

Client Trust Fund Inspection Report
Grantee: Legal Services of Northern California
Recipient No. 805240
Report No. INP 01-002

FINAL REPORT

April 9, 2001

VIA E-mail
Mr. Gary F. Smith
Executive Director
Legal Services of Northern California
517 Twelfth Street
Sacramento, California 95814

Recipient No. 805240

Dear Mr. Smith:

This report (INP-01-002) provides the results of our inspection of Legal Services of Northern California's client trust fund accounts at the main office and the branch offices in Sacramento and Solano. 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 February 26 through March 2, 2001. The inspection determined that Legal Services of Northern California generally complied with the LSC Accounting Guide. However, internal controls should be improved in the following areas:

1. The Sacramento and Solano branch offices did not consistently send the main office copies of client receipts as required by grantee policy. We suggest that the branch offices be directed to follow this policy.
2. The Sacramento and Solano branch offices prepared a Client Trust Account Disbursement Agreement, but the form did not contain an approving signature from the requesting staff attorney or managing attorney. We suggest that the grantee revise the current form to include a signature line for the approving official.
3. The grantee did not have adequate separation of duties in the Solano branch office. The office manager performed all receipt and deposit functions including receiving cash or checks, issuing receipts, preparing the bank deposit slips and depositing the funds received. We suggest the office manager and another staff person share client trust fund duties to ensure an adequate segregation of duties as outlined in the Accounting Guide pages 86-87.

Please provide a copy of this report to each member of the board of directors of Legal Services of Northern California.

Sincerely,

(Signed)

Leonard J. Koczur
Acting Inspector General