

# **RIVERSIDE COUNTY**

Audit Report

## **PEACE OFFICERS' CANCER PRESUMPTION PROGRAM**

Chapter 1171, Statutes of 1989

*July 1, 2002, through June 30, 2006*



**JOHN CHIANG**  
California State Controller

March 2009



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

March 10, 2009

The Honorable Jeff Stone, Chairman  
Board of Supervisors  
Riverside County  
4080 Lemon Street  
Riverside, CA 92501

Dear Mr. Stone:

The State Controller's Office audited the costs claimed by Riverside County for the legislatively mandated Peace Officers' Cancer Presumption Program (Chapter 1171, Statutes of 1989) for the period of July 1, 2002, through June 30, 2006.

The county claimed \$472,635 (\$472,711 less a \$76 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$430,594 is allowable and \$42,041 is unallowable. The costs are unallowable primarily because the county claimed ineligible, non-mandate-related, and unsupported costs. The State paid the county \$159,405. Allowable costs claimed exceed the amount paid by \$271,189.

If you disagree with the audit findings, 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 CSM's Web site, at [www.csm.ca.gov](http://www.csm.ca.gov) (Guidebook link); you may obtain IRC forms by telephone, at (916) 323-3562, or by e-mail, at [csminfo@csm.ca.gov](mailto:csminfo@csm.ca.gov).

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: The Honorable Robert E. Byrd  
Auditor-Controller  
Riverside County  
Michael G. Alexander  
Deputy Auditor-Controller  
Riverside County  
Victoria Currier  
Worker's Compensation Manager  
Riverside 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 Riverside County for the legislatively mandated Peace Officers' Cancer Presumption Program (Chapter 1171, Statutes of 1989) for the period of July 1, 2002, through June 30, 2006.

The county claimed \$472,635 (\$472,711 less a \$76 penalty for filing a late claim) for the mandated program. Our audit disclosed that \$430,594 is allowable and \$42,041 is unallowable. The costs are unallowable primarily because the county claimed ineligible, non-mandate-related, and unsupported costs. The State paid the county \$159,405. Allowable costs claimed exceed the amount paid by \$271,189.

## Background

Labor Code section 3212.1 (amended by Chapter 1171, Statutes of 1989) 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 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. CSM adopted the parameters and guidelines on January 21, 1993. In compliance with Government Code section 17558, the SCO issues claiming instructions to assist local agencies 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 Peace Officers' Cancer Presumption Program for the period of July 1, 2002, through June 30, 2006.

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 Findings and Recommendations section of this report.

For the audit period, Riverside County claimed \$472,635 (\$472,711 less a \$76 penalty for filing a late claim) for costs of the Peace Officers' Cancer Presumption Program. Our audit disclosed that \$430,594 is allowable and \$42,041 is unallowable.

For the fiscal year (FY) 2002-03 claim, the State made no payment to the county. Our audit disclosed that \$32,154 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2003-04 claim, the State made no payment to the county. Our audit disclosed that \$271,214 is allowable. The State will pay that amount, contingent upon available appropriations.

For the FY 2004-05 claim, the State paid the county \$107,943. Our audit disclosed that \$90,352 is allowable. The State will offset \$17,591 from other mandated program payments due to the county. Alternatively, the county may remit this amount to the State.

For the FY 2005-06 claim, the State paid the county \$51,462. Our audit disclosed that \$36,874 is allowable. The State will offset \$14,588 from other mandated program payments due to the county. Alternatively, the county may remit this amount to the State.

## **Views of Responsible Officials**

We issued a draft audit report on December 31, 2008. Michael G. Alexander, Deputy Auditor-Controller, and Vicky Currier, Worker's Compensation Officer, responded by letter dated January 9, 2009 (Attachment), disagreeing with the audit results. This final audit report includes the county's response. We redacted the county's response to exclude cancer claimants' names.

**Restricted Use**

This report is solely for the information and use of Riverside 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 10, 2009

**Schedule 1—  
Summary of Program Costs  
July 1, 2002, through June 30, 2006**

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2002, through June 30, 2003</u>				
Direct costs:				
Services and supplies	\$ 15,176	\$ 13,696	\$ (1,480)	Finding 1
Disability benefits	<u>58,276</u>	<u>50,763</u>	<u>(7,513)</u>	Finding 2
Total direct costs	73,452	64,459	(8,993)	
Reimbursable percentage	× 50%	× 50%	× 50%	
Subtotal	36,726	32,230	(4,496)	
Less late filing penalty	<u>(76)</u>	<u>(76)</u>	<u>—</u>	
Total program costs	<u>\$ 36,650</u>	32,154	<u>\$ (4,496)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 32,154</u>		
<u>July 1, 2003, through June 30, 2004</u>				
Direct costs:				
Services and supplies	\$ 19,282	\$ 12,793	\$ (6,489)	Finding 1
Disability benefits	<u>533,878</u>	<u>529,634</u>	<u>(4,244)</u>	Finding 2
Total direct costs	553,160	542,427	(10,733)	
Reimbursable percentage	× 50%	× 50%	× 50%	
Total program costs	<u>\$ 276,580</u>	271,214	<u>\$ (5,366)</u>	
Less amount paid by the State		—		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 271,214</u>		
<u>July 1, 2004, through June 30, 2005</u>				
Direct costs:				
Salaries	\$ 5,732	\$ 5,732	\$ —	
Benefits	2,797	2,797	—	
Services and supplies	14,216	7,951	(6,265)	Finding 1
Disability benefits	<u>188,961</u>	<u>160,044</u>	<u>(28,917)</u>	Finding 2
Total direct costs	211,706	176,524	(35,182)	
Indirect costs	<u>4,181</u>	<u>4,181</u>	<u>—</u>	
Total direct and indirect costs	215,887	180,705	(35,182)	
Reimbursable percentage	× 50%	× 50%	× 50%	
Total program costs	<u>\$ 107,943</u>	90,352	<u>\$ (17,591)</u>	
Less amount paid by the State		<u>(107,943)</u>		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (17,591)</u>		

## Schedule 1 (continued)

Cost Elements	Actual Costs Claimed	Allowable per Audit	Audit Adjustment	Reference <sup>1</sup>
<u>July 1, 2005, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 4,483	\$ 4,483	\$ —	
Benefits	2,105	2,105	—	
Services and supplies	20,984	2,922	(18,062)	Finding 1
Disability benefits	71,904	60,789	(11,115)	Finding 2
Total direct costs	99,476	70,299	(29,177)	
Indirect costs	3,449	3,449	—	
Total direct and indirect costs	102,925	73,748	(29,177)	
Reimbursable percentage	× 50%	× 50%	× 50%	
Total program costs	<u>\$ 51,462</u>	36,874	<u>\$ (14,588)</u>	
Less amount paid by the State		(51,462)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ (14,588)</u>		
<u>Summary: July 1, 2002, through June 30, 2006</u>				
Direct costs:				
Salaries	\$ 10,215	\$ 10,215	\$ —	
Benefits	4,902	4,902	—	
Services and supplies	69,658	37,362	(32,296)	
Disability benefits	853,019	801,230	(51,789)	
Total direct costs	937,794	853,709	(84,085)	
Indirect costs	7,630	7,630	—	
Total direct and indirect costs	945,424	861,339	(84,085)	
Reimbursable percentage	× 50%	× 50%	× 50%	
Subtotal	472,711	430,670	(42,041)	
Less late filing penalty	(76)	(76)	—	
Total program costs	<u>\$ 472,635</u>	430,594	<u>\$ (42,041)</u>	
Less amount paid by the State		(159,405)		
Allowable costs claimed in excess of (less than) amount paid		<u>\$ 271,189</u>		

<sup>1</sup> See the Findings and Recommendations section.

# Findings and Recommendations

**FINDING 1—  
Unallowable services  
and supplies**

The county claimed unallowable services and supplies totaling \$32,296. The unallowable services and supplies resulted because of the following:

- The county claimed costs applicable to ineligible claimants. The county denied the employees' worker's compensation claims on the basis that the employees' cancer ailments did not arise out of and in the course of employment.
- The county claimed non-mandate-related costs. The county claimed total costs applicable to claimants who had both mandate-related and non-mandate-related ailments. The county also claimed costs that were unrelated to claimants' worker's compensation claims.
- The county claimed unsupported costs. The county did not provide source documentation that validates the claimed costs.
- The county understated claimed costs. We identified mandate-related costs that the county did not claim.

The program's parameters and guidelines state, "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 the presumption is controverted by other evidence." They also state that only cancer-related ailments are reimbursable under the mandated program. In addition, they state, "all costs claimed must be traceable to source documents or work sheets that show evidence of the validity of such costs."

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Ineligible claimant	\$ (575)	\$ (2,579)	\$ (3,719)	\$ (17,960)	\$ (24,833)
Non-mandate-related costs	(508)	(3,611)	(1,921)	(102)	(6,142)
Unsupported costs	(640)	(299)	(949)	—	(1,888)
Understated costs	243	—	324	—	567
<b>Audit adjustment</b>	<b>\$ (1,480)</b>	<b>\$ (6,489)</b>	<b>\$ (6,265)</b>	<b>\$ (18,062)</b>	<b>\$ (32,296)</b>

Recommendation

We recommend that the county claim only those costs that are properly supported and reimbursable under the mandated program. Specifically, we recommend that the county:

- Claim costs only for eligible claimants;
- Claim only mandate-related costs (i.e., those costs attributable to cancer ailments); and
- Maintain source documentation supporting claimed costs.

County's Response

You have determined the "Services and Supplies" and "Disability Benefits" costs of [four] cases to be unallowable. Your finding is based on the fact that their claims were initially denied, so their costs must be unallowable. These cases are currently in litigation and still open.

Since legal costs are eligible in the program Parameters and Guidelines (Ps and Gs), we believe we are correctly claiming these costs. Also, the court has previously found in favor of the claimant in a prior workers compensation claim that was initially denied. Therefore, we would lose the opportunity for reimbursement if these costs are not filed in a timely manner, as we await the final court decision of these pending cases. Since your office has two years in which to complete our field audit, there is plenty of time to end the audit later, giving us time to await court determination.

The county submitted a table identifying the costs for which it is requesting reconsideration. We redacted the county's response to exclude claimants' names. The following table re-categorizes the costs to identify the fiscal year and those costs that are applicable to this audit finding:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Ineligible claimant:					
Case No. 1	\$ (575)	\$ —	\$ (104)	\$ (1,978)	\$ (2,657)
Case No. 2	—	(369)	(3,615)	(2,886)	(6,870)
Case No. 3	—	—	—	(2,977)	(2,977)
Case No. 4	—	—	—	(6,320)	(6,320)
Total	<u>\$ (575)</u>	<u>\$ (369)</u>	<u>\$ (3,719)</u>	<u>\$ (14,161)</u>	<u>\$ (18,824)</u>

SCO's Comment

Our finding and recommendation are unchanged. The unallowable costs in question are related to litigation of claims that the county denied. These costs are unallowable regardless of the outcome of litigation. In its Statement of Decision dated September 27, 2007, the Commission on State Mandates stated, "This statute [Labor Code section 3212.1] authorizes, but does not require, local agencies to dispute the claims of injured employees. Thus, it is the decision made by the local agency to dispute the claim that triggers any litigation costs incurred. Litigation costs are not mandated by the state."

**FINDING 2—  
Unallowable disability  
benefits**

The county claimed unallowable disability benefits totaling \$51,789. The unallowable disability benefits resulted because of the following:

- The county claimed costs applicable to ineligible claimants. The county denied the employees' worker's compensation claims on the basis that the employees' cancer ailments did not arise out of and in the course of employment.
- The county claimed non-mandate-related costs. The county claimed total costs applicable to claimants who had both mandate-related and non-mandate-related ailments.
- The county claimed unsupported costs. The county did not provide source documentation that validates the claimed costs.

The program's parameters and guidelines state, "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 the presumption is controverted by other evidence." They also state that only cancer-related ailments are reimbursable under the mandated program. In addition, they state, "all costs claimed must be traceable to source documents or work sheets that show evidence of the validity of such costs."

The following table summarizes the audit adjustment:

	Fiscal Year				Total
	2002-03	2003-04	2004-05	2005-06	
Ineligible claimant	\$ (2,112)	\$ (2,386)	\$ (915)	\$ (9,753)	\$ (15,166)
Non-mandate-related costs	(1,250)	(1,858)	(27,499)	(1,362)	(31,969)
Unsupported costs	(4,151)	—	(503)	—	(4,654)
Audit adjustment	<u>\$ (7,513)</u>	<u>\$ (4,244)</u>	<u>\$ (28,917)</u>	<u>\$ (11,115)</u>	<u>\$ (51,789)</u>

Recommendation

We recommend that the county claim only those costs that are properly supported and reimbursable under the mandated program. Specifically, we recommend that the county:

- Claim costs only for eligible claimants;
- Claim only mandate-related costs (i.e., those costs attributable to cancer ailments); and
- Maintain source documentation supporting claimed costs.

County's Response

You have determined the "Services and Supplies" and "Disability Benefits" costs of [four] cases to be unallowable. Your finding is based on the fact that their claims were initially denied, so their costs must be unallowable. These cases are currently in litigation and still open.

Since legal costs are eligible in the program Parameters and Guidelines (Ps and Gs), we believe we are correctly claiming these costs. Also, the court has previously found in favor of the claimant in a prior workers compensation claim that was initially denied. Therefore, we would lose the opportunity for reimbursement if these costs are not filed in a timely manner, as we await the final court decision of these pending cases. Since your office has two years in which to complete our field audit, there is plenty of time to end the audit later, giving us time to await court determination.

The county submitted a table identifying the costs for which it is requesting reconsideration. We redacted the county's response to exclude claimants' names. The following table re-categorizes the costs to identify the fiscal year and those costs that are applicable to this audit finding:

	Fiscal Year		Total
	2002-03	2005-06	
Ineligible claimant:			
Case No. 1	\$ (2,112)	\$ (850)	\$ (2,962)
Case No. 2	—	(4,283)	(4,283)
Case No. 3	—	(801)	(801)
Case No. 4	—	(805)	(805)
Total	<u>\$ (2,112)</u>	<u>\$ (6,739)</u>	<u>\$ (8,851)</u>

SCO's Comment

Our finding and recommendation are unchanged. The county did not submit any documentation showing that these cases were adjudicated in the claimants' favor. As the county denied the claims, they do not meet all elements identified in the parameters and guidelines and the applicable costs are not reimbursable under the mandated program. If the county submits documentation showing that the claims were adjudicated in the claimants' favor, we will revise our final audit report as warranted.

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

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**RIVERSIDE COUNTY**  
OFFICE OF THE  
AUDITOR-CONTROLLER

County Administrative Center  
4080 Lemon Street, 11<sup>th</sup> Floor  
P.O. Box 1326  
Riverside, CA 92502-1326  
(951) 955-3800  
Fax (951) 955-3802



**COUNTY OF RIVERSIDE**  
AUDITOR-CONTROLLER

**Robert E. Byrd, CGFM**  
AUDITOR-CONTROLLER

**Bruce Kincaid, MBA**  
ASSISTANT  
AUDITOR-CONTROLLER

January 9, 2009

John Leninger, Auditor  
Mandated Cost Audit Bureau  
Division of Audits  
California State Controller's Office  
P.O. Box 942850  
Sacramento, CA 94230-5874

Dear Mr. Leninger,

We are in receipt of your draft audit report dated December 31, 2008 regarding the County's FY 2002/03-2005/06 Peace Officers' Cancer Presumption Program SB90 claims.

We would like you to re-consider one of your audit findings related to four of our claimed cancer presumption cases. You have determined the "Services and Supplies" and "Disability Benefits" costs of these four cases to be unallowable. Your finding is based on the fact that their claims were initially denied, so their costs must be unallowable. These cases are currently in litigation and still open.

Since legal costs are eligible in the program Parameters and Guidelines (Ps and Gs), we believe we are correctly claiming these costs. Also, the court has previously found in favor of the claimant in a prior workers compensation claim that was initially denied. Therefore, we would lose the opportunity for reimbursement if these costs are not filed in a timely manner, as we await the final court decision of these pending cases. Since your office has two years in which to complete our field audit, there is plenty of time to end the audit later, giving us time to await court determination.

We are requesting reconsideration of costs for the following cases:

Services & Supplies      Disability Benefits      Total

Case #1 - [REDACTED]	\$575 104 <u>1,978</u> \$2,657	\$850 2,112 <u>          </u> \$2,962	\$1,425 2,216 <u>1,978</u> \$5,619
Case #2 - [REDACTED]	\$369 3,615 <u>2,886</u> \$6,870	   <u>          </u> \$4,283	\$369 3,615 <u>2,886</u> \$11,153
Case #3 - [REDACTED]	\$2,977	\$801	\$3,778
Case #4 - [REDACTED]	\$6,320	\$805	\$7,125

Total Unallowed:                      \$18,824                      \$8,851                      \$27,675

We look forward to the opportunity to discuss our position on the above costs, and thanks in advance for your re-consideration.

Sincerely,

  
Michael G. Alexander  
Deputy Auditor-Controller  
Riverside County

  
Vicky Currier  
Workers Comp Officer  
Riverside County

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

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