

Fraud Problems and Protections

Two types of problems:

- Individuals bringing their own containers across the border
- Large-scale importation of out-of-state containers or other large scale fraud

Possible fraud protection measures:

- 1) Some or all containers sold in Oregon could have Oregon-only bar-codes and/or labels
 - Works best with reverse vending machines
 - Could be costly, especially for small companies
 - Would require companies to separate Oregon-only containers for distribution
- 2) Strong accounting/monitoring by companies that redeem containers from stores and depots
 - Watch for stores or depots that show large fluctuations in redemptions
 - Watch for changes in material ratios, especially aluminum
 - Watch counts of containers compared to outgoing weights
- 3) Sampling and confirmation of loads collected from depots and stores
- 4) Secure storage of redeemed containers to prevent theft and re-redemption
- 5) Reporting suspicious redemptions
 - Timely reporting that allows fast response by law enforcement, akin to programs used to block sale of stolen scrap metal
 - Rewards to stores and depot owners who report fraud which results in convictions or penalties
- 6) A "Mystery Shopper" program to monitor how stores and depots respond to out-of-state containers
- 7) Investigation of suspected fraud

Other State and Province Experience with Fraud

General

- States involved in fraud issues mainly when they collect unredeemed deposits

California

- Division of Recycling Investigations Branch analyzes data and conducts investigations
- Recovers funds and decertifies recycling centers
- Fraud protection measures have saved “millions of dollars”

Massachusetts

- Cross-border issues with New Hampshire and Rhode Island
- Illegal redemption:
 - o less revenue for state
 - o hurts distributors (they pay the 2.25 cent handling fee on each redeemed container)
- One high profile case of collusion between a distributor truck driver and a store

Michigan

- Cross boarder issues with all adjacent states
- Major fraud arrests in September 2007
 - o 10 people arrested
 - o Michigan grocers allegedly colluded with can collectors in Ohio
 - o Millions of cans; an estimated \$500,000 was involved

British Columbia

- Less cross-border issues because of international border
- Encorp Pacific has extensive audit and quality-control systems to minimize fraud
 - o Grabs random bags out of trucks and inspects containers
 - o Working on a case involving collusion between their truck drivers and a depot operator