

California Victim Compensation Board

2015 SLAA REPORT

January 8, 2016

Marybel Batjer, Secretary
California Government Operations Agency
915 Capitol Mall, Suite 200
Sacramento, CA 95814

Dear Ms. Batjer,

In accordance with the State Leadership Accountability Act (SLAA), the California Victim Compensation Board submits this report on the review of our systems of internal control and monitoring processes for the biennial period ended December 31, 2015.

Should you have any questions please contact Valinda Roberts, Deputy Executive Officer, at (916) 491-3505, valinda.roberts@vcgcb.ca.gov.

BACKGROUND

The Victim Compensation and Government Claims Board (VCGCB) provides financial assistance to victims of crime and a process to address claims against the state.

Our new strategic plan has four strategic goals that direct VCGCB's efforts to developing alternatives to better service victims of crime and become a national leader in the field of victim services.

- • Goal 1: Effectively Serve Victims' Needs
- • Goal 2: Extend Our Reach to Victims
- • Goal 3: Provide Leadership in Victim Services
- • Goal 4: Ensure the Due Process Rights of Californians with Claims against the State

The VCGCB was first established in 1911 and was known as the Board of Control. It was responsible for supervising the business affairs of all state departments, hospitals, prisons, and reformatories, boards, commissions, and bureaus, and the Department of Public Accounting. Its oversight role ended in 1927. Thereafter, its duties included the adoptions of rules and regulations governing the presentation and audit of contract or tort claims. In 1963, its duties were expanded with the enactment of the Torts Claims Act, which the VCGCB administers on behalf of the State.

In 1965, California created the nation's first Victim Compensation Program (CalVCP). Responsibility for this program was transferred to the VCGCB in 1967 and has since become its largest program. Its responsibilities have increased over the years and in 2001, its name was changed to more accurately reflect its roles and responsibilities. Today, the VCGCB administers the CalVCP, the Government Claims Program (GCP) and the Restitution Recovery Program.

California Victim Compensation Program

The CalVCP provides compensation for victims of violent crime who are injured or threatened with injury. CalVCP provides eligible victims with reimbursement for many crime-related expenses. Covered expenses include, but are not limited to, medical and dental care, mental health services, income loss, funeral expenses, rehabilitation and relocation. CalVCP funding comes from restitution paid by criminal offenders through fines, orders, penalty assessments and federal matching funds.

Government Claims Program

The GCP resolves claims against state agencies. In most cases, a person who is considering suing the state is required to first seek an administrative remedy with the GCP. The GCP is supported by a \$25 filing fee and a surcharge paid by state agencies on approved claims.

Restitution Recovery Program

The State Restitution Fund is an important component of CalVCP ensuring there is funding to assist victims of crime. The Fund receives the majority of its revenue from restitution fines, diversion fees, orders and penalties paid by criminal offenders.

In addition to the Restitution Fund, CalVCP also receives federal grant monies from the Victims of Crime Act (VOCA) funds. The VOCA funds come from penalties paid by offenders convicted of federal crimes. To ensure the integrity of the Restitution Fund, CalVCP works with prosecutors, probation officers, courts and other state departments to facilitate the imposition of restitution fines and orders against criminal offenders. To promote collection of restitution owed, CalVCP partners with county offices, the California Department of Corrections and Rehabilitation (CDCR) and the Franchise Tax Board (FTB).

Other Responsibilities

The VCGCB's responsibilities extend to a number of other matters including the handling of bid protests, handling claims of erroneously convicted felons, administering the California State Employees Charitable Campaign, setting rates for travel expenses for elected state officials and the judiciary, establishing per diem rates for members of the Legislature, and administering both the Good Samaritan Act and the Missing Children Reward Program.

RISK ASSESSMENT PROCESS

The Audits and Investigations Office (AIO) interviewed each manager Board-wide regarding their opinion on potential risks in the area(s) they manage that would adversely impact the VCGCB achieving its mission. AIO compiled this information and the Executive Team had a round table discussion. The Executive Team also reviewed prior years' risks reported and prior year's external audit corrective action plan items. Based on this information, the Executive Team determined which risks were most likely to materialize and the potential harmful impact to VCGCB. One of the prior year's risk factors in the 2011 Financial Integrity and State Manager's Accountability Act (FISMA) report appears again this cycle since the Information Technology project has not been completed. All other previously reported risks are not reported because internal controls have been implemented and routinely monitored to mitigate the potential risk.

EVALUATION OF RISKS AND CONTROLS

Operations- Internal- FI\$Cal Conversion

Effective July 1, 2015, VCGCB completely transitioned the budget, accounting, procurement and contract functions to FI\$Cal. VCGCB is not maintaining a parallel automated accounting system because that function was contracted to CFS, a division of Department of General Services. VCGCB decided not to renew CFS' contract and rely entirely on FI\$Cal for accounting services.

The implementation of FI\$Cal over the past few months has presented many challenges. With any new system, there is a learning curve for staff to adjust to the new processes and requirements of the software. The entering of various transactions, such as purchase orders and payment of invoices requires numerous steps and detailed budget coding before the software will allow staff to move forward.

Staff has also encountered software glitches and frequent system down time requiring FI\$Cal to fix or determine a work around. These challenges have resulted in processing time delays and invoices not paid timely. Additionally, FI\$Cal could potentially generate financial reports that are inaccurate and incomplete until all or most of the software glitches are resolved.

VCGCB is or will mitigate the risk by:

- • Staff attending the various in-class and on-line training course offered by FI\$Cal.
- • Staff scheduling on-site visits at VCGCB with FI\$Cal to provide hands on training, resolve processing issues and transaction discrepancies.
- • Retaining all document hardcopies scanned into FI\$Cal.
- • Maintaining all previous manual processes.

- • Processing transactions manually, when necessary, to ensure invoice payments.
- • Preparing reconciliations of FI\$Cal's reports to VCGCB's manual documents and Controller's Balances.

Operations- Internal- New System Implementation (Other Than FI\$Cal)

CaRES is the primary system utilized by VCGCB to process and track victim applications and payment of victim bills. The system requires modifications to resolve the underlying database and application architecture issues that prevent identification of erroneous information, edit checks, and other system controls to adequately identify input and processing errors timely. Completion of the project will also provide sufficient documentation to enable VCGCB staff to properly maintain the system, correct any defects, and address future modifications. This risk was identified in the 2011 FISMA Report reflecting an estimated implementation date of February 2013. With this project schedule slippage and key project personnel turnover along with other potential risks, VCGCB decided to conduct a complete assessment of the CaRES Modification Project by partnering with the California Department of Technology.

As a result, a more defined go-forward approach was developed to adequately incorporate system and user acceptance testing, training, as well as project management best practices, disciplines and documentation as applicable. The go-forward approach was scaled to meet the needs of VCGCB and the state of the project while ensuring compliance with new legislative mandates, IT control agency project requirements, and mitigate risks for the State. The estimated go live date is late Fall 2016.

Operations- Internal- Staff—Key Person Dependence, Succession Planning

VCGCB is a small department with many long-term staff dedicated to its mission. The long-term staff have accumulated institutional knowledge that is invaluable and other staff have grown to rely upon. The heavy reliance upon key staff slows down the ongoing transfer of knowledge, cross training, and documentation of desk procedures until the key staff announces retirement. Managers and staff are then challenged to document and transfer knowledge within a limited period of time potentially creating knowledge gaps. VCGCB had a few key staff retire this calendar year, and there are a few more scheduled over the next few years.

VCGCB is mitigating this risk by preparing a succession plan that focus on staff training and development, as well as:

- • Ensuring all desk procedures are routinely updated and maintained.
- • Rotating staff into different assignments so that staff have broad program experience.
- • Ensuring that each position has a back-up that is able to fill in during staff's absences.

ONGOING MONITORING

Through our ongoing monitoring processes, the California Victim Compensation Board reviews, evaluates, and improves our systems of internal controls and monitoring processes. As such, we have determined we comply with California Government Code sections 13400-13407.

Roles and Responsibilities

As the head of California Victim Compensation Board, Julie Nauman, Executive Director, is responsible for the overall establishment and maintenance of the internal control system. We have identified Valinda Roberts, Deputy Executive Officer, as our designated agency monitor(s).

Frequency of Monitoring Activities

Currently, VCGCB's Office of Audits and Investigations (OAI) prepare an annual audit plan, based on the risk assessment, of which internal controls or policies will be separately evaluated during the fiscal year.

Based on the audit findings, each manager is responsible for preparing a corrective action plan. OAI follows up on the progress of each corrective action plan every six months. Each manager is responsible for the day to day planning and ongoing monitoring of their program area(s). Any significant issues are raised to their Deputy and potentially to the Executive Officer.

Additionally, the Information Security and Privacy Officer (ISPO) is responsible for ensuring staff and contractors adhere to federal and state information security and privacy policies and compliance requirements. The VCGCB's ISPO provides expertise, consultation, staff training as well as tracking compliance.

Reporting and Documenting Monitoring Activities

Within the CaRES system, program managers are able to select transactions for quality control review. If there are issues, it is documented within the system and returned to staff for correction. Program managers use this function to monitor and improve staff performance.

If program staff or management identifies issues with the billing practice of a specific service provider which may suggest potential fraudulent activity, the issue is elevated through the change of command to the Program Deputy. If the Program Deputy concurs with the potential fraudulent issue identified by staff, the matter is referred to OAI for investigation. OAI will investigate and submit a written report to the Program Deputy and the Chief Counsel. After reviewing the report and discussing the findings, the Program Deputy and the Chief Counsel will make the final determination regarding referral of the service provider to the Department of Justice for criminal action and/or the appropriate licensing board for administrative action.

Procedure for Addressing Identified Internal Control Deficiencies

OAI submits all internal audit reports and corrective action plan follow ups to the Executive Officer and the appropriate manager for action every six months until resolved.

CONCLUSION

The California Victim Compensation Board strives to reduce the risks inherent in our work through ongoing monitoring. The California Victim Compensation Board accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies. I certify our systems of internal control and monitoring processes are adequate to identify and address material inadequacies or material weaknesses facing the organization.

Julie Nauman, Executive Director

cc: Department of Finance
Legislature
State Auditor
State Library
State Controller
Secretary of Government Operations