

LOS ANGELES COUNTY

Audit Report

CANCER PRESUMPTION- PEACE OFFICERS PROGRAM

Chapter 1171, Statutes of 1989

July 1, 2002, through June 30, 2005



JOHN CHIANG
California State Controller

January 2008



JOHN CHIANG
California State Controller

January 18, 2008

J. Tyler McCauley
Auditor-Controller
Los Angeles County
Kenneth Hahn Hall of Administration
500 West Temple, Room 525
Los Angeles, CA 90012

Dear Mr. McCauley:

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, 2002, through June 30, 2005.

The county claimed \$1,240,944 for the mandated program. Our audit disclosed that \$739,845 is allowable and \$501,099 is unallowable. The unallowable costs occurred because the county claimed ineligible and unsupported costs. The State paid the county \$375,430. Allowable costs claimed exceed the amount paid by \$364,415.

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: Leonard Kaye, SB 90 Coordinator
Auditor-Controller's Office
Los Angeles County
Evelyn Pereta
Sheriff's Department, Los Angeles County
Alex Rossi
Sheriff's Department, Los Angeles County
Todd Jerue, Program Budget Manager
Corrections and General Government
Department of Finance

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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 Cancer Presumption-Peace Officers Program (Chapter 1117, Statutes of 1989) for the period of July 1, 2002, through June 30, 2003.

The county claimed \$1,240,944 for the mandated program. Our audit disclosed that \$739,845 is allowable and \$501,099 is unallowable. The unallowable costs occurred because the county claimed ineligible and unsupported costs. The State paid the county \$375,430. Allowable costs claimed exceed the amount paid by \$364,415.

Background

Chapter 1171, Statutes of 1989, amended Labor Code section 3212.1 so that its provisions also cover peace officers who are primarily engaged in law enforcement activities, as defined in Penal Code sections 830.1 and 830.2. Previously, the provisions applied only to public sector firefighters. The law states that cancer that has developed or manifested itself in peace officers is presumed to have arisen out of and in the course of employment, unless other evidence controverts the presumption. The presumption extends 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 1177, 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. CSM adopted the parameters and guidelines on January 21, 1993. In compliance with Government Code section 17558, the SCO issues claiming instructions for mandated programs 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-Peace Officers 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 Findings and Recommendations section of this report.

For the audit period, Los Angeles County claimed \$1,240,944 for costs of the Cancer Presumption-Peace Officers Program. Our audit disclosed that \$739,845 is allowable and \$501,099 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State paid the county \$349. Our audit disclosed that \$279,732 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$279,383, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$217,261 is allowable. The State will pay allowable costs claimed that exceed the amount paid, totaling \$217,261, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$375,081. Our audit disclosed that \$242,852 is allowable. The State will offset \$132,229 from other mandated program payments due the county. Alternatively, the county may remit this amount to the State.

Views of Responsible Official

We issued an initial draft report on February 21, 2007, and revised it on October 24, 2007. Subsequent to the issuance of our initial draft report, the county provided documentation to support an additional \$50,262 of program costs for FY 2004-05. We issued the revised draft report to reflect these costs, 50% of which are reimbursable under the mandate. J. Tyler McCauley, Auditor-Controller, responded by letter dated November 20, 2007 (Attachment), agreeing with the revised draft report audit results. This final audit report includes the county's response.

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

January 18, 2008

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

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference ¹
<u>July 1, 2002, through June 30, 2003</u>				
Disability benefit costs	\$ 825,731	\$ 539,493	\$ (286,238)	Finding 1
Administrative costs	36,280	19,970	(16,310)	Finding 2
Total direct costs	862,011	559,463	(302,548)	
Reimbursement percentage	× 50%	× 50%	× 50%	
Total program costs	<u>\$ 431,006</u>	279,732	<u>\$ (151,274)</u>	
Less amount paid by the State		(349)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 279,383</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Disability benefit costs	\$ 850,943	\$ 417,515	\$ (433,428)	Finding 1
Administrative costs	18,771	17,006	(1,765)	Finding 2
Total direct costs	869,714	434,521	(435,193)	
Reimbursement percentage	× 50%	× 50%	× 50%	
Total program costs	<u>\$ 434,857</u>	217,261	<u>\$ (217,596)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 217,261</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Disability benefit costs	\$ 739,932	\$ 475,702	\$ (264,230)	Finding 1
Administrative costs	10,230	10,003	(227)	Finding 2
Total direct costs	750,162	485,705	(264,457)	
Reimbursement percentage	× 50%	× 50%	× 50%	
Total program costs	<u>\$ 375,081</u>	242,852	<u>\$ (132,229)</u>	
Less amount paid by the State		(375,081)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (132,229)</u>		
<u>Summary: July 1, 2002, through June 30, 2005</u>				
Disability benefit costs	\$ 2,416,606	\$ 1,432,710	\$ (983,896)	Finding 1
Administrative costs	65,281	46,979	(18,302)	Finding 2
Total direct costs	2,481,887	1,479,689	(1,002,198)	
Reimbursement percentage	× 50%	× 50%	× 50%	
Total program costs	<u>\$ 1,240,944</u>	739,845	<u>\$ (501,099)</u>	
Less amount paid by the State		(375,430)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 364,415</u>		

¹ See the Findings and Recommendations section.

Findings and Recommendations

**FINDING 1—
Unallowable disability
benefit costs**

The county overstated disability benefit costs by \$983,896 for the audit period. The overstated costs occurred because the county claimed costs that are not reimbursable under this program, and claimed costs that were not validated by supporting documentation as follows.

- The county claimed costs for 24 ineligible cases—15 non-cancer cases, four non-work related cases, two non-peace officer cases, two cases in which costs were incurred prior to effective date of this program, and one case that exceeded the five-year limitation.
- The county claimed costs for one case that was not validated by supporting documentation.
- The county incorrectly claimed 100% of costs for two multiple injuries cases that included cancer and non-cancer injuries. Only a percentage of each case relating to cancer are eligible for reimbursement.

Following is a summary of the unallowable disability benefit costs.

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Disability benefit costs:				
Ineligible cases	\$(183,955)	\$(202,331)	\$(54,232)	\$ (440,518)
Unsupported costs	(92,658)	(219,943)	(198,037)	(510,638)
Overstated mandate-portion	<u>(9,625)</u>	<u>(11,154)</u>	<u>(11,961)</u>	<u>(32,740)</u>
Audit adjustment	<u>\$(286,238)</u>	<u>\$(433,428)</u>	<u>\$(264,230)</u>	<u>\$ (983,896)</u>

The program’s parameters and guidelines state:

For auditing purposes, all costs claimed must be traceable to source documents or worksheets that show evidence of and the validity of such costs. . . .

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 sixty months in any circumstance, commencing with the last date actually worked in the specified capacity. . . .

Reimbursement requires a demonstration of elements as follows: (A) 1. the worker is a peace officer . . . (2) the worker has cancer which has caused the disability . . . (3) the worker's cancer developed or manifested itself during a period while the worker was in the service of the employer . . . (4) the worker was exposed, while in the service of the employer . . . (5) 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 ensure that it claims only mandated-reimbursable costs (i.e., those medical and disability costs specifically related to cancer ailments).

County's Response

The county agreed with the audit finding.

**FINDING 2—
Unallowable
administrative costs**

The county overstated administrative costs by \$18,302 for the audit period.

The county calculated the administrative fee per open claim by dividing the contract value for each fiscal year by the average number of open files. The county calculated the number of average open files by averaging the open claims at the beginning and ending of each year.

For fiscal year (FY) 2002-03, the administrative fee per open claim totaled \$868.24 (\$6,418,000 divided by 7,392 average open files). The county claimed an administrative fee per open claim of \$1,577.40, an overstatement of \$709.16 per case. There were 23 open claims. Therefore, administrative fees were overstated by \$16,310 (\$709.16 multiplied by 23 open claims).

For FY 2003-04, the administrative fee per open claim totaled \$895.03 (\$6,650,932 divided by 7,431 average open files). The county claimed an administrative fee per open claim of \$987.97, an overstatement of \$92.94 per case. There were 19 open claims. Therefore, administrative fees were overstated by \$1,765 (\$92.94 multiplied by 19 claims).

For FY 2004-05, the administrative fee per open claim totaled \$909.40 (\$6,700,932 divided by 7,368 average open files). The county claimed an administrative fee per open claim of \$930.00, an overstatement of \$20.60 per case. There were 11 open claims. Therefore, administrative fees were overstated by \$227 (\$20.60 multiplied by 11 open claims).

The program's parameters and guidelines state:

For auditing purposes, all costs claimed must be traceable to source documents or worksheets that show evidence of and the validity of such costs.

Following is a summary of the overstated administrative costs.

	Fiscal Year			Total
	2002-03	2003-04	2004-05	
Audit adjustment	\$ (16,310)	\$ (1,765)	\$ (227)	\$ (18,302)

Recommendation

We recommend that the county ensure that all claimed costs are properly supported.

County's Response

The county agreed with the audit finding.

**OTHER ISSUE—
Payment to county**

The county's response also addressed the following issue. The SCO's Comment immediately follows the county's response.

County's Response

The county requested that the SCO modify the audit report to reflect the actual payment to the county for FY 2004-05. The SCO report shows a payment of \$478,342 for FY 2004-05 but the correct amount is \$375,081.

SCO's Comment

We concur with the county's statement and have made the appropriate changes to the audit report.

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



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

KENNETH HAHN HALL OF ADMINISTRATION
500 WEST TEMPLE STREET, ROOM 525
LOS ANGELES, CALIFORNIA 90012-2706
PHONE: (213) 974-8301 FAX: (213) 626-5427

J. TYLER McCAULEY
AUDITOR-CONTROLLER

WENDY L. WATANABE
CHIEF DEPUTY

November 20, 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:

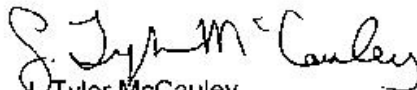
**Los Angeles County's Response
State Controller's Office Draft Audit Report
Peace Officers Cancer Presumption Program [Chapter 1171/89]**

We examined your draft audit report, disallowing \$501,099 or 40.4% of the \$1,240,944 program costs claimed during the period July 1, 2002 through June 30, 2005 and concur that these findings are reasonable and proper.

However, your report should be corrected to reflect the amounts paid the County as indicated on the attached remittance advices. In particular, your report does not reflect your \$103,261 reduction of our 2004-05 estimated claim payment of \$478,342. This occurred because we reduced our 2004-05 actual claim to \$375,081, \$103,261 less than our estimated claim.

Leonard Kaye, of my staff, is available at (213) 974-8564 to be of assistance in this matter.

Very truly yours,


J. Tyler McCauley
Auditor-Controller

JTM:CY:LK
Enclosures

THE BACK OF THIS DOCUMENT CONTAINS AN ARTIFICIAL WATERMARK - VIEW AT AN ANGLE

WARRANT NUMBER

STATE OF CALIFORNIA 68-146018

THE TREASURER OF THE STATE WILL PAY OUT OF THE
 IDENTIFICATION NO. 9919

FUND NO. 0001 FUND NAME GENERAL FUND

NO. DAY YR 8885 09 15 2005

90-13421211 68146018

DOLLARS	CENTS
\$**478342.00	

TO: 6018
 TREASURER
 COUNTY OF LOS ANGELES
 P.O. BOX 1859
 SACRAMENTO, CA 95812

Steve Westly
 STEVE WESTLY
 CALIFORNIA STATE CONTROLLER

⑆121113423⑆ 68146018⑆

DETACH ON DOTTED LINE
KEEP THIS PORTION FOR YOUR RECORDS

68-146018

ISSUE DATE: 09/15/2005
ISSUE DATE: 09/15/2005

CLAIM SCHEDULE NBR: MA53106A

REIMBURSEMENT OF STATE MANDATED COSTS
 FOR QUESTIONS, PLEASE CALL JOHNNY WONG AT (916)324-5732
 ACL : 1171/89 PROG : ~~DANGER PR PEACE OFF~~ CH 1171/89 *R*
 2004/2005 ESTIMATED PAYMENT CLAIMED AMT: 478,342.00
 TOTAL ADJUSTMENTS: .00
 TOTAL APPROVED CLAIMED AMT: 478,342.00
 LESS PRIOR PAYMENTS: .00
 PRORATA PERCENT: 100.000000
 PRORATA BALANCE DUE: .00
 APPROVED PAYMENT AMOUNT: 478,342.00
 PAYMENT OFFSETS -NONE
 NET PAYMENT AMOUNT: 478,342.00

TK7-7003
 off# SLBA045
 9-20-05

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

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