A STRONGER RETURN ON EVERY DEPOSIT:

Strategies to Prevent Beverage Container Fraud, Free Riding, and Errors

Prepared by:
CRI
CONTAINER RECYCLING INSTITUTE

A First-of-Its-Kind CRI Guidebook

Beverage container deposit-return systems (DRS, aka bottle bills) are highly effective at recovering beverage containers and producing clean, high-quality recyclable materials for manufacturing new products. However, like any large financial systems, DRS programs are susceptible to fraud, free riding, and operational errors (FF&E) that can undermine their performance if left unaddressed.

As a result, a subcommittee of the Container Recycling Institute's Business Advisory Council developed a comprehensive guidebook to examine these challenges across all 10 U.S. deposit states, illustrate how these problems can occur, and identify effective fraud prevention components.

Read the full guidebook at: *https://www.container-recycling.org/fraud-and-free-riding/*.

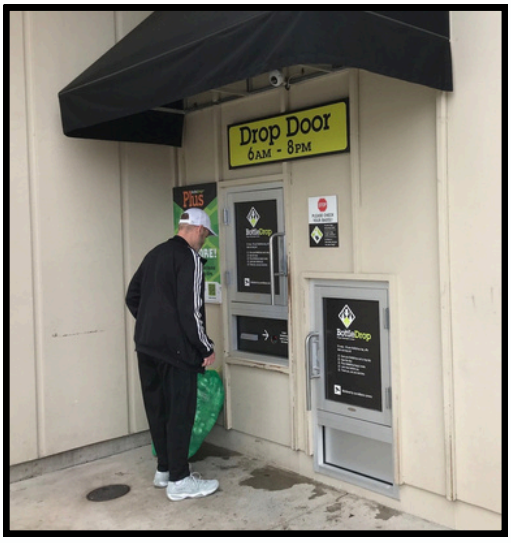
Redemption fraud refers to obtaining a refund for a beverage container through an illegal or unauthorized means.

Free riding refers to selling beverage containers within a deposit system without properly initiating or paying the required deposits, thereby shifting financial responsibility to other participants in the system.

Operational errors, while unintentional, can also create financial losses and distort program performance.

What's Inside the Guidebook

- **How FF&E happens**: Examples showing how vulnerabilities can arise within a DRS.
- **What the 10 DRS states are doing:** A comparative look at statutory requirements, auditing, redemption controls, and other safeguards.
- **What other jurisdictions can teach us:** Practices from U.S. and international programs.
- **What stronger programs need:** Recommendations for legislation, administration, data, auditing, staffing, and enforcement.
- **How to write stronger laws:** A framework for effective legislation with model definitions.



A BottleDrop® beverage container return site in Oregon.

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A Framework for Effective Legislation

The following eight questions provide a useful framework for evaluating whether a DRS legislative proposal is likely to prevent fraud, free riding, and errors.

Who must comply?	What are they required to do?
Can compliance be verified?	What records and data must be maintained?
Are results being measured and publicly reported?	Who is responsible for monitoring compliance?
Are incentives, penalties, and enforcement mechanisms sufficient?	Does the responsible agency have sufficient authority and resources?

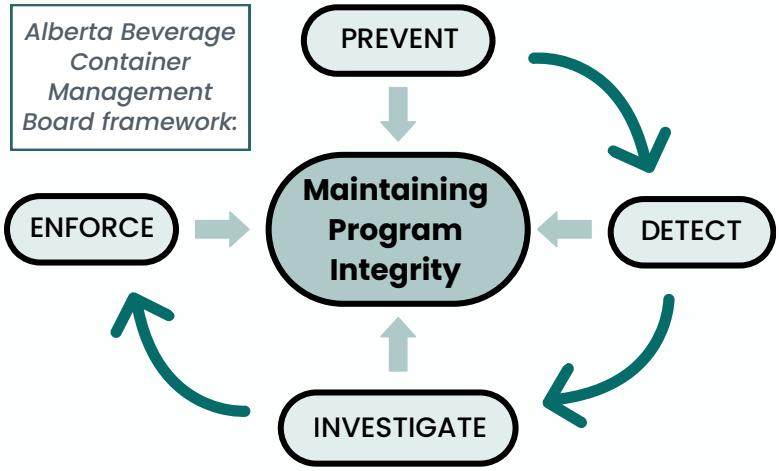
Policy and Administrative Recommendations

Create Stronger Laws

- Include specific anti-fraud measures in statute when developing a Producer Responsibility Organization (PRO).
- Create a comprehensive plan to address fraud and free riding, with rules and safeguards.
- Create a true deterrent effect using consequential penalties.
- Ensure that fraudulent behavior is explicitly prohibited in the law.

Increase Transparency and Give Oversight Teams the Tools to Act

- Create a centralized data system for real-time tracking and visibility into beverage sales, deposits collected, and redemption activity.
- Require deposit initiators to report sales data into a central body.
- Publish audit metrics and final enforcement outcomes.
- Increase audit staff to align with identified program needs.



Look for the Hard-to-See Issues

- Establish audit mechanisms and procedures to identify retailers acting as de facto distributors.
- Consider using financial statements as another tool to identify distributor underpayments and underreporting of deposit refunds.
- Consider creating incentives to encourage whistleblowers to report non-registered distributors and manufacturers.
- Continue to search for companies that are not yet registered in the DRS program.
- Create a comprehensive system for reviewing container counts handled by redemption sites.