



July 31, 2024

Chris Smith
President
The Drug Takeback Solutions Foundation
P.O. Box 997
Winston-Salem, NC 27102

Sent via e-mail

Re: Notice Regarding Disapproval of The Drug Takeback Solutions Foundation's 2025 Annual Program Budget for Covered Drugs

Dear Mr. Smith:

On July 1, 2024, CalRecycle's director disapproved The Drug Takeback Solutions Foundation's (The Foundation) 2025 annual program budget for covered drugs submitted on April 1, 2024, titled, *Annual Program Budget for Covered Drugs (2025 Annual Program Budget)* and directed staff to provide written notice to The Foundation within 30 days of disapproval (i.e., by July 31, 2024) identifying how the *2025 Annual Program Budget* does not comply. The summary of CalRecycle's analysis of The Foundation's *2025 Annual Program Budget* and its record of decision is contained in CalRecycle's Request for Action, titled, *Consideration of The Drug Takeback Solutions Foundation's 2025 Annual Program Budget for Covered Drugs (June 2024 RFA)*, which was emailed to The Foundation on July 1, 2024.

The deficiencies of The Foundation's *2025 Annual Program Budget* are those items identified as "requirements not met" in the *June 2024 RFA*. This letter supplements the *June 2024 RFA* and provides additional information on how the *2025 Annual Program Budget* does not comply. This notice further highlights supplemental information necessary for determining compliance. Together, this notice and the *June 2024 RFA* satisfy the department's obligation to provide written notice to The Foundation pursuant to Public Resources Code (PRC) section 42033.2(e)(3) and Title 14 of the California Code of Regulations (14 CCR) section 18973.1(k) within 30 days of disapproval (i.e., by July 31, 2024).

In some instances, the department was not able to verify compliance due to a lack of clarity or information in The Foundation's submission. This notice identifies information that is needed to assess the compliance of The Foundation's annual program budget. Providing the information requested below will be necessary for the department to determine compliance, however, providing the information may not be sufficient to achieve compliance.

Pursuant to 14 CCR section 18973.1(k), The Foundation must revise and resubmit its *2025 Annual Program Budget* within 60 days of this notice (i.e., by September 29, 2024) to address the deficiencies referenced above and to meet the following requirements:

1. Submit an independent financial audit that is limited in scope to The Foundation's covered drugs stewardship program in California, pursuant to PRC section 42033.2(c)(1). This requirement also applies to all subsequent annual program budget submissions.
2. Submit an independent financial audit that clearly identifies the reserve level amount maintained by The Foundation for the year ending December 31, 2023, that demonstrates it is operating in a prudent and responsible manner pursuant to 14 CCR section 18973.6(c). The independent financial audit should include which line items comprise the reserve amount and specify any financial reserve details in the auditor's notes. This requirement also applies to all subsequent annual program budget submissions.
3. Demonstrate how the covered entities pay for all costs of the stewardship program, and explain how and when the following were paid for by the covered entities participating in The Foundation's stewardship program for covered drugs, pursuant to PRC section 42034:
 - a. Administrative and operational costs.
 - b. "[REDACTED]" (Page 4 of the independent financial audit).
 - c. "[REDACTED]" (Page 4 of the independent financial audit).
 - d. "[REDACTED]" (Page 4 of the independent financial audit).
4. Submit an independent financial audit that clearly and explicitly takes into account the clarification required above in paragraph 3, pursuant to PRC section 42034.
5. Submit an independent financial audit that includes an opinion on the covered drugs stewardship program's compliance in 2023 with PRC section 42034 and the regulations, pursuant to 14 CCR section 18973.6(f)(3). This requirement also applies to all subsequent annual program budget submissions.

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6. Correct accessibility errors in the independent financial audit to make it compliant with section 7405 of the Government Code and with the Web Content Accessibility Guidelines 2.0, pursuant to 14 CCR section 18973(a).

Questions regarding this letter may be directed to pharmasharps@calrecycle.ca.gov.

Regards,

Signed by: Zoe Heller, Director

Dated: July 30, 2024

Zoe Heller
Director

Cc: Heather Beckner, Supervisor, Pharmaceutical and Sharps Unit
Becky Haworth, Environmental Scientist, Pharmaceutical and Sharps Unit