

Client Trust Fund Inspection Report
Grantee: Capital Area Legal Services Corporation
Recipient No. 619010
Report No. OIG 00-006

FINAL REPORT

May 12, 2000

VIA E-mail
Mr. James A. Wayne
Executive Director
Capital Area Legal Services Corporation
200 Third Street
Baton Rouge, Louisiana 70821

Recipient No. 619010

Dear Mr. Wayne:

This report (OIG 00-006) provides the results of our inspection of Capital Area Legal Services Corporation'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 March 8-17, 2000 at the main office in Baton Rouge and at the branch offices in Baton Rouge, Donaldsonville, Houma and Gonzales, Louisiana. The inspection determined that Capital Area Legal Services Corporation was in general compliance with the LSC Accounting Guide. The inspection identified the following areas where internal controls should be improved:

1. Some client trust fund checks have remained outstanding for more than a year. We recommend that the grantee revise current policy to initiate a letter to the client after a check has been outstanding for over two months. 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. Some cases assigned to contract and PAI attorneys have remained open for many years although no work is actually being done on many of the cases. On many occasions when these old cases are returned to the grantee for closing the clients cannot be located to return any funds on deposit in the Client Trust Account. In 1994 the grantee initiated a system requiring a monthly case status reports from pro bono and contract attorneys assigned to handle cases. Although many old cases have been closed, many still remain open. We suggest the grantee continue to follow-up on these cases in a timely manner. 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. All receipts do not indicate the type of check, check number and the initials of the employee receiving the fees as required by the grantees Financial Manual. Staff should be reminded to include all required information on receipts.
4. The Client Trust Check Request form is not always approved by an attorney or case handler as required by the grantees Financial Manual. Sometimes the office manager or secretary prepares and signs the requests. We suggest staff attorneys are reminded that an approving official is required to approve and sign all check request forms.
5. The current Financial Manual does not reflect all current procedures in place regarding client trust funds and should be updated. After updating the manual, we suggest it be distributed to all branch offices.

OTHER MATTERS REQUIRING FURTHER REVIEW:

The grantee does not escheat client trust funds to the state as required by the State of Louisiana. The grantee acknowledges the State of Louisiana, Department of Revenue, Unclaimed Property Section, but the grantee believes that only the Louisiana Supreme Court has jurisdiction over the operations of State licensed attorneys and law firms. The grantee claims that State regulations suggest that only the Supreme Court has the inherited power to regulate the admission and practice of law in Louisiana. The Louisiana Supreme Court authorized the formation of the Louisiana Bar Association to regulate the practice of law. The Louisiana Supreme Court authorized the Louisiana Bar Foundation to administer the IOLTA Program in Louisiana. The grantee reports that there is no indication that the Supreme Court authorized the Louisiana Department of Revenue and Taxation to collect unclaimed funds left in attorneys and law firms Client Trust accounts. Therefore, the grantee does not escheat unclaimed funds to the state. Unclaimed funds are transferred to an inactive trust account. At the conclusion of this inspection the grantee advised that a written request would be made to the Louisiana Supreme Court and the Louisiana Bar Association as to how to address and resolve this matter. By this report, this matter is referred to LSC management for appropriate action. Please provide a copy of this report to each member of the board of directors of Capital Area Legal Services.

Sincerely,

(Signed)

E.R. Quatrevaux
Inspector General