

Client Trust Fund Inspection Report
Grantee: Rhode Island Legal Services
Recipient No. 140000
Report No. INP 01-001

FINAL REPORT

March 20, 2001

VIA E-mail
Mr. Robert M. Barge
Executive Director
Rhode Island Legal Services
56 Pine Street, 4th Floor
Providence, Rhode Island 02903

Recipient No. 140000

Dear Mr. Barge:

This report (INP-01-001) provides the results of our inspection of Rhode Island Legal Services' client trust fund accounts at the main office and the Newport branch office. The inspection focused on compliance with record keeping requirements established in the LSC Accounting Guide For LSC Recipients (Accounting Guide).

The on-site inspection was conducted January 8 through January 12, 2001. The inspection determined that Rhode Island Legal Services generally complied with the LSC Accounting Guide. However, internal controls should be improved in the following areas:

1. The grantee did not have adequate separation of duties in the Newport branch office. The Office Manager performed all receipt and deposit functions including, receiving cash or checks, issuing receipts, preparing the bank deposit slips, depositing the funds received, and preparing the bank reconciliation. These duties should be shared between the Office Manager and another employee to ensure an adequate segregation of duties as outlined in the Accounting Guide pages 86-87.
2. The main office did not receive the original client trust bank statement for the Newport branch office. The statement was sent directly to the branch office. In order for the main office to improve oversight, we suggest that the branch office client trust bank statement be sent directly to the main office. After review of the statement a copy could be sent to the branch for account reconciliation.
3. In addition, the branch office does not provide the main office with copies of the deposit slips. As an additional internal control, we suggest the grantee require the branch office to submit a copy of each deposit slip with all other documentation at the end of each month.

4. The main office and the branch office do not maintain individual client ledger cards as required by the Accounting Guide. Although the grantee does maintain monthly individual balances, we recommend the grantee prepare and maintain individual client ledger cards.
5. Some client trust fund account balances remained on the books long after the cases had been closed and unclaimed funds were not escheated to the state as required by law. The grantee does not have policies and procedures requiring that attempts be made to contact clients with long standing fund balances or to escheat unclaimed funds to the state. The main office has approximately 73 old cases with balances totaling approximately \$4,000 and the Newport office has approximately 18 old cases with balances totaling approximately \$4,000.

We suggest that the grantee adopt procedures requiring that clients whose cases have been closed be notified of any remaining balance in their accounts. If the clients' addresses are unknown, local telephone directory assistance should be consulted, and an Internet search should be made, e.g. through www.whowhere.lycos.com (<http://www.whowhere.lycos.com>). If the clients cannot be contacted the funds should be escheated to the state as required by state law.

6. The Newport branch office did not document the reason for each disbursement as required by the Accounting Guide. Each client disbursement should be supported in writing and documented in the case file. We suggest the branch office obtain adopt the Request For Disbursement Form used by the main office and document each disbursement.
7. The Newport branch office takes in the majority of client trust funds in the form of cash. The grantee's policy requires clients to provide money orders, if possible, rather than cash. It is suggested the branch office be directed to follow this policy.
8. In conjunction with ongoing cases, the Newport branch office accepts money orders made out to other entities on behalf of the clients. The money orders are then sent or hand carried to that entity at a later date. The clients are not given a receipt for the money order. We suggest a receipt be given to the client in order to protect the grantee as well as the client.

Please provide a copy of this report to each member of the Board of Directors of Rhode Island Legal Services.

Sincerely,

(Signed)

Leonard J. Koczur
Acting Inspector General