

December 27, 2017

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

Dear Ms. Marybel Batjer,

In accordance with the State Leadership Accountability Act (SLAA), 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, 2017.

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

BACKGROUND

The California Victim Compensation Board (CalVCB) is a state program dedicated to providing reimbursement for many crime-related expenses to eligible victims who suffer physical injury or the threat of physical injury as a direct result of a violent 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.

- Goal 1: Effectively Serve Victims' Needs
- Goal 2: Extend Our Reach to Victims
- Goal 3: Provide Leadership in Victim Services

The CalVCB 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, reformatories, boards, commissions, 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 CalVCB administered on behalf of the State.

In 1965, California created the nation's first victim compensation program, which was administered by the Department of Social Welfare. Responsibility for this program was transferred to the Board of Control in 1967. To more accurately reflect its increasing roles and responsibilities, the Board of Control was renamed the Victim Compensation and Government Claims Board (VCGCB) in 2001, overseeing the California Victim Compensation Program, the Revenue Recovery Program and the Government Claims Program. In 2016, the Government Claims Program was transferred to the Department of General Services, and VCGCB became known as the California Victim Compensation Board (CalVCB).

Today, CalVCB is under the Government Operations Agency and administers the Victim Compensation Program (CalVCP), the Revenue Recovery Program, Claims of Erroneously Convicted Felons, the Good Samaritan Act, and the Missing Children Reward Program.

California Victim Compensation Program

This program provides compensation for victims of violent crime who are injured or threatened with injury. The 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 and burial expenses, rehabilitation, and relocation. Also, the qualifying victim's eligible family members may file a claim for program benefits.

Restitution Recovery Program

This program serves victims of crime in California by maintaining the fiscal stability of the Restitution Fund through the recovery of monies owed from restitution fines and orders. The Program's chief emphasis is to educate the criminal justice community (the judiciary, district attorneys, chief probation officers, and court administrators) on the importance of the consistent imposition and collection of restitution fines and orders. The program also partners with the Department of Corrections and Rehabilitation, the Franchise Tax Board, and the Attorney General's Office on restitution-related activities.

Funding Sources

The State Restitution Fund (SRF) is the primary funding source that provides resources to assist victims of crime. The SRF receives the majority of its revenue from restitution fines, diversion fees, orders and penalties paid by criminal offenders statewide.

In addition to the Restitution Fund, CalVCB receives federal grant funding from the Victims of Crime Act (VOCA) and Safe Neighborhoods and Schools Fund (SNSF). The source of the VOCA funds are from penalties paid by offenders convicted of federal crimes. The various State Compensation programs receive a reimbursement in the form of a federal grant of approximately 60 cents for every state dollar spent on eligible compensation expenses. The SNSF funds received are a result of Proposition 47 cost savings. The SNSF funding was mandated to support only CalVCB's Trauma Recovery Grant program.

To ensure the integrity of the Restitution Fund, CalVCB 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, CalVCB partners with county offices, the California Department of Corrections and Rehabilitation (CDCR) and the Franchise Tax Board (FTB).

ONGOING MONITORING

As the head of California Victim Compensation Board, Julie Nauman, Executive Director, is responsible for the overall establishment and maintenance of the internal control and monitoring systems.

EXECUTIVE MONITORING SPONSOR(S)

The executive monitoring sponsor responsibilities include facilitating and verifying that the California Victim Compensation Board internal control monitoring practices are implemented and functioning as intended. The responsibilities as the executive monitoring sponsor(s) have been given to:
Valinda Roberts, Deputy Executive Officer.

MONITORING ACTIVITIES

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 their program area(s).

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 as well as tracking compliance.

Within the CaRES system used to process applications and pay victim bills, program managers are able to select transactions for quality control review before the invoices are released for payment. If there are issues, 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, transactions, and system controls of the program process. A report is prepared and provided to the Program Deputy identifying the level of accuracy and issues with staff performance of the various tasks. The Program Deputy and Managers use both of these quality review functions to monitor and improve staff performance.

ADDRESSING VULNERABILITIES

Any significant issues identified during the daily ongoing monitoring is raised to their Deputy and potentially to the Executive Officer for discussion and resolution.

In the program area, if discrepancies are identified during the bill processing that may potentially be fraudulent activity, the service provider is elevated through the chain of command to the Program Deputy for an internal division review of the potential issue. If the Program Deputy 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 to the Executive Officer with their recommendation(s). After the Executive Officer reviews the report and discusses the findings with the Chief Council, 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.

COMMUNICATION

As part of the Board's 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, all staff meetings, and emails to disseminate relevant information to CalVCB staff. These communication methods assist the CalVCB in striving to be a nimble organization, so that we are able to quickly change direction to meet the needs of our organization and stakeholders depending on the situation.

ONGOING MONITORING COMPLIANCE

The California Victim Compensation Board has implemented and documented the ongoing monitoring processes as outlined in the monitoring requirements of California Government Code sections 13400-13407. These processes include reviews, evaluations, and improvements to the California Victim Compensation Board systems of controls and monitoring.

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.

RISK IDENTIFICATION

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 critical mission surveys completed by the managers and the prior year SLAA report.

Based on this information, the Executive Team determined which risks were most likely to materialize and the potential threat to the CalVCB. A couple of the prior year's risk factors appear again this cycle because they continue to be an ongoing concern to CalVCB in light of new control agency requirements. All other previously reported risks controls have been implemented and routinely monitored to mitigate any additional risk.

RISK RANKING

The Executive Team ranked the risks based on the most effective use of our limited resources as well as meeting any control agency deadlines.

RISKS AND CONTROLS

RISK: REPORTING -INTERNAL-FI\$CAL IMPELEMENTATION, MAINTENANCE, or FUNCTIONALITY

The data provided in the FI\$Cal reports have not been consistently accurate and adequate for monitoring appropriations, revenue, expenditures, and fund cash flows.

FI\$Cal has been notified of the report module ongoing issues. FI\$Cal has committed to working on resolving the issues and improving the report module.

The CalVCB has not received reports that are consistently accurate for management to rely upon when making financial decisions.

CONTROL A

To address this concern, the CalVCB has maintained manual tracking of revenue and expenditures to ensure that appropriations are not overspent and there is sufficient cash available to meet the CalVCB's financial obligations. The manual reports and spreadsheets are used to verify the data in the FI\$Cal reports are accurate. If the data is not accurate, the Accounting staff immediately contacts Department of Finance (DOF) - FI\$Cal Section. If DOF is unable to resolve the issue(s), DOF elevates to FI\$Cal to research and resolve.

RISK: OPERATIONS - INTERNAL-STAFF - KEY PERSON DEPENDENCE, WORKFORCE PLANNING

About 50 percent of CalVCB's staff are eligible to retire now or within the next five years. The CalVCB has many long-term staff dedicated to our 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. With the core state workforce aging and the millennials entering the work, CalVCB will need to develop a plan to transfer the institutional knowledge to the up and coming workforce. The new workforce requires training, time, and experience to learn and become proficient in administering the program and skilled on how to manage people so that there is a smooth transition when the baby boomers decide to retire.

If CalVCB does not implement a plan to immediately 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 A

The CalVCB recently became aware of the percentage of staff eligible to retire now or within five years. CalVCB decided to address this concern immediately. We began implementing various procedures and training to enable the transfer of institutional knowledge amongst staff, as well as providing a more in depth leadership training plan so that staff are ready to compete for the management and executive positions as they become available.

In addition to the staff training, CalVCB staff began attending the California Department of Human Resources' (CalHR) quarterly workforce forums to become more knowledgeable on the topic and determine how other departments were approaching this workforce concern. After gathering this information, CalVCB determined that we must update our workforce plan to meet the goals and objectives of our current Strategic Plan. The CalVCB applied and was accepted into the CalHR Cohort Workforce Plan program. Staff are currently going through the development process that will result in an updated Workforce Plan. Then, the CalVCB will prepare a formal succession plan to implement the workforce plan, regularly monitor and evaluate the outcomes, and update annually based on our needs.

RISK: OPERATIONS -EXTERNAL-BUSINESS INTERRUPTION, SAFETY CONCERNS

There is a potential that CalVCB's business operations could be significantly disrupted or shut down due to an emergency or threat beyond our 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 and/or months.

If CalVCB becomes non-operational, we would not be able to meet the needs of our claimants that have already been victimized by violent crime.

CONTROL A

The CalVCB has implemented a process to annually review and revise our 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. We reached out to CalOES to provide us with feedback regarding areas to improve our plan, and develop a table top drill to test our plan. In addition, staff attends the quarterly BCP meetings sponsored by the Government Operations Agency. These meetings provide a forum to discuss issues, how our sister departments are approaching solutions, and available technology to assist with emergency management.

RISK: OPERATIONS -EXTERNAL-FUNDING-SOURCES, LEVELS

The CalVCB's primary funding source is the 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 A

The CalVCB has taken a proactive approach to address the SRF funding level. We have identified which sources of revenue the CalVCB is statutorily authorized to recover. The CalVCB reached out to the various counties and the California Department of Rehabilitation and Correction (CDRC) to submit to the CalVCB their outstanding court ordered debt, so that we can incorporate into our Restitution Recovery Program. Instead of relying solely on other entities to collect for the CalVCB, we began more assertively submitting the court order debt to the Franchise Tax Board for collection. This additional activity, in time, should assist with ensuring the long-term solvency of the SRF.

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 controls to prevent those risks from happening. I certify our internal control and monitoring systems are adequate to identify and address current and potential risks facing the organization.

Julie Nauman, Executive Director

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