

# LOS ANGELES COUNTY

Audit Report

## **FIREFIGHTERS' CANCER PRESUMPTION PROGRAM**

Chapter 1568, Statutes of 1982

*July 1, 2002, through June 30, 2005*



**JOHN CHIANG**  
California State Controller

April 2007



**JOHN CHIANG**  
California State Controller

April 25, 2007

J. Tyler McCauley  
Auditor-Controller  
Los Angeles County  
500 West Temple Street, Room 603  
Los Angeles, CA 90012

Dear Mr. McCauley:

The State Controller's Office audited the costs claimed by the Los Angeles County for the legislatively mandated Firefighters' Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 2002, through June 30, 2005.

The county claimed \$1,286,597 (\$1,288,597 less a \$2,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,176,975 is allowable and \$109,622 is unallowable. The unallowable costs occurred because the county claimed unsupported costs. The State paid the county \$352,183. Allowable costs claimed exceed the amount paid by \$824,792.

If you have any questions, please contact Jim L. Spano, Chief, Compliance Audits Bureau, at (916) 323-5849.

Sincerely,

*Original signed by*

**JEFFREY V. BROWNFIELD**  
Chief, Division of Audits

JVB/jj:ams:vb

cc: Deborah Prouty, Assistant Chief  
Financial Management Division  
Los Angeles County Fire Department  
Leonard Kaye, SB 90 Coordinator  
Auditor-Controller's Office Los Angeles County  
Todd Jerue, Program Budget Manager  
Corrections and General Government  
Department of Finance

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## **Audit Report**

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the Los Angeles County for the legislatively mandated Firefighters' Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 2002, through June 30, 2005. The last day of fieldwork was July 10, 2006.

The county claimed \$1,286,597 (\$1,288,597 less a \$2,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$1,176,975 is allowable and \$109,622 is unallowable. The unallowable costs occurred because the county claimed unsupported costs. The State paid the county \$352,183. Allowable costs claimed exceed the amount paid by \$824,792.

## Background

Chapter 1568, Statutes of 1982, added and amended *Labor Code* Section 3272.1, which states that cancer that has developed or manifested itself in firefighters will be presumed to have arisen out of and in the course of employment, unless the presumption is controverted by other evidence. The presumption is extended to a firefighter following termination of service for a period of three calendar months for each year of requisite service, but not to exceed 60 months in any circumstance, commencing with the last date actually worked in the specified capacity.

On February 23, 1984, the Board of Control (now the Commission on State Mandates [COSM]) determined that Chapter 1568, Statutes of 1982, imposed a reimbursable mandate under *Government Code* Section 17561.

*Parameters and Guidelines* establishes the state mandate and defines reimbursement criteria. COSM adopted the *Parameters and Guidelines* on October 24, 1985, and last amended it on March 26, 1987. In compliance with *Government Code* Section 17558, the SCO issues claiming instructions for mandated programs, to assist local agencies and school districts in claiming reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Firefighters' Cancer Presumption Program for the period of July 1, 2002, through June 30, 2005.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, were not funded by another source, and were not unreasonable and/or excessive.

We conducted the audit according to *Government Auditing Standards*, issued by the Comptroller General of the United States, and under the authority of *Government Code* Sections 12410, 17558.5, and 17561. We did not audit the county's financial statements. We limited our audit scope to planning and performing audit procedures necessary to obtain reasonable assurance that costs claimed were allowable for reimbursement. Accordingly, we examined transactions, on a test basis, to determine whether the costs claimed were supported.

We limited our review of the county's internal controls to gaining an understanding of the transaction flow and claim preparation process as necessary to develop appropriate auditing procedures.

## **Conclusion**

Our audit disclosed instances of noncompliance with the requirements outlined above. These instances are described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, the Los Angeles County claimed \$1,286,597 (\$1,288,597 less a \$2,000 penalty for filing a late claim) for costs of the Firefighters' Cancer Presumption Program. Our audit disclosed that \$1,176,975 is allowable and \$109,622 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the county \$139. Our audit disclosed that \$439,595 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$439,456, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$482,495 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$482,495, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$352,044. Our audit disclosed that \$254,885 is allowable. The State will offset \$97,159 from other mandated program payments due to the county. Alternatively, the county may remit this amount to the State.

## **Views of Responsible Official**

We issued a draft audit report on February 21, 2007. J. Tyler McCauley, Auditor-Controller, responded by letter dated March 14, 2007 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Prior to the issuance of this report, we discovered that the county amended its FY 2003-04 claim on January 12, 2007, increasing claimed costs by \$80,081, from \$271,963 to \$352,044 (\$353,044 less a \$1,000 penalty for filing a late claim). This report has been updated to include the amended claimed amount. We advised Leonard Kaye, SB 90 Coordinator, of the change to the report on March 30, 2007. He indicated that there are no additional costs that had not been previously reviewed by the auditors. Therefore, he concurs with the change to this report that increased unallowable costs by \$81,081, from \$28,541 to \$109,622.

**Restricted Use**

This report is solely for the information and use of the Los Angeles County, the California Department of Finance, and the SCO; it is not intended to be and should not be used by anyone other than these specified parties. This restriction is not intended to limit distribution of this report, which is a matter of public record.

*Original signed by*

JEFFREY V. BROWNFIELD  
Chief, Division of Audits

## Schedule 1— Summary of Program Costs July 1, 2002, through June 30, 2005

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>			
Services and supplies	\$ 8,371	\$ 8,371	\$ —
Disability benefit costs	870,818	870,818	—
Total direct costs	879,189	879,189	—
Reimbursable percentage	× 50%	× 50%	—
Total program costs	<u>\$ 439,595</u>	439,595	<u>\$ —</u>
Less amount paid by the State		(139)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 439,456</u>	
<u>July 1, 2003, through June 30, 2004</u>			
Services and supplies	\$ 20,033	\$ 8,623	\$ (11,410)
Disability benefit costs	971,882	958,366	(13,516)
Total direct costs	991,915	966,989	(24,926)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs	495,958	483,495	(12,463)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 494,958</u>	482,495	<u>\$ (12,463)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 482,495</u>	
<u>July 1, 2004, through June 30, 2005</u>			
Services and supplies	\$ 57,523	\$ 11,078	\$ (46,445)
Disability benefit costs <sup>2</sup>	648,565	500,691	147,874
Total direct costs	706,088	511,769	(194,319)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs	353,044	255,885	(97,159)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ (352,044)</u>	254,885	<u>\$ (97,159)</u>
Less amount paid by the State		(352,044)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (97,159)</u>	
<u>Summary: July 1, 2002, through June 30, 2005</u>			
Services and supplies	\$ 85,927	\$ 28,072	\$ (57,855)
Disability benefit costs	2,491,265	2,329,875	(161,390)
Total direct costs	2,577,192	2,357,947	(219,245)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs	1,288,597	1,178,975	(109,622)
Less late filing penalty	(2,000)	(2,000)	—
Total program costs	<u>\$ 1,286,597</u>	1,176,975	<u>\$ (109,622)</u>
Less amount paid by the State		(352,183)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 824,792</u>	

<sup>1</sup> See the Finding and Recommendation section.

<sup>2</sup> Disability benefit costs claimed were net of a \$134,986 reimbursement.

# Finding and Recommendation

**FINDING—  
Unallowable costs  
claimed**

For fiscal year (FY) 2003-04 and FY 2004-05, the county claimed unsupported costs of \$57,082 because it did not segregate the portion of multi-body disabilities that related to cancer.

We requested cost breakdowns; however, the county indicated that it was not cost effective to perform such breakdowns. Without the segregation of costs, we cannot validate the eligible portions.

For services and supplies costs, the county did not support \$15,897—\$11,410 for two employees and \$4,487 for three employees. For disability benefit costs, the county did not support \$41,185—\$13,516 for six employees and \$27,669 for two employees.

Following is a summary of the unsupported costs.

	Fiscal Year		Total
	2003-04	2004-05	
Services and supplies	\$ (11,410)	\$ (4,487)	\$ (15,897)
Disability benefits	(13,516)	(27,669)	(41,185)
Audit adjustment	\$ (24,926)	\$ (32,156)	\$ (57,082)

*Parameters and Guidelines*, Section X, Supporting Data, states that for auditing purposes, all costs claimed must be traceable to source documents or worksheets that show evidence of and the validity of such costs, and that these documents must be kept on file and made available on the request of the State Controller.

*Parameters and Guidelines*, Section VI, states that a claim is reimbursable if, “the one or more carcinogens to which the worker was exposed are reasonably linked to the disabling cancer, as demonstrated by competent medical evidence.”

Recommendation

We recommend that the county review all claims to ensure that reported costs are reimbursable under the mandate.

County’s Response

The county concurs with this finding.

SCO’s Comments

The finding and recommendation remain unchanged.

**Attachment—  
County's Response to  
Draft Audit Report**

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J. TYLER McCAULEY  
AUDITOR-CONTROLLER

**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

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March 14, 2007

Mr. James L. Spano, Chief  
Compliance Audits Bureau  
Division of Audits  
State Controller's Office  
Post Office Box 942850  
Sacramento, California 94250-5874

Dear Mr. Spano:

**Los Angeles County's Response  
State Controller's Office [SCO] Draft Audit Report  
Firefighters' Cancer Presumption Program [Chapter 1568/82]**

We have examined SCO's draft audit report, allowing \$1,177,975 or 97.6% of the \$1,206,516 program costs claimed during the period July 1, 2002 through June 30, 2005.

We concur with your audit report findings.

Leonard Kaye of my staff is available at (213) 974-8564 to answer questions you may have concerning this submission.

Very truly yours,

*John Naimo* FOR

J. Tyler McCauley  
Auditor-Controller

JTM:CY:LK

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