

**UST CLEANUP FUND
PAYMENT PROCESSING IMPROVEMENT PLAN
March 1, 2013**

This Payment Processing Improvement Plan is intended to improve Underground Storage Tank Cleanup Fund (Cleanup Fund) payment processes and to reduce payment processing time while not compromising the financial integrity of the Cleanup Fund. Statute requires the Cleanup Fund to reimburse only for reasonable and necessary costs. Statute also specifies payment of reimbursement request (RR) packages within 60 days of submittal, which includes processing by other entities after Cleanup Fund action on the package. The 60 day timeframe for payment processing has not been consistently met in at least the last 10 years. In addition to the 60 day statutory deadline, the State Water Board also has a fiduciary responsibility to the people of the state to be good stewards of the money entrusted to us, and to ensure that these monies are used for the statutory purposes. In the case of the Cleanup Fund, this includes ensuring that the money is appropriately used to pay only for reasonable and necessary costs related to petroleum UST cleanups. The balancing of these responsibilities sometimes has the effect of delaying payments past the 60 day timeframe as we conduct our due diligence to help prevent fraud, waste and abuse against the Cleanup Fund.

The Cleanup Fund expects that these changes will result in some reduction of payment processing times. However, given the staffing constraints and financial accountability requirements under which the Cleanup Fund operates, drastic reductions in payment processing time are not possible. The Plan identifies the changes that have been made or will be implemented in the near future to improve payments processing.

I. Factors Affecting Payment Processing Times

The Cleanup Fund's core functions for payment processing are to receive RR packages from claimants, review them for eligibility of costs for reimbursement, and forward the reviewed reimbursement requests for payment of necessary and reasonable eligible costs to the State Water Board's Accounting Office, and ultimately to the State Controller's Office for issuance of a reimbursement check. Generally about four weeks is required to issue the payments after Cleanup Fund review; this Plan addresses only the Cleanup Fund's portion of the process.

Various factors affect the Cleanup Fund's payment processing times. Some of these factors are directly under the Cleanup Fund's control, while others are not. The following outlines some of these factors, and how they influence payment processing times.

A. Factors Not Under the Control of the Cleanup Fund

1. Reductions in Staff Resources

- The total number of Cleanup Fund staff has been reduced since 2009. Some Cleanup Fund staff are on loan to work in the Office of Enforcement for the Fraud, Waste, and Abuse pilot project. Other Cleanup Fund positions were

lost as state agencies were required to reduce budgets and positions. State agencies do not have the authority to increase staffing except through the legislative (budget) process.

- Mandatory furloughs have been in effect since August, 2010. They are currently scheduled to end on June 30, 2013.
- State agencies were required to terminate overtime (Compensated Time Off).
- State agencies were required in 2012 to terminate existing Student Contracts. The Cleanup Fund relied on student help. Although the Cleanup Fund has been able to hire Temporary Help instead, the total number of hours available was significantly reduced from the hours available under the Student Contract.
- State agencies were required in 2012 to terminate Retired Annuitants, which further reduced Cleanup Fund staff resources.

2. Temporary Lack of Funding to Reimburse Costs

The Cleanup Fund receives funding approximately quarterly through the fiscal year from the Board of Equalization as fees are collected throughout the year. At certain times, the amount of payments requested temporarily exceeds the amount of money available to pay these payments. During this point in time, payments are delayed while the Cleanup Fund waits for revenues to come in from the Board of Equalization.

3. Increase in Individual Workloads for Payments Staff

The number of RR packages received by the program has increased from approximately 200 per month in in FY 01/02 to approximately 350 to 400 RRs per month in FY 11/12 (excluding the surge period between July 1 and September 30, 2012, when the program received approximately 2,200 RR packages).

B. Factors Under the Control of the Cleanup Fund

The Cleanup Fund has been improving our financial control and management processes in response to both the 2009 Cleanup Fund Audit and the recommendations of the Office of Enforcement's Fraud, Waste and Abuse Prevention Unit. These factors are all related to the implementation of the new business procedures and the audit and task force recommendations from 2009.

1. New Business Procedures

The steps the Cleanup Fund takes to process RRs have become more complex since 2009 in response to the 2009 audit and task force recommendations in order to control costs and to reduce the widespread fraudulent claims against the Cleanup Fund.

- The new business procedures using annual budgets has increased the number of individual items to review in the RR review process and has added to the administrative duties required to process RRs. Example: Annual budgets were instituted as a cost control measure. However, they require separate invoices by fiscal year within an RR . Annual budgets

require ensuring that payments for categories of costs not exceed the revenues budgeted for that category.

- Additional training in recognizing fraudulent claims has been provided to staff. The required necessary attention to detail and the documentation of complaints slow payment processing. Additional checks in the payment review process to help detect fraud, waste, and abuse have increased the processing time in both the Payments Unit and in the Claim Closure Unit.
- Additional controls were set in place to ensure that funds are being used appropriately, including an enhanced accounts receivable process and a final payment audit process. Retroactive audits of claims in close-out are necessary, complex, and increasing significantly as more cases are closed.

2. Administrative Adjustments to Staffing

- Technical staff (engineers and engineering geologists) were previously utilized inefficiently by performing administrative duties. As they continue to be directed to perform technical rather than administrative work, administrative staff have specialized in performing complex review functions formerly performed by technical staff. Additionally, four of the 12.5 payments analysts primarily work on the more difficult RRs and processing appeals.
- An additional four analysts primarily work in the Claim Closure Unit auditing claims ready for closure. Due to the Cleanup Fund's and the Board's priority to close claims and to address the backlog of approximately 500 outstanding closed claims, three staff were previously re-directed to the Claim Closure Unit. Furthermore, the recently implemented Low Threat Closure Policy continues to increase the Claim Closure Unit workload. The Cleanup Fund Payment Unit also has one Office Technician, one Management Services Technician, and two analysts that work on special projects and administrative duties.

3. Database Issues

- Database Deficiencies: The Cleanup Fund's SCUFIS database is in need of updating. Occasionally, database issues cause delays in payments. For example, in 2011, an error in the calculation area of the SCUFIS database required Payments Analysts to re-enter all the RRs of the entire claims. This slowed down payments for a short time. Cleanup Fund staff is working to correct and update deficiencies in SCUFIS. Staff are also working on an long-term update or replace of the SCUFIS system.
- Staff are permanently assigned to support developing information reports that require information from both SCUFIS and GeoTracker.

II. Improvement of Payment Processing

Below are steps the Cleanup Fund has identified and evaluated to reduce the processing times of RR packages. Some of these measures can be readily implemented, and others cannot. In an initial effort to reduce processing times, the Cleanup Fund modified the Payments Unit goal for each Payment Reviewer to review 50 RR packages per month. These steps will help achieve that goal.

A. Recent Changes Cleanup Fund Has Implemented:

1. Temporarily redirected one Claim Closure Unit staff person to RR package processing. This will allow up to 50 additional RR packages to be processed per month.
2. Redirect to support staff the duties of responding to inquiries received through the general email account. This will increase payment reviewers' time to review additional RR packages.
3. Redirect to support staff from their File Room duties to some of the duties associated with Proof of Payment (POP) verification. This will increase payment reviewers' time to review additional RR packages.
4. Improve turnaround time for reviews by technical staff (engineers and engineering geologists). Payment reviewers will provide technical staff with specific questions focusing on an issue rather than requesting a full review of the entire RR package. This will result in a reduction in technical review time of RR packages, with a turnaround goal of two weeks. Simple technical questions can be answered by technical supervisors without having an entire file reviewed.
5. Provide refresher training to the payment reviewers and improve Procedures Manual. This will help ensure RR packages are reviewed consistently between payment reviewers and in the most efficient manner.

B. Changes Cleanup Fund Is Pursuing But Has Not Yet Implemented

Enhance database technology to help automate functions of the Cleanup Fund. There are a number of advantages to automating certain payment submittal, receipt and review functions, including:

- Reduction in processing times for all areas of the Cleanup Fund.
- Claimants can submit documents electronically, rather than in hard copy.
- Easier interaction on all aspects of the claim between the Cleanup Fund staff and claimants.
- The ability to analyze the work completed and billing automatically to ensure accuracy and reduce the chances of fraud, waste, and abuse (i.e., double billing, staff hours, etc.), as well as potential errors by Cleanup Fund staff.

C. Changes the Cleanup Fund Does Not Plan to Implement

For the sake of completeness, the following are the options that had the potential to reduce payment processing times but were not select for implementation. In these options, the potential drawbacks outweighed the potential advantages. These included:

1. Redirect all administrative Cleanup Fund staff to process RR packages with minimal review, as was done in 2010. Disadvantages of this option include:

- Minimal review performed on RR packages would result in additional issues with the claim in the future, including potential fraud, waste, and abuse.
 - Additional future increase in the payment reviewers', closure auditors', and accounts receivable analysts' workload to correct issues not addressed during the minimal review period.
 - Possible increase of fraud, waste, and abuse occurring because detailed reviews are not completed.
 - Redirection would create additional backlog in the other administrative units of the Cleanup Fund, i.e., Claim Closures, Settlements, Eligibility (for which there is also a 60-day statutory timeframe), and Special Programs.
2. Accept incomplete RR packages. Fund regulations require certain specific information to be included in RR packages. An adequate level of detail is necessary to demonstrate to the satisfaction of the board that the work billed on the invoices is consistent with the work performed at the site. Also, past experience indicates that some incomplete RR packages will be filed for the sole purpose of holding a "place in line." This is unfair to those who diligently complete their RR packages as required.

III. Expected Outcomes of the Implemented Changes

The recent changes by the Cleanup Fund, described above, are anticipated to decrease the RRs processing time from current processing time of an average of 115 days to an average of 85 days, presuming RRs are submitted at a steady pace. If RR submittals are delayed, as they were for FY 2011-12 budgeted costs when two-thirds of the RRs came in after the fiscal year had ended, backlogs will develop and processing delays may worsen. Regardless, these measures will not be sufficient to allow the Cleanup Fund to meet the 60-day timeline for payment processing. However, they will continue to allow the Cleanup Fund to ensure we are meeting our statutory responsibilities to reimburse only for reasonable and necessary work, and fulfill our fiduciary duties. The Cleanup Fund staff will continue to evaluate these changes as they are implemented, make process improvements as necessary based on the outcomes, and identify new process improvements for payment processing procedures.