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TO: Michael Cohen
Director, California Department of Finance

FROM: Miriam Barcellona Ingenito
Chief Deputy Director 

DATE: December 29, 2014

SUBJECT: CORRECTIVE ACTION PLAN 6-MONTH UPDATE (CAP REPORT) TRANSMITTAL

In accordance with the Financial Integrity and State Manager's Accountability Act of 1983 and Department of Finance Audit Memorandum Number 11-02, the Department of Toxic Substances Control (DTSC) submits this six month status report. This report reflects areas with ongoing corrective action as reported in DTSC's biennial internal control review ending December 31, 2013.

If you have any questions regarding this report, please contact Michael O'Docharty at (916) 322-7856 or by email at michael.odocharty@dtsc.ca.gov.

Attachment

Name of Department: Department of Toxic Substances Control

Organization Code: 3960

Signature of Chief
Deputy Director:

/s/
Miriam Barcellona Ingenito

Corrective Action Plan submitted for:
December 31, 2014

Risk Identified (from 2013 FISMA Report)	Control Implemented or to be Implemented	Person in Charge / Position	Date of Action/Status
Risk #1 Comprehensive Cost Recovery Procedures	N/A	N/A	Fully Implemented - Previously removed in DTSC's June 30, 2014 Corrective Action Plan (CAP).

Risk #2 Cost Recovery Billing Collections Backlog Situation: As of April 2013, DTSC accumulated an estimated \$185 million in unbilled and overdue costs. Costs recorded as unbilled in the Cost Recovery Billing System (CRBS) have historically not followed the	Control #1 Create technological infrastructure work plan to assist in DTSC's evaluation of sites with unbilled and overdue costs, including EnviroStor improvements that increase DTSC's ability to collect, organize, and evaluate cost recovery data.	N/A	Moved to Risk #3 - This Control is the only outstanding issue from Risk #2: Billing Collections Backlog reported in DTSC's December 2013 FISMA Report and June 30, 2014 CAP Report. Other Controls listed for the Billing Collections Backlog Risk are Fully Implemented.
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Risk Identified
(from 2013 FISMA Report)

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<p>Cost recovery Billing Collections Backlog (Cont.)</p> <p>same process as invoiced and not collected (Accounts Receivable), for which specific guidelines are set forth in the State Administrative Manual (SAM).</p> <p>Effect: A portion (approximately 10%) of DTSC's past response costs either have not been billed to responsible parties or have been billed, but remain uncollected.</p>	<p>December 2014 Update</p> <p>See Risk #3 Cost Recovery Billing System (CRBS).</p>		<p>This Control is now encompassed in Risk #3, Cost Recovery Billing System. This Risk will be removed from future CAP reports.</p>

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<p>Risk #3 Cost Recovery Billing System</p> <p>Situation: The Cost Recovery Billing System (CRBS) software application is old and no longer supported by the manufacturer. In November, 2014, DTSC was informed that the State's new common financial management system (FI\$Cal) will not meet the requirements of a CRBS replacement. This revelation negated some of DTSC's previously reported risk controls associated with the implementation of FI\$Cal.</p>	<p>Control #1 Develop new automated tools and/ or processes for cost recovery. Test and implement these tools.</p> <p>December 31, 2014 Update Between October 2013 to March 2014 DTSC staff implemented new Billing Classifications and Billing Actions into CRBS that provide amplifying information on the cost recovery status of cleanup and enforcement sites. A new Microsoft SharePoint based Administrative Document Collaboration site was implemented to track workflows and documents associated with cost recovery. DTSC also invested in upgrades to its site management data base called EnviroStor by creating a Cost Recovery Page and the ability to monitor and report pending statute of limitation expirations. These changes improve the ability to track, report, and manage cost recovery activities on cleanup and enforcement sites but are not intended to fully replace the functionality needed in a billing system.</p>	N/A	Fully Implemented - This Control will be removed from future CAP reports.
	<p>Control #2 DTSC is awaiting formal acknowledgement from the FI\$Cal project office that the FI\$Cal system will not meet DTSC's cost recovery business needs. DTSC must determine a path forward regarding the scope and cost of a CRBS replacement and meet with the Department of Finance on potential funding mechanisms.</p>	Deputy Director, Administrative Services	Not Implemented - DTSC is assessing resolution options and associated dates.

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<p>Cost Recovery Billing System (Cont.)</p> <p>Effect: DTSC is at risk if the CRBS fails. If the system fails, DTSC's ability to track costs and mail invoices to parties responsible for hazardous waste cleanup will be significantly impacted. The inability of Fi\$Cal to meet DTSC's cost recovery business needs imparts significant delay and expense in acquiring a CRBS replacement.</p>	<p>December 31, 2014 Update</p> <p>A Feasibility Study Report (FSR) was submitted in January 2013. The FSR and procurement process was halted by restrictions imposed by Budget Letter 08-05, Moratorium on Developing Administrative Information Technology Systems (Fi\$Cal). Since Fi\$Cal will not meet cost recovery business needs, DTSC is now reengaging in seeking funding and technology options for a CRBS replacement.</p>		
<p>Risk #4 Orphan Site Funding</p>	<p>N/A</p>	<p>N/A</p>	<p>Fully Implemented - Previously removed in DTSC's June 30, 2014 CAP Report.</p>

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Risk #5 Financial Assurance (FA) for Cleanup Sites	Control Implemented or to be Implemented	Person in Charge and Position	Date of Action/ Status
<p>Situation: The regulatory requirements and policies regarding financial assurance have changed over time and in some cases need updating. The Brownfields and Environmental Restoration Program is reviewing these requirements and policies and updating how it applies requirements to ensure public money is not used to pay for long-term cleanup projects where responsible parties file for bankruptcy or refuse to fund work.</p> <p>Effect: Public money could unnecessarily be used to pay for the cost of long term cleanup at sites where the responsible party goes bankrupt or refuses to complete the work.</p>	<p>Control #1 Implement an Action Plan for new and revised FA programs and complete 40% of cost estimates outlined in the Action Plan by December 2014.</p> <p>December 31, 2014 Update The Brownfields and Environmental Restoration Program identified gaps in its FA policies, regulations, and statutes. This analysis led to the creation of an Action Plan with proposed actions, identification of revisions, and new FA requirements for sites. In spring 2014, a Cost Estimate Team was chartered and trained to review, and in some cases, prepare and revise cost estimates.</p>	N/A	Fully Implemented - This Control will be removed from future CAP reports.
	<p>Control #2 Finalize new FA policy and procedures.</p> <p>December 31, 2014 Update Draft policy and procedures have been developed and are undergoing review.</p>	Deputy Director, Brownfields and Environmental Restoration Program	Not Implemented - Scheduled to be completed in June 2015.
	<p>Control #3 Complete the final phase of training on FA and the EnviroStor data management system.</p> <p>December 31, 2014 Update Training will be conducted on the FA cost estimating process.</p>	Deputy Director, Brownfields and Environmental Restoration Program	Not Implemented - The training will be completed during a staff meeting on January 15, 2015.
	<p>Control #4 Complete 90 to 100% of the cost estimates outlined in the FA Action Plan.</p> <p>December 31, 2014 Update This is a continuation from Control #1 and will be completed in order.</p>	Deputy Director, Brownfields and Environmental Restoration Program	Not Implemented - Scheduled to be completed in June 2015.

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<p>Risk #6 Institutional Controls Tracking</p> <p>Situation: Final cleanup agreements often allow residual contamination to remain on-site requiring long-term stewardship (LTS). LTS refers to engineering and legal activities used to control and manage residual contamination. Risks associated with long-term stewardship activities include: outdated policies and procedures; no performance metrics tracking system; limited funding mechanisms to recoup clean-up costs; and the value added from the tracking system used to monitor planned activities on sites where LTS is in place.</p> <p>Effect: Residual contamination could pose undue risk to public health and the environment if not adequately administered. Public money could unnecessarily be used to pay for the cost of cleanup and corrective action projects.</p>	<p>Control #1 Update the templates associated with Land Use Covenants (LUCs) and operation and maintenance agreements.</p> <p>December 31, 2014 Update Tasks completed include creation of a template for LUCs and drafting of a Management Memo outlining details for the review of LUCs every 5 years.</p>	N/A	Fully Implemented - This Risk and associated Controls will be removed from future CAP reports.
	<p>Control #2 Finalize policies and procedures regarding LUCs.</p> <p>December 31, 2014 Update Policy and procedures for LUCs complete.</p>		Fully Implemented - This Risk and associated Controls will be removed from future CAP reports.
	<p>Control #3 Conduct training on new policies and procedures.</p> <p>December 31, 2014 Update 3 days of training was provided at the Berkeley, Cypress, Cal Center and Chatsworth regional offices during the months of July, August, and September 2014.</p>		Fully Implemented - This Risk and associated Controls will be removed from future CAP reports.
	<p>Control #4 Update information on SharePoint and DTSC webpage.</p> <p>December 31, 2014 Update Fact sheets were uploaded to DTSC's website for public viewing in September 2014.</p>		Fully Implemented - This Risk and associated Controls will be removed from future CAP reports.

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<p>Risk #7 Process Efficiency, Consistency and Transparency in the Hazardous Waste Facility Permitting Process</p> <p>Situation: There is significant variability and complexity in the types of permits DTSC issues. Consistent practices and/or guidance for processing these permits are either not available or are outdated. Some stakeholders assert that DTSC is too accommodating to industry, reluctant to deny facility permits, allows facilities to continue submitting deficient permit applications, and allows facilities to delay cleanups.</p>	<p>Control #1 Identify and implement solutions to reduce the sources of variation in the permitting process, reduce the technical review time, and analyze new data to validate improvement.</p> <p>December 31, 2014 Update DTSC participated in a “Lean Six Sigma” initiative, sponsored by the Governor’s Office, where staff used statistical analysis on the technical review portion of the permitting process to improve timeliness and clarity while maintaining protectiveness. The goal is to reduce the technical review time to an average of 13 months for 90 percent of all permits. Improvements – including the use of a 1082-point checklist – have been implemented. An audit process is being developed as part of this effort. Additionally, DTSC is using the same tools to reduce the entire permitting process to an average time of two years for 90 percent of all permits. Finally, staff will apply the “Lean Six Sigma” principles to reduce the amount of time it takes to issue and resolve Notices of Deficiency.</p>	N/A	<p>Fully Implemented - This Control will be removed from future CAP reports.</p>
	<p>Control #2 Develop a process flow chart as a baseline for shared understanding, revision, and improvement to the permit process.</p> <p>December 31, 2014 Update For the first time, DTSC has a standardized model permitting process flow chart, which will serve as the baseline for future improvements, as outlined in the Permitting Enhancement Work Plan.</p>		<p>Fully Implemented - This Control will be removed from future CAP reports.</p>

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<p>Process Efficiency, Consistency and Transparency in the Hazardous Waste Facility Permitting Process (Cont.)</p> <p>Effect: External and internal reviews have brought to light deficiencies in the process that have resulted in lengthy delays in permitting decisions and community concerns about DTSC's performance in making timely and equitable decisions.</p>	<p>Control #3 Review and, if necessary, modify duty statements for permitting staff to ensure roles and responsibilities are clearly defined.</p> <p>December 2014 Update DTSC reviewed and modified duty statements for permitting staff to ensure that roles and responsibilities were clearly defined. Duty statements for Sup HSE, Sr. HSE, HSE, Sr. EG, Se. ES, ES, and AGPA have been approved by Cal HR.</p>		<p>Fully Implemented - This Control will be removed from future CAP reports.</p>
	<p>Control #4 Ensure permit writers and supervisors are using EnviroStor at the beginning of the permit process to develop a project-specific management plan that identifies and sets a timeline for the completion of major tasks.</p> <p>December 31, 2014 Update Scope change. The Permitting Enhancement Work Plan calls for DTSC to develop a project management process where milestones are charted and supervisor sign offs are required. Because of the complexity of creating this process in EnviroStor and the limited resources available for upgrades, the Office of Permitting has established an alternate procedure to complete this task. Supervisors have been tasked with reviewing and approving all permit renewal project schedules in EnviroStor. Supervisors are also tasked with verifying reviews and approvals with a list of facilities via email to the Branch Chiefs within the Office of Permitting.</p>		<p>Fully Implemented - This Control will be removed from future CAP reports.</p>

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<p>Process Efficiency, Consistency and Transparency in the Hazardous Waste Facility Permitting Process (Cont.)</p>	<p>Control #5 Memorialize the Peer Review process using written guidelines.</p> <p>December 2014 Update DTSC reviewed the current peer review process utilized at its Permitting offices. The draft guidelines are in progress that describes roles and responsibilities of peer reviewers and the form to use as an administrative record checklist.</p>	<p>Deputy Director, Special Assistant for Program Review</p>	<p>Not Implemented - Draft scheduled to be completed in December 2014. Final approval will be completed in January 2015.</p>
	<p>Control #6 Begin the process of partnering with a contractor to facilitate statewide discussions to review and improve DTSC's public participation and community engagement practices.</p> <p>December 31, 2014 Update DTSC distributed a Request for Proposal to a number of Certified Small Businesses in October 2014 to assist the Department with modernizing its public outreach and engagement strategies in communities that are disproportionately burdened by multiple pollution sources and vulnerabilities. Proposals were evaluated, and DTSC determined that they do not meet the Department's business needs. DTSC will be exploring other avenues, such as partnering with a public university to further develop and implement this crucial effort. DTSC anticipates having a contract or Interagency Agreement in place in early 2015, and draft recommendations circulated for public comment in the fall of 2015.</p>		<p>Not Implemented - Scheduled to be completed in August 2015.</p>

<p>Risk #8 Closure Cost Estimates</p>	<p>N/A</p>	<p>N/A</p>	<p>Fully Implemented - Previously removed in DTSC's June 30, 2014 CAP Report.</p>
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<p>Risk #9 Hazardous Waste Tracking System (HWTS) Data Base</p> <p>Situation: DTSC faces multiple risks in regulating California's hazardous waste, among them are: an aging Hazardous Waste Tracking System (HWTS); and the looming implementation of a Federal HWTS that may or may not meet California's hazardous waste management needs.</p> <p>Effect: The safety of Californians could be compromised because of an aging and inadequate data system used to track hazardous waste movement throughout the state.</p>	<p>Control #1 Recruit and hire an Information Technology (IT) Project Manager for hazardous waste data management efforts.</p> <p>December 31, 2014 Update An IT Project Manager was hired in March 2013. The original Project Manager left the project in June 2014, and a new IT Project Manager was hired in September 2014.</p>	N/A	Fully Implemented - This Control will be removed from future CAP reports.
	<p>Control #2 Develop Functional Business Requirements for the HWTS.</p> <p>December 31, 2014 Update A Business Process Assessment is anticipated to be completed by February 2015. If the Business Process Assessment is approved by CalTech, the Functional Business Requirements document is anticipated to be completed in March 2015.</p>	Division Chief, Policy and Program Support	Partially Implemented - Scheduled to be completed in March 2015.
	<p>Control #3 Develop and submit a Special Project Report to the California Department of Technology (CalTech).</p> <p>December 31, 2014 Update The Special Project Report reflecting proposed changes to the project scope, schedule and cost is being prepared.</p>		Partially Implemented - Scheduled to be completed in March 2015
	<p>Control #4 Develop and release Request for Offer to obtain Systems Integrator.</p> <p>December 2014 Update Request for Offer for the Systems Integrator services is drafted. The Request for Offers will be released upon the approval of the Functional Business Requirements by CalTech.</p>		Partially Implemented - Scheduled to be completed in June 2015.

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Hazardous Waste Tracking System (HWTS) Data Base (Cont.)	<p>Control #5 Implement additional steps to replace the HWTS.</p> <ul style="list-style-type: none"> - Initiate Systems Design - Complete Systems Design - Develop and test new HWTS system - Continue to develop and test new HWTS system. - Implement new HWTS system. - Integrate new HWTS system with Federal e-manifesting system as it is implemented. - Train users of new HWTS system. - Transition to Operation and Maintenance of new HWTS system. <p>December 2014 Update Actions scheduled beyond June 2015.</p>		<p>Not Implemented - Actions scheduled beyond June 2015.</p>
Risk #10 Environmental Chemistry Laboratory Sample Quality, Work Prioritization, and Outdated Equipment	<p>N/A</p>	<p>N/A</p>	<p>Fully Implemented - Previously removed in DTSC's June 30, 2014 CAP Report.</p>