

Client Trust Fund Inspection Report
Grantee: Florida Rural Legal Services
Recipient No. 610020
Report No. 99-007

FINAL

Mr. Peter Helwig
Executive Director

Florida Rural Legal Services

Dear Mr. Helwig:

This report (OIG 99-007) provides the results of our inspection of Florida Rural Legal Services' (grantee) compliance with the LSC Accounting Guide For LSC Recipients (Accounting Guide) with respect to client trust funds. The inspection focused on recipient compliance with record keeping requirements as established in the Accounting Guide.

The on-site inspection was conducted April 5-12, 1999, at the central office in Lakeland and at the branch offices in Lakeland, Immokalee and West Palm Beach, Florida. The inspection determined that Florida Rural Legal Services (FRLS) was in general compliance with record keeping requirements as outlined in the LSC Accounting Guide.

The inspection identified the following areas where internal controls should be improved:

1. The Immokalee branch office does not have multiple part client receipts as required by the Accounting Guide. The grantee should require the branch to obtain three part receipts and begin using them as soon as possible.
2. The West Palm Beach branch office does not have prenumbered receipts. FRLS should require the branch to obtain prenumbered receipts and begin using them as soon as possible.
3. As a result of the December 31, 1997 annual audit, the grantee was instructed by LSC management to begin requiring two signatures on client trust fund checks. All program offices were instructed to obtain new checks. The West Palm Beach office has retained the old checks that are no longer used. Although the checks are kept in a locked cabinet, they pose a potential risk and should be destroyed. If other branch offices are maintaining old checks they should also be destroyed.
4. Some client trust fund checks have remained outstanding for more than two months. We recommend that the grantee revise current policy to initiate a letter to the client after a check has been outstanding for two months. If the client cannot be located, a system

should be in place to track the unclaimed funds and report them to the state in accordance with state escheat laws.

5. State regulations regarding unclaimed client trust funds have not been followed. Regulations state that when, for a period in excess of five years, a trust account contains trust funds which are either unidentifiable, unclaimed, or which are held for missing owners, a reasonable search must be made to determine the owner. The IPA audit of December 31, 1998, disclosed that the grantee was not following state escheat regulations. On April 3, 1999 a new policy was adopted and approved by the grantee board concerning unclaimed client trust funds and FRLS is currently preparing to escheat unclaimed funds to the state. We recommend that additional attempts be made to locate owners of unclaimed funds. Directory assistance should be consulted, and an Internet search should be made, e.g. through (www.whowhere.lycos.com). In addition, you should consider contacting the State for additional guidance on locating clients. If attempts to locate the client are unsuccessful, the money should be returned to the state in accordance with state escheat regulations.
6. The current Financial Manual does not reflect all current procedures in place regarding client trust funds and should be updated. We suggest a section be added concerning the newly adopted policy regarding state escheat guidelines. In addition, all branch offices do not have a copy of FRLS current financial policies and procedures. After updating the manual, it should be distributed to all branch offices.

OTHER MATTERS REQUIRING FURTHER REVIEW:

In the course of our review, we noted potential compliance issues regarding client trust funds maintained by the grantee. Approximately 25 cases that Florida Rural Legal Services stated were transferred in early 1996 to Florida Legal Services (FLS), a non LSC funded state program, still remain on the grantees client trust fund accounting books. The West Palm Beach branch office of Florida Rural Legal Services maintains accountability for the client funds related to these cases and, at the written request of the state program, issues checks to the clients through the state run program. It is our understanding that some, if not all, of these cases are restricted cases. This not only puts the grantee under financial obligation to individuals who are no longer clients, it also gives the appearance that the grantee is still involved in some restricted or prohibited cases. The grantee stated that the accounts would be transferred to the state run program. By this report, this matter is referred to LSC management for appropriate action.

Please provide a copy of this report to each member of the board of directors of Florida Rural Legal Services.

Sincerely,

(Signed)

E.R. Quatrevaux
Inspector General

cc: Danilo Cardona, Acting Vice President for Programs