

Client Trust Fund Inspection Report
Grantee: Kansas Legal Services, Inc.
Recipient No. 517001

November 1, 2002

Roger L. McCollister
Chief Executive Officer
Kansas Legal Services, Inc.
712 S. Kansas Avenue, Suite 200
Topeka, KS 66603

Recipient No. 517001

Dear Mr. McCollister:

This final report (INP-03-001) provides the results of our inspection of the Kansas Legal Services' client trust fund accounts. 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 between September 26 through September 27 at the Topeka and Manhattan offices. The inspection determined that Kansas Legal Services generally complied with the LSC Accounting Guide. However, internal control should be improved in the following areas:

1. **Segregation of Duties.** The Topeka and Manhattan offices did not maintain an adequate segregation of duties. In both offices, the CTF custodian performed the majority of receipt and deposit functions. These included, receiving cash or checks, issuing receipts, preparing the bank deposit slips, depositing the funds, maintaining accounting records, processing disbursements and signing checks. These duties should be shared between the custodian and other employees to ensure an adequate segregation of duties as outlined in the Accounting Guide for LSC Recipients on pages 86-87.
2. **Outstanding Checks.** Four checks (\$87 in Topeka and \$2 in Manhattan) totaling \$89 remained outstanding for a year. LSC recommends that checks outstanding over 60 days be cancelled. The grantee does not have procedures to follow up when checks remain outstanding for long periods of time. We suggest that the grantee adopt a policy requiring a monthly review of outstanding checks. A letter should be sent to clients that do not cash checks within two months. If clients cannot be located, the outstanding checks should be cancelled in accordance with local banking procedures.
3. **Funds not belonging to clients.** The Topeka and Manhattan offices' client trust accounts included \$80 from the main office's imprest fund. This money was originally used to open the CTF checking account and was to pay bank charges. In over eight years, the bank has not

charged maintenance fees. We suggest that the \$80 be transferred from the client trust fund account to the main office's imprest fund.

4. **Funds that are not client trust funds.** The Wichita office maintained funds in the client trust fund accounts that are not client trust funds. These funds belong to the Wichita & Sedwick County Domestic Violence Group. The Executive Director told us that the Wichita office is holding these funds while the Wichita & Sedwick County Domestic Violence Group incorporates and acquires not-for-profit status. The LSC Accounting Guide, Appendix V, and Rule 1.15 Safekeeping Property, page 360 of the Rules Adopted by the Supreme Court of Kansas, require that client trust funds be maintained separate from other accounts. We suggest that KLS open a separate bank account for the Wichita & Sedwick County Domestic Violence Group.
5. **Negative Balances.** Several client accounts had negative balances in the Wichita, Salina and Garden City offices. The Administrative Officer told us that these amounts were for clients whose cases have been closed and the fees paid exceeded the amount received from the client. We suggest the three offices review their client trust fund immediately for closed cases with overdrawn or negative balances and have the regular litigation account reimburse the client trust fund for any shortages.

The grantee's Executive Director's comments on the draft report indicated agreement with the inspection's findings and stated that our suggestions were being implemented.

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

Sincerely,

Leonard J. Koczur
Acting Inspector General