



## Department of Toxic Substances Control

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Elaine M. Howle, CPA  
California State Auditor  
555 Capitol Mall, Suite 300  
Sacramento, CA 95814

### **California State Auditor's Draft Report 2013-122 re Department of Toxic Substances Control**

Dear Ms. Howle:

Thank you for the opportunity to review the California State Auditor's draft report, which documented the Department of Toxic Substances Control's (Department) ongoing progress in addressing its historical cost recovery issues. The Department concurs with the recommendations outlined in the audit findings and will reassess its reform efforts to ensure that your recommendations are fully implemented.

Since 1987, the Department has spent more than \$1.8 billion to clean contaminated sites and fulfill its mission to protect California's people and environment from the harmful effects of hazardous substances. Of that amount, the Department publicly disclosed on May 31, 2013, that \$184.5 million in costs incurred by the Department from July 1987 through December 2012 remained outstanding. The California State Auditor subsequently included 2013 data in its draft report, reflecting a new total of \$194 million in outstanding costs as a result of the Department's continued oversight and remediation of contaminated sites. Since March 2013, the Department has actively addressed its historical cost recovery issues by developing and implementing two comprehensive work plans. We are committed to the creation and adoption of a transparent cost recovery program that will earn the trust of California taxpayers.

The first work plan outlines the Department's plan to comprehensively evaluate its outstanding costs and initiate cost recovery efforts to the maximum extent feasible and practical. As your findings indicate, the Department has made progress in addressing its outstanding costs and has already been able to reduce the number of sites with outstanding costs from 2,700 to less than 1,661.

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Although further Department investigation is necessary to determine how much of the \$194 million in outstanding costs the Department will be able to collect, the Department is working aggressively to evaluate the collection potential of the remaining sites and has referred numerous matters to the Office of the Attorney General. As noted in the audit report, nearly \$73 million in outstanding costs is the subject of litigation or bankruptcy. Moreover, additional outstanding costs will be resolved as the Department continues its data cleanup efforts, such as reconciling federal grant and CLEAN loan payments. The Department is continuing its cost recovery data cleanup efforts and will ensure that this issue will not delay or hinder the implementation of Fi\$Cal in July 2015.

The second work plan guides the creation of comprehensive procedures and training to address present and future recovery of the Department's costs and ensure that past issues do not persist. As part of this work plan, the Department created a number of new procedures clearly setting out the cost recovery roles and responsibilities of its employees. The Department also conducted training regarding the procedures for more than 400 employees. The Department is further reviewing the procedures and is using staff feedback to create a comprehensive cost recovery policy that will underscore the importance of cost recovery for the Department. We are gratified by your conclusion that the Department's new procedures, if followed, will prevent another buildup of outstanding costs.

The Governor's Office and the Legislature have provided support for the Department's effort to resolve its historical cost recovery issues by approving our request for 14 two-year positions, starting July 14, 2014. With this additional support and the ongoing commitment by its employees, the Department is confident that it can institute the recommendations contained in the audit. We look forward to providing you and the public with updates regarding our progress as we continue to improve and build public trust through our comprehensive reform effort.

Sincerely,



Miriam Barcellona Ingenito  
Acting Director