

Victim Compensation and Government Claims Board

It Has Begun Improving the Victim Compensation Program, but More Remains to Be Done

REPORT NUMBER 2008-113, DECEMBER 2008

Victim Compensation and Government Claims Board's response as of December 2009

The Joint Legislative Audit Committee (audit committee) requested the Bureau of State Audits to review the Victim Compensation Program (program) to determine the overall structure of victim compensation services and the role of each entity involved, and to assess the effectiveness of the structure and communication among the entities. The audit committee also asked us to review the funding structure for the program and determine any limitations or restrictions. We were also asked to determine the types of expenses made from the Restitution Fund in each of the last four years, including identifying the annual amount used for administering the program and the annual amount reimbursed to victims.

The audit committee requested us to determine and assess the Victim Compensation and Government Claims Board's (board) process of approving or denying applications and bills, including how it communicates its decisions to applicants. Additionally, the audit committee directed us to review a sample of applications and bills that the board received from 2003 through 2007 to determine whether it adhered to proper protocols for the approval process. The audit committee also asked us to review, for the selected sample, the amount of time various steps took. In addition, it asked us to determine whether the board has a backlog of applications and bills awaiting its decision, the extent of the backlog, and any efforts taken to reduce the backlog. Finally, the audit committee directed us to review and assess the board's overall process for outreach to potential victims of violent crimes and whether it considers the demographics of the populations it serves in establishing its outreach program.

Finding #1: Despite a significant decline in program payments, program support costs have increased.

From fiscal years 2001–02 through 2004–05, program compensation payments decreased from \$123.9 million to \$61.6 million—a 50 percent decline. Compensation payments have increased since fiscal year 2004–05, but not to the level they reached in fiscal year 2001–02. Despite the significant decline in payments, the costs the board incurs to support the program have increased. These costs—ranging from 26 percent to 42 percent annually—account for a significant portion of Restitution Fund disbursements. According to board staff, several factors contribute to the board's program support costs making up such a substantial portion of its total disbursements. One factor is that the board is a stand-alone entity that shares no administrative or overhead costs with other entities. Another factor contributing to the support costs is the level of review that state laws and regulations

Audit Highlights . . .

Our review of the Victim Compensation Program (program) at the Victim Compensation and Government Claims Board (board) revealed the following:

- » *From fiscal years 2001–02 through 2004–05, program compensation payments decreased from \$123.9 million to \$61.6 million—a 50 percent decline.*
- » *Despite the significant decline in payments, the costs to support the program have increased. These costs make up a significant portion of the Restitution Fund disbursements—ranging from 26 percent to 42 percent annually.*
- » *The program did not always process applications and bills as promptly or efficiently as it could have. We noted staff took longer than 180 days to process applications in two instances out of 49 and longer than 90 days to pay bills for 23 of 77 paid bills we examined.*
- » *The program's numerous problems with the transition to a new application and bill processing system led to a reported increase in complaints regarding delays in processing applications and bills.*
- » *Some payments in the Compensation and Restitution System (CaRES) appeared to be erroneous. Although board staff provided explanations for the payments when we brought the matter to their attention, the fact that they were unaware of these items indicates an absence of controls that would prevent erroneous payments.*
- » *The board lacks the necessary system documentation for CaRES.*

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- » *There are no benchmarks, performance measures, or formal written procedures for workload management.*
- » *Despite the board's efforts to increase awareness of the program, several victim witness assistance centers do not think the public is generally aware of program services. Further, the board has not established a comprehensive outreach plan.*

require board analysts to perform to ensure that they pay only eligible bills. Further, another significant contribution to program support costs is that the board contracts with 21 joint powers (JP) units to aid in reviewing bills and applications.

Although not all the work board analysts perform results in compensation payments, the correlation between compensation payments and program support costs provides an overall measure that is informative because it indicates the board's "return on investment" for the level of costs it incurs. Currently, the board does not have a goal that compares program support costs to compensation payments, nor does the board set other similar goals. Further, to aid its efforts to maximize assistance to victims and their families while maintaining a viable Restitution Fund, it is important for the board to develop a method or calculation to establish an annual target fund balance amount.

We recommended that the board establish a complementary set of goals designed to measure its success in maximizing assistance to victims and their families. These goals should include, but not be limited to, one that focuses on the correlation of compensation payments to program support costs and one that establishes a target fund balance needed to avoid financial shortfalls. Further, as the board monitors the goals it has created, it should ensure its cost structure is not overly inflexible and that it is carrying out its support activities in the most cost-effective manner possible.

Board's Action: Partial corrective action taken.

In its one-year response dated December 2009, the board identified four key goals that it is using in measuring the success of its implementation of the strategic plan and in maximizing assistance to victims and their families. Based on its response, the status of the board's efforts in establishing and measuring goals are at various stages as shown in the Table:

GOAL	STATUS
Achieve a 10 percent reduction in processing times for applications and payments by July 2009.	The board reported that processing times have increased due to an increase in applications and the impact of furloughs in fiscal year 2008–09. The board states that it remains committed to reducing processing times in the future.
Achieve a 10 percent increase in customer and stakeholder satisfaction by July 2009.	The board reported that it has completed surveys of customers and stakeholders and now has a baseline to measure progress. The board plans to periodically survey stakeholders to measure changes in satisfaction.
Achieve a 10 percent increase in public awareness by July 2009.	The board reported that it is creating a baseline measure that will allow the program to more accurately gauge the success of the outreach efforts. The board stated it is creating the baseline as part of its 2010 outreach and advertising effort and expects results will be final by the end of 2010.
Increase revenue recovery efforts to support a stable restitution fund.	The board reported an increase in revenue-generating activities. In its 60-day response, the board stated that it would measure success performing a quarterly assessment of the year-to-date revenue in the Restitution Fund and compare it to the same period the year before.

Additionally, the board reported that it has established a target minimum fund balance to avoid financial shortfalls and plans to reassess the target balance annually and adjust as appropriate. Finally, with regard to ensuring that it is carrying out its support activities in the most cost-effective manner, the board reported that it continues to measure administrative support costs, also referred to as program support costs, as a percentage of total program expenditures, excluding revenue-generating program costs. The board reported that it reduced its support costs to 28 percent in fiscal year 2008–09. Because total program expenditures include compensation payments, such a measurement is similar to comparing program support costs to compensation payments, the measure we highlighted as being informative. However, the board has not yet identified a specific goal for its program support costs that it believes, if achieved, would result in it carrying out its support activities in the most cost-effective manner possible. The board reports that it is in the process of conducting a process improvement analysis of the entire program. The board views this analysis as a critical step in determining what might be an appropriate goal and plans to also use it to determine specific operational changes that will result in additional cost reductions.

Finding #2: The board generally complied with state laws and regulations regarding program eligibility.

State laws and regulations describe the requirements for determining if an applicant is eligible for the program. During the eligibility determination process, board staff determine whether both the crime and the applicant qualify under the program. Staff typically use crime reports to determine if a qualifying crime occurred, but according to state regulations they can consider other evidence. Although in our review of 49 applications we found that the board generally determined the eligibility of applicants appropriately, for one application the board lacked documentation to support the eligibility decision. For an additional application we reviewed, the board incorrectly determined eligibility for a crime that did not occur.

To demonstrate that it makes appropriate eligibility decisions on applications, we recommended that the board ensure that it correctly considers reports from other entities, such as law enforcement, and that it sufficiently documents the basis for its decisions.

Board's Action: Corrective action taken.

In its six-month response, the board reported that it updated training modules to include an emphasis on correctly documenting the basis for eligibility decisions. The board also reported that it provided refresher training to staff in May 2009.

In its one-year response, the board reported that it has provided additional training sessions covering claim processing and eligibility determination, which includes training on evaluating information to determine eligibility and properly documenting the results. Additionally, the board reported that it completed its new procedure manual, which is accessible to staff on-line.

Finding #3: The program did not always process applications and bills promptly.

State law related to eligibility determinations for the program requires the board to approve or deny applications, based on the recommendation of board staff, within an average of 90 calendar days, and no longer than 180 calendar days after the acceptance date for an individual application. For the 49 applications we reviewed, the board's average processing time was 76 days, which is well within the statutory average. However, the board did not make a determination within 180 days in two instances. We also noted various instances where the board did not demonstrate that it approved or denied the applications as promptly as it could have after receiving the information necessary to make the determination. In addition, state law requires the board to pay certain bills within specific time frames. Our review of 77 paid bills associated with approved applications found that the board's average processing time was 66 days. However, because the board took more than 90 days to pay some bills, it did not always meet statutory time frames.

The board's procedures for following up with outside entities to obtain necessary information to verify applications and bills are not sufficiently detailed and contribute to inconsistencies in staff efforts to obtain the information promptly. Additionally, even when staff initially request information and follow up promptly, some entities delay providing the necessary information. The board told us it is reaching out to some entities to emphasize the importance of providing requested information more promptly.

Our review of the board's practices for communicating with applicants found that the board uses standard letters to notify applicants of decisions. For example, state regulations require the board to notify an applicant if program staff recommend that the board approve an application or bill. The board recently revised its process to notify applicants of eligibility decisions once the board reaches its final decision, rather than when staff recommend the decision, which is not consistent with state regulations.

To improve its processing time for making decisions on applications and for paying bills, we recommended that the board identify the problems leading to delays and take action to resolve them. Further, we recommended that the board develop specific procedures for staff to use when following up with verifying entities, including appropriate time frames for following up as well as the number of attempts the staff should complete. We also recommended that the board continue its outreach efforts to communicate the importance of responding promptly to its requests for information. Finally, to ensure that it complies with state regulations, we recommended that the board modify its process for when it notifies applicants of decisions or seek regulatory change.

Board's Action: Partial corrective action taken.

In its 60-day response, the board identified two problems that led to delays in processing. The first was the lack of necessary information on applications that precludes the board from beginning to process the applications. The second was the untimely submission of information from providers regarding verification information and from law enforcement regarding crime reports. The board stated that it was developing an on-line application to deal with the problem regarding incomplete applications. The board also stated that it was developing a new procedure manual that would provide step-by-step instructions for staff to follow when verifying applications and bills, including time frames for follow-up. In its one-year response, the board reported that it has completed the on-line application design and testing and successfully piloted the application in four counties. The board stated that it is planning the rollout to the remaining counties in the second quarter of 2010. The board stated that it expects the on-line application to speed processing because it provides help to applicants so they can provide all the required information. Additionally, the board reported that it has completed the procedure manual. The procedure manual provides specific guidance for when and how often staff should follow up with verifying entities.

In its six-month response, the board reported that it amended its provider and other outreach presentations to specifically emphasize the importance of returning crime reports and verification information in a timely manner. The board also reported that it has established and implemented new subpoena procedures for obtaining law enforcement reports.

Finally, the board agrees with our recommendation concerning notification of applicants of the board's recommended decisions, and this change was incorporated into a proposed regulation package. In its one-year response, the board reported that the regulation changes were adopted in April 2009.

Finding #4: The board did not consistently explore alternative coverage of expenses or document its approval process.

Although the board has procedures for staff to follow when verifying whether bills are reimbursable from other sources such as insurance or public assistance, we found that board and JP unit staff were not consistent in their verification efforts. According to state law, the board may reimburse eligible individuals for pecuniary loss, subject to the limitations established by type of benefit. A pecuniary loss

is an economic loss or expenses resulting from an injury or death to a victim of crime that has not been and will not be reimbursed from any other source. Because the board does not ensure that its staff and JP unit staff demonstrate that they follow procedures consistently to verify whether bills can be paid from sources other than the program, applicants may be treated inconsistently, and the board may use program funds inappropriately. Further, the board could not always provide documentation to support the formal approval of the applications and bills we reviewed. Because the board did not maintain documentation for the approvals of staff recommendations on applications and bills, it is unable to demonstrate the required approvals and may encounter legal problems if decisions are challenged.

We recommended that the board ensure that staff consistently verify and document their efforts to ensure that there are no other reimbursable sources. We also recommended that the board consistently maintain documentation of its formal approval of applications and bills.

Board's Action: Corrective action taken.

In its 60-day response, the board reported that its training presentation now includes stronger emphasis on reimbursement sources. In its one-year response, the board states that it provided reimbursement training for staff in 2009 and plans to offer it again in February 2010. The board also reported that its new procedure manual is now complete. Finally, regarding maintaining documentation of its formal approval of applications and bills, the board reported that its fiscal division is now responsible for this documentation.

Finding #5: The board does not have written procedures or time frames for processing appeals.

We reviewed five applications that the board denied and the applicant appealed. The board took more than 250 days to resolve four of the applications we reviewed. The fifth was more than a year old and was not yet resolved. According to the board's appeals manager, the process can be lengthy because it takes time to evaluate the appeals and obtain additional information as needed. Further, according to the appeals manager, the board does not have written procedures that govern the appeals process and has not established time frames for processing appeals. Without procedures and time frames, the board cannot ensure that appealed applications and bills are processed in a prompt manner.

To ensure that the board processes appeals of denied applications within a reasonable time, we recommended that it establish written procedures and time frames.

Board's Action: Corrective action taken.

In its six-month response, the board reported that it had completed the appeals chapter of its procedure manual. The procedure manual includes time frames for how long the intake and analysis processes for appeals are expected to take.

Finding #6: The board is experiencing problems with the transition to CaRES.

The board began making the transition to CaRES, its new system for processing applications and bills, in late June 2006 and began using CaRES exclusively after June 2008. Although the board expects to gain efficiencies and benefits from the use of the new system, it generally has not developed benchmarks or measured results. We also discovered that the board lacks necessary system documentation for CaRES. Further, the board has experienced numerous problems with the transition. Most troubling was our identification of payments that appeared to be erroneous. Although board staff provided explanations, asserting that the payments were appropriate and the data were flawed, the fact that they were unaware of these items indicates the absence of controls that would prevent such erroneous payments being made. In addition, interviews with representatives from victim witness assistance centers (assistance centers) revealed that the new system has caused an increase in complaints regarding delays in processing applications and bills.

To ensure that the board maximizes its use of CaRES, we recommended that the board develop goals, objectives, and benchmarks related to the functions it carries out under CaRES that will allow it to measure its progress in providing prompt, high-quality service; continue identifying and correcting problems within the system as they arise; address the structural and operational flaws that prevent identification of erroneous information and implement edit checks and other system controls sufficient to identify errors; seek input from and work with relevant parties, such as assistance centers and JP units, to resolve issues with the transition; and develop and maintain system documentation sufficient to allow the board to address modifications and questions about the system more efficiently and effectively.

Board's Action: Partial corrective action taken.

In its six-month response, the board reported that it implemented monitoring tools to measure key performance indicators of CaRES system health and that the measures are tracked on a daily basis to provide real time and trend information on CaRES performance. Additionally, the board reported that it completed the data dictionary for CaRES.

In its one-year response, the board stated that it is continuing its effort to maximize its use of CaRES. The board stated that it has developed a corrective action plan that it uses for identifying issues that must be addressed and is tracking the progress of issues. Additionally, the board stated that it hired a database architect to identify structural problems and provide detailed recommendations on how to address these issues in CaRES. The board expects the architect's final assessment and recommendations in December 2009. Further, the board stated that it established a CaRES Change Control Board to review and prioritize modifications and that this is an ongoing process. The board also reported that it is in the process of developing system documentation and dependency diagrams of CaRES.

Finally, the board reported that it continues to work closely with JP office staff to resolve CaRES issues as they arise. The board stated that it conducts regular conference calls with county JP offices and problems relative to CaRES are communicated and tracked in a bi-weekly operational meeting. The board also stated that it actively solicits feedback from a cross-section of representatives relative to CaRES performance problems.

Finding #7: Our analysis of CaRES data revealed that JP units process applications and bills more quickly than the board does.

Based on our review of CaRES, the board's average processing times for applications and bills were considerably longer than that of the JP units collectively. Board staff state that this is partly because assistance centers, which oversee a variety of services to victims, often assist the applicants in completing the applications and obtaining the necessary information before submitting the applications or bills. The average number of days for processing applications from the date the application was accepted was 64 days for the JP units and 80 days for the board. With respect to bills, the average processing time was 57 days for the JP units and 111 days for the board. The board has some tools that encourage applicants to contact the assistance centers. For example, the board developed an informational brochure that provides victims with contact information for their local assistance center. However, the board has opportunities to do more in this area.

To increase the number of applicants who work through assistance centers, we recommended that the board emphasize the advantages of doing so whenever possible.

Board's Action: Partial corrective action taken.

In its 60-day response, the board stated that its lead brochure provides referral and contact information for each assistance center in the State and that its Web site includes links to the assistance centers. However, these materials were previously provided and the board has not increased its emphasis on the advantages of working with the assistance centers in these materials. The board stated that it performs outreach presentations with representatives from the assistance centers to law enforcement agencies and strongly recommends that law enforcement refer claimants to the assistance centers.

In its one-year response, the board stated that it has increased the number of counties serviced by the existing 21 JP offices from 23 in 2008 to 26. The board also stated that to keep services local and provide the fastest, most efficient service to applicants, it has begun transferring applications received at headquarters to the JP office that handles that county. According to the board, this gives each JP office the opportunity to work with the applicant through the life of the claim and to make sure that the applicant gets connected to local services, if needed. As a result of these actions, the board stated that local JP offices will process eligibility and losses for nearly all applications generated by crimes in 47 of the 58 counties.

Finding #8: The board's current process for managing program workload is informal.

The board has not established benchmarks, performance measures, or any formal written procedures for managing workload related to processing applications and bills. In addition, because the reporting function in CaRES, which would provide aging information, is not working yet, the board is currently relying on ad hoc aging reports that are not reliable. As a result, the board does not have critical information readily available to management to make decisions about managing its workload in the most effective manner.

To ensure that the board effectively manages the program workload and can report useful workload data, we recommended that it do the following: develop written procedures for its management of workload, implement the reporting function in CaRES as soon as possible, and establish benchmarks and performance measures to evaluate whether it is effectively managing its workload.

Board's Action: Corrective action taken.

In its one-year response, the board reported that it had developed an inventory monitoring system that identified minimum and maximum workload that is acceptable at each processing center and steps to take if any of the centers are outside of the normal processing parameters. The board stated that program managers meet periodically to discuss the workload and transfer work between centers using established transfer criteria. Additionally, the board stated that its JP offices and headquarters staff are monitoring the number of applications and bills processed and beginning in early November 2009, management meet weekly to evaluate the inventory and production across the entire program. The board also reported that CaRES is now capable of and is producing reports as needed.

Finding #9: The board lacks a comprehensive outreach plan to prioritize its efforts and did not consider demographics and crime statistics in developing its outreach strategies.

The board focused its outreach efforts during fiscal year 2007–08 on increasing awareness of the program among crime victims and the families of victims. Further, the board believes that the best avenue to create awareness of the program is to provide information and outreach materials to first responders—those individuals who generally first come into contact with crime victims or their families after a crime occurs. The board also expands awareness of the program through its key partners—JP units and victim advocates. Despite the variety of outreach efforts conducted by the board, it has not developed a comprehensive outreach plan. Without such a plan, it is unable to demonstrate

that it has prioritized its outreach efforts, appropriately focused on those in need of program services, and spent program funds effectively. Further, the board did not consider demographics or crime statistics when developing its outreach efforts and priorities in fiscal year 2007–08 and has not quantified whether there are potential populations that are underserved. Finally, the board's outreach efforts for vulnerable populations—those groups of individuals that are more susceptible to being victims of crime and those less likely to participate in the program—have been limited.

We recommended that the board establish a comprehensive outreach plan that prioritizes its efforts and appropriately focuses on those in need of program services. We recommended, as part of its planning efforts, that the board seek input from key stakeholders such as assistance centers, JP units, and other advocacy groups and associations to gain insight regarding underserved and vulnerable populations. We also recommended that the board consider demographics and crime statistics information when developing outreach strategies.

Board's Action: Corrective action taken.

In its six-month response, the board reported that it completed its Comprehensive Communication and Outreach Plan and had begun implementation. According to the board, the final plan was developed in partnership with the directors of the county victim witness assistance programs and JP units throughout the State, considered many demographic and crime statistics, and was shared with a variety of victim advocacy groups and other stakeholders.

Finding #10: The board is still considering how to measure the effectiveness of its outreach efforts and does not specifically budget for outreach expenses.

The board announced the rollout of its new strategic plan for the years 2008 through 2012 in May 2008. One of the goals in this plan is to increase public awareness of the program by 10 percent by July 2009. However, as of October 2008, management was still considering future outreach efforts and how best to quantitatively measure the success of these efforts. Further, the board is missing an opportunity to track useful information from applicants regarding how they heard about the program. The board collects such information but had not summarized the information to measure outreach effectiveness. We also discovered that the board does not specifically budget for and report actual outreach expenses.

We recommended that the board define the specific procedures to accomplish its action strategies for outreach and establish quantitative measures to evaluate the effectiveness of its outreach efforts. Further, we recommended that the board use information from applicants regarding how they heard about the program as part of its overall efforts to measure outreach effectiveness. We also recommended that the board specifically budget for and report actual outreach expenses.

Board's Action: Partial corrective action taken.

In its one-year response, the board reported that its Comprehensive Communication and Outreach Plan identifies the use of 10 existing metrics and the development of additional metrics that are and will be used to establish benchmark awareness levels, prioritize projects, target underserved and hard-to-reach populations, and evaluate the effectiveness of overall outreach efforts. The board also reported that to more definitively measure its success in achieving outreach goals, it is in the process of establishing a baseline from which it may accurately measure goals. The board stated that it has developed the methodology to perform a survey to establish a baseline and plans to execute the survey by late 2009. Additionally, the board reported one of the metrics in its plan is an evaluation of applicants' responses to how they heard about the program and that it is using the responses to focus and evaluate research efforts.

The board also reported that it had established an outreach budget for fiscal years 2008–09 and 2009–10, incorporating all the elements of the Comprehensive Communication and Outreach Plan.