

# **CITY OF LOS ANGELES**

Audit Report

## **FIREFIGHTER'S CANCER PRESUMPTION PROGRAM**

Chapter 1568, Statutes of 1982

*July 1, 2007, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

March 2011



**JOHN CHIANG**  
**California State Controller**

March 25, 2011

Honorable Antonio R. Villaraigosa  
Mayor of the City of Los Angeles  
200 N. Spring Street  
Los Angeles, CA 90012

Dear Mr. Villaraigosa:

The State Controller's Office audited the costs claimed by the City of Los Angeles for the legislatively mandated Firefighter's Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 2007, through June 30, 2008.

The city claimed \$2,539,552 for the mandated program. Our audit disclosed that \$1,420,010 is allowable and \$1,119,542 is unallowable. The costs are unallowable because the city claimed non-mandate related, unsupported, and duplicate costs; claimed cumulative costs rather than costs applicable to the audit period; and did not report applicable credits. The State made no payment to the city. The State will pay allowable costs, totaling \$1,420,010, contingent upon available appropriations.

If you disagree with the audit finding, you may file an Incorrect Reduction Claim (IRC) with the Commission on State Mandates (CSM). The IRC must be filed within three years following the date that we notify you of a claim reduction. You may obtain IRC information at the CSM's Web site at [www.csm.ca.gov/docs/IRCForm.pdf](http://www.csm.ca.gov/docs/IRCForm.pdf).

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

Sincerely,

*Original signed by*

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

JVB/vb

cc: Wendy Gruel, Controller  
City of Los Angeles  
Margaret Whelan, General Manager  
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City of Los Angeles  
David Noltemeyer, Chief Management Analyst  
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City of Los Angeles  
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# Contents

## **Audit Report**

<b>Summary .....</b>	<b>1</b>
<b>Background .....</b>	<b>1</b>
<b>Objective, Scope, and Methodology .....</b>	<b>1</b>
<b>Conclusion .....</b>	<b>2</b>
<b>Views of Responsible Official .....</b>	<b>2</b>
<b>Restricted Use .....</b>	<b>2</b>
<b>Schedule 1—Summary of Program Costs .....</b>	<b>3</b>
<b>Finding and Recommendation .....</b>	<b>4</b>

# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by the City of Los Angeles for the legislatively mandated Firefighter's Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 2007, through June 30, 2008.

The city claimed \$2,539,552 for the mandated program. Our audit disclosed that \$1,420,010 is allowable and \$1,119,542 is unallowable. The costs are unallowable because the city claimed non-mandate related, unsupported, and duplicate costs; claimed cumulative costs rather than costs applicable to the audit period; and did not report applicable credits. The State made no payment to the city. The State will pay allowable costs, totaling \$1,420,010, contingent upon available appropriations.

## Background

Labor Code section 3212.1 (added and amended by Chapter 1568, Statutes of 1982) 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 [CSM]) determined that Chapter 1568, Statutes of 1982, imposed a reimbursable mandate under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM 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 to assist local agencies and school districts in claiming mandated program reimbursable costs.

## Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Firefighter's Cancer Presumption Program for the period of July 1, 2007, through June 30, 2008.

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 this performance audit under the authority of Government Code sections 12410, 17558.5, and 17561. We did not audit the city's financial statements. We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

We limited our review of the city'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 City of Los Angeles claimed \$2,539,552 for costs of the Firefighter's Cancer Presumption Program. Our audit disclosed that \$1,420,010 is allowable and \$1,119,542 is unallowable.

The State paid the made no payment to the city. Our audit disclosed that \$1,420,010 is allowable. The State will pay that amount, contingent upon available appropriations.

**Views of  
Responsible  
Official**

We issued a draft audit report on January 26, 2011. Sola Oniyide, Management Analyst, Workers' Compensation Division, Personnel Department, responded by e-mail dated February 18, 2011, stating that the city had no comment on the audit report.

**Restricted Use**

This report is solely for the information and use of the City of Los Angeles, 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

March 25, 2011

**Schedule 1—  
Summary of Program Costs  
July 1, 2007, through June 30, 2008**

<u>Cost Elements</u>	<u>Actual Costs Claimed</u>	<u>Allowable per Audit</u>	<u>Audit Adjustment <sup>1</sup></u>
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Administrative costs	\$ 113,995	\$ 113,995	\$ —
Disability benefits costs	<u>4,965,109</u>	<u>2,726,024</u>	<u>(2,239,085)</u>
Total direct costs	5,079,104	2,840,019	(2,239,085)
Reimbursable percentage	<u>× 50%</u>	<u>× 50%</u>	<u>× 50%</u>
Total program costs <sup>2</sup>	<u>\$ 2,539,552</u>	1,420,010	<u>\$ (1,119,542)</u>
Less amount paid by the State		<u>—</u>	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,420,010</u>	

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

<sup>2</sup> Calculation differences because of rounding.

# Finding and Recommendation

**FINDING—  
Unallowable disability  
benefit costs**

The city claimed unallowable disability benefit costs totaling \$2,239,085. The costs are unallowable for the following reasons:

- The city claimed cumulative disability benefit costs rather than costs applicable to each fiscal year. As a result, the city claimed duplicate costs within the audit period and other costs that it paid outside the audit period.
- The city claimed non-mandate-related costs. The city claimed costs attributable to non-mandate-related ailments, such as knee injuries, cardiovascular disease, and hypertension. The city also claimed 100% of permanent disability costs and legal costs that were attributable to both mandate-related and non-mandate-related ailments.
- The city claimed costs that were not documented in the city’s payment history system (LINX) or were not supported by source documentation.
- The city did not claim credits applicable to mandate-related costs.

The following table summarizes the audit adjustment:

	Fiscal Year 2007-08
Duplicate costs and costs not applicable to audit period	\$ (1,754,663)
Non-mandate-related costs	(314,395)
Unsupported costs	(158,009)
Credits not reported	<u>(12,018)</u>
Audit adjustment	<u>\$ (2,239,085)</u>

The program’s parameters and guidelines state that reimbursement requires demonstration that the worker (1) has cancer which has caused the disability, and (2) that the worker’s cancer developed or manifested itself while the work was in the service of the employer or within the extended period provided for in Labor Code section 3212.1. In addition, the parameters and guidelines state that all costs claimed must be traceable to source documents or worksheets that show evidence of the validity of such costs. The parameters and guidelines also require claimants to deduct any offsetting savings applicable to claimed costs.

Recommendation

On September 27, 2007, the Commission on State Mandates (CSM) concluded that Chapter 1568, Statutes of 1982, does not impose a reimbursable state-mandated program on local agencies. On the same date, the CSM amended the parameters and guidelines to state, “Beginning July 1, 2008, reimbursement is not required for this program.” Therefore, no recommendation is applicable.

City’s Response

The city did not respond to the audit finding.



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