

LOS ANGELES COUNTY

Audit Report

CANCER PRESUMPTION— PEACE OFFICERS PROGRAM

Chapter 1171, Statutes of 1989

July 1, 2006, through June 30, 2008



JOHN CHIANG
California State Controller

March 2012



JOHN CHIANG
California State Controller

March 14, 2012

Honorable Zev Yaroslavsky, Chairman
Board of Supervisors
Los Angeles County
500 West Temple Street, Room 821
Los Angeles, CA 90012

Dear Mr. Yaroslavsky:

The State Controller's Office audited the costs claimed by Los Angeles County for the legislatively mandated Cancer Presumption—Peace Officers Program (Chapter 1171, Statutes of 1989) for the period of July 1, 2006, through June 30, 2008.

The county claimed \$917,747 for the mandated program. Our audit disclosed that \$895,529 is allowable and \$22,218 is unallowable. The costs are unallowable primarily because the county claimed non-mandate-related costs. The State paid the county \$537,206. Allowable costs claimed exceed the amount paid by \$358,323.

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/sk

cc: Wendy L. Watanabe, Auditor-Controller
Los Angeles County
Hasmik Yaghobyan, SB90 Administrator
Auditor-Controller's Office
Los Angeles County
Jeff Carosone, Principal Program Budget Analyst
Cor-Gen Unit, Department of Finance
Jay Lal, Manager
Division of Accounting and Reporting
State Controller's Office

Contents

Audit Report

Summary	1
Background	1
Objective, Scope, and Methodology	1
Conclusion	2
Views of Responsible Officials	2
Restricted Use	2
Schedule 1—Summary of Program Costs	3
Finding and Recommendation	4

Audit Report

Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County for the legislatively mandated Cancer Presumption—Police Officers Program (Chapter 1171, Statutes of 1989) for the period of July 1, 2006, through June 30, 2008.

The county claimed \$917,747 for the mandated program. Our audit disclosed that \$895,529 is allowable and \$22,218 is unallowable. The costs are unallowable primarily because the county claimed non-mandate-related costs. The State paid the county \$537,206. Allowable costs claimed exceed the amount paid by \$358,323.

Background

Chapter 1171, Statutes of 1989, amended Labor Code section 3212.1 to add peace officers to the category of public employees that its provisions cover. The applicable peace officers are those defined in Penal Code sections 830.1 and 830.2, subdivision (a), who are primarily engaged in active law enforcement activities. Previously, the provisions applied only to public sector fire fighting personnel.

Labor Code section 3212.1 states that cancer that has developed or manifested itself in peace officers will be presumed to have arisen out of and in the course of employment, unless other evidence controverts the presumption. The presumption is extended to a peace officer 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 July 23, 1992, the Commission on State Mandates (CSM) determined that Chapter 1171, Statutes of 1989, imposed a state mandate reimbursable under Government Code section 17561.

The program's parameters and guidelines establish the state mandate and define reimbursement criteria. The CSM adopted parameters and guidelines on January 21, 1993, and amended them on September 27, 2007, and January 29, 2010. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies in claiming reimbursable costs.

Objective, Scope, and Methodology

We conducted the audit to determine whether costs claimed represent increased costs resulting from the Cancer Presumption—Police Officers Program for the period of July 1, 2006, 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 county'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 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, Los Angeles County claimed \$917,747 for costs of the Cancer Presumption—Peace Officers Program. Our audit disclosed that \$895,529 is allowable and \$22,218 is unallowable.

For the fiscal year (FY) 2006-07 claim, the State paid the county \$537,206. Our audit disclosed that \$532,849 is allowable. The State will offset \$4,357 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

For the FY 2007-08 claim, the State made no payment to the county. Our audit disclosed that \$362,680 is allowable. The State will pay that amount, contingent upon available appropriations.

Views of Responsible Officials

We conducted an exit conference on February 16, 2012, and discussed our audit results with Hasmik Yaghobyan, SB-90 Administrator, Auditor-Controller's Office; Evelyn Ureta, Administrative Services Manager I, Sheriff's Department; and other county staff. The county notified us by e-mail on February 23, 2012, that it agreed with the audit findings and agreed that we could issue the audit report as final.

Restricted Use

This report is solely for the information and use of 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

March 14, 2012

**Schedule 1—
Summary of Program Costs
July 1, 2006, through June 30, 2008**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment ¹
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Administrative costs	\$ 15,382	\$ 15,382	\$ —
Disability benefits costs	1,059,029	1,050,315	(8,714)
Total direct costs	1,074,411	1,065,697	(8,714)
Reimbursable percentage	× 50%	× 50%	× 50%
Total program costs ²	<u>\$ 537,206</u>	532,849	<u>\$ (4,357)</u>
Less amount paid by the State		(537,206)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (4,357)</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Administrative costs	\$ 12,461	\$ 12,461	\$ —
Disability benefits costs	748,620	712,898	(35,722)
Total direct costs	761,081	725,359	(35,722)
Reimbursable percentage	× 50%	× 50%	× 50%
Total program costs ²	<u>\$ 380,541</u>	362,680	<u>\$ (17,861)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 362,680</u>	
<u>Summary: July 1, 2006, through June 30, 2008</u>			
Direct costs:			
Administrative costs	\$ 27,843	\$ 27,843	\$ —
Disability benefits costs	1,807,649	1,763,213	(44,436)
Total direct costs	1,835,492	1,791,056	(44,436)
Reimbursable percentage	× 50%	× 50%	× 50%
Total program costs ²	<u>\$ 917,747</u>	895,529	<u>\$ (22,218)</u>
Less amount paid by the State		(537,206)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 358,323</u>	

¹ See the Finding and Recommendation section.

² Calculation differences due to rounding.

Finding and Recommendation

FINDING— Unallowable disability benefit costs

The county claimed unallowable costs totaling \$44,436. Claimed costs were unallowable for the following reasons:

Fiscal Year (FY) 2006-07

- The county claimed non-mandated-related costs totaling \$7,746. The county claimed costs attributable to ailments other than cancer, such as orthopedic injuries, cardiovascular disease, and hypertension. In addition, the county incorrectly claimed 100% of the permanent disability costs for a claimant who had both cancer-related and non-cancer-related ailments.
- The county claimed duplicate costs totaling \$968. The county claimed one claimant's travel costs as both travel costs and medical costs. In addition, the county paid one claimant's permanent disability payment twice for the same payment period.

FY 2007-08

- The county claimed non-mandate-related costs totaling \$49,348. The county claimed costs attributable to ailments other than cancer. In addition, the county incorrectly claimed 100% of claimants' permanent disability and legal costs for claimants who had both cancer-related and non-cancer-related ailments.
- The county erroneously applied a \$14,321 credit to claimed costs. One claimant had two separate mandate-related workers' compensation claims with the county (hereafter referred to as Claim 1 and Claim 2). The county's payment history showed FY 2006-07 expenses totaling \$14,321 for Claim 1. However, the county did not claim those costs in its FY 2006-07 mandated cost claim.

During FY 2007-08, the county transferred the expenses from Claim 1 to Claim 2. The county claimed the expenses as part of the total costs applicable to Claim 2. However, the county also claimed the credit amount that it posted to Claim 1 when the expenses were transferred to Claim 2. Because the county did not claim the expenses under Claim 1 in FY 2006-07, the county likewise should not have claimed the credit amount posted to Claim 1 in FY 2007-08.

- The county claimed unsupported costs totaling \$695. The county claimed costs for a claimant who had both mandate-related and non-mandate-related ailments. The county did not provide any documentation to show that the claimed costs were mandate-related. However, we noted that these costs were incurred before the claimant submitted his cancer claim.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2006-07	2007-08	
Non-mandate-related costs	\$ (7,746)	\$ (49,348)	\$ (57,094)
Duplicate costs	(968)	—	(968)
Unsupported costs	—	(695)	(695)
Credit erroneously applied	—	14,321	14,321
Audit adjustment	<u>\$ (8,714)</u>	<u>\$ (35,722)</u>	<u>\$ (44,436)</u>

The program's parameters and guidelines state that mandated program reimbursement requires evidence that (1) cancer caused the worker's disability, and (2) the worker's cancer developed or manifested itself while the worker 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 that show the validity of such 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.

**State Controller's Office
Division of Audits
Post Office Box 942850
Sacramento, CA 94250-5874**

<http://www.sco.ca.gov>