

# LOS ANGELES COUNTY

Audit Report

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

Chapter 1568, Statutes of 1982

*July 1, 2006, through June 30, 2008*



**JOHN CHIANG**  
California State Controller

April 2012



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

April 20, 2012

The Honorable Zev Yaroslavsky  
Chairman of the 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 Firefighter's Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 2006, through June 30, 2008.

The county claimed \$2,492,683 (\$2,497,121 less a \$4,438 penalty for filing late claims) for the mandated program. Our audit disclosed that \$2,437,226 is allowable and \$55,457 is unallowable. The costs are unallowable because the county claimed non-mandate-related, unsupported, and duplicate costs. The State paid the county \$983,754. Allowable costs claimed exceed the amount paid by \$1,453,472.

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, SB 90 Administrator  
Los Angeles County  
Randall Ward, Finance Staff Analyst  
Mandates Unit, Department of Finance  
Jay Lal, Manager  
Division of Accounting and Reporting  
State Controller's Office

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# Audit Report

## Summary

The State Controller's Office (SCO) audited the costs claimed by Los Angeles County for the legislatively mandated Firefighter's Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 2006, through June 30, 2008.

The county claimed \$2,492,683 (\$2,497,121 less a \$4,438 penalty for filing late claims) for the mandated program. Our audit disclosed that \$2,437,226 is allowable and \$55,457 is unallowable. The costs are unallowable because the county claimed non-mandate-related, unsupported, and duplicate costs. The State paid the county \$983,754. Allowable costs claimed exceed the amount paid by \$1,453,472.

## 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 them 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, 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 \$2,492,683 (\$2,497,121 less a \$4,438 penalty for filing late claims) for costs of the Firefighter's Cancer Presumption Program. Our audit disclosed that \$2,437,226 is allowable and \$55,457 is unallowable.

For the fiscal year (FY) 2006-07 claim, the State paid the county \$983,754. Our audit disclosed that \$973,586 is allowable. The State will offset \$10,168 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 \$1,463,640 is allowable. The State will pay that amount, contingent upon available appropriations.

## **Views of Responsible Officials**

We conducted an exit conference on March 22, 2012, and discussed our audit results with Hasmik Yaghobyan, SB 90 Administrator, Auditor-Controller's Office; Debby Prouty, Assistant Chief, Financial Management, Fire Department; and other county staff. The county confirmed by e-mail on March 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

April 20, 2012

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>July 1, 2006, through June 30, 2007</u>			
Direct costs:			
Administrative costs	\$ 157,097	\$ 157,097	\$ —
Disability benefits costs	1,852,056	1,794,239	(57,817)
Total direct costs	2,009,153	1,951,336	(57,817)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs <sup>2</sup>	1,004,577	975,668	(28,909)
Less late filing penalty	(2,082)	(2,082)	—
Total program costs	<u>\$ 1,002,495</u>	973,586	<u>\$ (28,909)</u>
Less amount paid by the State		(983,754)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (10,168)</u>	
<u>July 1, 2007, through June 30, 2008</u>			
Direct costs:			
Administrative costs	\$ 230,308	\$ 230,308	\$ —
Disability benefits costs	2,761,565	2,708,468	(53,097)
Subtotal	2,991,873	2,938,776	(53,097)
Less offsetting savings/reimbursements	(6,784)	(6,784)	—
Total direct costs	2,985,089	2,931,992	(53,097)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs <sup>2</sup>	1,492,544	1,465,996	(26,548)
Less late filing penalty	(2,356)	(2,356)	—
Total program costs	<u>\$ 1,490,188</u>	1,463,640	<u>\$ (26,548)</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,463,640</u>	

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment
<u>Summary: July 1, 2006, through June 30, 2008</u>			
Direct costs:			
Administrative costs	\$ 387,405	\$ 387,405	\$ —
Disability benefits costs	4,613,621	4,502,707	(110,914)
Subtotal	5,001,026	4,890,112	(110,914)
Less offsetting savings/reimbursements	(6,784)	(6,784)	—
Total direct costs	4,994,242	4,883,328	(110,914)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs <sup>2</sup>	2,497,121	2,441,664	(55,457)
Less late filing penalty	(4,438)	(4,438)	—
Total program costs	<u>\$ 2,492,683</u>	2,437,226	<u>\$ (55,457)</u>
Less amount paid by the State		(983,754)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 1,453,472</u>	

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

<sup>2</sup> Calculation differences due to rounding.



# Finding and Recommendation

## **FINDING— Unallowable disability benefit costs**

The county claimed unallowable costs totaling \$110,914; the costs are unallowable for the following reasons:

### **Fiscal Year 2006-07**

- The county claimed unsupported costs totaling \$17,252. The county did not provide source documentation for these costs. A county representative advised that the county's third-party administrator (TPA) was unable to locate the invoices.
- The county claimed non-mandate-related costs totaling \$35,766. The county claimed costs attributable to ailments other than cancer.
- The county claimed duplicate costs totaling \$4,799. The county's TPA erroneously paid a vendor twice for the same services. The county claimed both payments.

### **Fiscal Year 2007-08**

- The county claimed unsupported costs totaling \$45,614. The county did not provide source documentation for these costs.
- The county claimed non-mandate-related costs totaling \$7,483. The county claimed costs attributable to ailments other than cancer.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	2006-07	2007-08	
Unsupported costs	\$ (17,252)	\$ (45,614)	\$ (62,866)
Non-mandate-related costs	(35,766)	(7,483)	(43,249)
Duplicate costs	(4,799)	—	(4,799)
Audit adjustment	<u>\$ (57,817)</u>	<u>\$ (53,097)</u>	<u>\$ (110,914)</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, "... only actual costs may be claimed. Actual costs are those costs actually incurred to implement the mandated activity. Actual costs must be traceable and supported by 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.

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