



April 18, 2003

Jesse L. Gaines  
Executive Director  
Legal Aid of NorthWest Texas  
600 East Weatherford Street  
Fort Worth, TX 76102

Recipient No. 744050

Dear Mr. Gaines:

This final report (INP-03-005) provides the results of our inspection of the client trust fund accounts maintained by the Legal Aid of NorthWest Texas. 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 March 10, 2003. The inspection determined that the Legal Aid of NorthWest Texas generally complied with the LSC Accounting Guide. Our observations and review of the records indicate that the program efficiently operates its client trust funds and no significant violations of LSC requirements came to our attention.

Except as noted in the following discussions, the grantee has effective internal controls over the client trust funds.

1. **Segregation of Duties.** The Administrative Secretary performed all the accounting and reporting functions pertaining to the Client Trust Fund Accounts. The Secretary received clients' checks from the managing attorneys, prepared bank deposit slips, performed disbursement functions, performed bank reconciliations, and recorded the transactions in the Client Trust Fund Accounts. The Secretary also signed disbursement checks. The Director of Finance and Budget informed us that these functions are performed by the Administrative Secretaries of the three branch offices. These duties should be shared between the Administrative Secretary and other staff employees to ensure an adequate segregation of duties as outlined in the Accounting Guide for LSC Recipients on pages 86-87.

Your response indicated that the current practices pertaining to the client trust fund operations will be continued. The Client Trust Fund is vulnerable to loss or misappropriation under these procedures. We understand that a full segregation of duties in processing client trust funds may not be practicable. Therefore,

current procedures should be strictly enforced to provide assurance that client trust funds are properly accounted for.

2. **Outstanding Checks.** Seven checks totaling \$117 have not been cashed by the payees for over 60 days. The Director of Finance and Budget indicated that a client's check may remain outstanding for a period of one year. 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 who do not cash checks within two months. If clients cannot be located, the outstanding checks should be cancelled in accordance with local banking practices.

Your response indicated that policy was being changed to allow 90 days before voiding the check issued in September 2002. This continues to violate LSC recommended time period for voiding checks. Close monitoring of uncashed checks by payees would result in a timely action to cancel outstanding checks.

3. **Unclaimed Funds for Inactive Accounts.** Eight clients have inactive accounts totaling \$236. Records indicate that the last contact with the clients ranges from about four to nine years. Texas law provides that personal property is presumed abandoned if the owner is unknown to the property holder longer than three years. This rule applies to unclaimed client trust funds.

We suggest that the grantee try to locate and return the amounts to the respective clients. If the clients cannot be located, the unclaimed funds should be escheated to the State. Also, the grantee needs to periodically review inactive and dormant accounts to ensure compliance with the State's escheating requirements.

Your comments on this finding indicated agreement with our suggestion to comply with the State's escheating requirements.

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

Sincerely,



Leonard J. Koczur  
Acting Inspector General