

Client Trust Fund Inspection Report

Grantee: Texas Rural Legal Aid

Recipient No. 744100

Report No. INP 01-005

FINAL REPORT

August 22, 2001

Mr. David G. Hall
Executive Director
Texas Rural Legal Aid
300 South Texas Boulevard
Weslaco, TX 78596

Dear Mr. Hall:

This final report (INP-01-005) provides the results of our inspection of Texas Rural Legal Aid's client trust fund accounts at the main office and at the Weslaco and Edinburg branch offices. 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 May 21 through May 25, 2001. The inspection determined that Texas Rural Legal Aid generally complied with the LSC Accounting Guide. However, internal controls should be improved in the following areas:

1. **Escheatment of funds.** The grantee did not escheat all unclaimed client trust funds to the state of Texas after they were abandoned for three years as required by state law. Funds in nine client accounts in two branch offices totaling \$2,300.00 were not escheated to the state on a timely basis. We suggest that the grantee establish a process to track unclaimed funds and report them to the state in accordance with state escheat regulations. The grantee's comments on the draft report indicated that corrective action has been taken.
2. **Outstanding checks.** Nine client trust fund checks totaling \$1,333.50 issued to clients remained outstanding for over two months. Most of the outstanding checks were for migrant workers and we understand that it is difficult to locate these individuals. The grantee's comments stated that outstanding checks are voided after 90 days instead of the 60 days LSC recommends because the migrant workers frequently travel and do not have permanent addresses. We suggest that the grantee review outstanding checks monthly to ensure that checks over 90 days old are cancelled.

We reviewed your comments on the draft report and modified our suggestion on outstanding checks as indicated above.

Please provide a copy of this report to each member of the Board of Directors of Texas Rural Legal Aid.

Sincerely,

Leonard J. Koczur
Acting Inspector General