

KERN COUNTY

Audit Report

FIREFIGHTER'S CANCER PRESUMPTION PROGRAM

Chapter 1568, Statutes of 1982

July 1, 1999, through June 30, 2002



STEVE WESTLY
California State Controller

April 2005



STEVE WESTLY
California State Controller

April 22, 2005

The Honorable Ann K. Barnett
Auditor-Controller-County Clerk
Kern County
1115 Truxtun Avenue, 2nd Floor
Bakersfield, CA 93301-4639

Dear Ms. Barnett:

The State Controller's Office audited the claims filed by Kern County for costs of the legislatively mandated Firefighter's Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 1999, through June 30, 2002.

The county claimed \$575,498 (\$576,498 less a \$1,000 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$367,445 is allowable and \$208,053 is unallowable. The unallowable costs occurred because the county erroneously claimed offsetting reimbursements as services and supplies costs. The State paid the county \$456,602. The amount paid exceeds allowable costs claimed by \$89,157.

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

Sincerely,

Original Signed By:

VINCENT P. BROWN
Chief Operating Officer

VPB:JVB/ams

cc: Glenn Spencer
Assistant Auditor-Controller-County Clerk
Kern County
Richard Holdcraft
Business Manager
Risk Management Department
Kern County
James Tilton, 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 claims filed by Kern County for costs of the legislatively mandated Firefighter's Cancer Presumption Program (Chapter 1568, Statutes of 1982) for the period of July 1, 1999, through June 30, 2002. The last day of fieldwork was January 4, 2005.

The county claimed \$575,498 (\$576,498 less a \$1,000 penalty for filing a late claim) for the mandated program. The audit disclosed that \$367,445 is allowable and \$208,053 is unallowable. The unallowable costs occurred because the county erroneously claimed offsetting reimbursements as services and supplies costs. The State paid the county \$456,602. The amount paid exceeds allowable costs claimed by \$89,157.

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 *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 Firefighter's Cancer Presumption Program for the period of July 1, 1999, through June 30, 2002.

Our audit scope included, but was not limited to, determining whether costs claimed were supported by appropriate source documents, not funded by another source, and 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* Section 17558.5. 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 an instance of noncompliance with the requirements outlined above. This instance is described in the accompanying Summary of Program Costs (Schedule 1) and in the Finding and Recommendation section of this report.

For the audit period, Kern County claimed \$575,498 (\$576,498 less a \$1,000 penalty for filing a late claim) for Firefighter's Cancer Presumption Program costs. Our audit disclosed that \$367,445 is allowable and \$208,053 is unallowable.

For fiscal year (FY) 1999-2000, the State paid the county \$207,312. Our audit disclosed that \$167,798 is allowable. The county should return \$39,514 to the State.

For FY 2000-01, the State paid the county \$249,290. Our audit disclosed that \$80,751 is allowable. The county should return \$168,539 to the State.

For FY 2001-02, the State made no payment to the county. Our audit disclosed that \$118,896 is allowable, which the State will pay contingent upon available appropriations.

Views of Responsible Official

We issued a draft audit report on February 18, 2005. Ann K. Barnett, Auditor-Controller-County Clerk, responded by letter dated March 17, 2005 (Attachment), agreeing with the audit results. This final audit report includes the county's response.

Restricted Use

This report is solely for the information and use of Kern 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, 1999, through June 30, 2002**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 1999, through June 30, 2000</u>			
Salaries	\$ 2,916	\$ 2,916	\$ —
Benefits	1,318	1,318	—
Services and supplies	45,708	6,194	(39,514)
Disability benefit costs	365,751	365,751	—
Total direct costs	415,693	376,179	(39,514)
Indirect costs	930	930	—
Total direct and indirect costs	416,623	377,109	(39,514)
Less offsetting savings/reimbursements	—	(39,514)	(39,514)
Subtotal	416,623	337,595	(79,028)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs	208,312	168,798	(39,514)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 207,312</u>	167,798	<u>\$ (39,514)</u>
Less amount paid by the State		(207,312)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (39,514)</u>	
<u>July 1, 2000, through June 30, 2001</u>			
Salaries	\$ 3,546	\$ 3,546	\$ —
Benefits	1,684	1,684	—
Services and supplies	255,553	87,014	(168,539)
Disability benefit costs	236,311	236,311	—
Total direct costs	497,094	328,555	(168,539)
Indirect costs	1,486	1,486	—
Total direct and indirect costs	498,580	330,041	(168,539)
Less offsetting savings/reimbursements	—	(168,539)	(168,539)
Subtotal	498,580	161,502	(337,078)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs	249,290	80,751	(168,539)
Less late filing penalty	—	—	—
Total program costs	<u>\$ 249,290</u>	80,751	<u>\$ (168,539)</u>
Less amount paid by the State		(249,290)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (168,539)</u>	

Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustments ¹
<u>July 1, 2001, through June 30, 2002</u>			
Salaries	\$ 2,441	\$ 2,441	\$ —
Benefits	826	826	—
Services and supplies	4,661	4,661	—
Disability benefit costs	227,843	227,843	—
Total direct costs	235,771	235,771	—
Indirect costs	2,021	2,021	—
Total direct and indirect costs	237,792	237,792	—
Less offsetting savings/reimbursements	—	—	—
Subtotal	237,792	237,792	—
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs	118,896	118,896	—
Less late filing penalty	—	—	—
Total program costs	<u>\$ 118,896</u>	118,896	<u>\$ —</u>
Less amount paid by the State		—	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 118,896</u>	
<u>Summary: July 1, 1999, through June 30, 2002</u>			
Salaries	\$ 8,903	\$ 8,903	\$ —
Benefits	3,828	3,828	—
Services and supplies	305,922	97,869	(208,053)
Disability benefit costs	829,905	829,905	—
Total direct costs	1,148,558	940,505	(208,053)
Indirect costs	4,437	4,437	—
Total direct and indirect costs	1,152,995	944,942	(208,053)
Less offsetting savings/reimbursements	—	(208,053)	(208,053)
Subtotal	1,152,995	736,889	(416,106)
Reimbursable percentage	× 50%	× 50%	× 50%
Total reimbursable costs	576,498	368,445	(208,053)
Less late filing penalty	(1,000)	(1,000)	—
Total program costs	<u>\$ 575,498</u>	367,445	<u>\$ (208,053)</u>
Less amount paid by the State		(456,602)	
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (89,157)</u>	

¹ See the Finding and Recommendation section.

Finding and Recommendation

**FINDING—
Overstated services and
supplies costs, and
understated offsetting
reimbursements**

The county overstated services and supplies costs, and understated offsetting reimbursements by \$208,053 for the audit period, resulting in an audit adjustment totaling \$416,106.

The county claimed services and supplies costs that instead should have been reported as offsetting reimbursements. For fiscal year (FY) 1999-2000 and FY 2000-01, the county’s reinsurance company reimbursed the county for excess payments made to claimants. The county erroneously claimed these offsetting reimbursements as services and supplies costs.

The following table summarizes the audit adjustment:

	Fiscal Year		Total
	1999-2000	2000-01	
Overstated services and supplies	\$ (39,514)	\$ (168,539)	\$ (208,053)
Understated offsetting reimbursements	(39,514)	(168,539)	(208,053)
Audit adjustment	<u>\$ (79,028)</u>	<u>\$ (337,078)</u>	<u>\$ (416,106)</u>

Parameters and Guidelines states, “Any offsetting savings the claimants experience as a direct result of this statute must be deducted from the costs claimed.”

Recommendation

We recommend the county ensure that claimed costs are reimbursable under the mandated program. We also recommend the county properly offset claimed costs for any offsetting reimbursements received.

County’s Response

The county agreed with this recommendation.

SCO’s Comment

The finding and recommendation remain unchanged.

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

ANN K. BARNETT
Auditor-Controller-County Clerk

Glenn S. Spencer
Assistant Auditor-Controller-County Clerk

County Administrative Center
1115 Truxtun Avenue, Second Floor
Bakersfield, CA 93301-4639
FAX 661-868-3560



Auditor-Controller: 661-868-3599
County Clerk: 661-868-3588

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661-868-3590
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TTY Relay 800-735-2929

March 17, 2005

Jim L. Spano, Chief
Compliance Audits Bureau
State Controller's Office
Division of Audits
P.O. Box 942850
Sacramento, CA 94250-5874

Subject: Response to Audit Findings – Firefighter's Cancer Presumption Program for the Period of July 1, 1999 through June 30, 2002

Dear Mr. Spano,

The following is our response to the audit findings and recommendations identified in your draft audit report received on February 25th, 2005:

Finding

The county overstated services and supplies costs, and understated offsetting reimbursements by \$208,053 for the audit period, resulting in an audit adjustment totaling \$416,106.

The county claimed services and supplies costs that instead should have been reported as offsetting reimbursements. For FY 1999-2000 and FY 2000-01, the county's reinsurance company reimbursed the county for excess payments made to claimants. The county erroneously claimed these offsetting reimbursements as services and supplies costs.

Recommendation

We recommend the county ensure that claimed costs are reimbursable under the mandated program. We also recommend the county properly offset claimed costs for any offsetting reimbursements received.

Response

The county agrees with this recommendation.

If you have any additional questions for us, please feel free to contact Glenn S. Spencer, Assistant Auditor-Controller-County Clerk, at 661-868-3548.

Sincerely,



Ann K. Barnett
Auditor-Controller-County Clerk

cc: Kern County Risk Management Department

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

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