Department of Toxic Substances Control

Fiscal Overview

November 16, 2016

Andrew Collada, Deputy Director
Office of Administrative Services

Department of Toxic Substances Control
Cal/EPA
# Billing Process Flow (by area of responsibility)

## Billing Process

<table>
<thead>
<tr>
<th>Area of Responsibility</th>
<th>Process Steps</th>
</tr>
</thead>
<tbody>
<tr>
<td>Billable Party</td>
<td>Enter into Cleanup Agreement with DTSC</td>
</tr>
<tr>
<td>DTSC Program</td>
<td>Perform Cleanup Oversight → Enter Timesheet in Daily Log → Submit Travel Expense</td>
</tr>
<tr>
<td>Site Contractor</td>
<td>Perform Cleanup Work → Submit Invoice</td>
</tr>
<tr>
<td>Accounting AP &amp; Travel</td>
<td>Enter Invoice in Fi$Cal → Enter Travel Expense in Fi$Cal</td>
</tr>
<tr>
<td>Accounting Cost</td>
<td>Print and Mail Invoices</td>
</tr>
<tr>
<td>Accounts Receivable</td>
<td>Enter Invoice in Fi$Cal</td>
</tr>
<tr>
<td>System Interaction</td>
<td>Extract Timesheet Data from Daily Log → Update Timesheet Data in Fi$Cal → Extract Billing Data from Fi$Cal → Update Billing Data in CRBS → Generate Invoices from CRBS</td>
</tr>
</tbody>
</table>
Billing Process

- Cleanup staff logs time and travel expenses
- Select sites require contractors to perform Cleanup activities
- Invoices, travel expenses and timesheet data are entered into FI$Cal
- Billing data is extracted from FI$Cal on a monthly basis and loaded into the Cost Recovery Billing System (CRBS)
- Cost Recovery Billing Unit generates invoices in CRBS to the billable parties
- DTSC issues billing packages to billable parties every quarter

Billing package contains:
- Letter addressed to billable party
- Return Remittance
- Invoice
- Statement of Account
- Summary of Activity (detail documentation is available upon request)
- Cost Recovery Policy
  - Billing schedule
  - Formal Invoice dispute process
Payment Process Flow (by area of responsibility)

Payment Process

<table>
<thead>
<tr>
<th>Billable Party</th>
<th>Submit Payment via Check</th>
<th>Submit Payment via Credit Card</th>
<th>Submit Payment via EFT</th>
</tr>
</thead>
<tbody>
<tr>
<td>First Data Corporation</td>
<td>Receive Funds from BP Credit Card Bank</td>
<td>Send Funds to Bank of America</td>
<td></td>
</tr>
<tr>
<td>State Controller's Office</td>
<td>Post Payment in FI$Cal</td>
<td>Post Payment in FI$Cal</td>
<td>Post Payment in FI$Cal</td>
</tr>
<tr>
<td>Accounting</td>
<td>Scan Check</td>
<td>Send Check to SCO</td>
<td>Identify Payment as Cost Recovery</td>
</tr>
<tr>
<td>Accounts Payable</td>
<td></td>
<td></td>
<td>Determine Application of Payment</td>
</tr>
<tr>
<td>Accounting</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Payment Process

• Billable parties are provided instructions with each invoice on how to remit payments

• There are three methods for submitting payments
  • Checks
  • Credit Card
  • Electronic Funds Transfer (EFT)
Invoice Dispute Flow (by area of responsibility)

**Invoice Disputes**

- **Finance Collections and Resolutions**
  - Submit Invoice Dispute
  - Investigate Invoice Dispute
  - Print Timesheets from Daily Log
  - Develop and Send Findings/Recommendations
  - Refund Check

- **DTSC Program**
  - Investigate Invoice Dispute

- **Office of Legal Counsel**
  - Investigate Invoice Dispute

- **Accounting**
  - Adjust Invoices in CRBS
  - Adjust Invoices in FI$Cal
  - Issue Refund

- **Controller’s Office**
  - Accounting
    - Cost Recovery
    - Receivable Billing
    - Accounts Receivable
Invoice Dispute Process

- Disputes are handled by the Collections and Resolution Unit
  - Investigate disputes
  - Develop findings and provide recommendations
  - If dispute comes in the form of an email, DTSC responds within 24 hours
  - If dispute comes in the form of a letter, DTSC responds via email (if provided) or after we review and address the dispute
  - DTSC does not charge billable parties for time incurred in billing disputes
- Cleanup Program staff is available for questions, clarification or to provide supporting documentation (Daily logs, etc.)
- Interest is accumulated but will be waived if dispute is found valid
Invoice Dispute Process (continued)

- Approximately 4,000 invoices mailed annually for 1,300 sites
- 28 disputes (represents .01%) in calendar year 2015
  - 12 related to amount charged
  - 6 related to legal issues
  - 5 billing issues (daily log, etc.)
  - 5 interest charge disputes
Invoice Dispute Process (continued)

- Summary of disposition of disputes
  - Total amount of disputed costs $221,000
  - Total amount of cost recovered $156,000
  - Net difference $65,000
Invoice Dispute Process (continued)

- **Detail of 28 disputes**
  - 6 write-offs ($937)
  - 11 settled (Collected $63,869, write-off $21,063, timesheet adjustment $13,610)
  - 9 invoice disputes rejected ($112,833)
  - 2 open ($9,892)
Collection Process Flow (by area of responsibility)
Collection Process

- Pursuant to State Administrative Manual Section 8776.6, departments must send a sequence of three collection letters at a minimum of 30 day intervals.

- Collection Resolution process outlined in Departmental Procedure Memorandum (DPM).

- Collection letters for unpaid invoices sent at 60, 90, and 120 day intervals.

- 60 days after the invoice is issued, Collections and Resolution may be contacting billable party.

- Collection letters held during invoice disputes.
Collection Strategies

- Confirm receipt of the invoice and/or collection letter
- Negotiating Informally to resume payment
- Establishing a plan with smaller payments
- Entering into settlement negotiations for smaller payments
- Recording a lien against a property
Collection Process (continued)

- 1,953 collection letters sent in Fiscal Year 2015-16
- $1,474,000 collected by the Collection Resolution Unit in Fiscal Year 2015-16
- Payments may cross fiscal years
Direct and Indirect Costs
Direct and Indirect Costs

- Direct costs are those identified and accounted for a specific site.
- Indirect costs are cost that support DTSC’s overall mission but cannot be traced back to a specific site.
- Cost Centers – Non-program Salaries, Benefits, Operating Expenses
- Allocated State General Administrative Cost (Prorata)
Indirect Cost Rate Proposal (ICRP) Methodology

- The ICRP is prepared annually in accordance with the Office of Management and Budget (OMB) Uniform Administrative Requirements, 2 CFR Chapter I and Charter II, Part 200.

- Health and Safety Code Section 25269.4 requires DTSC to prepare ICRP for each program and to prepare ICRP at least every six months using the last 12 months of expenditure data.

- Department of Finance (DOF) approves the ICRP.

- DTSC uses data extracts from the FI$CAL from the prior 12 months to allocate the direct and indirect cost by program based on the Activity ID used.

- ICRP rate is the indirect costs divided by direct salaries/benefits by Program.
Cost Recovery Billing System (CRBS)

Stage 1: Business Analysis
- Identify Problem/Opportunity
- Establish Business Case/Need
- Ensure Strategic Alignment
- Assess Organizational Readiness

Stage 2: Alternatives Analysis
- Assess Existing Business Processes
- Market Research
- Mid-level Solution Requirements
- Identify Solution Alternatives
  - COTS/MOTS
  - Custom
  - Existing
- Recommend Solution
- Procurement and Staffing Strategy
- Project Timeline

Stage 3: Solution Development
- Part A
  - Procurement Profile
  - Detailed Solution Requirements
  - Statement of Work
- Part B
  - Solicitation Package
    - Evaluation Methodology
    - Cost/Payment Model
  - State Staffing Allocation

Stage 4: Project Readiness and Approval
- Solicitation Release
- Select Vendor
- Contract Management Readiness
- Baseline Project
  - Cost
  - Schedule
- Project Readiness
- Risk Register
- DOF/Legislative Approval

Department of Technology Oversight and State Entity Collaboration

Award Contract and Start Project
Project Organizational Chart

Steering Committee:
Francesca Negri, Andrew Collada, Jim Swartzlander, Sergio Gutierrez, Terri Hardy, Antonette Cordero, Mohsen Nazemi

Executive Sponsor:
Andrew Collada

Project Director
Luc Sou

Project Manager
Schumin Wong

Enterprise Architecture
Nick Ohanian

Solution Integrator
(Contractor)

Business Manager
Chris Burgess

SME
Clean up: Charlie Ridenour

SME
HWMP: Michael Choe

SME Accounting:
Jason Xiao, Curvin Lee

SME
Legal: Susan Ma

SME
Collections & Resolution: Diane Sheridan

Independent Project Oversight

Independent Verification and Validation

Technical Manager
Kham Xiong

Solutions Architect
Jim Gabler

System Security
Doug Leone

Service Desk
Albert Hernandez
Cost Recovery Billing System

Summary of Major Objectives and Functional Requirements

- Reduce time required to generate collection letters
- Improve the ability to track and reconcile settlement agreements and judgment payments
- Reduce the time required to address requests from billable parties and project managers
- Ensure 100 percent security level compliance
- Reduce time spent researching, reconciling, or adjusting costs
- Provide better detail on time charges to support invoice creation
- Improve cost recovery monitoring
CRBS Improvements

User Enhancements Objectives

- Accessibility
- Transparency
- Security
- Additional payment options
- Ease of use
Budget Overview
<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>FY 2015-16 Budget</th>
<th>FY 2016-17 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Site Mitigation &amp; Brownfield Reuse (Cleanup)</td>
<td>$131,622,000</td>
<td>$135,670,000</td>
</tr>
<tr>
<td>Hazardous Waste Management</td>
<td>$80,599,000</td>
<td>$84,101,000</td>
</tr>
<tr>
<td>Safer Consumer Products</td>
<td>$14,960,000</td>
<td>$15,638,000</td>
</tr>
<tr>
<td>SCUPA</td>
<td>$2,876,000</td>
<td>$2,874,000</td>
</tr>
<tr>
<td>Exide Technologies Residential Cleanup</td>
<td>$4,790,000</td>
<td>$42,081,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$234,847,000</td>
<td>$280,364,000</td>
</tr>
</tbody>
</table>
Summary of Major Adjustments FY 2016-17

- Enhanced Permitting Capacity and Support BCP - $1,167,000
- SB 162 Treated Wood Waste BCP - $370,000
- Biomonitoring California BCP - $350,000
- AB 276 Ability to Pay: Cost Recovery BCP - $200,000
- Attorney General Independent Review Panel Costs BCP - $50,000
- Argonaut Mine Tailings Site Dam Repair/Retrofit SFL - $14,325,000
- Enhanced Permitting Capacity & Support SFL - $2,403,000
- Replacement of Laboratory & Investigatory Equipment SFL - $2,000,000
- Office of Environmental Justice & Tribal Affairs SFL - $881,000
- Strategic Program Development SFL - $747,000
- Safer Consumer Products - Lead Acid Batteries MRL - $255,000
- Biomonitoring Augmentation (via CDPH) - $150,000
- Lease Revenue Bond Debt Service - $3,409,000
- Employee Compensation & Benefit Adjustment - $273,000
- Exide Technologies Residential Cleanup - $37,290,000
- Central Admin Pro Rata & SWCAP Adjustment - $870,000
- Statutory COLA - $124,000
## DTSC Funding Sources

<table>
<thead>
<tr>
<th>Fund Source</th>
<th>2015-16 Budget</th>
<th>2016-17 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>$27,379,000</td>
<td>$43,819,000</td>
</tr>
<tr>
<td>Special Funds</td>
<td>$161,894,000</td>
<td>$190,556,000**</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$32,499,000</td>
<td>$32,914,000</td>
</tr>
<tr>
<td>Reimbursements</td>
<td>$13,075,000</td>
<td>$13,075,000</td>
</tr>
<tr>
<td><strong>Total: All Funds</strong></td>
<td><strong>$234,847,000</strong></td>
<td><strong>$280,364,000</strong></td>
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**Includes Exide Technologies residential cleanup**