

**CLIENTS' SECURITY FUND
FRANKLIN COUNTY**

AGREED-UPON PROCEDURES REPORT

JANUARY 1, 1998 THROUGH DECEMBER 31, 1999

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**CLIENTS' SECURITY FUND PERSONNEL
JANUARY 1, 1998 THROUGH DECEMBER 31, 1999**

ADMINISTRATIVE PERSONNEL

NAME	TITLE
Janet Green Marbley	Administrator
Pamela Leslie	Administrative Assistant
Kathleen Pfeiffer	Claims Analyst

STATUTORY LEGAL COUNSEL

Attorney General



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REPORT OF INDEPENDENT ACCOUNTANTS

Ms. Janet Green Marbley, Administrator
Clients' Security Fund
175 South Third Street, Suite 285
Columbus, OH 43215-5134

Dear Ms. Green-Marbley:

Pursuant to the requirements of Government of the Bar Rule VIII, we performed the procedures summarized below related to the Clients' Security Fund. Rule VIII requires that "The fund shall be audited biennially by the Auditor of State at the same time as the Supreme Court's biennial audit." This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants, and, accordingly, included such procedures as we considered necessary in the circumstances. The sufficiency of the procedures is solely the responsibility of the users of this report. Consequently, we make no representation regarding the sufficiency of the procedures discussed below for the purpose for which this report was requested or for any other purpose. The procedures performed were to verify the amounts reflected on the Fund's Schedule of Revenues and Disbursements for the calendar years ended December 31, 1998 and 1999 and agree the amounts to the Fund's records. These procedures are detailed below:

1. Confirm interest revenue and fund balance at the third-party bank where the Fund's cash and investments are held.
2. Trace to Supreme Court records the amount of funds received from the Court's Attorney Registration Fund.
3. Test selected subrogation proceeds and trace to supporting documentation and accounting records.
4. Test selected disbursements for claims awards and trace to supporting documentation and accounting records. This will include tests of compliance with Government of the Bar rules applicable to claims awards.
5. Test selected general and administrative expenditures and trace to supporting documentation and accounting records.
6. Test selected payroll expenditures and trace to supporting documentation and accounting records.
7. Test selected rental payments for office space and trace to supporting documentation and accounting records.

On April 18, 2000, we held an exit conference with the following Clients' Security Fund Personnel: Janet Green-Marbley (Administrator) and Pam Leslie (Administrative Assistant).

The attendees were given an opportunity to respond to this Agreed-Upon Procedures Report. Their response was evaluated and changes were made where we deemed appropriate.

Our detailed procedures and the results of applying these procedures are contained in the attached "Agreed-Upon Procedures Report." Because these procedures do not constitute an examination conducted in accordance with generally accepted auditing standards, we do not express an opinion or limited assurance on any of the accounts or items referred to above. Also, we express no opinion on the Clients' Security Fund's internal control system over financial reporting or any part thereof. Had we performed additional procedures, or had we conducted an examination of the Schedule of Revenues and Disbursements in accordance with generally accepted auditing standards, other matters might have come to our attention that would have been reported to you.

This report relates only to transactions relating to the above procedures, and does not extend to any financial statements of the State of Ohio, taken as a whole. This report is intended for the information of the Clients' Security Fund.



JIM PETRO
Auditor of State

March 31, 2000

SUPREME COURT OF OHIO, CLIENTS' SECURITY FUND

**Schedule of Revenues and Disbursements for the Years Ended
December 31, 1998 and December 31, 1999**

	<u>1998</u>	<u>1999</u>
Cash Receipts:		
Ohio Supreme Court Funding	\$234,202	\$223,700
Interest	91,010	72,042
Subrogation	28,129	47,781
Total Cash Receipts	<u>353,341</u>	<u>343,523</u>
Cash Disbursements:		
Claims Awarded	312,686	399,829
Salaries and Fringe Benefits	171,837	157,497
Rent	22,380	22,741
General and Administrative	39,985	43,462
Bank Fees	2,247	1,817
Total Cash Disbursements	<u>549,135</u>	<u>625,346</u>
Excess of cash receipts over/(under) cash disbursements	(195,794)	(281,823)
Fund Balance, Beginning	<u>1,510,224</u>	<u>1,314,430</u>
Fund Balance, Ending	<u>\$1,314,430</u>	<u>\$1,032,607</u>

**AGREED-UPON PROCEDURES REPORT
CLIENTS' SECURITY FUND
FRANKLIN COUNTY**

Background Information

The Clients' Security Fund of Ohio (the Fund) was created by Section 1 (A) of Rule VII of the Supreme Court Rules for the Government of the Bar. The Fund was created to compensate clients and other parties for financial losses resulting from dishonest practices by members of the bar while acting as an attorney or fiduciary to the client. The Fund consists of a three-member administrative staff and a seven-member Board of Commissioners. The administrative staff receives, investigates, and prepares claims for presentation to the Board of Commissioners. The Board of Commissioners approves, disapproves, or tables claims presented to it.

The Fund is considered part of the Supreme Court of Ohio (the Court), which is part of the State of Ohio's primary government. The Fund's management believes these financial statements present all activities for which the Fund is financially accountable. The financial statements are prepared on the cash basis of accounting. Receipts are recognized when received in cash rather than when earned and disbursements are recognized when a payment is made rather than when a liability is incurred.

The Fund receives annual funding from monies deposited into the Attorney Registration Fund maintained by the Supreme Court of Ohio. Funding for the Clients' Security Fund is based on submitted budgets and existing Fund cash balance. Interest income is generated from Fund investments maintained in an account by a commercial banking institution, which is the custodian of the Fund's cash and investment balances. The types of investments are restricted by Section 2 (D)(1) of Rule VIII of the Supreme Court Rules for the Government of the Bar. Subrogation proceeds consist of monies collected from attorneys for dishonest acts that resulted in financial losses to clients.

Claim disbursements consist of compensation to clients and other parties for financial losses resulting from dishonest practices by members of the bar while acting as an attorney or fiduciary to the client. Claim disbursements must be approved in accordance with the provisions of Section 7 of Rule VIII of the Supreme Court Rules for the Government of the Bar. Claim disbursements are distributed from an account maintained at a commercial banking institution. General and administrative expenses comprise of the following expenses: advertising, utilities, maintenance, supplies and materials, parking, telephone, postage, travel reimbursement, printing, food, equipment, and miscellaneous.

**AGREED-UPON PROCEDURES REPORT
CLIENTS' SECURITY FUND
FRANKLIN COUNTY**

Legal Authority

Section 1 (A) of Rule VIII of the Supreme Court Rules for the Government of the Bar states, in part:

The purpose of the fund is to aid in ameliorating the losses caused to clients and others by defalcating members of the bar acting as attorney or fiduciary, and this rule shall be liberally construed to effectuate that purpose.

Section 1 (B) of Rule VIII of the Supreme Court Rules for the Government of the Bar states, in part:

The Supreme Court shall provide appropriate and necessary funding for the support of the Clients' Security Fund from the Attorney Registration Fund. The Clerk of the Supreme Court of Ohio shall transfer funds to the Clients' Security Fund at the discretion of the Court.

Section 2 (A) of Rule VIII of the Supreme Court Rules for the Government of the Bar states, in part:

There is hereby created a Board of Commissioners of the Clients' Security Fund of Ohio consisting of seven (7) members appointed by the Supreme Court, at least one (1) of whom shall be a person not admitted to the practice of law in Ohio or any other state. The Court shall designate one member as chair and one member as vice-chair, who shall hold such office for the length of their term. All terms shall be for a period of three (3) years commencing on the first day of January. No members shall serve more than two consecutive three-year terms

Section 2 (C) of Rule VIII of the Supreme Court Rules for the Government of the Bar states, in part:

The Board shall do all of the following:

- (1) Investigate applications by claimants for disbursement from the Fund;
- (2) Conduct hearings relative to claims;
- (3) Authorize and establish the amount of disbursements from the fund in accordance with this rule;
- (4) Adopt rules of procedure and prescribe forms not inconsistent with this rule.

**AGREED-UPON PROCEDURES REPORT
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FRANKLIN COUNTY**

Procedure No. 1

Confirm interest revenue and fund balance at the third-party bank where the Fund's cash and investments are held.

Results

As a result of tracing the cash and investment balances and monthly interest receipts reported on the 1998 and 1999 Schedule of Revenues and Disbursements to the corresponding Huntington Trust Confirmations and to the Fund's accounting ledgers, we noted the following:

- 1998 Schedule of Revenues and Disbursements and the Fund's accounting ledgers omitted posting of \$8,501 in interest receipts as recorded in the Huntington Trust Confirmation; and
- 1999 Schedule of Revenues and Disbursements and the Fund's accounting ledgers omitted posting of \$1,074 in interest receipts as recorded in the Huntington Trust Confirmation.

After discussions with the client, adjustments were made to the 1998 and 1999 Schedule of Revenues and Disbursements and respective accounting ledgers for the amounts noted.

Procedure No. 2

Trace to Supreme Court records the amount of funds received from the Court's Attorney Registration Fund.

Results

The Supreme Court Funding line item is an offset for the amount of disbursements for the salaries and fringe benefits, rent, and general and administrative expenditures in addition to amounts transferred by the Supreme Court to the trust fund account for the payment of claims awarded. As a result of testing performed for the salaries and fringe benefits, rent, and general and administrative expenditures (see procedures No. 5, 6, & 7 below) we found the 1999 Schedule of Revenues and Disbursements omitted posting of \$123 in court funding. After discussions with the client, an adjustment was made to the 1999 Schedule of Revenues and Disbursements and accounting ledger for the amount noted.

Procedure No. 3

Test selected subrogation proceeds and trace to supporting documentation and accounting records.

Results

We traced and agreed the monthly subrogation receipts reported on the 1998 and 1999 Schedule of Revenues and Disbursements to the corresponding Huntington Trust Confirmations and the Fund's accounting ledgers. Additionally, we selected a sample of subrogation receipts and traced the payments received to the respective attorney files and the Fund's accounting ledgers. As a result, we noted the following:

- 1998 Schedule of Revenues and Disbursements included \$61 in subrogation receipts that should have been excluded (due to a reimbursement made for an attorney overpayment); and
- 1999 Schedule of Revenues and Disbursements and the Fund's accounting ledgers omitted posting of \$526 in subrogation receipts as recorded in the Huntington Trust Confirmation.

After discussions with the client, both adjustments were made to the respective Schedule of Revenues and Disbursements and accounting ledgers for the amounts noted.

**AGREED-UPON PROCEDURES REPORT
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Procedure No. 4

Test selected disbursements for claim awards and trace to supporting documentation and accounting records. This includes tests of compliance with Government of the Bar rules applicable to claim awards.

Results

We traced the claims awarded for each month as reported on the 1998 and 1999 Schedule of Revenues and Disbursements to the respective Huntington Trust Confirmations, the Fund's accounting ledgers, quarterly board meeting minutes, and claimant files. The 1998 Schedule of Revenues and Disbursements and the Fund's accounting ledgers omitted posting of \$2,925 in claims awarded as recorded in the Huntington Trust Confirmation. After discussions with the client, an adjustment was made to the 1998 Schedule of Revenues and Disbursements and accounting ledger in the amount noted. No adjustments were necessary for the 1999 Schedule of Revenues and Disbursements.

No instances of noncompliance were noted in testing of Section 5 (no award shall exceed \$50,000) and Section 7(F) (the Board, by affirmative vote of at least four members, shall determine the eligible claims that merit reimbursement from the fund and the amount, time, manner, conditions, and order of payments of reimbursement) of Rule VIII of the Supreme Court Rules for the Government of the Bar.

Procedure No. 5

Test selected general and administrative expenditures and trace to supporting documentation and accounting records.

Results

We selected and tested a sample of the general and administrative expenditures reported on the 1998 and 1999 Schedule of Revenues and Disbursements to the corresponding invoices, Custodial Account Withdrawal Forms, the Fund's internal records and ledgers, and the Supreme Court's records. Additionally, we examined the Fund's internal records to those of the Supreme Court to determine if all general and administrative expenditures were reported and recorded in the proper period. As a result of testing, we noted the following:

- 1998 Schedule of Revenues and Disbursements included \$23 in general and administrative expenditures that should have been recorded as interest receipts; and
- 1999 Schedule of Revenues and Disbursements omitted posting of \$123 in general and administrative expenditures as recorded in the Fund's accounting ledgers and/or supporting documentation (which subsequently impacted the court funding line - see procedure No. 2).

After discussions with the client, adjustments were made to the respective Schedule of Revenues and Disbursements and accounting ledgers for the amounts noted.

Procedure No. 6

Test selected payroll expenditures and trace to supporting documentation and accounting records.

Results

We selected and tested a sample of payroll expenditures reported on the 1998 and 1999 Schedule of Revenues and Disbursements to determine amounts were properly recorded. We examined Time/Leave Recaps, leave forms, the Fund's accounting ledger, and the corresponding DAS recapitulation sheets. No errors were noted during the test.

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Procedure No. 7

Test selected rental payments for office space and trace to supporting documentation and accounting records.

Results

We selected a sample of the rental payments, as recorded on the 1998 and 1999 Schedule of Revenues and Disbursements, and traced the amounts to the corresponding invoices, the Fund's accounting ledger, and the lease agreements. No errors were noted during testing.

ADDITIONAL RESULTS

During the audit, the Fund elected to revise the 1998 and 1999 Schedule of Revenues and Disbursements to include a "bank fees" line item. As a result, an increase of \$2,247 was made to the cash disbursements for the bank fees line item on the 1998 Schedule of Revenues and Disbursements, and an increase of \$1,817 was made to the 1999 Schedule of Revenues and Disbursements.



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CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

By: *Susan Babbitt*
Clerk of the Bureau

Date: JUN 01 2000