

---

# 6 Justice: Office of Public Trustee

## Summary

The Office of Public Trustee administers the estates of many of its clients, including deceased persons, children and mentally incompetent individuals. The Office of Public Trustee has a comprehensive policy for managing client investments. We found the Office of Public Trustee managed client investments appropriately, using the prudent investor approach outlined in the policy. The Office of Public Trustee also developed a number of policies to provide guidance to staff in making health care decisions for their clients. We recommended improvements to the complaints policy.

We found a significant weakness in the Office of Public Trustee's processes for collecting client assets; individuals assigned to enter a client's home to identify, assess and collect assets and personal papers are not supervised by Office of Public Trustee staff. While the Office of Public Trustee obtains insurance coverage for its clients' assets, this does not address the risk that assets may be taken without detection or be intentionally undervalued and the full selling amount not remitted. In addition, the privacy and confidentiality of client personal papers may be compromised. Although the Office of Public Trustee has begun a risk assessment of its processes for collecting client assets, we recommended staff supervise the initial assessment and collection of client assets.

The Office of Public Trustee's access control to the locked cabinet where client personal property is stored could be improved. While procedures for the initial receipt and recording of personal property following removal from a client's home are strong, inventory count procedures for those assets are poor and we recommended improvements. As well, the Office of Public Trustee does not perform periodic verification of client assets held long-term by third parties or in offsite storage.

The Office of Public Trustee's financial statements provide adequate information to enable users to evaluate its financial operations. However, the current system is inefficient as a financial accounting and reporting system, and there is a risk of inaccuracies in the financial statements. We recommended the Office obtain a recognized and comprehensive financial accounting system. We also found the system for recording health care decisions needs to be upgraded to improve reporting and data integrity.

We recommended all client files, including those managed by the Public Trustee and senior trust officer, be included as part of the yearly file review process. We also recommended the Office establish performance standards for managing client estates and carry out annual performance evaluations on all staff to ensure performance expectations are being met.

---

# 6 Justice: Office of Public Trustee

## Background

- 6.1 The Office of Public Trustee provides protection of its clients' financial interests through estate administration services. The Office of Public Trustee may also provide informed consent on clients' behalf for health care, placement to a continuing care home or home care services. It may provide one or both of estate administration and health care decision services to its clients.
- 6.2 The Office of Public Trustee operates through six program areas.
- Mentally incompetent adult services
  - Children's trust services
  - Deceased estate services
  - Health care decision services
  - Missing person services
  - Legal representation services
- 6.3 The Office of Public Trustee is funded through the Department of Justice. In 2010-11, the Office of Public Trustee received \$7.6 million in revenues and incurred \$9.4 million in expenses on behalf of its clients. Operating costs were \$2.1 million, offset by fees and interest of \$1 million for a net cost to the province of \$1.1 million. For 2011-12, the operating budget for the Office of Public Trustee is \$2.2 million.
- 6.4 In 2010-11, the Office of Public Trustee administered \$41.6 million in cash and investments and \$9.5 million in real estate and other assets. It opened 281 new client files and closed out 260 files, resulting in 989 active estates and trust files at year end. Adult clients made up the largest group (369), followed by children (200) and deceased estates (180).
- 6.5 In 2009, the Health Care Decisions Division was established to manage the additional responsibilities of the Office of Public Trustee under the Personal Directives Act. This Act was proclaimed on April 1, 2010; it expanded the authority of the Public Trustee to act as the health care decision-maker of last resort for persons incapable of making those decisions. In 2010-11, the Division served 116 health care clients, including opening 94 new client files and closing 15 files. The Division made a total of 435 health care decisions on behalf of its clients.



- 6.6 Five trust officers and three lawyers assist the Public Trustee in managing client estates. Two consultants and a coordinator assist with health care decisions. 13 financial and administrative staff carry out other duties and responsibilities.
- 6.7 As specified in the Public Trustee Act, our Office audits the annual financial statements of the Public Trustee's trust funds.

## Audit Objectives and Scope

- 6.8 In early 2012, we completed a performance audit of the Office of Public Trustee. The engagement was conducted in accordance with Sections 18 and 21 of the Auditor General Act and auditing standards established by the Canadian Institute of Chartered Accountants.
- 6.9 The purpose of our audit was to determine whether the Office of Public Trustee is acting in the best interests of its vulnerable clients.
- 6.10 The objectives of our audit were to determine whether:
- the Office of Public Trustee appropriately safeguards and manages the opening and closing of client estates;
  - the Office of Public Trustee appropriately safeguards and manages client investments and other assets;
  - the Office of Public Trustee's processes for making health care decisions on behalf of its clients are appropriate and in accordance with legislation and policies; and
  - the Office of Public Trustee's trust funds financial statements are complete and provide appropriate information to users.
- 6.11 Criteria were developed specifically for this engagement. The objectives and criteria were discussed with, and accepted as appropriate by the Public Trustee.
- 6.12 Our audit examined the Office of Public Trustee's processes and transactions for the period from April 1, 2010 to September 30, 2011. Our approach consisted of interviews with management and staff; documentation of systems and processes, policies and procedures; and testing and analysis of files and records.

## Significant Audit Observations

### Opening and Closing Client Estates

#### Conclusions and summary of observations

The Office of Public Trustee has a number of policies and processes for safeguarding and managing the opening and closing of client estates; we recommended certain policies be updated and strengthened. We found the Office of Public Trustee has not adequately addressed an area of significant risk; auctioneers or other individuals assigned to identify, assess and collect assets from a client's home are not supervised by the Office of Public Trustee. We recommended staff supervise these activities. The Office of Public Trustee has taken steps to carry out a risk assessment of its procedures in collecting client assets, with expected completion in May 2012. We believe all client files, including those managed by the Public Trustee and senior trust officer, should be included as part of the yearly file review process. The Office of Public Trustee has not established performance standards for staff and does not carry out annual performance evaluations for all staff.

- 6.13 *Safeguarding clients' assets* – When the Office of Public Trustee takes on the management of a client's estate, its responsibilities include identifying, collecting, accounting for and maintaining the client's assets. The Office of Public Trustee has policies on inventorying and safeguarding clients' assets to provide guidance to staff. Staff indicated the policies provide sufficient guidance.
- 6.14 Although there are a number of policies to address risks to clients' assets, one area of significant risk is not adequately addressed. The Office of Public Trustee hires auctioneers to enter a client's home to collect personal papers, assess the value of assets and collect and sell the assets, as directed. The Office of Public Trustee provides auctioneers with a letter of instruction that outlines their duties and responsibilities. The auctioneers are not required to sign a contract or indicate their acceptance of the terms. If a client does not have sufficient funds to cover the costs of hiring an auctioneer, the Office of Public Trustee will seek assistance from family members or third parties to collect the assets and personal papers.
- 6.15 Auctioneers or other individuals entering a client's home are not supervised by Office of Public Trustee staff. Although the Office of Public Trustee immediately obtains insurance coverage for the assets of any new clients, this coverage is only effective for known assets that are subsequently stolen or damaged. It does not address the risks when the specific assets in a client's estate are not known. We believe without direct supervision by staff when client assets are initially identified, assessed and collected, the risk of assets being lost, stolen or improperly handled is increased. We noted three risks in particular.
- Individuals sent to pick up assets from a client's home may note an asset was not in the home when in fact it was, and not turn it over to the Office of Public Trustee.



- Individuals assessing the assets may intentionally undervalue them and not remit the full proceeds from their sale to the Office of Public Trustee.
- The privacy and confidentiality of client personal information may be compromised.

6.16 The Office of Public Trustee's research into the practices of the other public trustee offices in Canada shows 10 of the 11 offices require two people, including at least one staff member, to carry out the initial inspection of a client's home.

#### **Recommendation 6.1**

***The Office of Public Trustee should assign staff to supervise the initial identification, assessment and collection of client assets to ensure all assets are properly accounted for and collected.***

#### **Office of Public Trustee Response:**

*The Public Trustee is in agreement with this recommendation. The Public Trustee does not have inspectors on staff. The Public Trustee's clients live in every corner of this province and the initial inspection could take a day to several days to complete. The Public Trustee has tried to compensate by carefully choosing different reliable individuals to conduct the initial inspections.*

*In conjunction with Justice Finance, the Public Trustee will co-ordinate and prepare an analysis of the resources required to meet this recommendation. Once this analysis is complete, options are identified, and associated costs are estimated, the Public Trustee will work with Justice Finance to identify the mechanism to fund a solution to this recommendation by March 31, 2014.*

*In the interim the Public Trustee will develop a letter of instruction that will outline the duties and responsibilities of the auctioneers, caretakers, appraisers or client's family members who are sent into the client's homes searching for assets. The individuals retained to perform these searches will be requested to sign their acceptance of the terms of the direction letter.*

*The Public Trustee has ordered a risk assessment report of its procedures in collecting and selling clients' assets. This report is scheduled to be completed in May 2012. This report will be carefully reviewed to determine what risks the Internal Auditors have identified. The Public Trustee will then review its existing policies concerning the protection and identification of clients' assets and it will develop new policies and revise existing policies where required to try and mitigate these risks.*

6.17 During our audit of the 2010-11 financial statements, we raised our concern that individuals hired to collect client assets were not bonded. The Public Trustee subsequently informed us while there is a lack of bonded individuals performing the needed services, the auctioneers hired carry their own insurance coverage for any

assets they take into their possession. We found the Office of Public Trustee does not verify auctioneers have sufficient insurance coverage.

**Recommendation 6.2**

***The Office of Public Trustee should verify auctioneers have sufficient insurance coverage to protect client assets prior to authorizing the auctioneers to take the assets into their possession for sale.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The Public Trustee will seek written confirmation from its auctioneers that the auctioneer has sufficient insurance coverage to protect the client's assets before the auctioneer is authorized to take the client's assets into their possession.*

6.18 In our 2010-11 letter to management, we recommended the Office of Public Trustee perform an assessment of the risks associated with transferring assets from clients' homes and indicate what procedures would be put in place to mitigate the risks identified. We found the Office of Public Trustee has initiated steps to conduct a risk assessment, with expected completion by May 2012.

6.19 We found instances in which policies on inventorying, collecting and safeguarding client assets could be improved or strengthened.

- The policy on initial assessment of personal or real property owned by a client addresses what to do with various client assets, such as items gifted in a will, jewelry and personal papers. The policy does not expressly state that staff should consider the location of, and risks to, all real and personal property, and ensure that the risks have been addressed in a timely manner.
- The purpose of the policy on inspection of client property is to obtain preliminary information about the state of the property. It does not expressly direct staff to consider potentially valuable assets that may be identified by the auctioneer or other individuals during the initial inspection, and how they will be safeguarded.
- The policy on taking possession and disposing of clients' firearms is dated from 1993 and was not filed with the policy manuals. This policy needs to be reviewed, updated and filed in the policy manual to be readily available to all staff.

**Recommendation 6.3**

***The Office of Public Trustee should review its policies on real and personal property to include a general direction to staff to consider and address risks to all property.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The Public Trustee will review its existing policies on real and personal property. The Public Trustee will also review the*



*recommendations of the risk assessment report currently being prepared to ensure the policies are updated and strengthened to address risks to our clients' real and personal property.*

- 6.20 Staff review client asset and insurance listings twice a year to identify assets that require coverage or those that may no longer need coverage.
- 6.21 We examined 30 client files to determine if staff are following policies and safeguarding assets when opening and closing client estates. We found one minor instance in which policy was not followed but this was covered through a compensating procedure.
- 6.22 *Supervision and reviews* – Supervising staff in opening and closing estates and safeguarding clients' assets is an important part of managing operations. Failure to appropriately supervise staff could result in improper or inconsistent handling of estates or untimely completion of required actions, which could put clients' estates at risk.
- 6.23 One way management can supervise and determine how staff meet their assigned responsibilities and follow policies is through file reviews. The senior trust officer is responsible for completing periodic reviews of files managed by the trust officers. The senior trust officer follows review procedures set out in a file review form and notes issues or provides feedback on the file to the trust officer.
- 6.24 The Public Trustee completes periodic reviews of files managed by staff lawyers, examining processes used for closing the files, required court filings and other communications. The Public Trustee does not follow specific procedures when completing these reviews but notes questions or comments for staff. A checklist of items to consider would help ensure all relevant areas were covered and consistently reviewed.

***Recommendation 6.4***

***The Office of Public Trustee should develop a checklist or document procedures as a guide for the review of files managed by staff lawyers.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The Public Trustee will develop a set of standard procedures to be used for reviewing files managed by staff lawyers. These standards will be developed by April 1, 2013.*

- 6.25 Client files managed by the Public Trustee and those of the senior trust officer are not included in the periodic file review process. While their files may be reviewed through filings in court or at other times, these reviews are not part of an ongoing quality control process designed to ensure consistency and compliance with Office of Public Trustee policies.

**Recommendation 6.5**

***The Office of Public Trustee should include client files managed by the Public Trustee and those of the senior trust officer as part of the yearly file review process to ensure consistency and compliance with policies.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The files of the Senior Trust Officer will be reviewed as part of this position's annual performance review. The Public Trustee will establish a peer review process for the review of client files managed by the Public Trustee. The peer review will be conducted by one of the Acting Public Trustees and the process will be established by April 1, 2014.*

- 6.26 *Performance evaluations* – Management does not complete a written annual performance evaluation of all staff. While management may meet to discuss performance with staff who have reached the top of their salary range, this process is not always documented and may not be consistent among those staff or cover all areas of performance. Of the eight trust officers and lawyers employed at the Office of Public Trustee during our audit, four received an annual performance evaluation while four did not. Without regular performance evaluations, performance issues with staff may not be appropriately documented and addressed in a timely manner.

**Recommendation 6.6**

***The Office of Public Trustee should complete annual performance evaluations for all staff.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. Informal performance evaluations and review of staff work had been conducted by the Public Trustee and its managers throughout the years. Commencing with the fiscal period April 1, 2012 - March 31, 2013 formal performance reviews will be conducted on all employees.*

- 6.27 The Probate Act and regulations include timelines and specific requirements which the Office of Public Trustee must meet when closing out estates of deceased clients. For other clients, the Office of Public Trustee has not established performance standards for opening or closing files, timing of disbursements and distributions, and securing of physical assets. Establishing performance standards would provide specific guidance to staff on managing their files and would provide a means for the Public Trustee to evaluate operations and determine if staff are meeting performance expectations.

**Recommendation 6.7**

***The Office of Public Trustee should establish and monitor performance standards to ensure staff are meeting performance expectations.***



**Office of Public Trustee Response:**

*The Public Trustee agrees with this recommendation. The Public Trustee will analyse the different functions and work the office undertakes, and will determine performance standards for these responsibilities. These standards will be established by March 31, 2014.*

## Management of Client Investments and Other Assets

### Conclusions and summary of observations

The Office of Public Trustee has a comprehensive investment policy that outlines the prudent investor approach and client factors to consider, and appropriately provides guidance on types of investments to purchase. We found the Office of Public Trustee administered client investments in accordance with policy. We found control over access to the locked cabinet where client personal property is stored could be improved, and inventory count procedures for assets held in the vault are poor. We also found the Office of Public Trustee does not perform periodic verification of client assets held long-term in offsite storage.

6.28 *Managing investments* – The Office of Public Trustee’s estate management responsibilities include management of client investments. In making investment decisions, the Office of Public Trustee uses a conservative investment approach based on the prudent investor standard. The prudent investor standard is outlined in the Office’s investment policy as:

- minimize any risk of loss of capital;
- where possible, provide income sufficient to meet clients’ needs; and
- assess the potential for capital appreciation for clients with higher risk tolerances or long-term investment horizons.

6.29 The investment policy outlines the necessity of an investment plan for clients and provides guidance on investment vehicles, minimum ratings for securities and maximum limits on purchases and types of investments. In addition, circumstances specific to each client should be considered, including:

- the client’s age, medical prognosis and budget;
- the client’s ongoing income needs and ability to accumulate income;
- the requirement for long-term capital appreciation; and
- the expected timeframe of the Office of Public Trustee’s authority (investment horizon).

6.30 Nineteen of 30 client files we selected included investments. We examined those files to determine if the client investments were managed appropriately and policies

were followed. We found investments were administered using a prudent investor approach in accordance with policy.

- 6.31 *Managing other assets* – Estate administration may involve determining client spending allowances and expense requirements, and setting up payments to meet those requirements. It may also involve safeguarding and managing other assets, such as real estate or personal property. The Office of Public Trustee has a number of policies to assist staff in those areas of administration.
- 6.32 Our testing of 30 client files included determining if estate administration procedures were appropriate and policies were followed. We found policies were followed in administering client estates. However, we found significant weaknesses in the Office of Public Trustee’s procedures for safeguarding personal property.
- 6.33 *Safeguarding personal property* – Office of Public Trustee clients may have personal property, such as jewelry or coin collections, that are valuable and need to be safeguarded. When personal property is small in size, the Office of Public Trustee may secure and store it in the office vault until returned to the client, sold or distributed. While procedures for receiving and recording client assets following removal from a client’s home are strong, all accounting staff can access the vault and the locked storage cabinet in the vault where assets are stored. All accounting staff can access the listing of assets held in the vault and can add and remove items.
- 6.34 To reduce the risk of small, valuable items being lost or stolen, access to the locked storage cabinet in the vault should be restricted. Management should have control of the keys, and a sign-out process should be established to track access to the secure storage area.

***Recommendation 6.8***

***The Office of Public Trustee should restrict and track staff access to the secure storage cabinet in the vault.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The Public Trustee will develop a procedure that will require access to the locked cabinet to be tracked. Two authorized staff members will need to be present when the locked cabinet is opened. This procedure will be completed by October 31, 2012.*

- 6.35 The Office of Public Trustee indicated inventory counts of client assets held in the vault are not carried out on a regular basis; accounting staff carry out inventory counts when time permits and staff are available. When an inventory count is completed, it is performed by one person and the count records are not retained. Without appropriate documentation, we cannot be sure these counts are taking place or how often. When we tested the vault listing and assets in the vault, we found no errors and client ownership was clearly identified for assets held.



- 6.36 To be an effective control, inventory counts should be carried out on a regular basis by two persons. Management should review and retain count documentation. For additional security, one of the individuals assisting with the count should not have access to client records.

**Recommendation 6.9**

***The Office of Public Trustee should carry out inventory counts on the assets stored in the vault on a regular basis. Management should review and retain inventory count records.***

**Office of Public Trustee Response:**

*The Public Trustee agrees with this recommendation. The Public Trustee has already developed a formalized procedure to ensure that audits are performed annually and that documentation of the count is maintained.*

**Recommendation 6.10**

***The Office of Public Trustee should have two persons carry out the inventory counts. This should preferably include someone who does not have access to client records.***

**Office of Public Trustee Response:**

*The Public Trustee agrees with this recommendation. The Public Trustee has already developed a formalized procedure that will require audits of the other assets in the vault to be performed annually by two staff.*

- 6.37 Valuable client assets may also be stored by auctioneers, other individuals, in offsite storage facilities, or on a client's property until the assets are sold, returned to the client or distributed to heirs and beneficiaries. In certain situations, the Office of Public Trustee obtains a signed agreement that an individual is holding assets in trust for the client's estate. For assets held long-term, staff do not periodically complete an inventory count to ensure all items remain safely stored. Without periodic verification of items in storage, assets may be lost or stolen and the loss may not be detected in a timely manner.

**Recommendation 6.11**

***The Office of Public Trustee should carry out periodic verification of client assets held long-term in offsite storage.***

**Office of Public Trustee Response:**

*The Public Trustee agrees with this recommendation. It will develop a policy detailing how staff is to periodically verify the existence and condition of the client's assets held in long term storage.*

- 6.38 *Improvements to policy* – The Office of Public Trustee has a policy that requires staff to obtain a monthly financial summary report of clients' cash balances and use this

report to determine if there are excess funds which should be invested. We found evidence in the files that the financial summary reports were being generated but we could not determine whether the reviews had been carried out each month as required. A tracking log or other mechanism would provide evidence that staff is performing monthly reviews.

***Recommendation 6.12***

***Office of Public Trustee staff should include evidence in client files that client financial summary reports are reviewed monthly.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The Public Trustee has already developed a tracking log to be completed on a monthly basis which will provide evidence that the client summary reports are being reviewed monthly.*

## Health Care Decisions

---

### Conclusions and summary of observations

The Office of Public Trustee has a number of policies to provide appropriate guidance to staff in making health care decisions on behalf of its clients. Staff plan to review and update policies on a regular basis. The Health Care Decisions Division could improve its complaints policy to include logging and tracking complaints it receives. The Division is developing a file review process which will enable it to determine whether policies and documentation best practices are followed. The Office of Public Trustee needs to upgrade the information system to improve management reporting and data integrity.

---

- 6.39 *Authority* – The Office of Public Trustee’s authority to make health care decisions on behalf of its clients is contained in several pieces of legislation and is reflected in the referral process of the Health Care Decisions Division (Division). When seeking the Public Trustee’s consent on a health care matter, the health care provider must submit a referral form and supporting documents that show the client lacks the capacity to make the decision and there is no higher-ranked substitute decision maker available, such as a family member.
- 6.40 The Division has a number of policies that provide assistance and guidance to staff in making health care decisions on behalf of its clients. Staff developed these policies based on legislation, research and ongoing experience gained in making health care decisions. Staff plan to review and update policies on a regular basis.
- 6.41 *Making health care decisions* – Staff are aware of the Division’s policies and procedures and use them when making health care decisions for clients. We selected a sample of 30 health care decisions involving 25 clients to determine if the decisions were appropriately supported and policies followed. We found support in the client



files for the decisions made and that policies were followed. Although there were no serious deficiencies, we found three cases in which documentation could be improved to support the decisions made.

- Follow-up on an outstanding question concerning a client's family was not documented.
  - The wrong form was used to document a client's lack of capacity to consent to treatment.
  - The need for a routine diagnostic test for a client was not clearly detailed in the notes and forms in the file.
- 6.42 The Division is in the process of developing file review procedures which will involve an annual cycle of file reviews for compliance with policies and statutory requirements. This will enable the Division to detect and correct documentation deficiencies and establish documentation best practices.
- 6.43 *Complaints* – There is a complaints policy and process which is adequate for the current size and activity level of the Division. Since the Division expects the number of clients and health care decisions to continue to increase, the policy could be strengthened. We noted the following weaknesses in the existing policy.
- There is no guidance on when staff should request complainants to document their complaints in writing to avoid any misunderstanding regarding the nature of the complaint.
  - Staff document complaints in individual client files but there is no single list or tracking of complaints for management to know how many complaints were received and when they were resolved.
- 6.44 The Division indicated there was only one complaint received during our audit period and we found it was appropriately resolved.

***Recommendation 6.13***

***The Office of Public Trustee should update the health care decisions complaints policy to include guidance on when to request a complaint be submitted in writing.***

***Office of Public Trustee Response:***

*The Public Trustee agrees that the complaints policy should be strengthened and has already revised the policy, as recommended.*

***Recommendation 6.14***

***The Office of Public Trustee should log and track complaints received to ensure timely disposition.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The revised complaint policy (see response to Recommendation 6.13) now requires that a divisional complaint log be maintained.*

- 6.45 *Oversight and reporting* – Management oversight and review is generally not documented due to the small size of the Division. Management discusses and communicates daily with staff and has initiated a few file reviews. The Division is developing an annual file review process which management expects to implement in 2012.
- 6.46 Management prepares monthly reports on the Division’s activities for the Public Trustee. The monthly reports include a number of statistics, such as the number of opened and closed files, referrals and types of referrals. Management and the Public Trustee use this information to monitor and determine demand on resources and for future planning.
- 6.47 *Information system* – When the Division was created in 2009, staff needed to capture health care information on clients and record decisions made. The Office of Public Trustee hired a consultant to make modifications to the existing information system. Additional system adjustments were subsequently obtained through the Department of Justice’s IT services. The modifications and adjustments provide staff the means to record activities and decisions on an individual client but do not provide adequate reporting for management purposes.
- 6.48 Due to budget constraints, when the initial modifications were made to the information system, the ability to generate reports from the data captured was not addressed. The system could provide detailed information on each client but a summary report could not be obtained. Management had to capture this information manually. In July 2011, after further adjustments, the system was able to produce a report on client activity. While this report captures some of the information required by management, it still does not provide all that is needed. Management must still manually track certain information, such as types of decisions made and summary totals, in order to monitor and report on the Division’s activities and use of resources.
- 6.49 In addition to reporting difficulties, the information system lacks flexibility to accommodate the Division’s needs. One example we noted concerned changes in health care decision authorizations. Authorizations are programmed into the system, preventing staff with a lower authorization from recording health care decisions requiring a higher authorization. If a health care decision is subsequently determined by management to require a higher level of authorization, the change cannot be adjusted directly in the system without affecting previous decisions recorded. Changing the authorization level directly will show any previous decisions at the new authorization level and remove from the record the name of any staff with a lower authorization who recorded the decision. This does not occur if the authorization is changed from a higher level to a lower level. While this does not affect the client and

the actual decision made, it can impact the integrity of the data management uses for monitoring and reporting purposes.

***Recommendation 6.15***

***The Office of Public Trustee should obtain sufficient IT services to upgrade the current information system to meet the needs of the Health Care Decisions Division.***

***Office of Public Trustee Response:***

*The Public Trustee agrees with this recommendation. The Public Trustee has already contacted Justice I.T. to review the observations and recommendations. An analysis of the required upgrades, costs, and implementation plan for information system enhancements will be completed by March 31, 2013. Once associated costs are estimated, the Public Trustee will work with Justice Finance to identify the mechanism to fund a solution to this recommendation.*

## Financial Statement Presentation and Disclosure

### Conclusions and summary of observations

The Office of Public Trustee's trust funds financial statements provide adequate information to enable users to evaluate the Office's financial results. However, the system currently used to record financial transactions is inefficient as a financial accounting and reporting system. There is a risk of inaccurate recording in the financial statements. Considerable effort is required each year for the Office of Public Trustee to produce complete and accurate financial statements because there is extensive analysis of recorded transactions to ensure each has been classified properly on the financial statements. We recommended the Office of Public Trustee obtain a recognized and comprehensive financial accounting system.

- 6.50 *Financial statement information* – Financial statements are an important source of information to enable readers to evaluate the financial stewardship of the Office of Public Trustee. We considered the reporting requirements under the Public Trustee Act and the information needs of the likely users of the financial statements to determine if the Office's financial statements provided sufficient information. We found the financial statements provided sufficient information to evaluate the Office of Public Trustee's financial results. An improvement is that Other Income should be broken down further to provide additional details on the nature of these transactions. In addition, the Statement of Continuity of Assets should provide the gross amount of assets acquired and assets distributed during the year.
- 6.51 *Financial reporting system* – The system used by the Office of Public Trustee to provide information for managing client assets is the same system used for financial reporting purposes. Assets held are identified by client and listed by description and value. Trust officers use these listings to monitor client activity and to meet client needs, such as ensuring there are adequate funds available on a timely basis for living expenses.

- 6.52 There are significant deficiencies in the ability of the system to function as a financial reporting system.
- The system cannot produce a trial balance.
  - There is no general ledger.
  - There are no income statement accounts.
  - Since certain assets in an estate may ultimately belong to more than one heir, the value of the asset must be recorded twice for client management purposes, and then tracked to ensure the asset is not double counted.
  - Financial statements can only be produced at year end, and only by analyzing the nature of all cash receipts and disbursements each month.
  - The system output must be transferred to spreadsheets, analyzed, and updated before producing financial statements.
- 6.53 In addition, there are two significant risks associated with the current process.
- Only one staff member is familiar enough with the process to translate the system output into financial statements.
  - There is increased risk of error in the balances and classifications within the financial statements because of the need to transfer output to a spreadsheet, analyze it, and produce financial statements.
- 6.54 The existing system was put in place several years ago and the processes outside the system have increased and evolved over time to accommodate the Office of Public Trustee's financial reporting needs. For example, the extent of supporting analysis increased substantially in 2008 when the Office of Public Trustee adopted a new accounting standard requiring fair value measurement. That year was also the first year the Office included an income statement in the financial statements.
- 6.55 Considerable effort is required each year to produce accurate and complete financial statements for the Office of Public Trustee. The process is inefficient and would not be as cumbersome if the Office was to obtain a financial accounting and reporting system. This system needs to meet an overall objective of financial reporting which is to provide complete and accurate information during the year for decision-making purposes. The Office of Public Trustee needs to obtain a financial accounting and reporting system which is able to produce accurate and complete financial information on a timely basis.

***Recommendation 6.16***

***The Office of Public Trustee should obtain a recognized and comprehensive financial accounting and reporting system.***





***Office of Public Trustee Response:***

*The Public Trustee is in agreement with this recommendation. The Public Trustee appreciates the thorough review of and recommendation for the financial system. In conjunction with Justice Finance, I.T. and Internal Audit, the Public Trustee will coordinate and prepare an analysis of establishing a recognized and comprehensive financial accounting and reporting system by March 31, 2014. Once this analysis is complete, options are identified, and associated costs are estimated, the Public Trustee will work with Justice Finance to identify the mechanism to fund a solution to this recommendation.*

*The Public Trustee will review whether Other Income could be further classified into component amounts to provide additional details on the nature of these transactions by March 31, 2013.*

*Training on some elements of the financial statements has already been provided. Additional training will be provided to ensure that year end accounting could be provided in the absence of the Director of Finance, Administration and Systems.*