



A Report
to the
Board of
Supervisors

*Maricopa County
Internal Audit
Department*

Ross L. Tate
County Auditor

Office of the Maricopa County Public Fiduciary

*Controls Over Ward Assets
Could be Improved*

April ■ 2009

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The mission of Maricopa County is to provide regional leadership and fiscally responsible, necessary public services so that residents can enjoy living in a healthy and safe community.

The mission of the Internal Audit Department is to provide assistance to the Board of Supervisors so they can ensure Maricopa County government is accountable to its citizens.

The County Auditor reports directly to the Maricopa County Board of Supervisors, with an advisory reporting relationship to the Citizen's Audit Advisory Committee.

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April 20, 2009

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We have completed our FY 2008-2009 review of the Office of the Maricopa County Public Fiduciary (MCPF). This audit was performed in accordance with the annual audit plan approved by the Board of Supervisors. The specific areas reviewed were selected through a formal risk-assessment process.

Highlights of this report include the following:

- Internal policies and procedures are not always clear, and are not consistently followed
- Account management procedures are not always adequate to prevent or detect theft or misuse of client funds
- Quarterly visits are not always conducted

Within this report you will find an executive summary, specific information on the areas reviewed, and MCPF's response to our recommendations. We have reviewed this information with the Public Fiduciary and appreciate the excellent cooperation provided by management and staff. If you have any questions, or wish to discuss the information presented in this report, please contact Richard Chard at 506-7539.

Sincerely,

A handwritten signature in cursive script that reads "Ross L. Tate".

Ross L. Tate
County Auditor

Executive Summary

Safeguarding Ward Assets (Page 7)

The Office of the Maricopa County Public Fiduciary (MCPF) developed a policy and procedure manual to address common operational concerns and controls. However, our review found that MCPF policies are not always clear, and in some cases, not followed. Some policies and procedures are not adequately described within the policy manual and may expose ward assets to loss and theft, and increase the likelihood that errors will not be detected. MCPF should revise policies to include more specific procedures and ensure staff members fully understand each policy.

Quarterly Visits (Page 16)

The Arizona Supreme Court, Arizona Superior Court, and Arizona Statutes primarily regulate MCPF. State statute requires guardians to report on wards to assess personal, residential, and medical needs. In addition, MCPF developed a policy to ensure that wards are visited once each quarter or more as needed by their assigned guardian administrator. We found that these quarterly visits were not always completed and/or documented. In order to identify potential abuse and neglect, and protect wards, MCPF should strengthen the case review process to ensure missed ward visits are identified.

Information System Controls (Page 18)

MCPF uses a variety of information systems to support its operations. We found that MCPF's timekeeping system was not programmed to reflect the revised fee schedule as of its effective date, resulting in some lost revenue. In addition, controls over system access and sensitive ward information could be improved. Weak controls over system access and sensitive ward information could result in theft of ward funds and identity theft. MCPF should ensure fees charged are consistent with the court approved fee schedule as of its effective date, and should limit employee access to system applications, ensuring job duties are properly segregated.

Introduction

Background

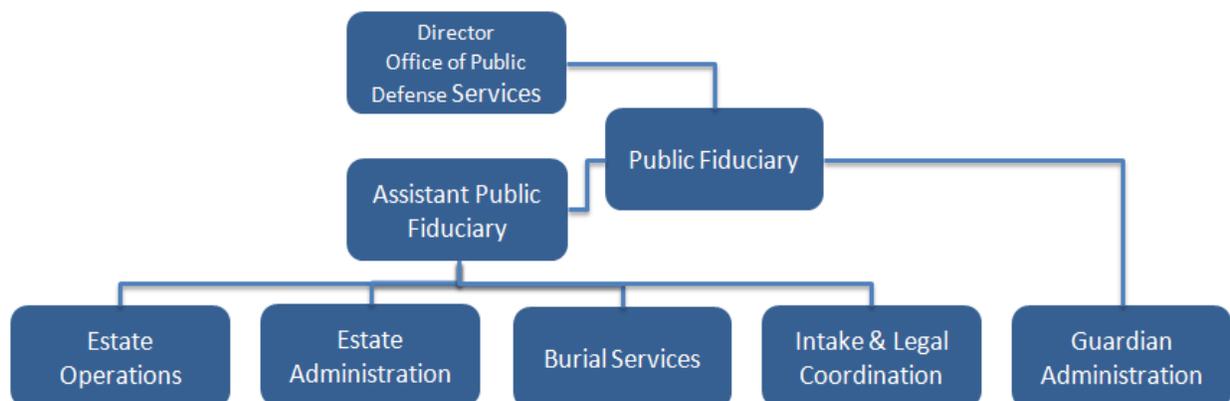
The Maricopa County Board of Supervisors established the Office of the Maricopa County Public Fiduciary (MCPF) in 1974, as required by Arizona Revised Statute (A.R.S) 14-5601(A). The Board action followed a substantial revision of all laws relating to decedents' estates, guardianships, and protective proceedings by the Arizona legislature in 1973.

Mission, Goals, and Performance Measures

MCPF's mission is to provide guardianship, conservatorship, decedent services, and court-ordered investigations for vulnerable persons so their estates and well-being are protected.

Organizational Structure

The FY08-09 Adopted Budget authorized 34.75 positions in MCPF. The office is organized into five operating divisions, as described in the organizational chart below.



MCPF duties range from tax preparation to indigent burial coordination, as described in the following summary.



Estate Administration Division

- Provides inventory and asset management services to clients
- Locates, gathers, and secures client assets



Estate Operations

- Responsible for all receipts & disbursements to and from ward accounts
- Files taxes on behalf of wards
- Files annual and biennial accountings
- Identifies and applies for eligible benefits on behalf of clients



Guardian Administration

- Provides informed consent regarding the care, treatment and residential services of clients under guardianship
- Acts as the decision-maker for the client



Indigent Burial Program

- Determines proper final arrangements when lack of family involvement and/or resources is an issue
- Coordinates burial activities with funeral homes, the Maricopa County Sheriff's Department, and the Maricopa County Facilities Management Department



Financial Investigation Team

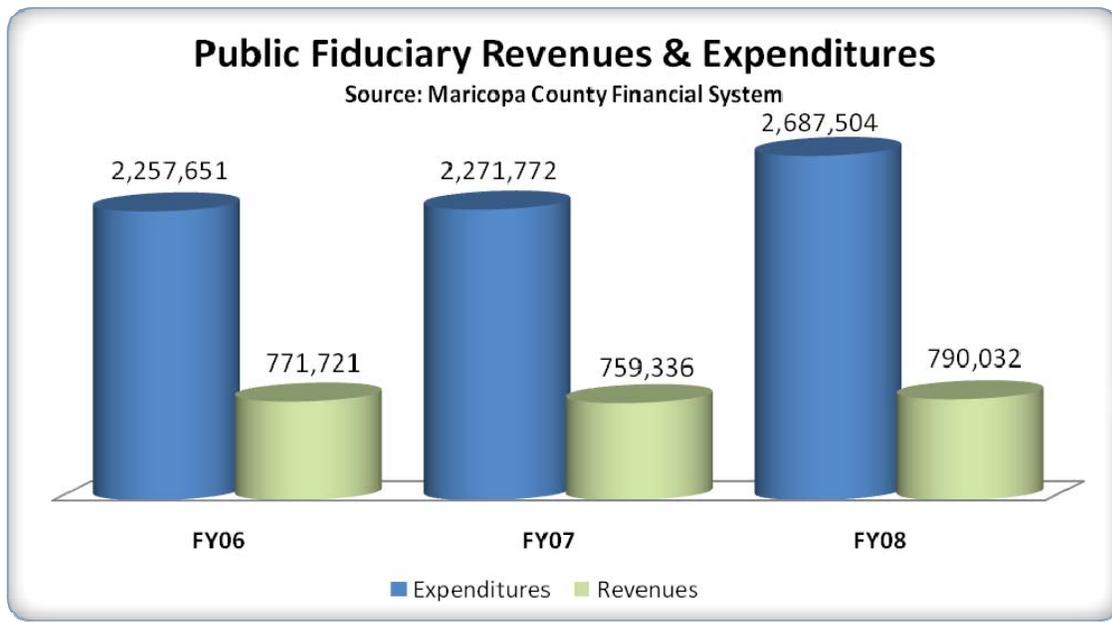
- Investigates allegations of financial exploitation related to court-appointed clients
- Refers criminal cases to the appropriate authorities and testifies in Court.

Source: MCPF Official Website

Operating Budget

MCPF's FY09 adopted budget includes \$918,848 in revenues from fee collections and \$2.6 million in expenditures. In accordance with A.R.S. 14-5604, MCPF assesses and collects fees for services rendered. According to MCPF, the court approved fee schedule is at market rates. However, because many clients are indigent, the collection of fees does not cover all operating costs to offset the cost of service.

Over the past three fiscal years, revenues have accounted for an average of just over 32% of MCPF's operating budget, which includes the Fiduciary and Burial Programs. The County's general fund supplements the difference. The following chart illustrates the expenditure and revenue trends from FY06 to FY08.



Superior Court approved a new MCPF fee schedule, effective April 23, 2008, which increased some MCPF fees by as much as 37.5%. Prior to this increase, the last fee schedule revision occurred in July 2002.

Program Operations

Based upon Superior Court orders, MCPF primarily serves adult clients that are unable to manage their own care due to physical or psychological conditions. MCPF applies a great deal of professional judgment in approaching each unique situation.

The Fiduciary Profession Is a High Risk Environment for Lawsuits and Fraud

The Public Fiduciary is considered to be the fiduciary of last resort when no viable alternatives exist for the guardianship or conservatorship of a person. Many times, a fiduciary client has no family, friends, or other interested persons to help oversee or control their funds and personal assets. As such, private and public fiduciary environments carry an inherently higher risk of fraud or abuse when fiduciary management over client assets is not scrutinized by an interested third party. For example, the Arizona Auditor General conducted two separate investigations in recent years in which public fiduciary employees in two small Arizona counties enriched themselves through fraud.

- In May 2001, the Auditor General reported that the Director of the Gila County Public Fiduciary embezzled over \$750,000 of public monies due to a lack of internal control and a control failure in the Court monitoring system
- In April 2008, the Auditor General reported that an employee from the Coconino County Public Fiduciary embezzled over \$16,000 in public monies from ward accounts

In both cases, the Auditor General cited internal control weaknesses and failures as the causes for these frauds. While conducting our work at MCPF, no indications of fraud or abuse came to our

attention. Also, according to MCPF, the infrastructure and oversight in small county public fiduciaries is not analogous to the Maricopa County Public Fiduciary's Office.

Scope and Methodology

Audit Objectives

The objectives of this audit were to determine if:

- MCPF adequately safeguards client assets
- MCPF is in compliance with relevant statutory and regulatory guidance
- Controls over information technology are sufficient to protect the integrity of data

Audit Timeframe

Our audit included MCPF and Superior Court data from July 1, 2005 to December 31, 2008.

Auditing Standards

We conducted this performance audit 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.

MCPF Reported Accomplishments

The Office of the Maricopa County Public Fiduciary provided the Internal Audit Department with the following unaudited information for inclusion in this report.

1. The Public Fiduciary's Office has provided multi-disciplinary guardian and conservator services for over seven hundred (700) of the most vulnerable adult citizens of Maricopa County resulting in positive outcomes and stabilization of clients.
2. The Public Fiduciary's Office was a founding agency partner of the Maricopa County Financial Abuse Specialist Team (F.A.S.T.) to coordinate the investigation and civil and criminal prosecution of financial abuse cases involving vulnerable adults.
3. The Public Fiduciary's Office has reduced the demand for public guardian services by continually working with families and community services to seek alternatives to guardianship in about forty percent (40%) of the cases referred to the office.
4. The Public Fiduciary's Office, through its Timekeeper System, entered fifty-three thousand (53,000) time entries of service in the last year and its employees are the most accountable of their time than any Maricopa County department.
5. Twenty-one (21) staff members are certified fiduciaries with the Certification and Licensing Program of the Arizona Supreme Court and eleven (11) staff members are National Certified Guardians with the Center for Guardianship Certification.
6. For the last seven (7) years, there has been one hundred percent (100%) timeliness in the filings of annual and biennial court accountings.
7. In the last fifteen (15) years, the Public Fiduciary's Office has improved the cost recovery (revenue ÷ expenditures) for the Fiduciary Program from eighteen percent (18%) to forty-four percent (44%) and reduced the cost per capita (net cost ÷ population) by fifty percent (50%) from \$.67 to \$.33.
8. The Public Fiduciary's Office has met all budgeted revenue goals for the last eighteen (18) years.
9. The Public Fiduciary's Office since FY 07/08 has decreased expenditures by sixteen percent (16%) and increased revenue by thirty-two percent (32%).
10. The Public Fiduciary's Office has absorbed several budget decreases without changing the statutory mandated services where the current full time employees (32 employees) is twenty-two percent (22%) less than twenty-five (25) years ago (41 employees).
11. The staff of the Public Fiduciary's Office is charitable and public service minded in that we regularly have one hundred percent (100%) participation in the Combined Charitable Campaign, and have participated in the Adopt-A-Street Clean-Up Program since 1994.
12. The Public Fiduciary's Office has a monthly self-audit process known as the Fiduciary Committee Meeting that has had two hundred ten (210) consecutive monthly meetings that includes extensive annual review of all cases by management.

Issue 1 Safeguarding Ward Assets

Summary

MCPF developed a policy and procedure manual to address common operational concerns and controls. However, our review found that MCPF policies are not always clear, and in some cases, not followed. Some policies and procedures are not adequately described within the policy manual and may expose ward assets to loss and theft, and increase the likelihood that errors will not be detected. MCPF should revise policies to include more specific procedures and ensure staff members fully understand each policy.

Criteria

Policy/Regulation	Criteria
MCPF Policy #3 (Sale of Personal Property) and #25 (Real Property Management and Sales Procedures)	Justification memos must be completed for personal property with a value greater than \$3,000 and all real property sales; the memo must include specific considerations (such as tax consequences), and must be approved by appropriate levels of management.
MCPF Policy #6 (Approval of Expenditures)	Disbursements must be properly supported and approved.
MCPF Policy #8 (Marshaling Assets and Dual Custody)	All assets shall be marshaled in the custody of two employees.
MCPF Policy #21 (Access to Storage Room, Vault, Fireproof Cabinet, and Warehouse)	A completed 'Entry Request Form' must be completed prior to entering the warehouse, and a visitor log must be signed upon entry.
MCPF Policy #23 (Vendor Selection Process)	Vendor agreements must be kept on file with the Estate Administration Legal Secretary along with references, and copies of insurance, bonding, and certifications applicable to each vendor; vendors offering real estate, appraisal, and repair and maintenance services must be rotated.
MCPF Policy #24 (Financial Account Management and Reconciliation)	Pooled accounts will be reconciled by an Estate Operations Division employee; management is responsible for reviewing and approving the reconciliation; client funds held in individual checking, savings, and investment accounts will be reconciled upon receipt.

A.R.S. 14-5603 (Deposit of Funds; Investment Plan)	Requires all funds coming into the custody of the public fiduciary be deposited with the Treasurer or an insured bank. All withdraws are made only at the direction of the public fiduciary.
A.R.S. 14-5419(A) (Inventory and Records)	Every conservator must account to the court for the administration of the estate at least annually.
A.R.S. 14-3706 (Duty of Personal Representative; Inventory and Appraisal)	Within 90 days of appointment, conservators must prepare and file an inventory of each ward’s assets with the court.
Other	Bank of America policy allows 60-days to dispute charges on customer accounts. The American Institute of Certified Public Accountants (AICPA) recommends “timely deposit (preferably daily)” and “restrictive endorsement on incoming checks as soon as received.”

Condition

The following pages in this section summarize nine conditions we observed for controls related to account management and physical security. Recommendations are provided at the end.

Account Management

Most ward funds are maintained in pooled accounts, the individual balances of which are accounted for in CompuTrust, MCPF’s account and case management database.

(1) Disbursements Adequately Documented and Authorized

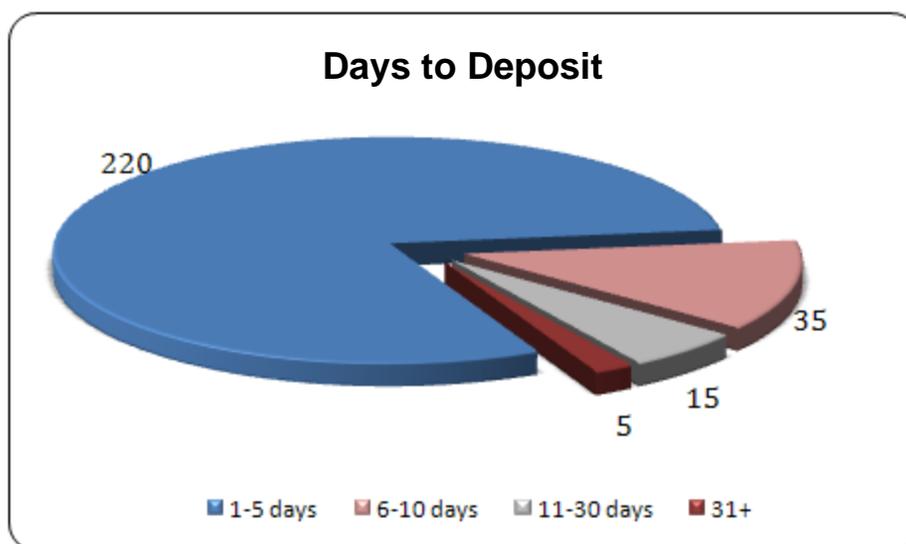
Disbursements from ward accounts are categorized as one-time expenses or recurring expenses. We performed two separate tests to determine if disbursements were adequately supported and properly authorized. For the first test, we reviewed a sample of disbursements from the CompuTrust general ledger. We noted two payments out of 92 (2.2%) lacked an invoice or supporting receipt (though one of the payments had a properly approved payment request form). In the second test, we selected a judgmental sample of disbursements from the MCPF check register. We found adequate supporting documentation and authorizations existed for each transaction.

Through our review of the disbursement paperwork, we noted that the process relies heavily on manual processes that are both inconsistently applied and inefficient in nature. For example, while the policy requires the administrator assigned to the case to sign a payment request, we identified some invoices for as little as \$10 with three signatures, and other payment requests for over \$500 with only one approving signature.

(2) Cash Receipts were Generally Deposited Within Six Days of Receipt

We tested a sample of receipts to determine how quickly MCPF deposits ward income. We found that the average time from receipt to deposit was six days. Some receipts must be researched prior to deposit to ensure the recipient is entitled to the funds, thus increasing the average deposit time. For example, one check was held by MCPF for 132 days. The check was ultimately returned to the issuer.

Many organizations require cash to be deposited no later than the next business day following receipt. In cases where daily receipts are small, a delay of a few days may be reasonable. Overall, we did not find the average time to deposit excessive, though we did note some capacity for improvement. The following chart profiles our entire sample, categorized by time ranges.



Source: IA Analysis

(3) Reconciliation of Bank Accounts not Completed and Reviewed in a Timely Manner

MCPF should perform reconciliations following the closing of pooled and individual ward bank account statements. To review the reconciliation process for individual ward accounts, we tested eleven non-pooled checking, savings, and CD accounts held by eight individual wards. Although we did not find errors in completed reconciliations, we noted that reconciliation procedures were not consistently followed as shown on the following table.

Account Holder	No Reconciliations for one or More Months	Reconciliation Not Reviewed	Lacked Timely Reconciliations
<i>Exceptions Noted with an "X"</i>			
Account Holder #1		X	X
Account Holder #2	X		
Account Holder #3	No Exceptions		
Account Holder #4		X	X
Account Holder #5	X		
Account Holder #6	No Exceptions		
Account Holder #7	X		
Account Holder #8			X

Source: IA Analysis of Reconciliation Documentation

We also reviewed the monthly reconciliations for the pooled checking, savings, investment, and depository accounts from July 1, 2005 to June 30, 2008 to determine if reconciliations were performed accurately, timely, and completely. We did not find any reconciliation errors. To determine the timeliness of reconciliation preparation and review, we calculated the length of time between preparation and review dates, and statement ending date. We designated preparation and review times in excess of 60 days as *unsatisfactory*, as this is the maximum amount of time the bank allows to dispute a charge. In applying this criterion, we noted the following discrepancies:

Monthly Reconciliations with Review Times Greater than 60 Days		
Account Type	Exceptions (out of 36)	Percent of Total (Rounded)
Checking	12	33%
Savings	11	31%
Investment	11 ¹	31%
Depository	10	28%
¹ One reconciliation had no review date or signature		

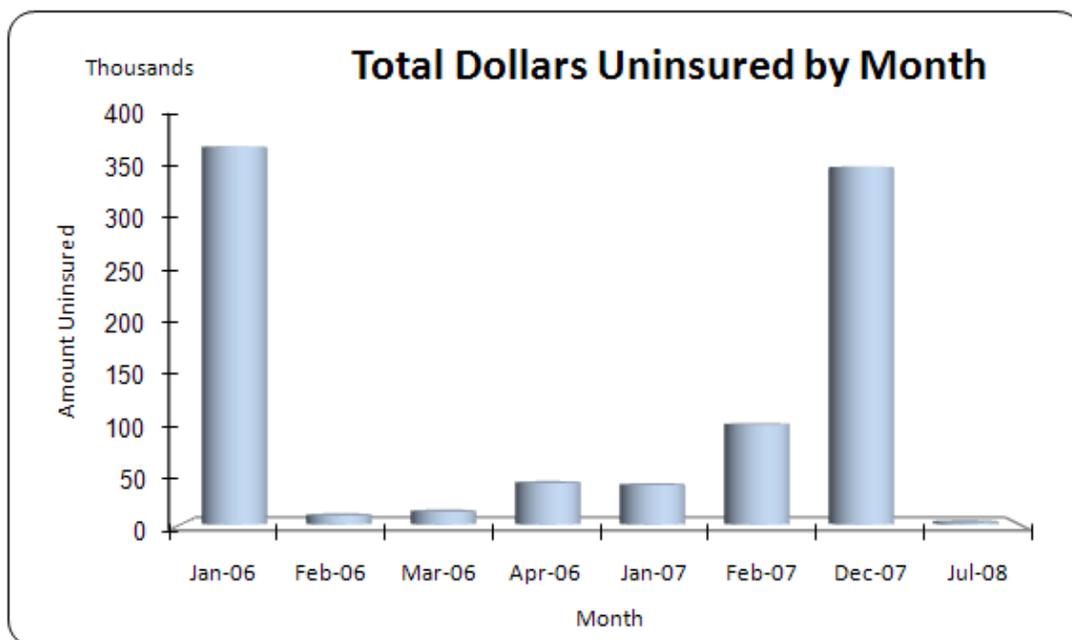
Source: IA Analysis of Reconciliation Documentation

(4) Court Accountings Generally Filed On Time; One of 25 Test Items Filed Late

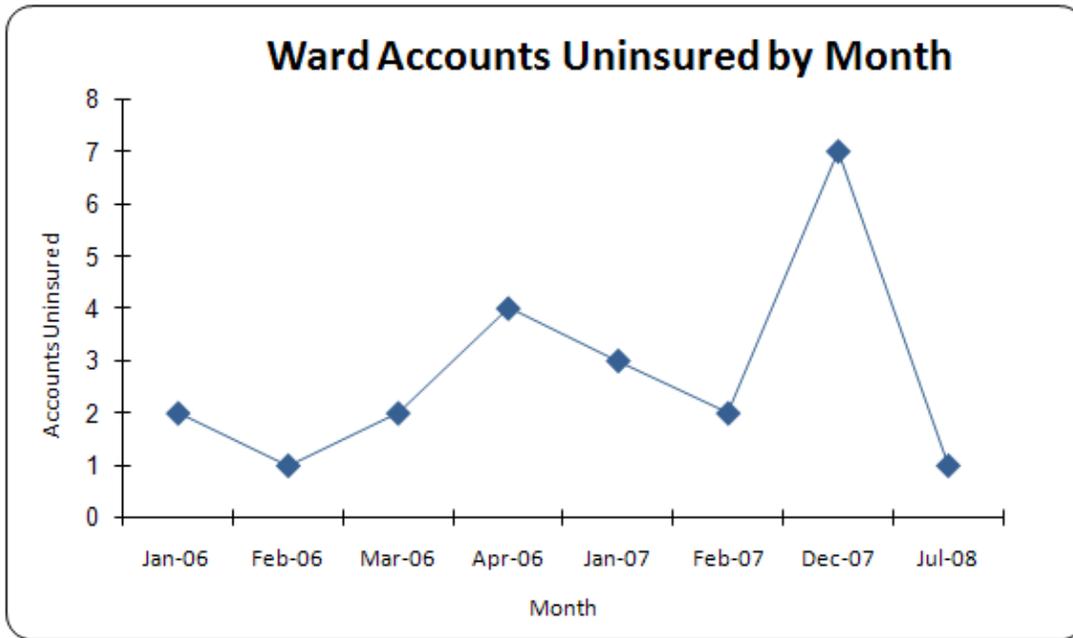
The Superior Court monitors asset management practices by requiring MCPF to file an annual or biennial accounting of wards’ physical and financial assets. A court review is mandated to ensure ward assets are protected from potential loss and fraud. We reviewed 25 ward accounts to determine if ward filings are performed promptly, with all required documentation, and with no gaps in the filing periods. Our review found that one decedent guardian accounting was not filed within the prescribed time. This was a final accounting which was granted two extensions by the court and still not filed at the time of our review. The accounting was due June 17, 2008 and our review took place in January 2009. The final accounting has since been filed.

(5) Bank Account Balances Often Exceeded FDIC Insurance Coverage

Most of the wards under the care of MCPF have limited funds, but some have a significant amount of personal wealth. MCPF is responsible for protecting ward funds against loss by depositing them in an insured bank. We selected and reviewed the CompuTrust Trial Balance report for 10 months to determine whether ward account balances were maintained below the Federal Deposit Insurance Corporation (FDIC) insurance limit. We identified 22 instances where ward account balances exceeded the \$100,000 FDIC limit (the limit for the time period reviewed). The following charts illustrate the aggregate amount of funds exposed to loss for each month reviewed, and the number of wards with uninsured funds.



Source: IA Analysis of Ward Account Balances



Source: IA Analysis of Ward Account Balances

Physical Security of Ward Assets

(6) Sale of Ward Assets Properly Credited; Justification Not Consistently Documented

When a new client is appointed to the Public Fiduciary’s care, MCPF commonly liquidates assets belonging to wards to help offset the cost of care. We judgmentally selected 11 personal property sales (totaling \$43,373), and 14 real property sales (totaling \$2,052,179) occurring between July 1, 2005 and December 1, 2008. We found that all sales amounts were properly credited to ward accounts. However, justification memos, which are required by internal policy for all asset sales where the items, or group of related items, are valued at greater than \$3,000, were not always completed, or were not completed in accordance with internal standards. Additionally, the quality of the memos varied, as described in the following table.

Justification Memo Exceptions				
Asset Type	Files Reviewed	Memo Completed	Required Elements Present	Required Signatures Present
Real Property	14	13 (93%)	10 (71%)	7 (50%)
Vehicles and Misc. Property	4 ¹	0 (0%)	N/A	N/A

¹ 11 files were reviewed in this category, but only four required a justification memo; in all four cases, the memo was not present

Sources: IA Analysis of Ward Files

In addition, vendor rotation is required by internal policy. However, sales documentation showed the same appraiser was contracted in 12 of 14 (86%) real estate sales transactions reviewed.

(7) Control Procedures Over Physical Inventory of Ward Assets are not Always Followed

MCPF policy requires a physical inventory of assets each time a new ward is appointed by the court. We physically observed a field inventory at the home of a newly appointed ward, and noted that at least two MCPF personnel were present to perform the inventory under dual control as required by MCPF policy. However, contrary to the policy, having multiple MCPF employees on-site during the inventory increased manpower rather than acted as an internal control. In addition, several outside vendors (including two movers and two locksmiths) were on-site throughout the inventory.

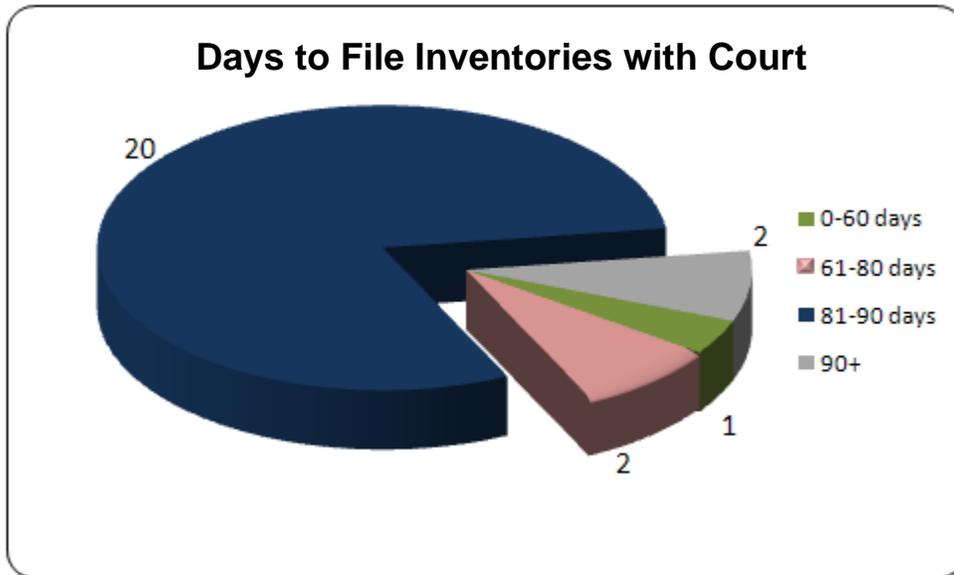


There is very little oversight over outside vendors that assist during housing inventories. The vendors in these images were left alone throughout much of the observation.

We attempted to review a sample of vendor files to ensure the required vendor agreements, references, insurance certificates, bonding, and certification documentation were on file. We found that MCPF does not maintain vendor files as required by its internal policy.

(8) 92% of Initial Inventories of Ward Assets Completed On Time

Estate conservators are required to file an inventory of ward assets within 90 days of appointment. We selected and reviewed 25 out of 108 (23%) inventories filed between July 1, 2006 and June 30, 2008 to determine if inventories were filed within the required timeframe. Of the 25 inventories reviewed, we noted that 23 (92%) were filed within the statutory deadline of 90 days from appointment date. The following graph illustrates the breakdown of our sample in terms of length of time to file with the Court.



Source: IA Analysis of Inventory Reports Filed with the Court

The two inventories filed past the date set by statutory guidelines were filed one day late. In both cases the 90 day mark fell on a Sunday and the inventories were filed that Monday. Accordingly, we conclude that all inventory filings tested met specified due dates.

(9) Ward Assets Stored in Warehouse Not Inventoried

MCPF stores some ward assets in a large storage room located in the County’s Security Building. MCPF provided us with a tour of the storage room, giving us the opportunity to evaluate internal controls over ward assets maintained in the room. Our observations are noted below.



Ward assets stored in the MCPF warehouse do not appear in CompuTrust inventory records.

- Access to the warehouse is prefaced by the completion of an Entry Request Form completed by the interested party
- Physical access to the warehouse can only be achieved when a representative from both the Guardian and Estate Administration Division accompany the interested party, as each division holds one of the two keys required to unlock the door
- Upon access, all visitors present must sign a log

While access to the storage room is well controlled, the ward assets within the storage room are not inventoried.

Effect

Some policies and procedures are not adequately and specifically described and may expose ward assets to loss and theft, and increase the likelihood that errors will not be detected.

Cause

Policies are not specific to procedures (such as review times or deposit goals), and in some cases, MCPF personnel are not following internal policies.

Recommendations

Account Management

MCPF should:

- A.** Explore an electronic alternative to payment requests to decrease paperwork and improve accountability of supporting documentation.
- B.** Develop timeframes for depositing checks, and performing and reviewing individual and pooled account reconciliations.
- C.** Monitor client balances to ensure funds are adequately protected against loss.
- D.** Ensure all ward accountings are filed on time with the court according to the prescribed schedule.

Physical Security of Ward Assets

MCPF should:

- E.** Create a standardized Justification Memorandum form that reflects the required content in *Sale of Personal Property Policy #3*; ensure all staff members fully understand the policy.
- F.** Ensure all ward assets are videotaped or imaged prior to beginning the field inventory and asset valuation process, and prior to third party vendors (such as movers) entering or accessing the property.
- G.** Revise the *Vendor Selection Process Policy #23* to reflect MCPF's ability to use the internet to find some vendor documentation; revise procedures to ensure frequently used vendors are more adequately screened, controlled, and rotated; and, develop a methodology to archive supporting documentation.

Issue 2 Quarterly Visits

Summary

The Arizona Supreme Court, Arizona Superior Court, and Arizona Statutes primarily regulate MCPF. State statute requires guardians to report on wards to assess personal, residential, and medical needs. In addition, MCPF developed a policy to ensure that wards are visited once each quarter or more as needed by their assigned Guardian Administrator. We found that these quarterly visits were not always completed and/or documented. In order to identify potential abuse and neglect, and protect wards, MCPF should strengthen the case review process to ensure missed ward visits are identified.

Criteria

Policy/Regulation	Criteria
A.R.S. 14-5312 (General Powers and Duties of a Guardian)	Requires guardians to report on wards to assess personal, residential, and medical needs. This includes meeting with clients, caregivers, treatment teams, and other parties interested in the client's welfare.
MCPF Policy #11 (Visits to Wards)	All clients under the guardianship of the office will be visited at least quarterly by the assigned Guardian Administrator. All meaningful contacts with wards or others involved in their affairs must be supported by documentation in the computer system.

Condition

MCPF Guardian Administrators are required to visit wards once per quarter to assess their health and welfare. We reviewed visits recorded in CompuTrust for each ward selected (between July 1, 2006 and June 30, 2008) to determine whether guardians had been making the required visits. Quarterly visits were not documented in CompuTrust for 8 of the 48 wards reviewed; a total of ten visits were missed.

Effect

A lack of quarterly visits may lead to a decline in the quality of ward care as guardians may not be in place to observe signs of abuse or neglect. Guardian visits are necessary to ensure wards' needs are being met.

Cause

MCPF established but failed to follow its policy. The review process in place was not adequate to identify the missed and/or undocumented visits.

Recommendation

MCPF should strengthen the case review process to ensure quarterly ward visits are completed and documented.

Issue 3 Information System Controls

Summary

MCPF uses a variety of information systems to support its operations. We found that MCPF’s timekeeping system was not programmed to reflect the revised fee schedule as of its effective date, resulting in some lost revenue. In addition, controls over system access and sensitive ward information could be improved. Weak controls over system access and sensitive ward information could result in theft of ward funds and identity theft. MCPF should ensure fees charged are consistent with the court approved fee schedule as of its effective date, and should limit employee access to system applications to ensure job duties are properly segregated.

Criteria

Policy/Regulation	Criteria
A.R.S. 14-5604	Permits MCPF to assess fees against the estate of a ward for the execution of guardianship, conservatorship, and public administration services performed on behalf of the ward.
Administrative Order 2008-053	Approved the updated fee schedule for MCPF effective April 23, 2008.
Internal Policies	Requires MCPF to abide by the Rules of Probate Procedure, which require fiduciaries to safeguard sensitive ward information filed with the court.
Other	<p>The American Institute of Certified Public Accountants recommends segregation of duties for disbursement preparation and disbursement approval functions from those for recording or entering cash disbursements information on the general ledger (i.e., CompuTrust).</p> <p>The Arizona Rules of Probate Procedure require fiduciaries to “preserve any medical professional-patient privilege and confidentiality and to protect vulnerable adults from identity theft and financial exploitation.”</p> <p>The Federal Trade Commission designates personal information such as name, social security number, and financial information as components needed for identity theft.</p> <p>MCPF allocates interest to wards based on the average daily balance of their individual accounts within the interest-bearing pooled accounts.</p>

Condition

The following pages in this section summarize four conditions we observed for controls related to information systems. Recommendations are provided at the end.

(1) New Fee Schedule Was Not Implemented When Effective; Fee Revenues were Lost

Fee Statements, which itemize time charged by each employee along with a description of the work performed, are submitted to the court for approval. The Fee Statements normally accompany the annual or biennial accounting (except in probate cases). We reviewed a Timekeeper download that detailed all time charged by MCPF personnel as well as the rates charged to ward accounts between April 23, 2008 and December 31, 2008. Timekeeper is the internal system used to accumulate hours charged by MCPF personnel to individual ward accounts. We matched employees to their assigned rate based on the revised fee schedule and determined that significant revenues were being lost because new fees had not been implemented in the system. Because of complexities related to fee deferrals and collectability of some fees, it was not practical to determine the actual amount of lost revenues. Although the loss may have been significant, MCPF reports that the system has now been updated to charge the correct fees and losses have been minimized.

Throughout our review, we noted several positions which regularly appeared on Timekeeper reports submitted to the court, but do not appear on the court-approved fee schedule. These positions include the following:

- Receptionist
- Accountant
- Legal Secretary
- Estate Analyst

While these employees may have provided direct service to wards, their positions do not align with the Court-approved fee schedule. According to MCPF, they may perform fiduciary services beyond their titled position(s).

(2) System Access Lacks Important Segregation of Duties

MCPF uses Accurant to research existing bank accounts, veteran's status, possible benefits, and known family members for new wards. The online service charges a fee for each query, making it more important to restrict access to key users. We reviewed MCPF's Accurant access list and determined that access was reasonably limited only to key personnel.

During the planning stages of this audit, we found that inadequate segregation of duties existed in the check disbursement process. Compounding this matter was the fact that an employee directly involved with printing and using the check signing machines to create a live check also had unlimited access to applications within CompuTrust. The employee has the ability to:

- Initiate transactions (including a generic category known as *incidentals*)
- Create vendors (including a generic category known as *miscellaneous vendor*)

- Transfer funds between pooled accounts
- Print checks
- Sign checks using the check signing machine

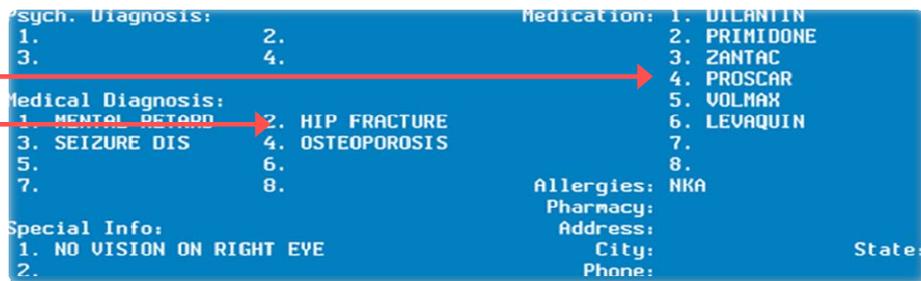
While we did not find any inappropriate charges as a result of this issue, we noted that system and process controls would not prevent or detect a theft or fraud from an employee with this level of system access.

(3) Sensitive Ward Information Not Properly Secured

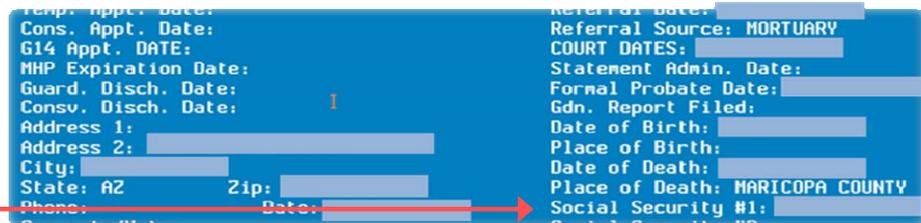
Throughout our fieldwork, we encountered a variety of sensitive ward information that could be used to perpetuate an identity theft.

All MCPF employees have access to sensitive ward information, either through CompuTrust applications or ward files. MCPF policy requires employees to comply with the Rules of Probate Procedure (which requires fiduciaries to safeguard sensitive ward information), but there are no internal controls to prevent an MCPF employee or an individual with access to office records (such as the County’s Office of Enterprise Technology--OET) from obtaining and possibly misusing ward data.

Medical information, including diagnosis and medical prescriptions, are accessible to all employees via CompuTrust.



Personally identifiable information about wards, including the ward’s full social security number, are displayed in CompuTrust.



Source: CompuTrust Screenshots—personally identifiable information has been redacted

(4) Interest Properly Allocated

We compared the investment and savings account reports for June 30, 2008 to the bank statement. The focus of our review was to determine if interest earned on the pooled account was allocated correctly to ward accounts. From our testing, we concluded that the allocation of pooled interest earnings among wards is accurate and consistent with an acceptable allocation method.

Effect

Fees: Failure to adjust the fees charged to ward accounts for services performed between April 23, 2008 and December 15, 2008, resulted in some lost revenue. Additionally, fees assessed on the account statements that do not match the approved fee schedule or for positions that do not appear on the approved fee schedule place an unfair financial burden on ward accounts.

Segregation of Duties: The level of CompuTrust access granted to at least one MCPF employee is incompatible with the disbursement responsibilities the employee performs, resulting in an increased opportunity for fraud or abuse to occur. Additionally, the lack of security over sensitive client information unnecessarily exposes wards to identity theft.

Cause

Fees: MCPF did not implement the revised fee schedule on its effective date due to system programming issues. The working titles on the approved fee schedule do not always match the working titles within the MCPF organization, requiring some deviations from the fee schedule.

Segregation of Duties: Internal policies and procedures do not adequately address segregation of duties for certain roles within the Office. Additionally, the CompuTrust system does not protect or encrypt screens with sensitive information.

Recommendations

MCPF should:

- A.** Program the Timekeeper system to reflect the revised fee schedule as of its effective date rather than the Timekeeper upgrade effective date and review Fee Statements prior to submission to court to ensure Fee Statements are correct.
- B.** Restrict access to screens with sensitive ward information (such as social security numbers, account numbers, and medical data) only to those employees that must use the information to perform their jobs.
- C.** Review the disbursement process to ensure segregation of duties between initiating disbursements, creating vendors, creating checks, and signing checks are adequate to prevent theft or misuse of client funds; ensure access to CompuTrust applications do not otherwise conflict with employee responsibilities.

Office Response

AUDIT RESPONSE
OFFICE OF THE PUBLIC FIDUCIARY APRIL 14, 2009

Issue #1:

The Office of the Maricopa County Public Fiduciary has developed a policy and procedure manual to address common operational concerns and controls. However, our review found that departmental policies are not always clear, and in some cases, not followed.

Account Management

Recommendation A: Explore an electronic alternative to payment requests to decrease paperwork and improve accountability of supporting documentation.

Response: Concur – in process. MCPF expects to obtain access to upgraded CompuTrust accounting and payment processing modules in July, 2009. Once available, the MCPF will examine its electronic payment requests and banking capability.

Target Completion Date: 01/01/10 (dependent on ability of vendor to deliver accounting modules with this characteristic).

Benefits/Costs: Improved efficiency and accountability.

Recommendation B: Develop timeframes for depositing checks and performing and reviewing individual and pooled account reconciliations.

Response: Concur – in process. MCPF will revise policies to include timeframes for depositing checks and performing and reviewing account reconciliations.

Target Completion Date: 07/01/09

Benefits/Costs: Increased accuracy and accountability.

Recommendation C: Monitor client balances in excess of FDIC limits to ensure funds are reasonably protected against loss.

Response: Concur – in process. Periodic reports and follow-up by administrators will ensure that balances in excess of the FDIC limit are of short duration and delays in distribution are well documented.

Target Completion Date: 06/01/09

Benefits/Costs: Reduced likelihood of client losses.

Recommendation D: Ensure all accountings are filed on time with the court according to the prescribed schedule.

Response: Concur – In process. Annual and biennial court accountings have been timely filed by the MCPF for the past seven fiscal years. However, some deceased final accountings are not timely filed and there will be increased monitoring for these accountings.

Target Completion Date: 04/01/09

Benefits/Costs: Compliance with court required timeframes. Increased accountability and transparency of ward assets.

Physical Security of Ward Assets

Recommendation E: Create a standardized Justification Memorandum form that reflects the required content in MCPF Policy #3; ensure all staff members fully understand the policy.

Response: Concur – In Process.

Target Completion Date: 05/01/09

Benefits/Costs: Greater accountability. Ensures possible ramifications have been considered before taking action.

Recommendation F: Ensure appropriate imaging of estate assets prior to beginning the field inventory and asset valuation process and prior to 3rd party vendors (such as movers) entering or accessing the property.

Response: Concur – In Process. The MCPF will ensure proper training of all staff that participates in the inventory and asset valuation processes.

Target Completion Date: 05/01/09

Benefits/Costs: Improved process, greater accountability for assets and reduction in potential for loss or theft.

Recommendation G: Revise the *Vendor Selection Process Policy #23* to reflect their ability to use the internet to find some vendor documentation, revise procedures to ensure frequently used vendors are more adequately screened, controlled, and rotated, and develop a methodology to archive supporting documentation.

Response: Concur – will implement with modifications.

Target Completion Date: 07/01/09

Benefits/Costs: Improved process and improved accountability of supporting documentation.

Issue #2:

The Arizona Supreme Court, Arizona Superior Court, and Arizona Statutes primarily regulate the Public Fiduciary. State statute requires guardians to report on wards to assess personal, residential and medical needs. In addition, the Maricopa County Public Fiduciary has developed a policy to ensure that wards are visited once each quarter or more as needed by their assigned Guardian Administrator. We found that these quarterly visits were not always completed and/or documented.

Recommendation: Strengthen the case review process to ensure quarterly ward visits are completed and documented.

Response: Concur--in process. The policy will be expanded to include documentation of exceptions regarding any visit that is delayed or needs to be rescheduled and these occurrences are to be staffed with the Guardian Administration Manager for approval. All exceptions and the reason(s) are to be documented as to what occurred and what corrective steps have been taken to insure a visit occurs. MCPF will continue the current process of reviewing documentation of all visits completed on a monthly basis to ensure compliance.

Target Completion Date: 07/01/09

Benefits/Costs: Proper monitoring of wards ensuring that they are adequately protected.

Issue #3:

MCPF uses a variety of information systems to support its operations. We found that MCPF's timekeeping system was not programmed to reflect the revised fee schedule as of its effective date, resulting in some lost revenue. In addition, controls over system access and sensitive ward information could be improved.

Recommendation A: Program the Timekeeper system to reflect the revised fee schedule as of its effective date rather than the Timekeeper upgrade effective date and review statements prior to submission to court to ensure Fee Statements are correct.

Response: Concur—Completed. MCPF has already updated the Timekeeper System to reflect the current fee schedule. In the transition to the new fee schedule MCPF determined there was a loss of revenue for the relevant period. In order to recoup the lost revenue, it would require amending court accountings just to claim our fees. We determined the cost and time to file amended accountings to claim fees would exceed the amount of the lost revenue.

Target Completion Date: 02/01/09 (completed)

Benefits/Costs: Ensures fiduciary fee rates reflect current court order.

Recommendation B: Restrict access to screens with sensitive ward information (such as social security numbers, account numbers, and medical data) only to those employees that must use the information to perform their jobs.

Response: Do Not Concur – all MCPF staff need access to system information in order to complete their job duties. Management accepts the risk of this issue.

Target Completion Date: N/A

Benefits/Costs: Increased security of ward information.

Recommendation C: Review the disbursement process to ensure segregation of duties between initiating disbursements, creating vendors, creating checks, and signing checks are adequate to prevent theft or misuse of client funds; ensure access to CompuTrust applications do not otherwise conflict with employee responsibilities.

Response: Concur – Already in practice.

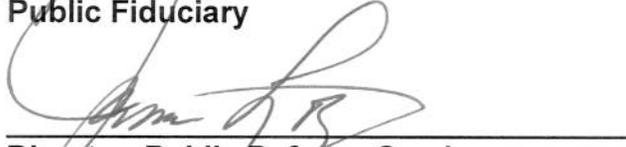
Target Completion Date: N/A (already in practice)

Benefits/Costs: No change, as this is already a part of our practice.

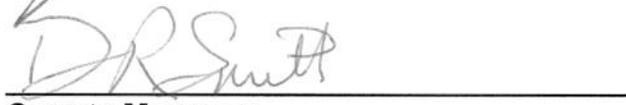
Approved By :


Public Fiduciary

4-20-09
Date


Director, Public Defense Services

4-20-09
Date


County Manager

4/21/09
Date