Internal Audit Department

Maricopa County Public Fiduciary Audit

June 2015

Internal Audit Report Authorized by the Maricopa County Board of Supervisors

Report Highlights	Page
The Maricopa County Public Fiduciary (MCPF) will ensure that wards visits are conducted at least quarterly.	1
MCPF will revise its vendor selection policy and ensure that vendors are properly approved and managed.	2
MCPF will ensure that adequate controls are in place over the expenditures of client monies.	3
MCPF will ensure that bank accounts are properly reconciled.	4

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Objectives	To determine that: • Fiduciaries are making required visits to wards at least quarterly. • Vendors are approved and managed in accordance with internal policy and procedures. • Adequate controls are in place over the expenditure of client monies. • Bank accounts are properly reconciled.
Scope	The audit focused on four primary areas for the testing period of fiscal year (FY) 2014. • Quarterly Visits • Vendor Selection • Expenditures • Bank Account Reconciliations
Standards	This audit was approved by the Board of Supervisors and was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. The specific areas reviewed were selected through a formal risk-assessment process.
Auditors	Carla Harris, Audit Manager, CPA, CIA, CFE Kimmie Wong, Senior Auditor, MPA, CLEA Ronda Jamieson, Senior Auditor, CPA, CGAP, CLEA Jenny Chan, Senior Auditor, CIA, CGAP Eva Becker, Internal Auditor, MBA Heinfeld, Meech & Co., P.C.

This report is intended primarily for the information and use of the County Board of Supervisors, County leadership, and other County stakeholders. However, this report is a matter of public record and its distribution is not limited.

We have reviewed this information with MCPF management. The Action Plan was approved by Tom Manos, County Manager, Sandi Wilson, Deputy County Manager, James Logan, Public Defense Services Director, and Catherine Robbins, MCPF Director, on June 23, 2015.

If you have any questions about this report, please contact Carla Harris, Audit Manager, at 602-506-6092.

Audit Results

Issue #1: Ward Visits

Observation: The Arizona Code of Judicial Administration (ACJA) requires wards to be visited no less than quarterly and as often as necessary to ensure the client's well-being. In order to determine that all wards were visited at least quarterly, we reviewed visit dates reflected in MCPF's case management system (CTI) for the 873 wards who required at least one quarterly visit in fiscal year (FY) 2014.

We found that 90% of all wards reviewed were visited at least quarterly. However, for 85 of 873 (10%) wards, at least one quarterly visit was not completed and/or documented. This includes 10 wards who were incarcerated and 5 who were missing. While visits to incarcerated wards may be waived by Court Order, we were not provided with documentation showing that required visits were waived.

Additionally, MCPF's internal policy requires that all clients be visited within five days of the initial staffing date. We found that 63 of 140 (45%) wards appointed during FY 2014 did not receive an initial visit within 5 working days of the staffing date.

Conclusion #1A: Visits to wards were not always made at least quarterly, as required by the ACJA.	
Recommendation	**MCPF Action Plan**
1A-1 Strengthen the case review process to ensure that quarterly ward visits are completed and documented.	Partially Concur – The 15 Wards who were missing or incarcerated are compliance exceptions as the ACJA Rules are interpreted by a "reasonableness standard". MCPF was in compliance with this policy 92% of the time during this audit period (FY14). MCPF will implement the recommendation to comply with the ACJA and strive for 100% compliance. 1. MCPF will strengthen the oversight of fiduciary staff compliance by establishing internal protocols to align with the ACJA quarterly visit requirement. Target Date: Jan 1, 2016

Conclusion #1B: Initial visits were not always made within five days of the initial staffing date, as required by MCPF policy.	
Recommendation	**MCPF Action Plan**
1B-1 Increase supervisory oversight to ensure that initial visits are completed within established guidelines.	Partially Concur – A majority of these Wards were seen by a fiduciary investigator before the hearing and some Wards attend the hearing at which the public fiduciary is appointed. 1. The MCPF will strengthen the oversight of fiduciary staff compliance by establishing internal protocols to ensure initial client contact is made as soon as possible after receiving the new case referral or appointment information. Target Date: Jan 1, 2016

Issue #2: Approval and Management of Vendors

Observation: In order to determine if vendors were approved and managed in accordance with internal policy and procedures, we reviewed MCPF's vendor selection processes and supporting documentation for 37 vendors.

We found that vendors were not always approved and managed in accordance with MCPF's policy, which requires that vendors (1) be pre-approved by a manager prior to contracting for services; (2) provide documentation as to licensure, referral source, and experience; and (3) provide a listing of services with references, a copy of insurance, bonding, and certification, where applicable. Specifically, there was no evidence of managerial approval for 32 of 37 (86%) vendors reviewed, and required documentation was frequently not on file.

Additionally, MCPF's Professional's Directory listing, which is intended to support informed decision making when fiduciaries are selecting a vendor, is not updated in accordance with policy. For instance, we identified numerous professional vendors who were hired for multiple clients in FY 2014, but they were not included on the listing. The vast majority of expenditures for professional services were to vendors not on the listing.

Conclusion #2A: Vendors are not approved and screened according to policy, and the Professional's Directory listing, intended to support informed decision making when selecting a vendor, is not kept up-to-date. This is due in part to the fact that the policy is outdated and lacks sufficient detail and clarity.	
Recommendations	**MCPF Action Plan**
2A-1 Update and clarify the Vendor Selection Process Policy.	Concur – MCPF will update the policy to clarify the Vendor Selection Process that incorporates current technological resources and aligns with the rules and laws governing guardianship, conservatorship and decedent estates. Target Date: Jan 1, 2016
2A-2 Ensure that all vendors are properly approved and that required supporting documentation is maintained.	Concur – MCPF will remedy 2A-2 with the implementation of the new policy referenced above in 2A-1 above. Target Date: Jan 1, 2016

Issue #3: Expenditures of Client Monies

Observation: In order to assess controls over the expenditure of ward monies, we sampled 55 disbursements totaling $509,904 (20%) from the MCPF Chase Trust checking account and the Chase Income-Only Trust checking account (IOT), and also sampled 5 general ledger adjustments totaling $55,254 (94%).

We found that all disbursements appeared to be (1) properly approved prior to payment, (2) reasonable in amount, (3) incurred to provide for the needs of the ward, and (4) coded to the proper ward and expense accounts. In addition, all items sampled had adequate supporting documentation, except for one $800 rent payment that was determined to be a legitimate disbursement.

However, we found that 13 disbursements totaling $424,502 were returned to the fiduciary rather than being mailed directly to the vendors, which increases the risk of improper disbursements.

Conclusion #3A: Disbursements appeared to be properly approved, reasonable in amount, and incurred to provide for the needs of the ward.	
Recommendation	**MCPF Action Plan**
None	N/A

Conclusion #3B: Expenditure controls should be strengthened by requiring that vendor checks be mailed directly to the vendors, except in limited, pre-approved situations.	
Recommendation	**MCPF Action Plan**
3B-1 Update the MCPF Approval of Expenditures Policy to require that all vendor checks be mailed directly to the vendors, except in certain limited, pre-approved situations.	Concur – MCPF will initiate revisions to the Expenditure Policy and include emergency procurement of client services when, on an emergency basis, a check needs to be personally delivered by a public fiduciary staff member. Target Date: Jan 1, 2016

Issue #4: Reconciliations

Observation: We reviewed all bank account reconciliations for FY 2014 for MCPF's five bank accounts to determine that the accounts were reconciled monthly, as required by County policy.

We found that the IOT account was consistently reconciled in a timely manner. For the remaining four accounts, reconciliations were completed timely for 10 of the 12 months; however, for two months (January and April), reconciliations were not completed for at least seven weeks after the statements were received.

Duties were properly segregated for four of the five bank accounts reviewed. However, for nine months during FY 2014, the employee responsible for preparing the IOT account reconciliation was also assigned the incompatible duty of check writing; this was corrected prior to the audit.

Conclusion #4A: Bank accounts appeared to be properly reconciled, although reconciliations were not always performed monthly, as required.	
Recommendation	**MCPF Action Plan**
4A-1 Ensure that all bank reconciliations are completed monthly, in accordance with County policy.	Concur completed – MCPF affirms the internal systems were already actively in place to support compliance with County Policy prior to the start of this audit. Target Date: Jan 1, 2016