

Client Trust Fund Inspection Report
Grantee: Neighborhood Legal Assistance Program
Recipient No. 641010
Report No. OIG 00-005

FINAL

March 24, 2000

VIA E-mail
Ms. Bonnie T. Brisbane
Executive Director
Neighborhood Legal Assistance Program
Charleston, South Carolina 29403

Client Trust Fund Inspection

Recipient NO. 641010

Dear Ms. Brisbane:

This report (OIG 00-005) provides the results of our inspection of Neighborhood Legal Assistance Program's compliance with the LSC Accounting Guide For LSC Recipients (Accounting Guide) with respect to client trust funds. The inspection focused on recipient compliance with record keeping requirements as established in the Accounting Guide.

The on-site inspection was conducted February 7-15, 2000 at the main office in Charleston and at the branch offices in Walterboro, Kingstree, Moncks Corner, and Charleston, South Carolina. The inspection determined that Neighborhood Legal Assistance Program was in general compliance with the LSC Accounting Guide. The inspection identified the following areas where internal controls should be improved:

1. State escheat regulations regarding unclaimed client trust funds were not being followed. We suggest that additional attempts be made to locate owners of unclaimed funds. Directory assistance should be consulted, and an Internet search should be made, e.g. through www.whowhere.lycos.com. If the client cannot be located, a system should be in place to track the unclaimed funds and report them to the state in accordance with state escheat laws.
2. Client trust fund checks remained outstanding for more than two months. We suggest the grantee initiate a letter to the client or the clerk of the court after a check has been outstanding for two months. As in the above suggestion, if the client cannot be located a system should be in place to track the unclaimed funds and report them to the state in accordance with state escheat laws.
3. Bank statements were opened by the administrative secretary and delivered to the bookkeeper. The Executive Director did not review the

client trust bank statement until the end of the month when the reconciliation was completed. As an additional internal control measure, we suggest that bank statements be delivered unopened to the Executive Director for initial review, and then be delivered to the administrative secretary.

4. All branch offices did not transmit checks and money orders received on a daily basis to the central office accounting department as required by the grantee financial procedure manual. We suggest the central office instruct branch offices to transmit funds on a timely basis. In addition, we suggest that the central office review branch office transmittal of checks and money orders for timeliness.
5. The current Financial Policies and Procedures Manual did not reflect all current procedures in place. We recommend the manual be updated and distributed to all branch offices.

OTHER MATTERS REQUIRING FURTHER REVIEW:

In the course of our review we noted the following potential compliance issue regarding client trust funds maintained by the grantee: 1. The grantee's Executive Director represented that it had begun collecting service fees for certain cases about March of 1996. These service fees were in addition to filing fees, process serving fees, and other fees for the grantee's expenses on behalf of clients. Clients were charged service fees of either \$25 or \$50 for cases "that may require litigation." (Process serving fees were said to be dependent on office location, and records indicated that an additional fee of \$20 was charged for this expense at one branch office that was inspected.)

The policy of collecting a nonrefundable service fee was not put in writing by the former Executive Director. The current Executive Director stated she reviewed this practice and found no regulations that allowed for the collection of such service fees. She also advised that prior to the onsite inspection by the OIG, a program wide meeting was held on December 16, 1999, where she instructed all branches to discontinue the practice of collecting a \$25.00 or \$50.00 nonrefundable service fee. The Executive Director stated that this directive was not put in writing.

A review of the grantee's general ledger indicated that these service fees were recorded as "donations." In addition, a review of the January 2000 General Ledger indicated that the program continued to collect services fees for cases that were accepted prior to the December 16, 1999 meeting.

By this report, the above matter will be referred to LSC Office of Program Operations for further review. Please provide a copy of this report to each member of the board of directors of the Neighborhood Legal Assistance Program.

Sincerely,

(Signed)

E.R. Quatrevaux
Inspector General

