

Client Trust Fund Inspection Report
Grantee: East Arkansas Legal Services
Recipient No. 604041 - Main Office
Report No. OIG 00-010

FINAL REPORT

August 9, 2000

VIA E-mail
Mr. Carl Holden
Acting Executive Director
East Arkansas Legal Services
500 E. Broadway
West Memphis, Arkansas 72303

Recipient No. 604041

Dear Mr. Holden:

This report (OIG 00-010) provides the results of our inspection of East Arkansas Legal Services' 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 May 30 - June 5, 2000 at the main office in West Memphis and at the branch office in [Helena](#), Arkansas. Separate reports will be issued for each office inspected. The inspection determined that East Arkansas Legal Services was in general compliance with the LSC Accounting Guide. The inspection identified the following areas where internal controls should be improved in the West Memphis main office:

1. Some client trust fund checks have remained outstanding for several years. 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. In addition, directory assistance should be consulted, and an Internet search should be made, e.g. through (www.whowhere.lycos.com).
2. The grantee had not escheated all unclaimed client trust funds to the state of Arkansas as required by state law. We suggest that 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 regulations.
3. The grantee did not receive adequate documentation from one branch office inspected to adequately review the transactions for adherence to policies and procedures. We suggest the grantee require all branch offices to submit adequate documentation in order to review for accuracy and adherence to policies and procedures.

4. The current Financial Manual did 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:

On April 1, 2000, the Executive Director, Victor Hill, took a leave of absence to run for Circuit Court Judge. Mr. Hill was scheduled to return to the program on June 1, 2000 to assist in finding a replacement Executive Director. This situation may conflict with LSC prohibitions against political activity contained in 45 CFR Part 1608. At the conclusion of the inspection, Mr. Hill remained on a leave of absence pending resolution of 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 East Arkansas Legal Services.

Sincerely,

(Signed)

E.R. Quatrevaux
Inspector General