

December 22, 2019

Julie Lee, Acting Secretary
California Government Operations Agency
915 Capitol Mall, Suite 200
Sacramento, CA 95814

Dear Ms. Julie Lee,

In accordance with the State Leadership Accountability Act (Leadership Accountability), the California Victim Compensation Board submits this report on the review of our internal control and monitoring systems for the biennial period ending December 31, 2019.

Should you have any questions please contact Jeannine Fenton, Deputy Executive Officer, at (916) 491-3505, Jeannine.Fenton@victims.ca.gov.

GOVERNANCE

Mission and Strategic Plan

The California Victim Compensation Board (CalVCB) administers the Victim Compensation Programs, which provides reimbursement for crime-related expenses to victims who suffer physical injury or the threat of physical injury as a result of a violent crime. CalVCB also administers the Restitution Recovery Program, Claims for Erroneously Convicted Felons, the Good Samaritan Program, and the Missing Children Reward Program. Accordingly, the CalVCB mission is to provide financial assistance to victims of crime.

CalVCB's strategic plan has three strategic goals that direct CalVCB's efforts to develop alternatives to better service victims of crime and become a national leader in the field of victim services. The strategic goals and objectives are as follows:

Goal 1: Effectively Serve Victims' Needs

- Consistently provide timely, accurate and appropriate service to all victims
- Optimize technology to best meet the needs of victims
- Ensure program benefits meet victims' needs

Goal 2: Extend Our Reach to Victims

- Build victims' awareness of CalVCB
- Build access to CalVCB benefits through collaboration

Goal 3: Provide Leadership in Victim Services

- Promote innovative approaches to meeting victims' needs
- Ensure our organization is nimble, adaptive and prepared to meet future needs

Control Environment

CalVCB management established and demonstrates the following core values:

- Dedication
- Collaboration
- Innovation
- Respect
- Integrity

The CalVCB (Board) is a three-member Board dedicated to assisting victims of violent crimes. The Board consists of the Secretary of the Government Operations Agency who serves as the Board's chair, the State Controller or his/her designee, and a public member appointed by the Governor.

The Board members set policy for the organization and make decisions on matters that come before the Board, including appeals for victim compensation decisions, and claims of erroneously convicted felons.

The Executive Officer is appointed by the Board in accordance with Government Code §13909 to administer the day-to-day operations of CalVCB.

CalVCB is a small department with 259 permanent positions. The organization is comprised of five primary divisions: Legal, Victim Compensation, Administration, Information Technology, and the Office of Policy and Outreach. Within these divisions are individual branches with different business objectives to support the CalVCB mission.

CalVCB has a formal organizational chart that outlines the lines of authority and how responsibility is delegated. Communication occurs up and down through the organizational structure and this is shared with new employees during the onboarding process. CalVCB is engaging in an ongoing effort to document core processes to reduce key person dependency. In addition, CalVCB has duty statements for employees and annual reviews occur to monitor performance. CalVCB has a biweekly risk management meeting to identify, discuss, and address potential organizational risks.

In 2018 CalVCB developed a Workforce Plan, which was updated in 2019, to help identify workforce needs and train and develop employees to maximize individual potential. The CalVCB Workforce Plan aligns with the CalVCB Strategic Plan's vision, mission, values, goals, and objectives. It will ensure a smooth transition as the workforce changes and allow CalVCB to seamlessly continue achieving its mission of providing financial assistance to victims of crime well into the future.

Information and Communication

As part of the CalVCB Strategic Plan objectives and core values, the Board has implemented an internal infrastructure to promote collaboration and teamwork across organizational lines. The CalVCB utilizes this structure to communicate information to managers and all staff. The Executive Officer convenes regularly scheduled quarterly leadership meetings and all staff meetings, and sends informational emails as needed to disseminate relevant information to all CalVCB employees timely. The Executive Team meets weekly to discuss high level policy and administrative issues. Identified internal control issues are addressed regularly in these meetings and appropriate follow-up occurs either within subsequent Executive and/or Leadership Team meetings or with specific managers and staff, or at the all staff meeting depending on the nature of the risk. These communication methods assist the CalVCB in striving to be a nimble organization, to enable responding quickly to a change in direction to

meet the needs of the organization and stakeholders depending on the situation.

In addition to CalVCB informational broadcasts to its network which are provided on an as needed basis to promote quality communication with external stakeholders, the Executive Director provides an Executive Statement, Contract Update, and Legislation Update at every Board Meeting and provides an Annual Report summarizing the year's key events.

MONITORING

The information included here discusses the entity-wide, continuous process to ensure internal control systems are working as intended. The role of the executive monitoring sponsor includes facilitating and verifying that the California Victim Compensation Board monitoring practices are implemented and functioning. The responsibilities as the executive monitoring sponsor(s) have been given to: Jeannine Fenton, Deputy Executive Officer.

The ongoing monitoring within CalVCB starts at the line manager level. Each manager is responsible for the day-to-day planning and ongoing monitoring of his/her program area(s). Any significant issues identified during the daily ongoing monitoring is raised to the appropriate Deputy Executive Officer and potentially to the Executive Officer for discussion and resolution.

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 CalVCB's ISPO provides expertise, consultation, staff training, and tracks compliance.

Within the CaRES system, which is used to process applications and pay victim bills, program managers can select transactions for quality control review before the invoices are released for payment. If an issue is identified, it is documented within the system and returned to staff for correction. Also, a post quality review is randomly performed by a separate section on each function, all transactions, and the system controls. A report is prepared and provided to the Victim Compensation Division Deputy Executive Officer identifying the level of accuracy and any issues with staff performance. The Deputy Executive Officer and the managers use both of these quality review functions to monitor and improve staff performance.

If discrepancies are identified during the bill processing that may potentially be fraudulent activity, the service provider information is elevated through the chain of command to the Deputy Executive Officer for an internal review of the potential issue(s). If the Deputy Executive Officer concurs with the potential fraudulent issue identified by staff, the matter is referred to the Provider Evaluation Team (PET) for investigation. The PET will investigate and submit a written report with recommendations to the Executive Officer. After the Executive Officer reviews the report and discusses the findings with the Chief Counsel, the Executive Officer will make the final determination regarding disqualifying the service provider, referring the service provider to the Department of Justice for criminal action, and/or referring the service provider to the appropriate licensing board for administrative action.

RISK ASSESSMENT PROCESS

The following personnel were involved in the California Victim Compensation Board risk assessment process: executive management, middle management, and front line management.

The following methods were used to identify risks: brainstorming meetings, employee engagement surveys, ongoing monitoring activities, audit/review results, other/prior risk assessments, consideration of potential fraud, and performance metrics.

The following criteria were used to rank risks: likelihood of occurrence, potential impact to mission/goals/objectives, timing of potential event, potential impact of remediation efforts, and tolerance level for the type of risk.

The Executive Team held a round table session to brainstorm the CalVCB's strengths, weaknesses, opportunities, and threats. As part of this session the Executive Team reviewed the prior SLAA Report.

Based on this information, the Executive Team determined which risks were most likely to materialize and the potential threat to CalVCB. Some risk factors identified in a prior SLAA Report appear again in this report because they continue to be an ongoing concern to CalVCB.

The Executive Team ranked the risks based on the most effective use of limited resources. Consideration was not given to minor risks that do not have a significant impact on operations or fiscal stabilities.

RISKS AND CONTROLS

Risk: Key Person Dependence

About 50 percent of CalVCB's staff are eligible to retire now or within the next five years. CalVCB has many long-term staff dedicated to its mission in assisting victims of crime.

This stability has created consistency in administering the programs; however, it has also created significant reliance upon a few concentrated key staff in each functional area. A loss of any one of these individuals can greatly impact CalVCB's ability to provide critical services. With the core State workforce aging and the millennials entering the workplace, CalVCB has developed Workforce and Succession Plans. This new workforce requires training, time, and experience to learn and become proficient.

If CalVCB does not continue to implement the plans put in place and/or update the plans as necessary to address this concern, it runs the risk that all of its institutional knowledge will leave CalVCB before it is transferred to the new workforce. This would create a knowledge gap resulting in a significant learning curve for the remaining workforce and a temporary decrease in how effective the program is administered.

Control: Workforce Plan Implementation

CalVCB will continue to implement the Workforce Plan recruitment, retention, professional development, knowledge transfer, and succession planning initiatives. CalVCB will ensure data is routinely collected, initiatives' progress is monitored, milestones and timelines are met, and the plans are evaluated and updated annually to ensure they continue to meet the changing workforce needs. This ongoing process will ensure that CalVCB has the right number of people, with the right skills, in the right jobs, at the right time.

Risk: Business Interruption

Potentially CalVCB's business operations could be significantly disrupted or shut down entirely due to an emergency or threat beyond CalVCB control.

In today's world, organizations have been encountering more frequent terrorist attacks and natural disasters that have disrupted the normal course of business for several days, weeks, or months.

If CalVCB becomes non-operational, it would be unable to meet the needs of claimants who have already been victimized by a violent crime.

Control: Business Continuity Plan

CalVCB has implemented a process to annually review and revise its Business Continuity Plan (BCP) to meet the changing needs of the organization. The BCP is CalVCB's plan to resume operations quickly and efficiently in the event of a significant interruption in business operations. CalOES has provided feedback regarding areas of improvement for the plan and developed a table top drill to test the plan.

Risk: State Restitution Fund

CalVCB's primary funding source is California's State Restitution Fund (SRF). For many years, the State Penalty Fund (SPF) was one of the major funding sources providing revenue into the SRF. The SPF revenues have continued to decrease over the years, directly impacting the level of funding received each fiscal year from the SPF.

In Fiscal Year 2016-17, the Legislature approved Department of Finance's proposal to change the statutory distribution formula to the various departments authorized to receive SPF funding. This change resulted in an ongoing net reduction of \$6 million to the SRF with the potential for additional reductions since it is projected the SPF source of revenue will continue to decrease.

Control: Revenue Recovery

To assist in maintaining the health of California's Restitution Fund, CalVCB's Restitution Recovery Program collects Board-ordered restitution payments and reimbursement from third-party recovery sources, including workers' compensation claims, insurance settlements, civil lawsuits, and probate estates. CalVCB partners with prosecutors, probation officers, and the courts to facilitate the imposition of restitution fines and orders against criminal offenders. CalVCB also partners with Department of Corrections and Rehabilitation and the Franchise Tax Board's Court-Ordered Debt Program to enable timely and complete collection of restitution fines and orders from criminal offenders.

CONCLUSION

The California Victim Compensation Board strives to reduce the risks inherent in our work and accepts the responsibility to continuously improve by addressing newly recognized risks and revising risk mitigation strategies as appropriate. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Lynda Gledhill , Interim Executive Officer

CC: California Legislature [Senate (2), Assembly (1)]
California State Auditor
California State Library
California State Controller
Director of California Department of Finance
Secretary of California Government Operations Agency