recycling and Recovery (CalRecycle).

CAM2 International, LLC, (CAM2) is headquartered in Evergreen, Colorado. CAM2 manufactures, sells, and distributes automotive and industrial oils.

## **SCOPE**

The Department of Finance, Office of State Audits and Evaluations, conducted an audit of CAM2's Used Oil Recycling Fee Returns (Returns) submitted to CalRecycle. The audit objective was to determine whether CAM2 accurately reported the industrial and lubricating oil sold, transferred, or used in California, and remitted the proper fees in accordance with the terms and conditions of the Act for the period July 1, 2008 through June 30, 2009. We did not assess the efficiency or effectiveness of program operations.

CAM2 is responsible for ensuring accurate reporting of the oil recycling fees and oil sales and ensuring compliance with applicable laws and regulations. CalRecycle is responsible for evaluating the efficiency and effectiveness of the program operations.

## **METHODOLOGY**

To determine whether CAM2 reported the used oil recycling fees and oil sales in accordance with the terms and conditions of the Act, we performed the following procedures:

- Interviewed key personnel to obtain an understanding of the internal controls related to the recording, classification, reporting of sales transactions, and preparation of the Returns.
- Reviewed CAM2's oil sales and fee reports to determine if the quantities and fees reported on the Returns were accurate.

- Reviewed the California product list of lubricating and industrial oil to determine whether all products were correctly reported.
- Determined whether the quantities reported for lubricating were supported by sales orders, invoices, and other relevant documents.
- Determined reportable quantities of industrial oil based on reports and other supporting documents.

The results of the audit are based on our review of documentation, other information made available to us, and interviews with CAM2's staff. The audit was conducted from May 17, 2010 to November 8, 2010.

We conducted our audit in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and recommendations based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and recommendations.

CAM2 International, LLC, (CAM2) accurately reported the sales and fees for lubrication oil in compliance with applicable laws and regulations. However, CAM2 did not report industrial oil as required by the Act. The audited sales and fees are presented in Table 1.

**Table 1: Schedule of Reported, Audited, and Questioned Sales and Fees**

CAM2 International, LLC Oil Recycling Fee Returns For the Period July 1, 2008 through June 30, 2009			
Categories	Reported Sales and Fees	Audited Sales and Fees	Over/ (Under) Reported
Industrial Oil Sold (Gallons)	0	11,834	(11,834)
Gross Lubrication Oil Sold (Gallons)	1,092,628	1,092,628	0
Less: Exempt Transactions (Gallons)	0	0	0
Total Lubrication Oil Sold (Gallons Subject to Fee)	1,092,628	1,092,628	0
Lubrication Oil Fees (\$0.16 per gallon)	\$174,820	\$174,820	\$ 0

**FINDING Industrial Oil Sales Not Reported to the Board**

CAM2 did not report 11,834 gallons of industrial oil sales to California on its Returns in accordance with the California Oil Recycling Enhancement Act, Public Resources Code section 48671. Although the omission of industrial oil sales result in inaccurate reports to the California Legislature by CalRecycle, these industrial oil sales are not subject to lubrication oil fees.

Recommendation: Develop policies and procedures to ensure industrial oil sold or transferred to California are accurately included in the Returns.