



Lawrence F. Alwin, CPA
State Auditor

An Audit Report on
**The Compensation to Victims of Crime Fund and the
Accuracy of Financial Information at the
Office of the Attorney General**

August 19, 2002

Members of the Legislative Audit Committee:

As part of our analysis of the Compensation to Victims of Crime Fund (Fund), we assessed its viability. Beginning in the 2006-2007 biennium, the Fund will not have sufficient "excess money" to continue the 2002-2003 biennium level of appropriations (\$127 million) to programs other than the Crime Victims Compensation Program and the Crime Victims Institute. The anticipated decline in excess money is due to funding increases for existing programs, funding of new programs, and little anticipated growth in revenue. We based our assessment on a review of the Office of the Attorney General's (Office) fiscal projections after determining that these projections were reasonable.

The Office generally spends appropriated funds in accordance with state laws from the General Appropriations Act and with Comptroller of Public Accounts regulations. However, the Office needs to ensure that grantees, contractors, and award recipients are spending court costs and fees for intended purposes. *An Audit Report on Funds Collected as Court Costs*, released in May 2002 (SAO Report No. 02-049), discusses how this issue relates to the Fund.

The Office did not consistently comply with the Texas Administrative Code when administering Family Trust Fund and Victims Assistance Discretionary Grants. As a result, the Office cannot ensure that the grantees are conducting their grant programs in the manner prescribed. The Office awarded \$15 million for these programs in fiscal year 2002.

The Office has developed a contract administration system for its purchase orders and formal contracts that ensures contractors are selected objectively, that contract provisions are complete and well defined, and that services are performed within cost projections. We reviewed contracts and purchase orders totaling \$42.1 million.

Generally, the Office's reporting processes enable it to provide legislative budget committees and agency management with accurate and consistent financial information. The Office has controls in place to ensure that data is accurate and reliable for the accounting, general ledger, and purchase voucher applications on its mainframe computer system. However, the Office needs to test the catastrophic disaster portion of its disaster recovery plan and update its security risk analysis for this mainframe.

Our assurances are based on our review and testing of the structure of selected financial systems and financial processes the Office had in place as of April 2002. The attachment contains additional detail on the results of our work. The Office agrees with our observations and recommendations, and its responses are included in the attachment. If you have any questions, please contact Valerie Hill, Audit Manager, at (512) 936-9500.

Sincerely,

Lawrence F. Alwin, CPA
State Auditor

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Attachment



Beginning in 2006-2007, the Compensation to Victims of Crime Fund Will Not Be Able to Fund All Programs at Current Levels

The State Auditor's Office (SAO) reviewed the Office of the Attorney General's (Office) projections for the ending balance of the Compensation to Victims of Crime Fund (Fund) as part of our analysis of the Fund's fees and expenditures. Based on the Office's projections, beginning in the 2006-2007 biennium the Fund will not have sufficient excess money to make the current (as of the 2002-2003 biennium) level of appropriations (\$127 million) to programs other than the two primary programs defined in statute, which are the Crime Victims Compensation Program and the Crime Victims Institute. The two primary programs are not in jeopardy (barring an unforeseen number of victim claims) because the Texas Code of Criminal Procedure allows appropriations to other programs only after funding is assured for the primary programs. Appropriations from the Fund for the 2002-2003 biennium (\$264 million) are more than twice those for the previous biennium (\$114 million). Our assessment is based on the Office's fiscal projections, which we determined were reasonable.

Excess Money

"Excess money" is the amount left after funding the Crime Victims Compensation Program and the Crime Victims Institute.

The anticipated decline in excess money is due to the following:

- Little anticipated growth in revenues
- Increased funding to existing programs
- Funding of new programs in the 2002-2003 biennium
- Anticipated funding for projects in 2004-2005

Calculation of Excess Money

Calculation

Projected ending Fund balance (current biennium)	
+ State revenues projected for next biennium less grants, gifts, etc.	
- 1.2 × Crime Victims Institute expenditures projected for next biennium	
- 1.2 × Crime Victims Compensation Program expenditures projected for next biennium	
<hr/>	
= Excess Money	

Source: Texas Code of Criminal Procedure, Article 56.541

The Fund's primary purpose is to provide money to operate two programs: the Crime Victims Compensation Program and the Crime Victims Institute. The purpose of the Crime Victims Compensation Program is to provide all available statutory benefits to injured victims of crime and their families who have no other means of paying for expenses incurred because of the crime. The purpose of the Crime Victims Institute is to provide the State of Texas with relevant research and information, program evaluations, and policy recommendations for improving services to crime victims in Texas.

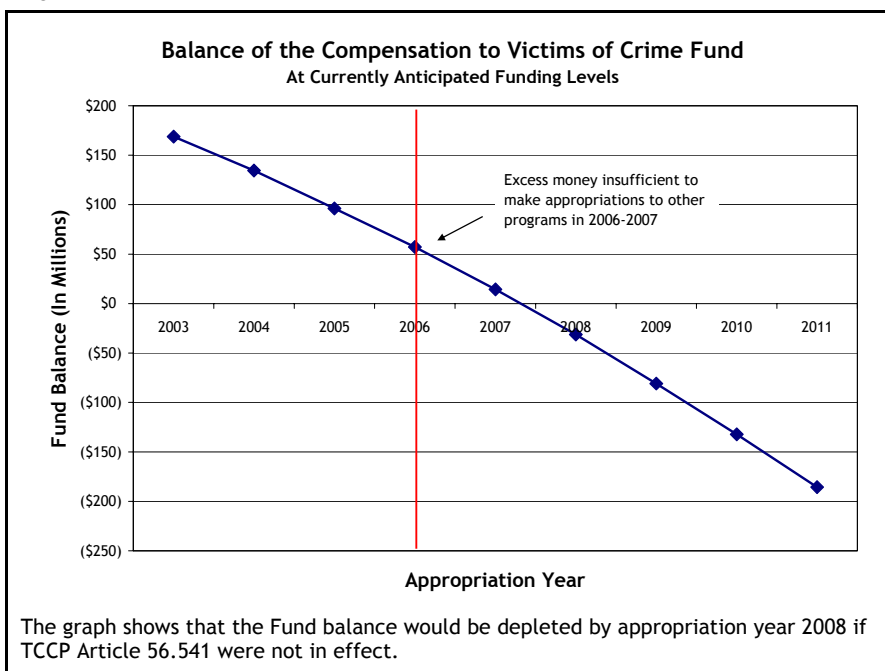
In addition, the Texas Code of Criminal Procedure, Article 56.541, allows the Legislature to appropriate excess money from the Fund to other programs that provide victim-related services or assistance. (See text box for the exact calculation.) Currently, 13 other programs receive appropriations from the Fund at a total of over \$127 million (see Table 3 on page 6).

SAO Analysis of the Office's Projections

Based on the Office's projection of revenues, expenditures, and the corresponding Fund balances, the SAO calculates that as of the end of fiscal year 2005, the projected excess money in the Fund will be \$67.6 million. This amount is significantly less than the projected \$132.9 million needed to maintain the other programs' funding levels for the 2006-2007 biennium and beyond (see Figure 1). The Office based its projection on the following assumptions:

- State revenue is no longer growing at previous yearly rates.

Figure 1



- Current programs (other than the Crime Victims Compensation Program) continue receiving appropriations from the Fund at their current levels.
- Two new programs receive appropriations from the Fund for the 2004-2005 biennium.
- The Statewide Victim Notification System receives increased funding in appropriation year 2006 and remains constant thereafter.¹
- The Office retains a \$10 million emergency reserve allowed under Texas Code of Criminal Procedure (TCCP), Article 56.54.

¹ Funding assumptions for the Victims Notification System were based on the fiscal note for HB 1572 from the 77th legislative session.

Analysis of the Fund's Revenues and Expenditures

Slowly growing revenues and a large increase in expenditures have combined to cause the decline in excess money.

Limited Growth in Revenues. To support the anticipated level of funding to other programs through appropriation year 2011, state revenue would have to grow by 6.76 percent each year for the next 9 years. This is more growth than can be reasonably

depended upon given the growth rates in the last two appropriation years. State revenue has grown by 4.6 percent or less for three of the last four years and is not expected to grow at all this year (2002). (See Table 1².) Court costs and fees represent approximately 95 percent of all state revenue for the Fund, and they have been increasing at a slower rate (approximately 4.0 percent per year for the last two years).

Sources of Revenue for the Fund	
Revenue for the Fund is composed of state and federal funds.	
<i>State Funds</i>	
State funds are made up of court costs and other revenue. <i>Other</i> is defined as gifts, grants, and donations, administrative fees, reimbursements, subrogation, voided warrants, and sales. Other revenue represents approximately 5 percent of the total state funds.	
<i>Federal Funds</i>	
Federal funding comes from the Victims of Crime Act grant administered by the U.S. Department of Justice Office for Victims of Crime. The amount of the federal grant is based on the amount of state funds spent on victims of crime two years before the year of the grant.	

Table 1

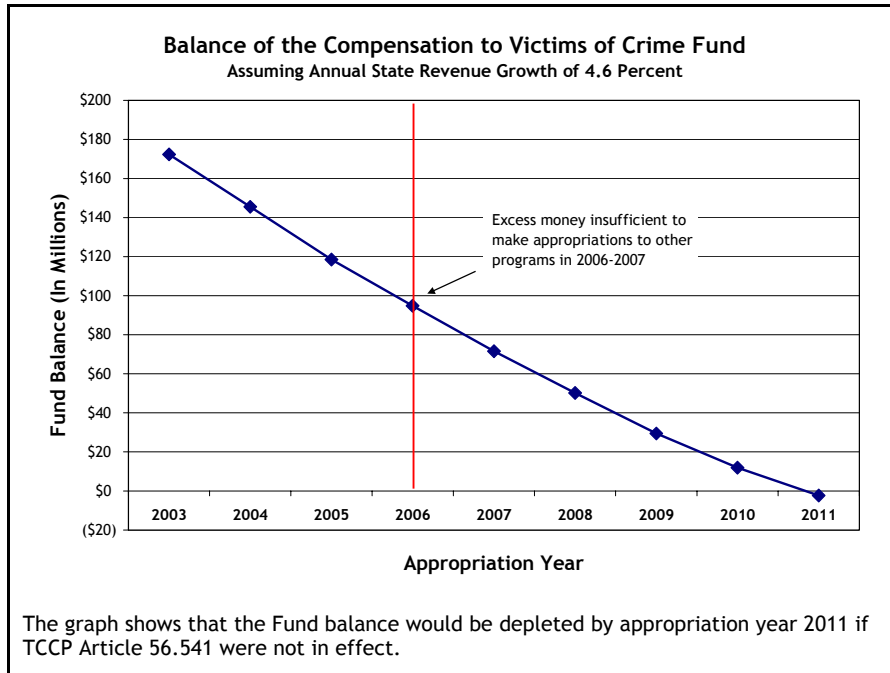
Comparison of State Revenue Received In Appropriation Years				
Fiscal Year	Court Costs and Fees	Other	Total State Revenue	Growth
1997	\$ 61,515,662	\$ 1,503,415	\$ 63,019,077	
1998*	\$ 62,359,190	\$ 10,167,765	\$ 72,526,955	15.1 %
1999	\$ 69,755,909	\$ 2,454,236	\$ 72,210,145	-0.4 %
2000	\$ 72,466,695	\$ 3,061,552	\$ 75,528,247	4.6 %
2001	\$ 75,367,803	\$ 3,605,464	\$ 78,973,267	4.6 %
2002 (projected)	\$ 74,674,318	\$ 3,883,647	\$ 78,557,965	-0.17 %

* The reason for the large growth in other revenue for appropriation year 1998 has not been isolated.

Even if this revenue grew by 4.6 percent per year, currently anticipated expenditures would keep the Fund's excess money from being sufficient to make the same amount of appropriations to other programs by the 2006-2007 biennium (see Figure 2 on page 4). As of the end of fiscal year 2005, the projected excess money in the Fund would be \$124.9 million, which is less than the \$132.9 million needed to continue the other programs at this funding level.

² A straight-line projection was used to estimate fiscal year 2002 revenues. This assumes that revenue is received uniformly throughout the year (no seasonal variations).

Figure 2



One way to generate enough excess money to fund other programs at anticipated levels is to increase revenue by increasing the dollar amounts of court costs and fees assessed for convictions. Currently, court costs and fees range from \$15 to \$45 per conviction.

Federal revenue from the Victims of Crime Act grant is also deposited in the Fund (see text box on page 3). The Office's projections include increases in federal funding based on its projections of payments to victims of crime. Historically, the amount of federal revenue has varied from year to year (see Table 2).

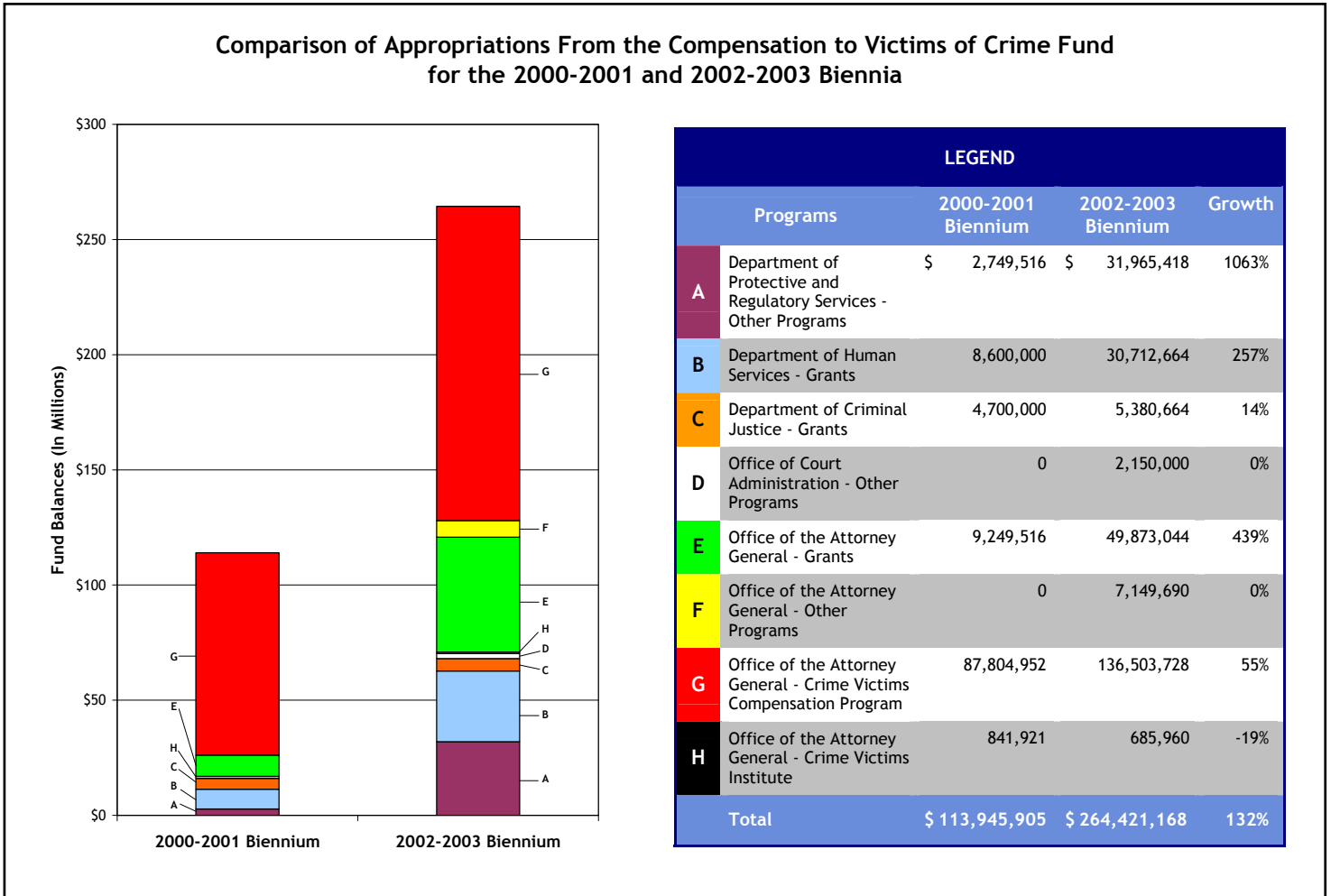
Table 2 - Growth in federal revenue deposited to the fund

Fiscal Year	Federal Revenue	Federal Revenue Growth
1997	\$ 4,481,000	
1998	\$ 15,669,909	249.7%
1999	\$ 8,515,000	-45.7%
2000	\$ 9,919,470	16.5%
2001	\$ 14,041,022	41.6%

Expenditure Analysis

Increased Expenditures From the Fund. Another cause of the anticipated depletion of the Fund is the large increase in appropriations from the Fund. Appropriations for the 2002-2003 biennium from the Fund (\$264 million) are more than twice those of the 2000-2001 biennium (\$114 million). Reducing expenditures so that they are in line with revenues is one way to address the decrease in the Fund's excess money.

Figure 3



Appropriations from the Fund include both increases in funding to eight existing programs and funding for five new programs in the 2002-2003 biennium. Furthermore, the Office anticipates that two additional programs will be provided appropriations from the Fund in the 2004-2005 biennium as a result of pilot programs conducted in the 2002-2003 biennium. Table 3 (see next page) contains a list of the programs receiving appropriations from the Fund. Only the Crime Victims Compensation Program and the Crime Victims Institute are required to receive appropriations from the Fund.

Table 3

Programs Funded by the Compensation to Victims of Crime Fund		
Program	Administering Agency	Status
Crime Victims Compensation Program	Office of the Attorney General	
Crime Victims Institute	Office of the Attorney General	
Funding for Other Programs From Excess Money		
Grant Programs		
Family Violence Services	Department of Human Services	
Victims Assistance Discretionary Grants	Office of the Attorney General	New in 2002-2003
Sexual Assault Prevention and Crisis Services	Office of the Attorney General	
Children's Advocacy Centers (CAC)	Office of the Attorney General	
Legal Services Grants	Office of the Attorney General	New in 2002-2003
Victims Assistance Coordinators and Victims Liaisons	Office of the Attorney General	
Court Appointed Special Advocates (CASA)	Office of the Attorney General	
Victims Services	Department of Criminal Justice	
Battery Intervention and Prevention Program	Department of Criminal Justice	
Sexual Assault Services Program Grants (TAASA)	Office of the Attorney General	
Other Programs Run by State Agencies		
Foster Care Payments and Adult Protective Services	Department of Protective and Regulatory Services	New in 2002-2003 (no prior year expenditures)
Statewide Victim Notification System	Office of the Attorney General	New in 2002-2003
Foster Care Courts	Office of Court Administration	New in 2002-2003
Caseworker Training and Retention	Department of Protective and Regulatory Services	Potentially funded in 2004-2005
DNA Database	University of North Texas	Potentially funded in 2004-2005

Chapter 1.3

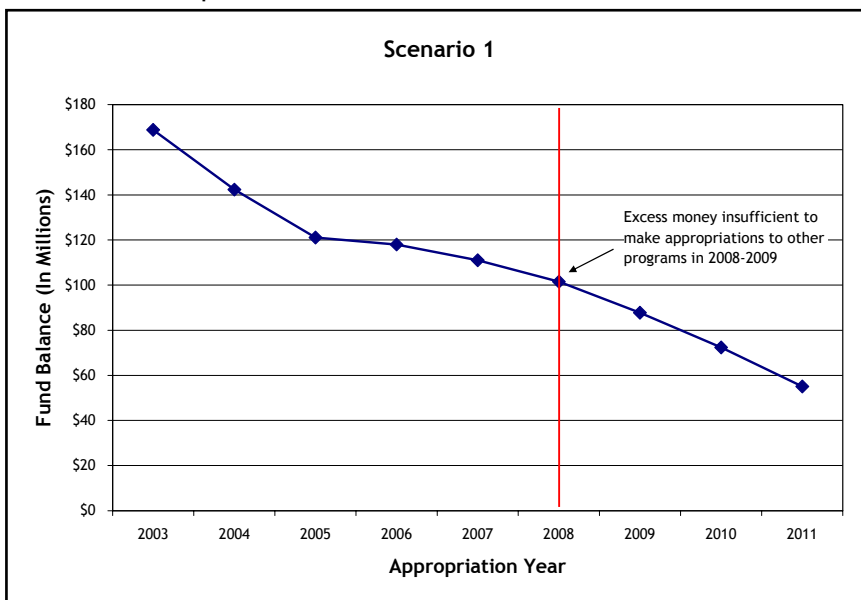
Scenarios for Extending the Availability of Excess Money Beyond the 2006-2007 Biennium

Below are four scenarios in which excess money in the Fund is sufficient to sustain the described programs beyond appropriation year 2006. These scenarios assume that state revenue will not grow from current levels and are based on reduced spending from the Fund. In each scenario, funding for the Crime Victims Institute and the Crime Victims Compensation Program is at levels projected by the Office. We do not present scenarios that reduce funding for these programs because they are the primary purpose of the Fund.

Scenario 1

- Do not appropriate money from the Fund for any programs that would be new in 2004-2005.
- Eliminate within two years appropriations from the Fund for programs that were new in appropriation years 2002-2003.
- Continue funding grant programs out of the Fund.

Figure 4
Balance of the Compensation to Victims of Crime Fund under Scenario 1.



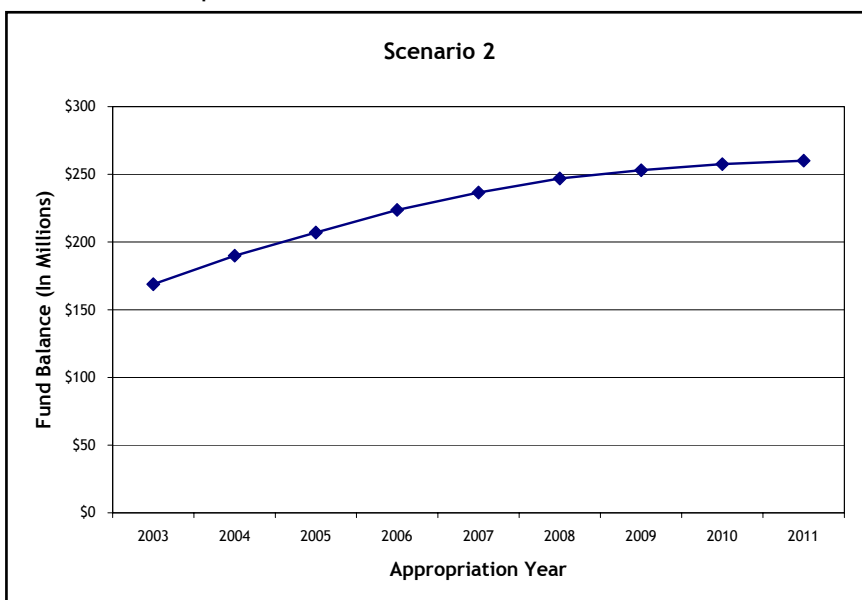
Under this scenario, the Fund balance is still decreasing each year and excess money will be insufficient to fund other programs by 2008. This is due to the fact that estimated excess funds at the beginning of appropriation year 2008 (\$60.2 million) will be less than the amount needed to fund the above programs (\$61 million). If the 80th Legislature chooses to continue funding for programs other than the Crime Victims Compensation Program and the Crime Victims Institute, other funding sources will be needed.

Scenario 2

Return funding of all programs except for the Crime Victims Compensation Program and the Crime Victims Institute to the amount of appropriations they received from the Fund for the 2000-2001 biennium.

Under this scenario, the Fund balance increases until 2011. Although the Office has included growth in crime victim payments in its projections, this increase in the Fund balance would provide the opportunity to provide statutory benefits to a greater number of crime victims than is currently projected. However, to accomplish this, the Office might require additional program staff beyond what is planned to process more applications and to pay more victims from the increasing Fund balance. This is because the Crime Victims Compensation Program will reach a point at which maximum processing efficiency is obtained. It is not apparent at what time this point will be reached.

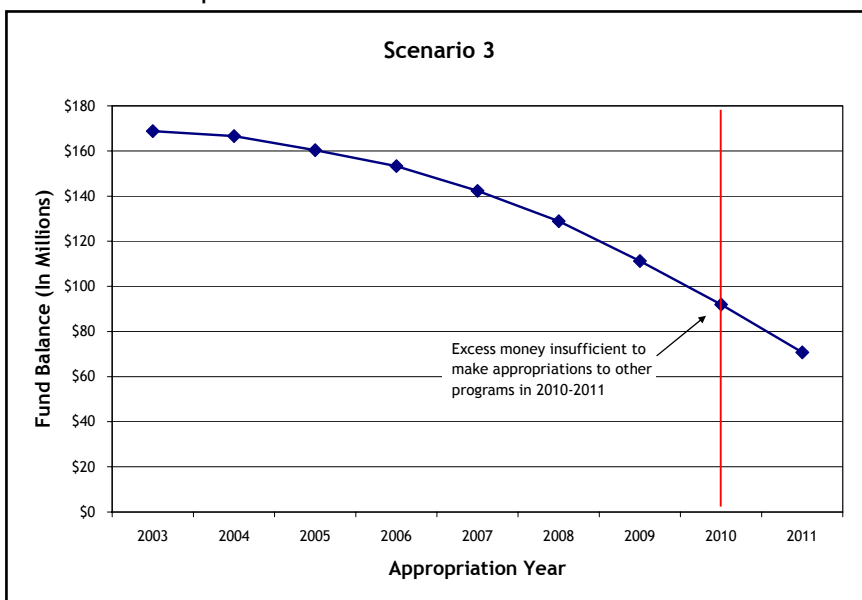
Figure 5
Balance of the Compensation to Victims of Crime Fund under Scenario 2.



Scenario 3

- Return funding of grants listed in Table 3 to appropriation year 2000-2001 funding levels (with respect to appropriations from the Fund).
- Fund programs that were new in appropriation years 2002-2003 and 2004-2005 with appropriations from the Fund.

Figure 6
Balance of the Compensation to Victims of Crime Fund under Scenario 3.

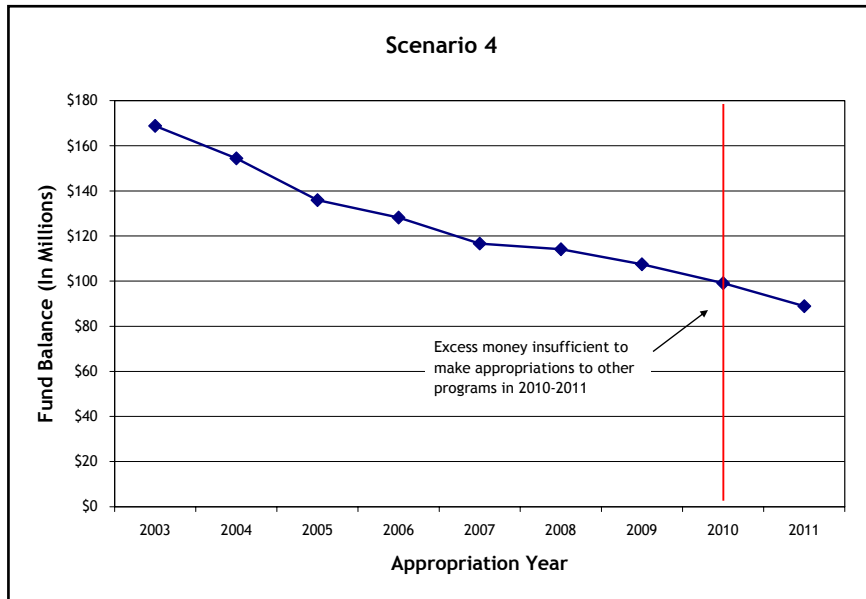


Under this scenario, the Fund balance continues to decline steadily and excess money will be insufficient to fund other programs at this level by 2010. This is because estimated excess funds at the beginning of appropriation year 2010 (\$42.3 million) will be less than the amount needed to fund the above programs (\$68.9 million). If the 81st Legislature chooses to continue funding for programs other than the Crime Victims Compensation Program and the Crime Victims Institute, other funding sources will be needed.

Scenario 4

- Eliminate appropriations from the Fund for grants listed in Table 3 within four years.
- Fund programs that were new in appropriation years 2002-2003 and 2004-2005 with appropriations from the Fund.

Figure 7
Balance of the Compensation to Victims of Crime Fund under Scenario 4.



Under this scenario, the Fund balance is decreasing at a slower rate than in other scenarios, but excess money will be insufficient to fund other programs at this level by 2010. This is because estimated excess funds at the beginning of appropriation year 2010 (\$38.5 million) will be less than the amount needed to fund the above programs (\$46.9 million). If the 81st Legislature chooses to continue funding for programs other than the Crime Victims Compensation Program and the Crime Victims Institute, other funding sources will be needed.

Is the Office Using Appropriated Funds in Accordance With Applicable State Laws and Regulations?

The Office is generally spending appropriated funds in accordance with state laws from the General Appropriations Act and Comptroller of Public Accounts regulations. The Office did not consistently comply with the Texas Administrative Code for its grant administration of the Family Trust Fund and the Victims Assistance Discretionary Grants. In fiscal year 2002, the Office awarded \$15 million through these two programs.

The Office also needs to ensure that grantees, contractors, and award recipients are spending court costs and fees for intended purposes. These issues are discussed in An Audit Report on Funds Collected as Court Costs, released in May 2002 (SAO Report No. 02-049).

The Office has developed a contract administration system for its purchase orders and formal contracts that ensures that the selection of contractors is objective; that contract provisions are complete and well defined; and that services are performed within cost projections. We reviewed contracts and purchase orders totaling \$42.1 million.

Chapter 2.1

The Office Generally Spends Appropriated Funds in Accordance With State Laws Listed in the General Appropriations Act and Comptroller of Public Accounts Regulations.

The Office's expenditures are reasonable and accurate. We tested a sample of \$13 million in Office expenditures made in fiscal year 2001 to determine whether expenditures were:

- Supported by adequate documentation.
- Correctly entered into the Office's accounting system.
- Properly approved.
- Reasonable in amount, based on the type of transaction.
- Made in accordance with the Office's program objectives.

Expenditures for 1999 through 2001 were within limitations established by appropriation restrictions. In each year reviewed, the Office spent less than one-third of its appropriations in the fourth quarter. The Office was able to support and explain fluctuations between expenditures as described below.

The Office makes appropriate transfers of unexpended balances. Rider 15 in the Office's section of the General Appropriations Act (76th Legislature) allowed the Office to transfer all unexpended balances (\$55 million) from fiscal year 2000 to fiscal year 2001. The Office made seven unexpended balance transfers from

appropriation year 2000 to appropriation year 2001 in a variety of strategies. It also made three transfers from appropriation year 1999 to appropriation year 2000. These transfers were allowed by another of the Office's riders, Rider 23 (76th Legislature), which allowed transfers out of the Child Support Enforcement strategy to the State Disbursement Unit strategy.

The Office lapsed funds in two strategies. A review of the Office's financial data and supporting documentation for 1999 through 2001 showed that the Office did not spend all of its appropriations in two strategies: Child Support Enforcement and Crime Victims Compensation (see Table 4). Lapsed funds in the Child Support strategy represent collected lapses, which are composed of federal funds. The Office did not receive these federal funds but had budgeted to collect them. The lapsed funds in the Crime Victims strategy were also collected lapses. These lapses occurred because of canceled warrants, refunds to the Crime Victims Compensation Program, and federal funds that were not collected.

Table 4

Comparison of Available Budget to Collected Lapses				
Appropriation Year	Strategy	Total Available Budget	Collected Lapses	Percent Lapsed
1999	Crime Victims Compensation	\$ 50,905,852	\$ 4,707,080	9.25%
1999	Child Support Enforcement	\$ 171,339,559	\$ 13,960,501	8.15%
2000	Child Support Enforcement	\$ 219,337,802	\$ 29,130,885	13.28%

The Office develops and adheres to reasonable budgets. The Office bases its operating budget on historical data, management's assumptions, and departmental funding requests. The budget is tied directly to the accounting system, so the total amount of expenditures is updated as soon as transactions are recorded in the accounting system. Budget reports are available on-line, enabling division chiefs and managers to view current budget information.

Chapter 2.2

The Office Did Not Consistently Comply With the Texas Administrative Code for Its Grant Administration System of Two Programs

The Office did not consistently comply with the Texas Administrative Code with regard to its grant administration of the Family Trust Fund or the Victims Assistance Discretionary Grants. The Office's consistent compliance would help ensure that the grantees conduct their grant programs in the manner prescribed by the Office. All of the Family Trust Fund Grants, worth \$515,000, and 42 of the Victims Assistance Discretionary Grants, worth \$6.5 million, were tested. The following are instances of noncompliance with the Texas Administrative Code for both grant programs:

- For one of the seven Family Trust Fund grants tested, the grantee did not obtain a sufficient amount for a fidelity bond as required by Section 66.91 of the Texas Administrative Code. The grantee obtained a bond for \$25,000. The grant

amount was over \$160,000. As a result, the Office is at risk of losing the unprotected \$135,000 if the grantee loses or steals the money.

- There was not an Equal Employment Opportunity Program Certification for six of the seven Family Trust Fund grants tested or for 41 of 42 of the Victims Assistance Discretionary Grants tested for which the TAC was applicable. The Office mentions equal employment opportunity in one of the certifications it requires grantees to sign; however, this certification does not require the grantees to develop the equal employment opportunity programs required by the Code of Federal Regulations. Texas Administrative Code, Sections 66.31 and 60.47, requires grantees of these programs to provide Equal Employment Opportunity Program Certifications.

Recommendation

The Office should ensure that it complies with the Texas Administrative Code when accepting applications and awarding grants.

Management's Response

The Office of the Attorney General (OAG) agrees with the State Auditor's Office (SAO) that a few provisions of the Texas Administrative Code (TAC) as published by the OAG were not rigidly applied to grants. However, the OAG's grant process is legally sufficient to hold grantees accountable for the dollars awarded and to ensure that the grant program's objectives are being met.

The OAG uses a cost reimbursement process for all grants, including the Family Trust Fund grantee that did not obtain a fidelity bond to cover the entire amount of their award. Grantees are only reimbursed for eligible expenditures on a monthly basis. Therefore, the total amount of the grant is never at risk.

The SAO has helped the OAG identify language within the TAC that needs clarification.

The rule on Equal Employment Opportunity Program (EEOP) Certification is one example. The specific federal language in the TAC would require reporting of EEOP plans to federal agencies. Since both the Family Trust Fund and Victims' Assistance Discretionary Grants are state funded programs, the federal reporting requirements do not apply. Reporting to federal agencies would cause confusion for all concerned.

Chapter 2.3

The Office Has Developed an Adequate Contract Administration System for Formal Contracts and Purchase Orders

We tested 75 percent (\$40.4 million out of a total of \$54 million) of purchase orders and 30 percent (\$1.7 million out of a total of \$5.7 million) of formal contracts. The Office's documentation shows that it awards contracts in a fair and objective manner. When applicable, the Office documents viable reasons for not choosing the vendor with the lowest bid. Before implementing a contract, the Office approves any

changes to the contract. The Office uses purchase requisitions and purchase order change forms for contract renewals and modifications.

The Office's use of standardized templates and forms required for various types of contracts issued by the Office's central purchasing area results in consistent and adequate documentation of contractor selection and awards. In addition, contract supplements required for programs subsidized by federal funds were found to be documented in files as applicable. Financial and performance contract provisions provide the Office with sufficient assurance of receiving quality and efficient services and products from contracted vendors.

Chapter 2.4

Grantees, Contractors, and Award Recipients May Not Have Always Spent the Funds From the Compensation to Victims of Crime Fund for the Intended Purposes

As stated in our May 2002 report, *An Audit of Funds Collected as Court Costs* (SAO Report No. 02-049), grantees, contractors, and award recipients that received court costs and fees from the Office in fiscal year 2001 may not have always spent the funds from the Compensation to Victims of Crime Fund for the intended purposes. The Office used the court costs and fees to fund programs that fulfilled the established purposes. However, the Office either did not have processes for ensuring that the recipients spent the funds as intended or they did not follow their internal processes. The Fund had a balance of \$269 million at the end of fiscal year 2001. The Office generally disagreed with the findings of the May 2002 report.

Chapter 3

Do the Office's Reporting Processes Enable It to Provide Legislative Budget Committees and Office Management With Accurate and Consistent Financial Information?

The Office generally provides accurate and consistent financial information to the Legislature and to Office management. The Office has controls in place to ensure that data is accurate and reliable for the accounting, general ledger, and purchase voucher applications. However, the Office needs to test the catastrophic disaster portion of its disaster recovery plan and update its security risk analysis.

Variances exist between Legislative Appropriations Request (LAR) budgeted revenues and actual revenues as well as between LAR budgeted expenditures and actual expenditures (see Table 5).

The Office reconciles its financial information. The Office's internal accounting system is the primary source of financial information. The system interfaces with the Uniform Statewide Accounting System (USAS). The Office reconciles its internal accounting system to USAS on a monthly basis.

Processes exist to ensure that data is accurate in the accounting, general ledger, and purchase voucher computer systems. The Office has controls in place to ensure that data is accurate and reliable for the accounting, general ledger, and

purchase voucher applications. (Systems that provide data to the applications were not tested.) We reviewed the Office’s controls over computer operations, access to systems, and physical security and determined that they were working appropriately.

We determined that we could rely on the data input controls that exist for the applications. We performed identifier and password testing and determined that adequate access controls are built into the applications. Testing revealed that the system allows access only to valid users.

Variations were noted between LAR budgeted expenditures and actual expenditures as well as between LAR budgeted revenues and actual revenues.

The Office consistently over-budgeted expenditures for the Child Support Enforcement and State Disbursement Unit strategies in appropriation years 1999-2001 (see Table 5). The Office stated that most of the differences were due to overestimated costs of contract programmers and delayed start-up costs of the State Disbursement Unit. All agencies have three years to spend funds from the year the funds are appropriated.

Table 5

Amount Projected in the LAR That Exceeded Actual Expenditures			
	AY 1999	AY 2000	AY 2001
Child Support	\$21.7 million	\$29.5 million	\$16.9 million
State Disbursement Unit	\$0	\$32.6 million	\$10.3 million

Now that the Office has experience with these programs, it could use the trend information to ensure that it is requesting the correct amount of funds in its LAR.

Estimated revenues in the LARs for the 2000-2001 and 2002-2003 biennia also varied from actual revenues. Variations existed in Federal Receipts - Earned Credit and State Child Support Collections. The Office indicated that the differences occurred because Temporary Assistance to Needy Families (TANF) caseloads were larger than projections provided by another state agency indicated, which resulted in higher than expected revenue. In addition, changes to the indirect cost rate agreement with the federal government were made after the LAR preparation that resulted in increased revenue.

The Office should ensure that it tests its disaster recovery plan and updates its security risk analysis. The Office has not tested the catastrophic disaster portion of its disaster recovery plan for its mainframe since 1998. Specifically, the Office has not tested recovery of its mainframe, which maintains and processes the accounting, general ledger, revenue accounting, crime victims case management, and legal case management data. It does not contain the Child Support System.

A disaster could create delays in the issuance of crime victim payments, estimated to be \$160,000 per day. Further, a disaster could create delays in the issuance of payments to vendors, estimated to be \$550,000 per day.

The lack of disaster recovery plan testing exposes the Office to unnecessary risk of losing data in the event the data processing facility becomes temporarily or permanently disabled. Because the Office has not recently tested its plan, it does not

know if or how well its disaster recovery plan will work or that its data can be recovered. Furthermore, the Office's contract for disaster recovery services with the vendor includes the ability to periodically test its plan. The Office is not making use of this portion of service for which it has already paid. The Office spent \$16,394 on the contract in fiscal year 2001 for disaster recovery services.

The Office also needs to update its security risk analysis document. The lack of testing and security risk analysis make the Office noncompliant with the Texas Administrative Code, Title 1, part 10, Chapter 201.13.³

Recommendation

The Office should test the disaster recovery plan and update the security risk analysis.

Management's Response

*The OAG maintains two separate and distinct mainframe environments - one for the Child Support Division and one for the Administrative and Legal divisions. The Administrative and Legal division's mainframe environment had a disaster recovery test performed on August 12-13th of this year. **The Child Support Division's mainframe environment completes disaster recovery testing each year and is in compliance with the TAC rules.***

The OAG is in the process of updating its security risk analysis document in order to be compliant with the TAC.

Objectives, Scope, and Methodology

The project objectives were to answer the following questions:

- Are Crime Victims Compensation Program fees, expenditures, and distributions accounted for and used consistently with program objectives and state regulations?
- Are contract administration systems established to ensure objective selection of contractors and to ensure that contract provisions are complete, well defined, and performed within cost projections?
- Is the budget function ensuring that agency revenues and expenditures are accounted for accurately and that allocations, transfers, and expenditures are made in compliance with state laws and regulations?

We reviewed 10 years of projected data to assess the Compensation to Victims of Crime Fund balance. We also reviewed five years of historical data when assessing

³ The reference number has changed to TAC, Title 1, Part 10, Chapter 202, Rule 206.6 as of July 17, 2002.

revenue and expenditure trends. We tested fiscal year 2001 expenditures from the Fund. We also tested fiscal year 2001 expenditures for formal contracts and purchase orders. Additionally, we tested the contracts and purchase orders for compliance with applicable rules and regulations. We tested two grant programs (Victims Assistance Discretionary Grant and Family Trust Fund) that were new in fiscal year 2002 for compliance with applicable rules and regulations. We examined expenditure transactions, revenue data, and budget information for fiscal years 1999 to 2001. We also reviewed this information for compliance with the General Appropriations Act and Comptroller of Public Accounts regulations.

We reviewed fund balance projections, contracts, purchase orders, financial reports, expenditures, revenues, lapses, and fund balances. The audit methodology consisted of collecting information, performing selected audit tests and other procedures, analyzing information provided, and evaluating results against established criteria.

We conducted fieldwork between April 2002 and June 2002. This audit was conducted in accordance with generally accepted government auditing standards.

Distribution Information

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable James E. "Pete" Laney, Speaker of the House, Chair
The Honorable Bill Ratliff, Lieutenant Governor, Vice Chair
The Honorable Rodney Ellis, Senate Finance Committee
The Honorable Florence Shapiro, Senate State Affairs Committee
The Honorable Robert Junell, House Appropriations Committee
The Honorable Rene O. Oliveira, House Ways and Means Committee

Governor of Texas

The Honorable Rick Perry

Office of the Attorney General

The Honorable John Cornyn, Attorney General
Mr. Howard Baldwin, First Assistant Attorney General
Mr. Michael McCaul, Deputy Attorney General for Criminal Justice

Senate Finance Interim Committee on Crime Victims Compensation

The Honorable John Whitmire, Chair
The Honorable Gonzalo Barrientos
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The Honorable Royce West, Chair
The Honorable David Bernsen, Vice Chair
The Honorable J. E. "Buster" Brown
The Honorable Robert Duncan
The Honorable Rodney Ellis
The Honorable Mike Jackson
The Honorable Jeff Wentworth