



Transmitted via e-mail

June 6, 2014

Ms. Caroll Mortensen, Director
Department of Resources Recycling and Recovery
1001 I Street, MS 25A
Sacramento, CA 95814

Dear Ms. Mortensen:

Final Report—Amrep, Inc., California Oil Recycling Fee Return Audit

The Department of Finance, Office of State Audits and Evaluations, has completed its audit of Amrep, Inc.'s (Amrep) Used Oil Recycling Fee Returns for the period July 1, 2011 through June 30, 2013.

The enclosed report is for your information and use. Because there were no audit findings or issues requiring a response, we are issuing the report as final.

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

Sincerely,

Original signed by:

Richard R. Sierra, CPA
Chief, Office of State Audits and Evaluations

Enclosure

cc: Mr. Ken DaRosa, Chief Deputy Director, Department of Resources Recycling and Recovery
Mr. Tom Estes, Deputy Director, Administration, Finance and Information Technology Services Division, Department of Resources Recycling and Recovery
Ms. Sarah Keck, Chief Financial Officer, Fiscal Services Branch, Department of Resources Recycling and Recovery
Ms. Audrey Traina, Chief, Office of Audits, Department of Resources Recycling and Recovery
Mr. Kevin Campbell, Senior Management Auditor, Office of Audits, Department of Resources Recycling and Recovery
Ms. Laura Krug, Manager of Operations, Amrep Logistics and Program Management Group, Amrep, Inc.
Mr. Alan Lee, Vice President, Zep Automotive OEM Programs, Amrep, Inc.
Ms. Cindy Camp, Shared Services Senior Accounting Manager, Amrep, Inc.

AUDIT REPORT

Amrep, Inc.
Used Oil Recycling Fee Returns
For the Period July 1, 2011
through June 30, 2013

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

MEMBERS OF THE TEAM

Kimberly Tarvin, CPA
Manager

Rick Cervantes, CPA
Supervisor

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

You can contact our office at:

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Office of State Audits and Evaluations
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(916) 322-2985

BACKGROUND, SCOPE, METHODOLOGY AND RESULTS

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 Department of Resources Recycling and Recovery (CalRecycle) the authority to adopt and implement a used oil recycling program, and to collect fees from oil manufacturers at a rate of 26 cents for each gallon of lubricating oil sold, transferred, or used in California. These fees support various state and local programs that help promote local efforts to recycle used oil before harmful environmental impacts can occur.

Amrep, Inc. (Amrep) is a specialty chemical formulator, manufacturer, and packager of professional grade chemical products for the automotive, motorcycle, and industrial supply markets. The company's corporate offices are located in Marietta, Georgia. Amrep operates manufacturing and distribution facilities in Marietta, Georgia, and Lancaster, Texas, with an additional distribution center located in Fresno, California.¹

SCOPE

The Department of Finance, Office of State Audits and Evaluations, conducted an audit of Amrep's Used Oil Recycling Fee Returns (Returns) submitted to CalRecycle. The audit objective was to determine whether Amrep accurately reported the 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, 2011 through June 30, 2013. In order to design adequate procedures to conduct our audit, we obtained an understanding of the relevant internal controls. We did not assess the efficiency or effectiveness of program operations.

Amrep 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 the used oil recycling fees and oil sales were accurately reported 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 and reporting of sales transactions, and preparation of the Returns.
- Performed a limited data reliability assessment of the information system used to account for oil sales.

¹ Excerpts from <http://www.amrep.com/AboutAmrep.aspx>

- Reviewed oil sales and fee reports to determine if the oil quantities and fees reported on the Returns were accurate and complete.
- Reviewed the product category list of industrial and lubrication oil to determine whether all products were correctly classified and reported.
- Determined whether the quantities on reports for lubrication oil were supported by sales orders, invoices, and other relevant documents.
- Determined whether the correct conversion factor was used to convert non-volume measurements.
- Determined whether export sales were delivered to a location outside California.

We conducted this audit in accordance with generally accepted government performance auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our observations and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our observations and conclusions based on our audit objectives.

RESULTS

The results of the audit are based on our review of documentation, other information made available to us, and interviews with Amrep staff.

Amrep accurately reported the lubricating oil sales and fees in compliance with applicable laws and regulations as presented below.

Schedule of Lubricating Oil Sales and Fees

Amrep, Inc.			
Categories	Reported Sales (Gallons)	Audited Sales (Gallons)	Adjustment (Gallons)
Total Lubricating Oil Sold	852,849	852,849	\$ 0
Other Exemptions	313,490	313,490	0
Lubricating Oil Subject to the Fee	539,359	539,359	0
Total Fees Due (26 cents per gallon)			\$ 0