

Audit Report

**Department of Public Safety and Correctional Services
Criminal Injuries Compensation Board**

November 2018



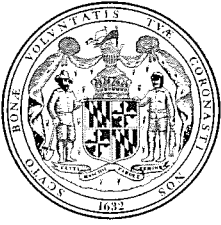
**OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY**

For further information concerning this report contact:

**Department of Legislative Services
Office of Legislative Audits**
301 West Preston Street, Room 1202
Baltimore, Maryland 21201
Phone: 410-946-5900 · 301-970-5900
Toll Free in Maryland: 1-877-486-9964
Maryland Relay: 711
TTY: 410-946-5401 · 301-970-5401
E-mail: OLAWebmaster@ola.state.md.us
Website: www.ola.state.md.us

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Victoria L. Gruber
Executive Director

DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Thomas J. Barnickel III, CPA
Legislative Auditor

November 2, 2018

Senator Craig J. Zucker, Co-Chair, Joint Audit Committee
Delegate C. William Frick, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Criminal Injuries Compensation Board (CICB) of the Department of Public Safety and Correctional Services for the period beginning April 2, 2014 and ending June 30, 2018. CICB provides financial aid to innocent victims of crime or to their families.

Our audit disclosed that CICB award determinations were not always made within the 90-day statutory time limit, and collections were not adequately controlled.

CICB's response to this audit is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by CICB.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gregory A. Hook".

Gregory A. Hook, CPA
Acting Legislative Auditor

Background Information

Agency Responsibilities

The Criminal Injuries Compensation Board (CICB) makes financial aid awards to innocent victims of crime or to their families. To be eligible for such aid, the victim must have sustained a physical injury or death or suffered psychological injury as a direct result of a crime, and must have had a minimum of \$100 in unreimbursed expenses and/or lost at least two continuous weeks of earnings or support.

State law established the Criminal Injuries Compensation Fund as a special non-lapsing fund to be used for the payment of criminal injury awards and related administrative costs. The Fund is administered by CICB. Awards are granted based on available funding received primarily through fees collected by the State courts and through federal funds. CICB makes awards in accordance with the schedule of benefits and the degree of disability specified in State law. The awards granted to claimants may be settled by lump sum or paid in periodic installments that generally cannot exceed \$45,000. In instances where the claimant is determined to be permanently and totally disabled, the claimant is eligible for an additional \$25,000 award at the discretion of the Board. The Board consists of five members whose primary responsibility is to make award decisions.

According to CICB records, approximately 665 claims were approved in fiscal year 2018. Additionally, during that period, deposits into the Fund totaled approximately \$4.1 million and disbursements (which included claim payments and CICB operating expenditures) totaled approximately \$3.6 million. According to CICB's records, as of June 30, 2018, the Fund had unexpended funds totaling \$500,965.

Organizational Change

Chapter 515, Laws of Maryland 2016, required the Governor's Office of Crime Control and Prevention (GOCCP) to study restitution due crime victims and make recommendations concerning the restitution process, including determining which State unit should assume the duties regarding collection of restitution. In its December 2016 Report on Restitution Study, GOCCP recommended that a new unit called the Victim Services Unit (VSU) be formed within GOCCP to collect data, develop best practices, and coordinate with State and local entities regarding restitution. As a result of that study, Chapter 422, Laws of Maryland 2018, effective July 1, 2018, created the VSU under GOCCP to coordinate the State's

responsibilities concerning services to victims. This law also transferred the existing oversight functions and operations of CICB from the Department of Public Safety and Correctional Services to the VSU.

Status of Finding from Preceding Audit Report

Our audit included a review to determine the status of the finding contained in our preceding audit report dated October 27, 2014. We determined that CICB did not satisfactorily address this finding; therefore, it is repeated in this report.

Findings and Recommendations

Claims Processing

Finding 1

Determinations for award claims were not always made within 90 days, as required.

Analysis

The Criminal Injuries Compensation Board (CICB) did not always make award determinations within the required time frame. Our review of the case files for 25 initial claims made during fiscal years 2014 through 2018, which resulted in awards totaling \$261,664, disclosed that 3 determinations (two awards totaling \$14,833 and one award denial) had delays which ranged from 43 to 287 days beyond the 90-day statutory time limit. Our additional review of 27 supplemental claims made during the same period, resulting in awards totaling \$329,869, disclosed that 5 determinations for awards totaling \$71,449 were made 23 to 246 days beyond the 90-day time limit. A supplemental award may occur after an award determination if the claimant requests that CICB reopen the claim to consider additional unreimbursed losses related to the same crime. A similar condition regarding determination delays was commented upon in our preceding audit report.

Upon receipt of a claim application, a claims examiner is responsible for reviewing the submission for required documentation, such as a police report, medical bills, and proof of wages, in accordance with CICB's procedures manual and the related State law. According to State law, once a completed claim application is received, including all the necessary supporting documentation, CICB is required to make a determination to award or deny the claim within 90 days. State regulations stipulate that the process for supplemental awards is the same as that established for an initial claim.

Recommendation 1

We recommend that CICB make award determinations within 90 days, as required (repeat).

Cash Receipts

Finding 2

CICB did not adequately control and account for collections.

Analysis

CICB did not adequately control and account for its collections, which consisted primarily of restitution and subrogation payments received for cases in which a claim had been awarded. Collections received were recorded by CICB on a check log as well as in CICB's automated records of claim activity, which included the amount of restitution due and received from offenders. CICB subsequently forwarded all collections to the Department of Public Safety and Correctional Service's (DPSCS) Information Technology and Communication Division (ITCD) for deposit. According to the State's records, collections received directly by CICB during the period July 1, 2014 to February 28, 2018 totaled approximately \$267,000.

- The employee responsible for recording collections received in offender accounts in CICB's automated records had access to collections since this employee was also responsible for delivering the collections to ITCD for deposit. In addition, CICB did not verify that all collections had been properly transferred for deposit. To ensure that all collections are transferred and deposited intact, the CICB employee who prepares the initial check log should provide a copy directly to an independent employee for comparison to proof of transfer to ITCD or to the bank deposit.
- Collections were not always transferred to ITCD for deposit in a timely manner. Specifically, our test of 10 checks totaling \$39,866 received over 10 days disclosed that 4 checks totaling \$25,627 were transferred to ITCD 11 to 29 business days after receipt.
- CICB did not take certain steps to properly record a restitution payment in the related offender's account when that account could not be immediately identified. From the aforementioned 10 checks tested in May 2018, we identified 4 checks totaling \$23,896, which, although deposited, had not been credited to the offender accounts in CICB's automated records to reduce the amounts owed. These collections were received during the period between November 2016 and April 2018. According to CICB, access to DPSCS' offender database would be pursued to facilitate its efforts.

According to the Comptroller of Maryland's *Accounting Procedures Manual*, agencies are required to separate cash receipts handling duties from the cash receipts and account receivable record keeping functions. Additionally, the *Manual* requires an independent verification of collections to deposit, which should be performed using the initial record of checks received. Furthermore, the *Manual* requires agencies with nominal receipts to make deposits at least weekly or whenever receipts accumulate to \$5,000.

Recommendation 2

We recommend that CICB

- a. ensure that employees who post payments to offender accounts do not have access to the related collections,**
- b. provide the initial record of collections directly to an independent employee responsible for verifying that all collections received were properly transferred for deposit or deposited directly,**
- c. ensure that collections are transferred for deposit on a timely basis, and**
- d. use all available information to properly record all restitution payments in the offenders' accounts.**

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Criminal Injuries Compensation Board (CICB) of the Department of Public Safety and Correctional Services (DPSCS) for the period beginning April 2, 2014 and ending June 30, 2018. The audit was conducted 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.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine CICB's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included claims processing and revenue recovery. We also determined the status of the finding included in our preceding audit report.

Our audit did not include certain support services provided to CICB by DPSCS. These support services (such as payroll, purchasing, maintenance of accounting records, and related fiscal functions) are included within the scope of our fiscal compliance audits of DPSCS' Office of the Secretary.

To accomplish our audit objectives, our audit procedures included inquiries of appropriate personnel, inspections of documents and records, observations of CICB's operations, and tests of transactions. Generally, transactions were selected for testing based on auditor judgment, which primarily considers risk. Unless otherwise specifically indicated, neither statistical nor non-statistical audit sampling was used to select the transactions tested. Therefore, the results of the tests cannot be used to project those results to the entire population from which the test items were selected.

We also performed various data extracts of pertinent information from the State's Financial Management Information System (such as revenue and expenditure data) and the State's Central Payroll Bureau (payroll data). The extracts are performed as part of ongoing internal processes established by the Office of Legislative Audits and were subject to various tests to determine data reliability.

We determined that the data extracted from these sources were sufficiently reliable for the purposes the data were used during this audit.

We also extracted data from CICB's automated claims records for the purpose of testing claims processed. We performed various tests of the relevant data and determined that the data were sufficiently reliable for the purposes the data were used during the audit. Finally, we performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

CICB's management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records; effectiveness and efficiency of operations, including safeguarding of assets; and compliance with applicable laws, rules, and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.

This report includes a finding relating to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect CICB's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit also disclosed a significant instance of noncompliance with applicable laws, rules, or regulations.

CICB's response to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise CICB regarding the results of our review of its response.



APPENDIX

Department of Public Safety and Correctional Services

Office of the Secretary

300 E. JOPPA ROAD • SUITE 1000 • TOWSON, MARYLAND 21286-3020
(410) 339-5000 • FAX (410) 339-4240 • TOLL FREE (877) 379-8636 • V/TTY (800) 735-2258 • www.dpsscs.maryland.gov

STATE OF MARYLAND

LARRY HOGAN
GOVERNOR

October 29, 2018

BOYD K. RUTHERFORD
LT. GOVERNOR

STEPHEN T. MOYER
SECRETARY

Mr. Thomas J. Barnickel, III, CPA
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

WILLIAM G. STEWART
DEPUTY SECRETARY
ADMINISTRATION

J. MICHAEL ZEIGLER
DEPUTY SECRETARY
OPERATIONS

Re: Criminal Injuries Compensation Board (CICB) Audit Response

VACANT
ASSISTANT SECRETARY
PROGRAMS AND SERVICES

Dear Mr. Barnickel,

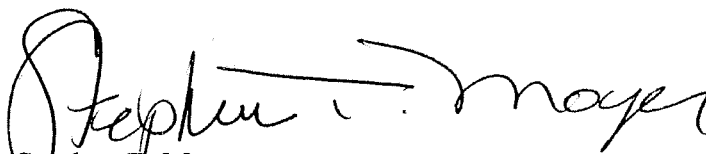
DAVID N. BEZANSON
ASSISTANT SECRETARY
CAPITAL PROGRAMS

The Department of Public Safety and Correctional Services (DPSCS) has reviewed the October 2018 Draft Audit Report for the Criminal Injuries Compensation Board (CICB). The Department appreciates the constructive findings and recommendations that were made as the result of this audit. As you know, a new law effective July 1, 2018 transferred CICB's existing oversight functions and operations from DPSCS to the Governor's Office of Crime Control and Prevention (GOCCP). Accordingly, while the audit period and findings were under DPSCS, the corrective action addressing each recommendation will be the responsibility of GOCCP.

Attached is a cover letter from GOCCP Executive Director V. Glenn Fueston, Jr., and CICB Acting Executive Director Alec Wheaden's itemized responses to the Draft Audit Report.

I trust that this joint response adequately describes the transfer of CICB from our Department to GOCCP, and also addresses the findings and recommendations contained in the Draft Audit Report. If you have any questions, please do not hesitate to contact me or GOCCP Executive Director V. Glenn Fueston, Jr.

Sincerely,


Stephen T. Moyer
Secretary

Attachments

Cc: Walter Pete Landon, Deputy Chief of Staff



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October 25, 2018

Mr. Thomas J. Barnickel III, CPA
Department of Legislative Services
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Dear Mr. Barnickel:

The Governor's Office of Crime Control and Prevention (GOCCP) has reviewed the October 2018 Draft Audit Report of the Criminal Injuries Compensation Board (CICB). We appreciate the constructive findings and recommendations that were made as a result of this audit.

Please find attached CICB Acting Executive Director Alec Wheaden's itemized responses to the Draft Audit Report findings and recommendations. Mr. Wheaden and his management team have begun, and will continue to implement corrective action to address the audit findings, and we will closely monitor their status in order to prevent any repeat audit findings in the next audit.

If you have any questions regarding this response, please contact me.

Sincerely,

V. Glenn Fueston, Jr., Executive Director
Governor's Office of Crime Control and Prevention

SBB/vgf

Attachment

Cc: Steve H. Levin, Chair, CICB
Mona A. Vaidya, Director, Financial Administration, Executive Department




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October 25, 2018

V. Glenn Fueston, Jr., Executive Director
Governor's Coordinating Offices
Governor's Office of Crime Control and Prevention
100 Community Pl
Crownsville, MD 21032

Via

Ms. Barbara Darley 
Assistant Director for the Victim's Services Unit
Governor's Office of Crime Control and Prevention

Dear Executive Director Fueston:

The following is the Criminal Injuries Compensation Board's (CICB) response to the Legislative Audit regarding the Board's 90 Days Claims Processing Time and internal controls involving accounts receivable check deposits. CICB will closely monitor the implementation of these recommendations.

Claims Processing and Cash Receipts

Finding 1

Determinations for award claims were not always made within 90 days, as required.

Recommendation 1

We recommend that CICB make award determinations within 90 days, as required (repeat).

We agree.

The Governor's Office of Crime Control and Prevention (GOCCP) has recently filled the position for the Assistant Director of the Victim Services Unit. It is a priority of this position to conduct a 'Needs Assessment' of the CICB to determine the best possible method to establish a long-term solution for this problem. Proposed solutions may include hiring additional staff at new classifications and project management software.

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In the interim, the CICB has improved its software generated claims tracking report which alerts Claims Examiners of pending workloads and promotes increased accountability. Though not in compliance at the time of this *Finding*, previous methods used to correct this problem have proven to annually decrease processing times towards the 90 day goal. *Anticipated Completion: June 30, 2019.*

Finding 2

CICB did not adequately control and account for collections.

Recommendation 2

We recommend that CICB

- a. ensure that employees who post payments to offender accounts do not have access to the related collections;**
- b. provide the initial record of collections directly to an independent employee responsible for verifying that all collections received were properly transferred for deposit or deposited directly;**
- c. ensure that collections are transferred for deposit on a timely basis; and**
- d. use all available information to properly record all restitution payments in the offenders' accounts.**

We agree.

- a. The duties of posting payments to 'offender accounts' and 'collecting incoming payments' have been separated. Currently, posting of payments to 'offender accounts' is handled by the Financial Manager. 'Collecting incoming payments' is handled by the Claims Processor.
Anticipated Completion: Completed.
- b. Initial collection of cash receipts has been assigned to the Claims Processor, who will be responsible for verifying that all collections received are properly transferred for deposit or deposited directly. *Anticipated Completion: Completed.*
- c. The CICB has established a new process of depositing checks with GOCCP and Governor's Office of Finance (GOFA). Upon receipt of a check, the Claims Processor:
 - 1) endorses the check for deposit;
 - 2) identifies checks as Restitution, Subrogation, or Refund;
 - 3) prepares copies of the checks;
 - 4) prepares the Check Transmittal Log for signature by the Financial Manager; and
 - 5) ships the checks, check copies, and signed Check Transmittal Log to GOFA.This new process adheres to the financial internal control standards as set forth in Comptroller of Maryland's, *Accounting Procedures Manual, Section 3.2 Cash Receipts*.
Anticipated Completion: Completed.
- d. The CICB has established a point of contact within the Department of Public Safety and Correctional Services (DPSCS) Office of Grants, Policy, and Statistics (GPS) that is able to

research DPP Case Numbers and identify full names of the associated DPP offender. Upon request of the analysis by CICB, the Director of GPS will assign a staff member to prepare and forward the results to CICB. CICB will record this information in the offenders' accounts. *Anticipated Completion: **Completed.***

Sincerely,

A handwritten signature in black ink, appearing to read "Alec J. Wheaden, Jr.", with a stylized, cursive script.

Alec J. Wheaden, Jr.

Acting Executive Director for the Criminal Injuries Compensation Board
Governor's Office of Crime Control and Prevention

AUDIT TEAM

William R. Smith, CPA
Audit Manager

Tu N. Vuong
Senior Auditor

Sporthi J. Cernelio
Staff Auditor