

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 November 2008

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 require board analysts to perform to ensure that they pay only eligible bills. Further,

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.*

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- » *The board lacks the necessary system documentation for CaRES.*
- » *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.*

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: Pending.

The board agrees that it should strive to maintain a balance between revenues and expenditures thereby ensuring fund stability to the extent it is within its control. The board also agrees that the program's administrative functions should be as cost-effective as possible given the complexities of the program and the need to provide timely compensation to victims of crimes.

Further, the board plans to focus on the following activities to meet the intent of the audit recommendations:

- Explore the feasibility of establishing goals designed to measure success in maximizing assistance to crime victims and their families.
- Regularly monitor program data and analyze key trends and indicators of both expenditures and revenue and adjust strategies as necessary to maintain fund stability. This includes an ongoing assessment of cash flow and prudent reserves.
- Continually evaluate the cost-effectiveness of administrative activities, those that result in payouts, those that ensure fund stability, and those that advance victim access to the program and to needed services.

- Support and promote funding received from existing revenue sources. This is specifically addressed in the board's action strategy to develop a restitution outreach and training program. Further, the board plans to regularly evaluate the cost-benefit of ongoing revenue-generating programs and activities.
- Manage program resources and costs to maximize the availability of federal grant funds.

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: Pending.

The board agrees that it should correctly consider reports from other entities and document evidence as a basis for its decisions. The board states that it will continue to emphasize the importance of fully documenting all eligibility decisions and that the board's training activities focus on the need to appropriately document decisions and future training activities will continue this focus.

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 and 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: Pending.

The board states that improving processing times for making decisions on applications and paying bills is being addressed as an early action item by the architectural adjustment section of its Compensation and Restitution System (CaRES) Optimization project charter. The specific improvements envisioned include correcting issues with the aging reports that will allow the board to more easily identify applications approaching the maximum processing time limit. Future training and development of staff will also assist in this area. The board also notes that its Pre-Scan Unit, fully operational in July 2008, identifies missing items on newly filed applications, reducing the processing times for all applications.

Further, the board states that its ability to process applications and pay bills in a timely manner is dependent upon the timely submittal of key information from verifying entities. To improve its success at obtaining such information, the board plans to develop a new procedure manual, which will provide specific direction to staff for processing applications and bills in CaRES. The manual will include specific time frames for follow up with nonresponsive verifying entities. Through its statewide provider forums, the board has been communicating to service providers the importance of prompt submittal of requested information to the board so staff can process payment requests in a timely manner. The board also states that it is reaching out to law enforcement during its law enforcement outreach seminars.

The board agrees with our recommendation concerning notification of applicants of the board's recommended decisions, and this change has been incorporated into the proposed regulation package the board will consider at a subsequent board meeting.

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: Pending.

The board states that regarding the recommendation to consistently verify and document reimbursement sources, the board will ensure that the training and development classes for processing staff include appropriate emphasis on this matter. Further, the board agrees that it can make improvements in maintaining 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: Pending.

The board states that it concurs with our recommendation to develop written procedures and time frames for the appeals process and it plans to develop a new procedures manual that will include this subject.

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: Pending.

The board states that it is continuing its efforts to maximize its use of CaRES. The board states that it has developed the CaRES Optimization project charter that details activities it will undertake to ensure that CaRES performs all functions efficiently and reliably. Further, the board states that this charter sets forth the goals, objectives, and benchmarks related to the functions the board carries out under CaRES. The board also plans to implement edit checks and other system controls to ensure the identification of data errors. The board notes that it recognizes the importance of continuing to seek input from and work with all relevant stakeholders as it implements necessary improvements to CaRES. In addition, the board states that another key element of the project charter is the development and maintenance of system documentation.

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: Pending.

The board states that it will continue to encourage applicants to work directly with the county assistance centers.

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: Pending.

The board states that it recognizes the need to effectively manage workload and that its CaRES Optimization project charter includes the specific task to develop the reporting function and that the data generated will be used to identify and manage workflow. With this reporting capability, the board states that it will be able to develop written workload management procedures and relevant performance measures to evaluate workload management.

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: Pending.

The board agrees that it should establish a comprehensive outreach plan that prioritizes and focuses its efforts on those in need of program services. According to the board, its project charter, entitled *Develop a Comprehensive Communication and Outreach Plan*, reflects the board’s commitment to conduct its outreach efforts pursuant to a written plan which focuses on reaching out to those in need of program services. The plan will identify target audiences, including underserved victim populations; determine communication strategies; develop key messages; and determine appropriate communication tools. The board states that in developing the plan it will seek input from key stakeholders, including first responders, as required by law, and advocacy groups associated with underserved and vulnerable populations. The board further agrees that the plan should consider demographic and crime statistics.

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: Pending.

The board states that metrics are being developed that will be incorporated into its Comprehensive Communication and Outreach Plan. Further, it states that these metrics will be used to measure the effectiveness of the outreach strategies. The board states that the measures will include, but not be limited to, applications received by county and by ethnicity; Department of Justice crime statistics by county and to the extent available by ethnicity; awareness surveys of first responders and community organizations; and surveys regarding how applicants learned of the program.

In addition, the board states that it recognizes the importance of budgeting for and reporting outreach expenses and that it is developing an outreach budget for the balance of fiscal year 2008–09. The board states that it will have established a specific budget and expenditure system for its outreach program by fiscal year 2009–10.