



**Division of Recycling
Program Enforcement Branch -
Fraud Management Strategy**

Overview

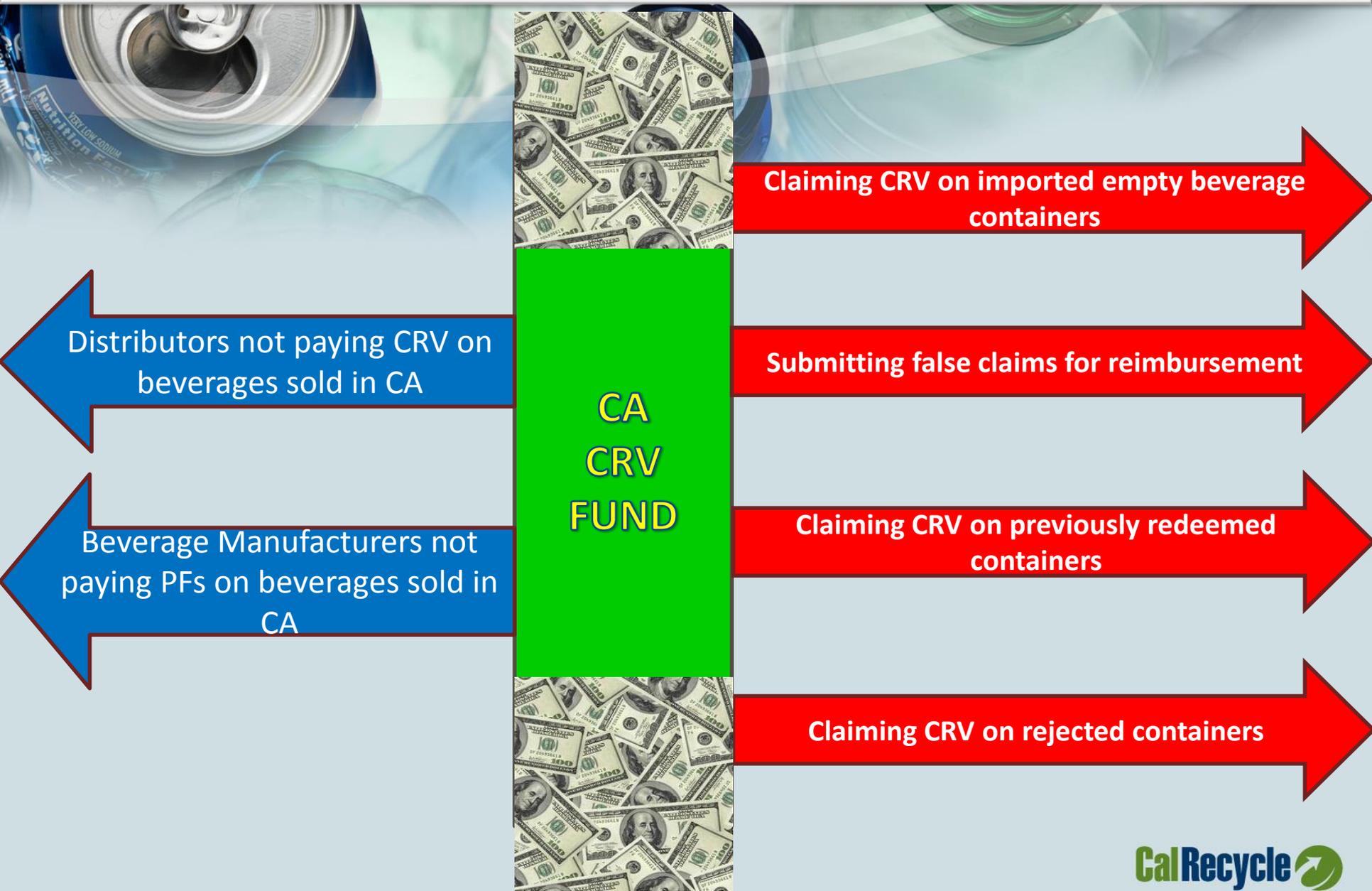
January 27, 2015



AGENDA

- 1. Overview - Beverage Container Recycling Program (BCRP) Fraud**
- 2. Overview – DOR’s Fraud Management Strategy / Functional Activities**
- 3. CalRecycle Partners**

Examples of Types of BCRP Fraud





OVERVIEW – BCRP FRAUD

➤ Ineligible Materials Related Fraud:

- Paying/Claiming CRV on imported empty beverage containers
- Claiming CRV on previously redeemed containers
- Claiming CRV on line breakage / rejected materials









OVERVIEW – BCRP FRAUD

- **CRV Payment/Reimbursement Related Fraud:**
 - Failure to pay CRV/Processing Fees on CRV beverages sold/distributed in CA
 - Paying/claiming CRV using incorrect basis
 - Underpaying CRV then claiming higher CRV reimbursement
 - Short-Weighing Loads of CRV



OVERVIEW – BCRP FRAUD

- **Falsified Records Related Fraud:**
 - Unsubstantiated claims for reimbursement
 - Falsifying consumer transactions, Shipping Reports, Handling Fee Applications and/or Processor Invoices
 - Falsifying / overstating purchase volumes to secure larger percentage of 14581 payments (i.e., Handling Fees, CS Supplemental Payments)



FRAUD MANAGEMENT APPROACH

- **The Fraud Management Lifecycle Theory: A Holistic Approach to Fraud Management**
 - Malcolm Sparrow, Professor of Practice of Public Management
 - Faculty Chair of the Executive Program on Strategic Management of Regulatory and Enforcement Agencies
 - Harvard / Kennedy School of Government
 - Fraud management strategy used at CA Department of Health Care Services



FRAUD MANAGEMENT APPROACH

- **Deterrence & Prevention**
- **Detection**
- **Mitigation**
- **Analysis**
- **Policy**
- **Investigation (Criminal & Administrative)**
- **Prosecution (Criminal & Administrative Remedy)**



FRAUD MANAGEMENT APPROACH

➤ Deterrence & Prevention

- Actions/activities intended to stop or prevent fraud before it is attempted.
 - Segregated / CRV Only purchases at certified recycling centers
 - Imported Material Reporting & Inspection Program
 - Daily Load Limits
 - Pre-Certification Training & Testing Requirements
 - Notices, flyers, web postings, ListServ
 - Publicizing fraud related arrests, prosecution and administrative remedies



FRAUD MANAGEMENT APPROACH

➤ Detection

- Actions/activities used to identify and locate potential fraud prior to, during and subsequent to the completion of the fraudulent activity
 - Complaints, Tips & Leads (i.e., 1-866-CAN LOAD)
 - Claimed Volume Report Analysis / Reviews (CVR)
 - Miscellaneous reporting / recordkeeping anomaly detection
 - On-site Fraud Detection Reviews (FDR)
 - Consumer Transaction Profiles (CTP)
 - Recycling Center Inspections / Test Sales
 - Forensic Document Analysis



FRAUD MANAGEMENT APPROACH

➤ Mitigation

- Stop losses from occurring or continuing to occur and/or hinder a fraudster from continuing or completing the fraudulent activity.
 - Pre-Payment Inspection Status / Reviews
 - DORIIS Pre-Payment Hold functionality
 - Probationary Reviews
 - Recycler Inspection Program (at processor facilities)
 - Education and outreach to local enforcement agencies



FRAUD MANAGEMENT APPROACH

➤ Analysis

- Root cause analysis to determine the factors associated with specific loss situations
 - Analyze processes used by individuals and / or entities to defraud the BCRP
 - Regulatory and legislative review / analysis
 - Perform Gap Analysis



FRAUD MANAGEMENT APPROACH

➤ Policy

- Actions/activities to create, evaluate, communicate and assist in the deployment of policies to reduce the incidence of fraud.
 - Informal regulatory workshops with program stakeholders
 - Promulgation of regulations
 - Analysis and advocacy for legislative changes
 - Recycling Program Enforcement Branch - Quarterly Updates at CalRecycle Public Meetings



FRAUD MANAGEMENT APPROACH

- **Investigation (Criminal & Administrative)**
 - Obtaining evidence and information to stop fraudulent activity, recover assets or obtain restitution and/or to provide evidence to support successful prosecution and conviction of fraudsters.
 - DOR Investigations
 - DOJ Investigations



FRAUD MANAGEMENT APPROACH

➤ **Prosecution (Criminal & Administrative Remedy)**

- Misdemeanor and felony convictions
- Incarceration
- Restitution and / or civil penalty assessment
- Revocation / Termination of certification
- Placing conditions on certificate to operate

A collage of recycled plastic bottles and a metal can lid. The background features several clear plastic bottles and a blue metal can lid with a pull tab. The text "CALRECYCLE PARTNERS" is overlaid in a large, bold, blue font.

CALRECYCLE PARTNERS

- **Department of Justice***
- **CA Attorney General***
- **CDFR***
- **CA Highway Patrol**
- **Local Law Enforcement Agencies**
- **Other Cal EPA Departments/Divisions**
- **Certified and Registered Program Participants**

* Formal interagency agreements in place/funded by CBCRF



QUESTIONS?