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OFFICE OF INTERNAL AUDIT

REPORT TO THE BOARD OF SUPERVISORS

AUDIT OFFICE OF THE PUBLIC FIDUCIARY

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Attachment: Management Response and Action Plan

Executive Summary

The Pinal County Office of Internal Audit has completed an audit of the Public Fiduciary's Office. This audit was included in the Fiscal Year 2012-2013 Annual Audit Plan, approved by the Pinal County Board of Supervisors. The audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The purpose of the audit was to review internal controls and assess operational effectiveness and efficiency, as well as compliance with applicable laws and regulations.

The Mission of the Pinal County Public Fiduciary's Office is to provide estate management and administration to protect vulnerable and incapacitated adults in need of a guardianship and/or conservatorship, when no other person or corporation is able or willing to serve. The Public Fiduciary provides this service when ordered by a court and assesses client fees, as appropriate and allowed by State statutes. The Public Fiduciary currently manages estates of more than 200 clients.

Our overall conclusion is the internal controls established by the Public Fiduciary are satisfactory, providing effective and generally efficient operations and compliance with applicable laws and regulations. We noted:

- The Public Fiduciary has established an effective fee system; however, revenues could be enhanced if more efficient controls were established to ensure all staff time used for client management is recorded and charged to the clients, as appropriate.
- The Public Fiduciary has established an effective system to ensure client assets are properly inventoried and accounted for in accordance with applicable state laws.
- An automated system has been acquired to manage client funds and ensure proper accountability of these funds.
- Client funds are properly deposited in the County Treasurer's Office, in accordance with state statute, and reconciled monthly.
- Controls have been established to ensure disbursement of client funds is properly processed through the County Finance Department.
- The Public Fiduciary is properly licensed by the State of Arizona and was formally appointed by the Pinal County Superior Court to manage all current cases.

Based on our findings and conclusions, specific recommendations for improvements include:

- ***The Public Fiduciary should establish a system for recording and classifying all staff hours/time, to ensure all allowable client fees are assessed and properly requested for reimbursement from the court.***
- ***The Public Fiduciary should establish goals, by staff position, for percentage of hours/time expected to be billable for client case management. Actual staff time***

recorded for client case management should be compared to established expectations, and analyzed on a recurring basis.

We would like to thank the management and staff of the Office of Public Fiduciary for their assistance and cooperation during the course of this audit.

The following report provides additional details of our audit observations and recommendations.

Lori Brooks

Pinal County Internal Audit Officer

Background

The Pinal County Office of Internal Audit has completed an audit of the Public Fiduciary's Office. This audit was included in the Office of Internal Audit's Fiscal Year 2012-2013 Annual Audit Plan, approved by the Pinal County Board of Supervisors. Our audit was planned and conducted in accordance with Generally Accepted Government Auditing Standards.

The Mission of the Office of Public Fiduciary is to provide estate management and administration to protect vulnerable and incapacitated adults in need of a guardianship and/or conservatorship when no other person or corporation is able or willing to serve. The Public Fiduciary provides this service when ordered by a court and may offset costs to the county by charging fees to administer the estates. The Pinal County Public Fiduciary currently manages the estates of over 200 clients.

Scope and Methodology

The purpose of our audit was to review internal controls related to the Public Fiduciary's responsibilities and to assess the effectiveness and efficiency of operations; as well as compliance with laws and regulations. Our specific objectives were to determine if:

- Clients are charged fees for services performed
- Client inventories are performed in accordance with state law
- Client funds are properly deposited with the County Treasurer's Office; and reconciled
- Disbursements are properly processed
- Clients are formally assigned to the Public Fiduciary by the Courts

To accomplish our objectives, we:

- Interviewed appropriate Public Fiduciary management and staff
- Reviewed policies and procedures related to the operations of the Public Fiduciary Office
- Verified accuracy of financial transactions in the Public Fiduciary's Panoramic Data System
- Reviewed laws, rules and regulations applicable to Arizona Public Fiduciaries
- Reviewed the fee schedules developed to charge clients for services provided
- Determined if fees awarded by the court are collected by the County
- Reviewed client inventories conducted by Case Managers
- Reviewed annual client accounting, as provided to the Superior Court
- Determined if bank statements from the Treasury are reconciled to individual client funds
- Determined if client transactions in the Panoramic Data System agree with the Treasury transaction data
- Determined if client funds are promptly deposited in the County Treasury and are appropriately disbursed, as needed, by the County Finance Department
- Reviewed supporting documentation for disbursements of client funds
- Reviewed case files to verify the Court's formal appointment of the Public Fiduciary
- Reviewed and analyzed staff hours charged to client accounts for fee calculations
- Determined if the Public Fiduciary is properly licensed by the State of Arizona

SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS

Overall Evaluation

We conclude that internal controls established by the Public Fiduciary are generally adequate; operations are effective and generally efficient; and the Public Fiduciary is in compliance with applicable laws and regulations. Specifically we noted:

- The Public Fiduciary has established an effective fee system; however, revenues could be enhanced if more efficient controls were established to ensure all staff time used for client management is recorded and charged to the clients, as appropriate.
- The Public Fiduciary has established an effective system to ensure client assets are properly inventoried and accounted for in accordance with applicable state laws.
- An automated system has been acquired to manage client funds and ensure proper accountability of these funds.
- Client funds are properly deposited in the County Treasurer's Office, in accordance with state statute, and reconciled monthly.
- Controls have been established to ensure disbursement of client funds are properly processed through the County Finance Department.
- The Public Fiduciary is properly licensed by the State of Arizona and was formally appointed by the Pinal County Superior Court to manage all current cases.

Details of our findings are discussed in the audit results section below.

Audit Results

A. Fees

Adequate controls have not been established to ensure all applicable staff time/hours are properly recorded, and related fees assessed, for services provided. The Public Fiduciary employs eight full time employees to manage the affairs of current clients. Therefore, during the six month period of January to June 2012, a total of 8,320 hours were available for case management. We reviewed staff time charged to client accounts and determined only 1,643 hours (19.7%) were charged to clients. Internal Audit recognizes that all available staff hours cannot appropriately be charged to assigned clients. For example, staff training, vacation, administrative duties, etc. likely accounts for a certain amount of staff time; and some employees, such as case managers, will likely have a higher percentage of chargeable time than other staff members. However, there are no established goals or related expectations for staff, and there is no system in place to capture and classify all staff time, including hours/time not directly charged to client cases. As such, there is currently no method to determine if all allowable client fees were assessed or properly requested for reimbursement from the court.

Recommendations:

- 1. The Public Fiduciary should establish a system for recording and classifying all staff hours/time, to ensure all allowable client fees are assessed and properly requested for reimbursement from the court.*
- 2. The Public Fiduciary should establish goals, by staff position, for percentage of hours/time expected to be billable for client case management. Actual staff time recorded for client case management should be compared to established expectations, and analyzed on a recurring basis.*

Attachment:

Management Response and Action Plan

| Audit Recommendation | Concur (Yes or No) | Management's Response and Action Plan | Target Date | Individual(s) Responsible |
|--|--------------------|--|-------------|---|
| <p><i>1. The Public Fiduciary should establish a system for recording and classifying all staff hours/time, to ensure all allowable client fees are assessed and properly requested for reimbursement from the court.</i></p> | Yes | <p>Time spent working with each client will be entered and tracked by staff using the computer program Panosoft. The information will provide a record of billable time spent working with each PCPF client as staff is appointed as Guardian, Conservator or Personal Representative by the Pinal County Superior Court.</p> | 10/31/12 | Brian Williamson, Case Manager Supervisor |
| <p><i>2. The Public Fiduciary should establish goals, by staff position, for percentage of hours/time expected to be billable for client case management. Actual staff time recorded for client case management should be compared to established expectations, and analyzed on a recurring basis.</i></p> | Yes | <p>Staff will use 5.5 billable hours for each 8 hour shift which will be recorded in Panosoft. CM Supervisor will run weekly reports to review the billable time of each case manager and other staff. CM Supervisor will meet monthly with each case manager to review billable hours recorded and go over the weekly goals. The expected time vs. the actual time spent on client cases will be used in case manager's performance and evaluation.</p> | 10/31/12 | Brian Williamson, Case Manager Supervisor |