



DEPARTMENT OF RESOURCES RECYCLING AND RECOVERY

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December 23, 2016

Brent Fryar, Director – Sales and Use Tax Audits
Wal-Mart Stores, Inc.
J Street Office
2608 SE J Street, Suite 2
Bentonville, AR 72712-0555

RESULTS OF A LIMITED REVIEW - WAL-MART STORES, INC. (DS0877/BM3102)

Dear Mr. Fryar:

The Office of Audits, within the Department of Resources Recycling and Recovery (CalRecycle), authorized by Division 12.1 of the Public Resources Code (PRC), Section 14552, conducted a limited review of Wal-Mart Stores, Inc.'s (Wal-Mart) California beverage sales and transfers. The review period covered April 1, 2014 through July 31, 2016. This limited review period is subsequent to the period covered by CalRecycle's recently completed audit ended on March 31, 2014, and audit report dated August 26, 2016.

In order to bring its accounts to a current status, Wal-Mart proposed the application of the underpayment rate of 15.05% for California Redemption Value (CRV) determined by the results of the audit of the period from April 1, 2014 through July 31, 2016. Wal-Mart's management has provided reasonable assurances that the issues identified in the audit report dated August 26, 2016, have been corrected in the month of August 2016 and all subsequent periods.

CalRecycle accepted Wal-Mart's proposal and, in addition, applied the underpayment rate of 23.52% for processing fees (PF) as determined by the audit, to the limited review period. After reviewing the Beverage Distributor Reports and Beverage Manufacturer Reports submitted by Wal-Mart to CalRecycle for the limited review period, CalRecycle determined that the total amount due to the California Beverage Container Recycling Program (BCRP) was \$7,248,200. This amount includes \$7,210,556 in CRV, \$9,859 in PFs, and \$27,785 in interest calculated on the amount due through October 31, 2016, at a daily rate.

On November 30, 2016, we communicated the review results to Wal-Mart via email and explained how CalRecycle calculated the amount due to BCRP. In addition, to ensure that Wal-Mart has procedures in place to address the issues identified in the August 2016 audit report, CalRecycle requested from Wal-Mart a corrective action plan



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(CAP) specifying how Wal-Mart will correct or has corrected the problematic issues identified in the August 2016 audit report, and what Wal-Mart will do to prevent the same or similar mistakes from happening again in the future.

On December 13, 2016, CalRecycle received a check from Wal-Mart in the amount of \$7,248,200 for the full amount due to BCRP for the limited review period. On December 16, 2016, CalRecycle received the corrective action plan from Wal-Mart. Based upon our review, the CAP, as presented, appears to be reasonably sufficient to address the issues identified. In addition, Wal-Mart's accounts with CalRecycle are therefore considered current through July 31, 2016, the end of the limited review period.

To avoid negative audit findings and potential penalties in the future, Wal-Mart should ensure its continued compliance with the California Beverage Container Recycling and Litter Reduction Act.

Thank you for your time and assistance during this audit.

Sincerely,



Josephine Urban, CPA
Chief, Office of Audits

cc: Steve Inderkum, Sacramento Field Office Audit Manager

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Bcc: Sarah Keck
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 Gina Randle
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 Client Services, PMU

File # A16-518484

ALLOCATION INFORMATION

FUND	Audit Finding Amount	Interest	Admin Fees	Civil Penalties	Total
CRV	\$7,210,556	\$27,752	n/a	n/a	\$7,238,308
PFs					
Glass	360	1	n/a	n/a	361
P1 PET	5,160	17	n/a	n/a	5,177
P2 HDPE	4,339	15	n/a	n/a	4,354
TOTAL	\$7,220,415	\$27,785			\$7,248,200*

*On December 13, 2016, a payment of \$7,248,200 was received from Wal-Mart. There is no remaining amount due.