



OFFICE OF THE PUBLIC AUDITOR

**EXECUTIVE SUMMARY**

Ward Trust Accounts

Office of the Public Guardian, Supreme Court of Guam

Report No. 06-05, May 2006

Public Law 25-103 established the Office of the Public Guardian (OPG) in March 2000 to oversee the care of incapacitated adults and the management of their assets when private guardians are unavailable. The Chief Justice appoints the Public Guardian (PG). The OPG has only had two staff since 2002: the PG and a secretary. At the outset, the PG established individual trust accounts for each of his wards by opening individual bank accounts for the wards. As of June 2005, there were 62 bank accounts, valued at \$207,797, for 43 wards at three local banking institutions. Based on the number of individual bank accounts, the PG would have to timely perform 568 reconciliations a year for the 62 accounts, provided accounting records were maintained properly.

Specifically, we found that the PG did not do the following:

- Sufficiently segregate duties to safeguard ward trust funds and assets for which the PG is the sole custodian. The PG was responsible for depositing ward trust funds, approving all ward disbursements, reconciling bank statements, recording all financial transactions and preparing all financial reports.
- Perform timely reconciliations of ward trust accounts for 18 of the 62 accounts, with cumulative total assets of \$140,542.
- Utilize an electronic database for the management of ward cases.
- Maintain an accurate and complete master listing of accounts.
- File annual financial reports for five of eight ward cases reviewed.
- File inventory reports of ward assets for six of eight ward cases reviewed for which the PG serves as guardian of the estates.
- Close the estates of seven deceased wards nor submit final accounting of these trust accounts, valued at \$11,262, to the Superior Court.
- Return \$151 to the Retirement Fund for a deposit received after the ward died.
- Have supporting documentation for disbursements totaling \$389, of which \$139 was inappropriately reimbursed from a ward account for purchases made by the caregiver with the caregiver's food stamps.

In the 2001, 2002, 2003 and 2004 OPG Annual Reports, the PG reported the difficulties in accomplishing several operational and financial responsibilities because of his limited staff. Despite his request for assistance, there had been no independent review, oversight, or monitoring by the Courts of OPG's financial activities.

The law also created the Public Guardianship Review Board (PGRB) to monitor appointed guardians responsible for the care and protection of those persons under the guardianship of the OPG, as well as other guardians. We found that the PGRB has not reviewed the guardianships of the Clerk of Courts or other private guardianships of the Superior Court as required by law. Although the PGRB has reviewed a number of OPG guardianships, the reviews were not documented in the ward case files.

In September 2005, we recommended the OPG transfer its financial accounting function to the Financial Management Division (FMD) within the Courts to address several of the OPG's financial management issues related to the segregation of duties, reconciliations, and timely reporting. The Chief Justice and the PG agreed to this recommendation. The PG and other Court officials began corrective action in October 2005 to transfer the financial accounting functions of the ward trust accounts to the FMD. The transfer should improve the PG's ability to close deceased ward estates, as well as address the intake and referral of cases.

Other recommendations included the development and automation of a comprehensive database of ward data for the management of ward cases and statistical information; the documentation of receipts, transfers, and disbursements; and the establishment of a petty cash fund for cash allotment. We applaud the PG and the Chief Justice for taking swift action to correct these concerns and their efforts to maintain transparency in the accounting of the wards' assets.

A preliminary draft report was transmitted to the PG, the Chairwoman of the Public Guardian Review Board, and the Chief Justice in April 2006. We met with the Judiciary officials and the Board Chair in early May 2006 to discuss the preliminary draft. Revisions to the final draft were transmitted to the PG for his official response. The PG indicated concurrence with seven of the eight recommendations with the exception of recommendation 4, which was to establish a petty cash fund and discontinue using his personal funds to distribute to his wards. This recommendation is under discussion and no decision has been reached. See Appendix 6 for OPG's management response.



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