



Oregon Department of Environmental Quality

PRO Annual Report for 2023-2024: DEQ Preliminary Recommendations

Checklist for Recycling Council annual report review

Finance Subcommittee members: Sonya Carlson, Scott Keller, Celeste Meiffren-Swango, Joan Popowics, and Alando Simpson

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Focal program plan section: Financing

	DEQ feedback	Council feedback
Overall Feedback on Financial Report:	<p>DEQ looked at this report first and foremost through the lens of “does the report meet requirements?,” which are more limited for this report covering the start-up phase compared with future reports, and also through a lens of, “are we setting the right precedent for years to come?” A third question of, “does the reporting enable adequate financial transparency of the program for the public?” was also considered.</p> <p>Generally, DEQ considers that CAA has set a solid precedent here for ongoing PRO financial reporting in the context of the Recycling Modernization Act. The data is provided in standard format for organizational financial reporting and in a volume that appears commensurate with some of the more transparent EPR programs operating across jurisdictions.</p> <p>2024 data in the report are claimed confidential but only until later in the fall 2025, when these data are reported to the IRS as part of CAA’s 990 submission. At that time, the entire report will be made publicly available.</p> <p>In the checklist below DEQ raises three questions for which it welcomes Council input:</p> <ol style="list-style-type: none">1) Should CAA provide any further breakdown of its consulting and technical and administrative service costs, so as to isolate program expenses from internal expenses?2) Are the independent auditors’ reports sufficient to give assurance that data presented are accurate and comprehensive?	

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	3) Is the information regarding allocation of expenses shared across jurisdictions to Oregon sufficient to be confident that costs are not being over- or under-allocated to Oregon?	
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Report Component	Statute or Rule Citation	Is the requirement met? (yes, no, conditionally)	DEQ feedback	Council feedback
A producer responsibility organization must include in its annual report for 2025 an addendum that provides a complete accounting of costs incurred in 2024 relating to activities described in ORS 459A.887(2)(e) to (i). The addendum should contribute to demonstrating that fees are adequate to cover the costs of the program, including start-up costs incurred prior to the start date.	OAR 340-090-0850	Conditionally or no (under ongoing review)		
A complete accounting and summary of payments requested by local governments and local governments' service providers and paid by the producer responsibility organization under ORS 459A.890 (Compensation to local governments) .	ORS 459A.887 (2)(e)	n/a CAA made no such payments in the start-up phase	n/a	
A description of all expansions and improvements to recycling collection systems that have been paid for by the producer responsibility organization, whether those expansions or improvements have been implemented, the funds provided for such expansions and improvements, and what collection programs are still scheduled for expansions or improvements in the remaining duration of the producer responsibility program plan;	ORS 459A.887 (2)(f)	n/a CAA made no such payments in the start-up phase	n/a	

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A summary of payments paid by the producer responsibility organization under ORS 459A.920 (Contamination management fee) and 459A.923 (Processor commodity risk fee) ;	ORS 459A.887 (2)(g)	n/a CAA made no such payments in the start-up phase	n/a	
A summary of payments requested by local governments or local governments' service providers that were denied or reduced by the producer responsibility organization;	ORS 459A.887 (2)(h)	n/a presumably no such payments were requested/denied in the start-up phase.	n/a	
A summary of all other payments made to satisfy the producer responsibility organization's obligations under ORS 459A.860 (Legislative findings) to 459A.975 (Rules) , including but not limited to payments made to support responsible recycling of specifically identified materials, as described in ORS 459A.917 (Specifically identified materials) .	ORS 459A.887 (2)(i)	Conditionally or no (under ongoing review)	<p>Arguably the categorization of program costs on pg 4 of the report is insufficient to fulfill the spirit of rule OAR 340-090-0850, which was to ensure adequate detail on programmatic costs that should be shared across multiple PROs, were there to be multiple PROs in the system, in order to be able to true up and ensure that each PRO has paid its fair share.</p> <p>The (programmatic) costs of consulting focused on ORSOP and development of E&O materials, for example, are lumped with the (internal PRO) costs of rulemaking engagement and program plan development.</p> <p>Note: with only one PRO in the system it is arguably not so important to uphold this requirement; however, how this question is handled here could set a precedent for the level of detail of future reports.</p>	

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Provides information sufficient for determining [when reviewed in tandem with the report covering the 2025 program year] that fees [charged to producers in 2025] are adequate to cover the costs of the program, including start-up costs incurred prior to the start date.	OAR 340-090-0850	Conditionally or no (under ongoing review)	<p>In order to have confidence that the producer fees are covering all costs of the program, you need the following financial reporting (in addition to reporting on the producer fees paid, which will come through in next year's report):</p> <p>a) comprehensive accounting of all costs passed along to the producers (nothing is omitted), and</p> <p>b) assurance that the accounting is accurate (e.g. independent auditing, clear and logical explanation of how costs shared across jurisdictions are allocated to Oregon).</p> <p>With respect to whether or not this report delivers on those two needs, DEQ cites the following concerns:</p> <p>a) whereas more comprehensive organizational financial auditing encompasses auditing of internal controls (this is required of audits of Oregon state agencies, for example), CAA's audits do not encompass this aspect ("internal control" refers to practices and protocols that enable prevention, detection and correction of misstatements in a timely fashion).</p> <p>b) On page 22 regarding allocation of shared costs to Oregon, Oregon's set</p>	
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			allocation factor currently in effect is not provided. Ideally this factor would be provided and one could look at the costs for Oregon (pg 4) alongside the national functional expenses (pg 10-11) and see the factor being applied consistently to those line items that are shared across jurisdictions. Alas this does not seem possible without the factor provided and/or shared costs broken out into their own line items.	
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