

## **Cost Recovery**

### **Sustainable Cost Recovery Systems**

*Strengthen cost recovery systems to maximize DTSC's recovery of past, present and future response costs.*

**Goal:** Maximize the recovery of DTSC's past, present and future response costs by implementing sustainable systems for cost recovery quality management, Departmental Procedures Memorandum (DPM) updates, policy development, and training.

DTSC incurs direct cleanup and oversight costs (collectively, response costs) in remediating contaminated properties. DTSC is authorized to recover these costs from responsible parties. In the past, DTSC's recovery of response costs was impeded by the lack of a quality management system; a formal cost recovery policy; and essential training required to implement and sustain an effective cost recovery program.

**Background:** Phase I work plan activities (called Comprehensive Cost Recovery Policies and Procedures) were completed from April 2013 through March 2014 as part of DTSC's Fixing the Foundation initiative. These initial efforts focused on analyzing the scope of the cost recovery problem; developing 27 DPMs to clarify cost recovery responsibilities and processes; and delivering training for approximately 400 DTSC staff whose responsibilities directly or indirectly impact the Department's ability to recoup its response costs.

The 5 objectives of this work plan build on Phase I accomplishments:

1. Quality management – track cost recovery effectiveness through a quality management structure with clearly defined reporting responsibilities and metrics.
2. DPM updates – use staff input, lessons learned, evolving organizational structure, and assessed priorities to update DPMs.
3. DPM training – deliver training on DPMs that meets assessed needs and priorities.
4. Cost recovery policy – issue a comprehensive cost recovery policy that reflects current DPM practices and incorporates FI\$Cal considerations.
5. Long term cost recovery policy training – develop a sustainable training program to ensure cost recovery competencies remain strong for current and new employees.

#### **Timeline:**

#### **6 months: July 2014 – December 2014**

- Quality management
  - Develop performance metrics linked to cost recovery priorities outlined in the Audit Backlog Work Plan, California State Auditor recommendations, and other assessed needs.

- By September 30, 2014, report progress in resolving unreimbursed costs incurred by DTSC from July 1987 through December 2013 (Audit Backlog.)
- DPM updates
  - Establish priorities and update DPMs to reflect newly established processes, data systems, organizational structures, and California State Auditor recommendations.
  - Send DPMs to staff for acknowledgment of review when updates are complete.
- DPM training
  - Determine Priority 1 focused DPM training to be delivered by December 31, 2014 and Priority 2 focused DPM training to be delivered by June 30, 2015.
  - Develop and deliver Priority 1 focused DPM training.

**12 months: January 2015 – June 2015**

- Quality management
  - Complete one-year review of DTSC's overall cost recovery initiatives, effectiveness, and control mechanisms. Report on completion of cost recovery work plan activities, and post information on DTSC's website.
  - Construct an internal audit plan to periodically evaluate the long-term effectiveness of DTSC's cost recovery program.
- DPM updates
  - Update and incorporate process flowcharts into DPMs.
  - Establish a regular process to update DPMs.
  - Send DPMs to staff for acknowledgment of review when updates are complete.
- DPM training
  - Develop and deliver Priority 2 focused DPM training.
- Long-term cost recovery policy training
  - Develop guidelines for ongoing cost recovery training for current and new employees.
  - Acquire funding to procure training if necessary.
  - Develop and launch training.

**Beyond June 2015**

- Cost Recovery Policy
  - Update DPMs to reflect the implementation of FI\$Cal and other data systems where appropriate.
  - Issue comprehensive DTSC cost recovery policy.
  - Send policy to staff for acknowledgment of review.