

Audit Report

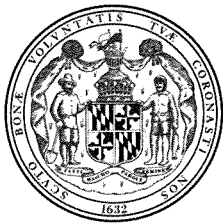
**Department of Public Safety and Correctional Services
Criminal Injuries Compensation Board**

October 2014



OFFICE OF LEGISLATIVE AUDITS
DEPARTMENT OF LEGISLATIVE SERVICES
MARYLAND GENERAL ASSEMBLY

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DEPARTMENT OF LEGISLATIVE SERVICES
OFFICE OF LEGISLATIVE AUDITS
MARYLAND GENERAL ASSEMBLY

Karl S. Aro
Executive Director

Thomas J. Barnickel III, CPA
Legislative Auditor

October 27, 2014

Senator James C. Rosapepe, Co-Chair, Joint Audit Committee
Delegate Guy J. Guzzone, Co-Chair, Joint Audit Committee
Members of Joint Audit Committee
Annapolis, Maryland

Ladies and Gentlemen:

We have conducted a fiscal compliance audit of the Criminal Injuries Compensation Board (CICB) of the Department of Public Safety and Correctional Services (DPSCS) for the period beginning February 22, 2011 and ending April 1, 2014. CICB provides financial aid to innocent victims of crime or to their families.

Our audit disclosed that CICB award determinations were not always made within the 90-day statutory time limit.

The DPSCS response to this audit, on behalf of CICB, is included as an appendix to this report. We wish to acknowledge the cooperation extended to us during the course of this audit by CICB.

Respectfully submitted,

Thomas J. Barnickel III, CPA
Legislative Auditor

Background Information

Agency Responsibilities

The Criminal Injuries Compensation Board (CICB) makes financial aid awards to innocent victims of crime or to their families. To be eligible for such aid, the victim must have sustained a physical injury or death, or suffered psychological injury, as a direct result of a crime and must have had a minimum of \$100 in unreimbursed expenses and/or lost at least two continuous weeks of earnings or support. CICB is a unit of the Department of Public Safety and Correctional Services.

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. The Fund is administered by CICB. Awards are granted based on available funding received primarily through fees collected by the State courts and through federal funds. CICB makes awards in accordance with the schedule of benefits and the degree of disability specified in State law. The awards granted to claimants may be settled by lump sum or paid in periodic installments that generally cannot exceed \$45,000. In instances where the claimant is determined to be permanently and totally disabled, the claimant is eligible for an additional \$25,000 award at the discretion of the Board. The Board consists of five members whose primary responsibility is to make award decisions.

According to CICB records, approximately 820 claims were approved in fiscal year 2014. Additionally, during that period, deposits into the Fund totaled approximately \$6.2 million and disbursements (which included claim payments and CICB operating expenditures) totaled approximately \$6.6 million. According to the State's accounting records, as of June 30, 2014, the Fund had a special fund balance of \$242,456. CICB advised that it has taken several measures to ensure that the Fund remains solvent. These measures include, for example, negotiating medical claims with providers and enforcing its statutory position as payer of last resort for medical claims.

Status of Findings from Preceding Audit Report

Our audit included a review to determine the status of the four findings contained in our preceding audit report dated February 13, 2012. We determined that CICB satisfactorily addressed these four findings.

Findings and Recommendations

Claims Processing

Finding 1

Award determinations were not always made timely.

Analysis

The Criminal Injury Compensation Board (CICB) did not always make award determinations in a timely manner. Our review of the case files for 20 award payments made during fiscal years 2012 through 2014, totaling \$224,000, disclosed that 6 awards totaling \$76,000 had delays which ranged from 37 to 321 days beyond the 90-day statutory time limit.

Upon receipt of a claim application, a claims examiner is responsible for reviewing the submission for required documentation in accordance with the CICB procedures manual and the related State law. According to State law, once a completed application is received, the CICB is required to make a determination of an award within 90 days.

Recommendation 1

We recommend that CICB make award determinations within 90 days, as required.

Audit Scope, Objectives, and Methodology

We have conducted a fiscal compliance audit of the Criminal Injuries Compensation Board (CICB) of the Department of Public Safety and Correctional Services (DPSCS) for the period beginning February 22, 2011 and ending April 1, 2014. The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

As prescribed by the State Government Article, Section 2-1221 of the Annotated Code of Maryland, the objectives of this audit were to examine CICB's financial transactions, records, and internal control, and to evaluate its compliance with applicable State laws, rules, and regulations.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessments of significance and risk. The areas addressed by the audit included claims processing and revenue recovery. We also determined the status of the findings included in our preceding audit report. Our audit procedures included inquiries of appropriate personnel, inspections of documents and records, and observations of CICB's operations. We also tested transactions and performed other auditing procedures that we considered necessary to achieve our audit objectives. The reliability of data used in this report for background or informational purposes was not assessed.

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

CICB'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.

Our audit did not disclose any conditions that we consider to be significant deficiencies in the design or operation of internal control that could adversely affect CICB's ability to maintain reliable financial records, operate effectively and efficiently, and/or comply with applicable laws, rules, and regulations. Our audit disclosed a significant instance of noncompliance with applicable laws, rules, or regulations. Another less significant finding was communicated to CICB that did not warrant inclusion in this report.

The response from DPSCS, on behalf of CICB, to our finding and recommendation 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 DPSCS regarding the results of our review of its response.



APPENDIX

Department of Public Safety and Correctional Services

Office of the Secretary

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October 22, 2014

Mr. Thomas J. Barnickel III, CPA
Office of Legislative Audits
301 West Preston Street, Room 1202
Baltimore, Maryland 21201

Re: Criminal Injuries Compensation Board Audit Response

Dear Mr. Barnickel:

The Department of Public Safety and Correctional Services has reviewed the draft audit report for the Criminal Injuries Compensation Board (CICB), dated October 2014. The Department is pleased that this audit determined that CICB satisfactorily addressed the four findings from the preceding audit report dated February 13, 2012. The Department also appreciates the constructive recommendation that was made as the result of the current audit finding. Be assured that appropriate corrective actions have been or will be implemented to ensure full compliance with the audit recommendation.

Attached is Executive Director Scott Beard's response to the draft audit report. I concur with Mr. Beard's response. Mr. Beard will continue to implement corrective action to address the audit finding, and will closely monitor the status in order to prevent a repeat audit finding in the next audit.

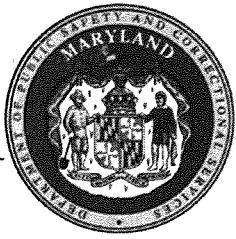
I trust that this response adequately addresses the finding and recommendation contained in the draft audit report. If you have any questions regarding the Department's response, please do not hesitate to contact me.

Sincerely,

Gregg L. Hershberger
Secretary

Attachment

cc: Patricia M. Donovan, Deputy Secretary of Administration
Carroll A. Parrish, Deputy Secretary of Operations
Cynthia Pease, Chair, CICB
D. Scott Beard, Executive Director, CICB
Joseph M. Perry, Inspector General
C. Michele Langston, Management Services Supervisor



Department of Public Safety and Correctional Services

Criminal Injuries Compensation Board

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STATE OF MARYLAND

October 20, 2014

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CINDY PEASE
CHAIR
CRIMINAL INJURIES
COMPENSATION BOARD

D. SCOTT BEARD
EXECUTIVE DIRECTOR
CRIMINAL INJURIES
COMPENSATION BOARD

Gregg Hershberger, Secretary
Department of Public Safety and Correctional Services
300 East Joppa Road, Suite 1000
Towson, MD 21286

Dear Secretary Hershberger:

Below is the Criminal Injuries Compensation Board's response to the draft legislative audit report dated October 6, 2014. The audit covered the period beginning February 22, 2011 and ending April 1, 2014.

Finding 1:

Award determinations were not always made timely.

Recommendation 1:

We recommend that CICB make award determinations within 90 days, as required.

We agree.

The Criminal Injuries Compensation Board (CICB) has made great strides in attempting to be in compliance with statutory requirements for completing awards determinations. Processing times have been reduced over the past three years which has resulted in processing times averaging below the statutory compliance time frames.

We have completed this reduction in processing times by instituting several new internal procedures. We hold claims examiners accountable on a monthly basis for claims received within a set amount of time; claims examiners must now provide a reason for any delays and claims with no reasonable delays must be turned in immediately for signatures. In addition, CICB will be instituting performance measures into employee evaluations in the next evaluation cycle to ensure the continued success of claims processing.

We also hold claimants accountable for the information that is required to process their claim. If necessary information is not provided, we institute a series of documented requests culminating in a show cause order.

This ensures: (1) claimants are on notice of these requirements; (2) claimants are given adequate notice that without this information their claim cannot be processed; and (3) the CICB is able to process the claims more efficiently.

Finally, while we have already brought our claims processing times down significantly, we expect these additional measures will ensure every claim is processed within the statutory time frame.

Please advise me if you have any questions about the agency's response to the audit report.

Sincerely,



D. Scott Beard
Executive Director

cc: Patricia M. Donovan, Deputy Secretary of Administration
Carroll A. Parrish, Deputy Secretary of Operations
Cindy Pease, Chair, CICB
Joseph M. Perry, Inspector General
C. Michele Langston, Management Services Supervisor

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