

Client Trust Fund Inspection Report
Grantee: Southern Minnesota Regional Legal Services, Inc.
Recipient No. 524030
Report No. INP 01-007

FINAL REPORT

October 11, 2001

Mr. Bruce A. Beneke
Executive Director
Southern Minnesota Regional Legal Services, Inc.
700 Minnesota Building
46 East Fourth Street
St. Paul, MN 55101-1112

Recipient No. 524030

Dear Mr. Beneke:

This final report (INP-01-007) provides the results of our inspection of the Southern Minnesota Regional Legal Services' client trust fund accounts at the Administration and Central Offices and at the Mankato 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 on August 20 through August 24, 2001. The inspection determined that Southern Minnesota Regional Legal Services, Inc. generally complied with the LSC Accounting Guide. However, internal controls should be improved in the following areas:

- 1. Documentation of Transactions.** The Central office does not consistently document client trust fund receipts and disbursements. LSC recommends that a separate record be maintained for each client to document the receipt and disbursement of funds. We suggest that the grantee adopt procedures to ensure that client trust fund transactions are documented.
- 2. Multiple Receipt Books.** The grantee used multiple receipt books to provide written receipts to clients. We suggest that one receipt book, stored in a central location be kept and utilized.
- 3. Outstanding Checks.** Four checks issued by the Mankato Office totaling \$100, remained outstanding for over two months. LSC recommends that checks outstanding over 60 days be cancelled. The grantee does not have a policy for reviewing outstanding checks and canceling those that are not cashed for a long period of time. We suggest that the grantee adopt a policy requiring a monthly review of outstanding checks. Letters should be sent to

clients who have checks that are not cashed within two months of their issue date. If the clients do not respond, checks outstanding over 60 days should be promptly cancelled.

4. **Segregation of Duties.** In the Mankato office, the PBI coordinator performed all receipt and deposit functions including, receiving cash or checks, issuing receipts, preparing the bank deposit slips, depositing the funds received, receiving the original bank statement and preparing the bank reconciliation. These duties should be shared between the custodian of the client trust fund and other staff employees to ensure an adequate segregation of duties as outlined in the LSC Accounting Guide pages 86-87.

5. **Escheating Policy.** The grantee does not have a policy or procedures for escheating unclaimed funds. We suggest that the grantee adopt a policy and procedures that comply with the Minnesota Uniform Disposition of Unclaimed Property Act.

Please provide a copy of this report to each member of the Board of Directors of Southern Minnesota Regional Legal Services.

Sincerely,

Leonard J. Koczur
Acting Inspector General