

Client Trust Fund Inspection Report
Grantee: Legal Assistance Foundation of Metropolitan Chicago
Recipient No. 514020

March 6, 2003

Sheldon H. Roodman
Executive Director
Legal Assistance Foundation of Metropolitan Chicago
111 W. Jackson Boulevard, Suite 300
Chicago, IL 60604

Recipient No. 514020

Dear Mr. Roodman:

This final report (INP-03-002) provides the results of our inspection of the Legal Assistance Foundation of Metropolitan Chicago's 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 on October 24 through October 25, 2002. The inspection determined that Legal Assistance Foundation of Metropolitan Chicago generally complied with the LSC Accounting Guide. Our observations and review of the records indicate that the program efficiently operates its client trust funds.

The grantee has effective internal controls over the client trust funds and no significant violations of LSC requirements came to our attention. However, improvements are needed in the following areas:

1. **Segregation of Duties.** The Attorney & Accounting Assistant (AAS) received cash or checks from clients, prepared the bank deposit slips and recorded the transactions into the Client Trust Fund Accounts. These duties should be shared between the AAS and other staff employees to ensure an adequate segregation of duties as outlined in the Accounting Guide for LSC Recipients on pages 86-87.
2. **Unclaimed Funds and Inactive Accounts** – One client has a balance of \$1,200 that has been inactive for over 7 years. The Illinois Uniform Disposition of Unclaimed Property Act requires that abandoned and unclaimed property be escheated to the state within five years. The grantee established policies requiring that accounts be reviewed twice and funds in inactive accounts be sent to the state in accordance with this law. These reviews apparently missed this one account. In addition, two other accounts appear to be inactive.

We suggest that the Client Trust Funds database be reviewed for inactive and long-dormant accounts and funds be returned to the clients or escheated to the state, if the clients cannot be located.

3. **Outstanding Checks.** Six checks totaling \$1,984 have not been cashed by the payees for over 60 days. LSC recommends that checks outstanding over 60 days be cancelled. 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.
4. **Client Trust Receipt Form.** The attorneys completing the Client Trust Receipt do not include on the form the reason funds were received as required by the LSC Accounting Guide. We suggest that the staff attorneys be reminded to always include the reason for the receipt of funds entrusted by a client.
5. **Negative amounts in the CTF** – One client trust account had a negative balance of \$70. We suggest the issuance of a check from LAFMC's regular account to the Client Trust Funds to cover this deficiency.
6. **Centralization of Client Trust Receipts (CTR)** – LAFMC issues pre-numbered receipts in triplicate form when receiving funds. The original is given to the client, the staff attorneys or case managers for the files keep the second copy, and a copy is forwarded to Accounting along with the funds received. However, Accounting does not use the pre-printed numbers to control or account for all the receipts issued to ascertain completeness of receipts recorded. In addition, Accounting does not control the issuance and tracking of these CTR's and does not include the CTR numbers when recording these transactions.

The CTR number should be the control or reference number to record or track missing receipts. The absence of a listing or a centralized recording of all pre-numbered receipts precludes a double check that all receipts were recorded and deposited on a timely basis. We suggest that LAFMC adopts a policy by which the issuance and accounting of these pre-numbered forms are controlled by the Accounting Department.

The grantee's Controller'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 Legal Assistance Foundation of Metropolitan Chicago.

Sincerely,

Leonard J. Koczur
Acting Inspector General