• This report and any related follow-up correspondence are available to the public. Alternate formats may also be requested by contacting the **Office of Legislative Audits** as indicated at the bottom of the next page or through the Maryland Relay Service at 1-800-735-2258.

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• The Department of Legislative Services – Office of the Executive Director, 90 State Circle, Annapolis, Maryland 21401 can also assist you in obtaining copies of our reports and related correspondence. The Department may be contacted by telephone at (410) 946-5400 or (301) 970-5400.
May 22, 2002

Senator Nathaniel J. McFadden, Co-Chair, Joint Audit Committee  
Delegate Samuel I. Rosenberg, Co-Chair, Joint Audit Committee  
Members of Joint Audit Committee  
Annapolis, Maryland

Ladies and Gentlemen:

We have audited the Criminal Injuries Compensation Board for the period beginning May 12, 1999 and ending January 31, 2002.

Our audit tests disclosed that the Board made a number of criminal injury award payments without obtaining adequate support. In addition, funds totaling $108,509 reserved for awards that subsequently became inactive were not reverted to the Criminal Injuries Compensation Fund as required by law.

Respectfully submitted,

Bruce A. Myers, CPA  
Legislative Auditor
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Background Information

Agency Responsibilities

The Criminal Injuries Compensation Board provides financial aid to innocent victims of crime or to their dependents. To be eligible for such aid, the recipient must have sustained a physical injury and had a minimum of $100 in unreimbursed expenses and/or lost 14 consecutive days of work. The Board is a unit of the Department of Public Safety and Correctional Services. The Department provides certain support services (such as payroll, purchasing, maintenance of accounting records and related fiscal functions) to the Board.

State law established the Criminal Injuries Compensation Fund as a special non-lapsing fund to be used for the payment of criminal injury awards and related administrative costs. Awards are granted based on available funding received through fees collected by the State Courts and Federal funds. The Board makes awards in accordance with the schedule of benefits and degree of disability specified by law. The awards granted to claimants are settled by lump sum or monthly installment payments that cannot exceed $45,000 per award. According to the State’s accounting records, $5,105,494 was deposited into the Fund during fiscal year 2001 and the Fund had an unencumbered balance of $3,531,645 as of June 30, 2001.

Current Status of Findings from Preceding Audit Report

Our audit included a review to determine the current status of the four fiscal/compliance findings contained in our preceding audit report dated November 22, 1999. We determined that the Board satisfactorily addressed two of these findings. The remaining two findings are repeated in this report. In the Board’s response to our preceding audit report, it had agreed to implement all of our recommendations.
Findings and Recommendations

Claim Payments

**Finding #1**
The Board made claim payments totaling $172,960 for which there was not adequate documentation for the awards.

The Board made claim payments for awards that were not adequately documented. Specifically, our test of 30 claims totaling $547,873 awarded in fiscal years 2002 and 2001 disclosed 9 instances, with payments totaling $172,960, for which there was not adequate documentation for the awards. As a result, in some instances it was questionable if the awards granted were in accordance with State law. For example, in one instance, a partial dependency award was issued to a claimant who did not have adequate documentation proving that the victim provided support to the claimant. In another instance, the Board awarded a claim to an individual who was involved in criminal activity when the injury was inflicted. During fiscal year 2001, the Board made awards totaling approximately $4.2 million.

**Recommendation #1**
We recommend that the Board ensure that sufficient documentation is obtained to support the compensation awarded.

Monthly Installment Awards

**Finding #2**
Monthly installment awards were inadequately monitored.

Our review disclosed that the Board inadequately monitored monthly installment awards, which are issued to claimants for permanent disability or for loss of support. As of December 31, 2001, the Board had a total of $305,637 in outstanding monthly awards. Specifically, the following deficiencies were noted:

- The Board, in conjunction with the Department of Public Safety and Correctional Services – Office of the Secretary, did not revert funds reserved for inactive awards to the Criminal Injuries Compensation Fund as required by law. Our test of 5 monthly installment awards disclosed 3 awards totaling $54,270 that were inactive for a period of 3 to 6 years and...
should have been reverted to the Fund. In our preceding audit, we identified 8 cases that were inactive for 2 to 11 years and should have been reverted; currently 4 of these cases, totaling $54,239, remain inactive and have not been reverted. As a result, these funds were not made available for future claims. A similar condition was commented upon in our four preceding audit reports.

State law requires the Board to revert terminated awards to the Criminal Injuries Compensation Fund. For example, awards may be terminated due to a change in the claimant’s financial status or if sufficient compensation was subsequently received from other sources.

- State law requires awards to be reduced by any payments received or to be received as a result of the injury (for example, insurance recoveries). Our review disclosed that the Board did not periodically review these cases to ensure that awards should not be reduced or terminated.

- The Board’s manual records of monthly installment awards were not reconciled to the Comptroller of the Treasury’s accounting records. Monthly installment awards are entered into the State’s records as a liability when initially awarded. These liabilities are also recorded on the Board’s manual records and subsequently reduced as payments are made. However, the records were not reconciled and there was a lack of assurance as to the propriety of the records. As of December 31, 2001, the Comptroller’s records of outstanding awards ($892,838) exceeded the Board’s records ($305,637) by $587,201. A similar condition was commented upon in our preceding audit report.

**Recommendation #2**

We again recommend that the Board, in conjunction with the Department of Public Safety and Correctional Services – Office of the Secretary, revert funds reserved for inactive awards to the Criminal Injuries Compensation Fund as required by law. We also recommend that the Board periodically review all monthly installment cases to determine if awards should be reverted or reduced due to payments received or to be received, and take the appropriate action. We also again recommend that the Board reconcile its installment award liability records with the corresponding records of the Comptroller of the Treasury on a monthly basis. All differences identified as a result of these reconciliations should be investigated and resolved.
Verification of Expenditures

Finding #3
The Board did not verify expenditures made from the Criminal Injuries Compensation Fund.

Expenditures made from the Criminal Injuries Compensation Fund were not verified for propriety. Specifically, approved payments were forwarded to the Department of Public Safety and Correctional Services’ Finance Office for processing; however, the Board did not subsequently verify these expenditures to the State’s records. As a result, there was a lack of assurance that only authorized transactions were made from the Fund. Total fiscal year 2001 expenditures were approximately $4.8 million.

Recommendation #3
We recommend that the Board obtain monthly expenditure reports from the Comptroller of the Treasury and verify the expenditures made from the Fund.

Annual Reports

Finding #4
Annual reports were not submitted as required by law.

Analysis
Annual reports of the Board’s activities were not submitted to the Governor, the Secretary of the Department of Public Safety and Correctional Services, and the General Assembly for fiscal years 2000 and 2001, as required by State law. These reports are intended to provide information regarding various aspects of the Board’s operations and accomplishments (for example, types of claims processed, number and amount of payments awarded, number of claims submitted by individual jurisdiction). A similar situation was commented upon in our preceding audit report.

Recommendation #4
We again recommend that the Board submit annual reports as required by law.
Audit Scope, Objectives and Methodology

We have audited the Criminal Injuries Compensation Board for the period beginning May 12, 1999 and ending January 31, 2002. The audit was conducted in accordance with generally accepted government auditing standards.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine the Board’s financial transactions, records and internal control, and to evaluate its compliance with applicable State laws, rules and regulations. We also determined the current status of the findings contained in our preceding audit report.

In planning and conducting our audit, we focused on the major financial related areas of operations based on assessments of materiality and risk. Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the Board’s operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our objectives.

Our audit did not include certain support services provided to the Board by the Department of Public Safety and Correctional Services - Office of the Secretary. These support services (for example, payroll, purchasing, maintenance of accounting records and related fiscal functions) are included within the scope of our audits of the Office of the Secretary.

The Board’s management is responsible for establishing and maintaining effective internal control. Internal control is a process designed to provide reasonable assurance that objectives pertaining to the reliability of financial records, effectiveness and efficiency of operations including safeguarding of assets, and compliance with applicable laws, rules and regulations are achieved.

Because of inherent limitations in internal control, errors or fraud may nevertheless occur and not be detected. Also, projections of any evaluation of internal control to future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Our reports are designed to assist the Maryland General Assembly in exercising its legislative oversight function and to provide constructive recommendations for improving State operations. As a result, our reports generally do not address activities we reviewed that are functioning properly.
This report includes findings related to conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect the Board’s ability to maintain reliable financial records, operate effectively and efficiently and/or comply with applicable laws, rules and regulations. Our report also includes findings regarding significant instances of noncompliance with applicable laws, rules, or regulations.

The Department of Public Safety and Correctional Services’ response, on behalf of the Board, to our findings and recommendations is included as an appendix to this report. As prescribed in the State Government Article, Section 2-1224 of the Annotated Code of Maryland, we will advise the Board regarding the results of our review of its response.
May 15, 2002

Mr. Bruce A. Myers, CPA
Legislative Auditor
Office of Legislative Audits
State Office Building
301 W. Preston Street Room 1202
Baltimore, Maryland 21201

Dear Mr. Myers:

The Department of Public Safety and Correctional Services has reviewed the May 1, 2002 draft audit report of the Criminal Injuries Compensation Board for the period beginning May 12, 1999 and ending January 31, 2002. The Department appreciates the constructive recommendations that were made as a result of this audit and has proactively implemented many of the recommendations prior to the issuance of this report.

The Department is proud of the Criminal Injuries Compensation Board's record of accomplishments and strongly supports its goal to support the people of Maryland by providing financial assistance to innocent victims of crime. During the past 16 months, newly appointed Executive Director Robin Woolford and his staff have demonstrated exceptional success in developing outreach programs designed to enlighten Maryland's citizens of the benefits available through the Criminal Injuries Compensation Board and to provide help to crime victims throughout the State. There have been many initiatives which have had the support of Governor Parris N. Glendenning, Lieutenant Governor Kathleen Kennedy Townsend and the General Assembly to improve customer service through increased economy and efficiency, to create safer communities, and to enhance relationships with local governments, other State agencies, and stakeholders that lead to a shared vision.

As the result of the tragic events of September 11th, the Criminal Injuries Compensation staff made their services available to Maryland residents who were injured or lost loved ones due to terrorist actions. The staff facilitated the paperwork process with other State agencies in order to

Criminal Injuries Compensation Board
Legislative Audit Response
expedite the filing process for Maryland residents and to help alleviate the burden placed upon the areas that were the hardest hit such as New York City and the Washington, D.C. area.

Through the Maryland Emergency Management Agency (MEMA), Criminal Injuries Compensation staff is assisting in the development of a statewide level protocol to address victims' needs in the event of a crime of mass victimization.

As chairman of the Maryland Association of Victim Service Providers, Director Woolford is facilitating the training of victim service providers throughout the State to be ready to respond at the direction of the Governor and MEMA in the event of a statewide tragedy. Association members will respond to the target area and work directly with the victims on-site to provide the help that is needed during the crisis.

Attached is the Criminal Injuries Compensation Board's response to the recommendations found in the draft audit report, with which I concur. Corrective action has been or will be implemented for all audit findings agreed to by the Department. I trust this responds to your request.

Sincerely,

[Signature]
STUART O. SIMMS
Secretary

SOS/cb
Attachment

cc: G. Lawrence Franklin, Assistant Secretary
    Robin Woolford, Executive Director, CICB
    Benjamin Wolman, Chairman, CICB
    Joseph M. Perry, Inspector General
May 10, 2002

The Honorable Stuart O. Simms, Secretary  
Department of Public Safety and Correctional Services  
300 East Joppa Rd.  
Suite 1000  
Towson, MD 21286

Dear Secretary Simms:

I am pleased to present the Criminal Injuries Compensation Board’s response to the Office of Legislative Audits’ report covering the period of May 12, 1999 through January 31, 2002.

We at CICB are proud of our accomplishments. We have made great strides in reaching out to provide help to crime victims in all parts of the state. At the current rate, the number of victims we serve in 2002 will show an increase by 50% from 2000. We have cut our processing time in half - from an average of 372 days to 180 days. We were able to provide help to Maryland residents who were injured or lost loved ones in the tragic events of September 11, 2001.

We respond to the auditors’ findings as follows:

• Finding #1, Claim payments – partially agree.

In two of the nine claims reviewed, documentation that should have been available in the file had not been obtained. In the other seven claims, the Board was totally within its discretion to make the awards but should have addressed those issues that may have appeared to have an adverse impact.
• Finding #2, Monthly installment awards - agree.

    The Board in conjunction with DPSCS – Office of the Secretary will revert funds reserved for inactive awards to the Criminal Injuries Compensation Fund. The Board will periodically review all monthly installment cases to determine if awards should be reverted or reduced. The installment award liability records will be periodically reconciled with the records of the Comptroller of the Treasury, with any differences investigated and resolved.

• Finding #3, Verification of expenditures – agree.

    Periodically the Division of Financial Services prepares a projection of the CICB’s annual expenditures based on year to date actual expenditures. These projections will be reviewed and approved by the Board.

• Finding #4, Annual reports – agree.

    The report covering fy 2000 and fy 2001 has been written and is currently being prepared for printing. A working draft has been provided to the auditor.

Please note that the legislature deleted the provision requiring that claimants demonstrate severe financial hardship. This change became effective on October 1, 2001.

Thank you for your continued support of the Criminal Injuries Compensation Board.

Respectfully submitted,

Robin Woolford
Executive Director

Cc: Mr. Joseph M. Perry, Inspector General, Department of Public Safety and Correctional Services
    Mr. Benjamin R. Wolman, Chairman, Criminal Injuries Compensation Board
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