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Secretary for
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Department of Toxic Substances Control

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Edmund G. Brown Jr.
Governor

MEMORANDUM

TO: Debbie Raphael
Director

FROM: Andrew Collada 
Deputy Director, Administrative Services

DATE: June 27, 2012

SUBJECT: Six Month Follow-Up on Department's Corrective Action Plan (CAP)

In accordance with the Financial Integrity and State Managers' Accountability (FISMA) Act of 1983, the Department of Toxic Substances Control (DTSC) submits this six month status report on our corrective action plan for our biennial internal control review ending December 31, 2011.

REPORTABLE HIGH RISK AREAS AND STATUS

The 2011 FISMA Internal Control Review revealed three areas posing significant risk to DTSC. In each area, the title of the review finding, the department corrective action plan proposed as of December 31, 2011, and the six month status are provided:

- 1. One of the Department of Toxic Substances Control primary support funds will be in the "red" in 18 months.**

Department Corrective Action Plan

The Department has developed a plan which includes redirecting TSCA resources to either Federal funded or cost recovery projects, proposing TSCA program cuts, and exploring avenues of fee restructuring or increases.

Six Month Status

The Department submitted a Finance Letter dated April 2, 2012, to the Department of Finance to shift approximately \$2.3 million and 18.0 positions from TSCA to the Federal Trust Fund to support federal grants; shift \$334,000 charged by other state agencies from TSCA to other fund sources in FY 2012-13;

and decrease \$2.9 million and 24.0 positions from TSCA in FY 2012-13; and a further decrease of \$3.5 million and 35.8 positions from TSCA in FY 2013-14.

At this same time, the Department submitted a second Finance Letter to address a potential future shortfall in its HWCA fund. This letter proposes to decrease \$2.3 million and 12.0 positions from HWCA in FY 2012-13

These reductions and adjustments in the Finance letters have been reflected in the Governor's revised budget that has been approved by the Legislature. As these actions resolve this area, no further status reporting would be necessary.

2. **Insufficient funding for recently enacted legislation (Green Chemistry-AB 1879) (Feuer, Chapter 559, Statutes of 2008) and SB 509 (Simitian, Chapter 560, Statutes of 2008)**

Department Corrective Action Plan

The Department plans to redirect existing staff to implement the Safer Consumer Product regulations, consider legislation to repeal other pollution prevention mandates, and explore legislative solutions for a new funding source.

Six Month Status

The Department submitted on April 2, 2012, a third Finance Letter to the Department of Finance entitled "Green Chemistry: Ensuring Safer Consumer Products. This Finance Letter proposes to permanently redirect 39.0 positions and \$4.8 million associated with these positions and redirect \$1.4 million for contracts and laboratory equipment and supplies.

In addition the department has sponsored legislative changes in the 2012-13 Budget Act through trailer bill language to 1) eliminate certain Pollution Prevention mandates starting with Section 25244.12 et.al, in the California Health and Safety Code and 2) add Section 25257.5 to the Health and Safety Code to allow the Department to recover its cost in reviewing submitted alternative analysis and formulating and imposing a regulatory response.

This redirection of resources in this Finance Letter, and trailer bills have been reflected in the Governor's revised budget that has been approved by the Legislature. As these actions resolve this area, no further status reporting would be necessary.

3. The Department has millions of dollars in costs incurred that required further investigation before they can be invoiced.

Department Corrective Action Plan

The Department has formed a new Cost Recovery Team to improve the cost recovery process and address the "billings on hold". This team will develop a formal corrective action plan within 60 days and will report its progress in another six months.

Six Month Status

The newly formed Cost Recovery Team has developed a new formal Project Charter consisting of key management and technical staff from program, administration, legal and information technology. The team has executive sponsorship and has developed a formal project work plan addressing the control issues covering the department's "billings on hold". Since December 31, the team has begun to identify control gaps in process flow, developed draft procedures, and researched project site files for reporting errors.

As of June 12, 2012, the Department has reduced its total unbilled costs by ²~~4~~7% for the period July 2004 through June 2010 as compared to total unbilled costs reported on September 15, 2011. \$19 million in unbilled cost was reduced by adjusting duplicate costs that were in our Cost Recovery Billing System. An additional \$3 million of unbilled cost was resolved by either invoicing sites that had "billings on hold" and adjusting pending unbilled costs due to inaccurate time sheet coding.

The Department expects to implement all necessary controls relating to "billings on hold" within 12 months.

CONCLUSION

The three significant risk areas identified in this report were a high priority for the Director and Executive staff to resolve. The Department has been successful in implementing two of the corrective actions reported above, and the third area of "*millions of dollars in costs incurred that required further investigation before they can be invoiced*" is still ongoing in the implementation of controls, and will be reported in our next CAP update.

If you have any questions regarding this report, please contact Randy Fong, Chief of Program Review and Audit Branch at (916) 322-0468, or by e-mail at rfong1@dtsc.ca.gov.

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Odette Madriago
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