



**Auditor of State  
Betty Montgomery**





# Auditor of State Betty Montgomery

## REPORT OF INDEPENDENT ACCOUNTANTS ON APPLYING AGREED-UPON PROCEDURES

Ms. Janet Green Marbley, Administrator  
Clients' Security Fund  
65 South Front Street  
Columbus, Ohio 43215

Dear Ms. Marbley:

We have performed the procedures enumerated below, which were agreed to by the Clients' Security Fund (CSF) management, solely to assist the Administrator in evaluating the Clients' Security Fund's compliance with the requirements of Government of the Bar Rule VIII and to satisfy the Auditor of State's requirements set forth in Ohio Revised Code Section 117.11 (A) for the two year period ended June 30, 2003. Management is responsible for the CSF's compliance with these requirements. This engagement to apply agreed-upon procedures was performed in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the 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.

These procedures and associated findings are detailed below.

### **Procedure No. 1 – Court Funding Receipts**

The Ohio Supreme Court Funding line item is the funding provided by the Supreme Court (via the Attorney Registration Fund) for CSF's salaries and fringe benefits, rent, and general and administrative expenditures. This line item also included any wire transfers from the Supreme Court used for payment of claims awarded. We tested the Ohio Supreme Court Funding line item by completing the following steps:

- a) For each month of the audit period, we reconciled the court funding received as reported on the CSF's Schedule to the total of the salaries, rent, and general and administrative expenses.
- b) For the two additional wire transfers made in September, 2001 and September, 2002, we agreed the wire transfer amount to the Supreme Court's Attorney Registration Fund records, the CSF Schedule, and the Huntington National Bank (HNB) statements.

### **Results**

- a) There were no errors or exceptions noted in our reconciliation of the court funding receipts.
- b) There were no errors or exceptions noted in our agreement of the wire transfers reported on the Court Funding line item of the CSF's Schedule to the Supreme Court's records and the HNB statements.

### **Procedure No. 2 – Interest Receipts**

CSF earns interest by investing funds available for claims in a trust account with the Huntington National Bank (from July, 2001 through September, 2002)/Fifth Third Bank (from October, 2002 through June, 2003). We compared the interest receipts reported for each month on the CSF's Schedule to CSF's accounting ledgers and to the HNB/Fifth Third Bank statements.

### **Results**

There were no errors or exceptions noted in our comparison of interest receipts to the CSF's Schedule and accounting ledgers, and to the HNB/Fifth Third statements.

### **Procedure No. 3 – Subrogation Receipts**

Subrogation receipts are payments received from attorneys as a reimbursement to CSF for claims that CSF paid on their behalf. We tested subrogation receipts by completing the following steps:

- a) We haphazardly selected a sample of 20 subrogation receipts received by CSF between July 1, 2001 and June 30, 2003, and performed the following tests:
  - i) We determined that the attorney paying the subrogation was identified as owing subrogation receipts through a Notification Letter,
  - ii) We determined if the subrogation receipt was deposited within five days of the date documented on copies of the checks received by CSF, and
  - iii) We agreed the subrogation receipt amount per the copy of the check to CSF's accounting ledger and the HNB/Fifth Third bank statement.
- b) For each month of the audit period, we agreed the subrogation receipts reported on the Schedule to the CSF accounting ledgers and the HNB/Fifth Third bank statements.

### **Results**

- a) We noted the following error in our testing of subrogation receipts:
  - (i) We could not determine whether 2 out of 20 (10%) subrogation payments had been deposited into the Huntington/Fifth Third Trust Fund within five business days of receipt because there was no indication of when CSF received the payments.
- b) We found the subrogation receipts reported on the Schedule agreed to the ledgers and bank statements.

### **Procedure No. 4 – Claims Awarded**

Claims Awarded is the amount paid 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. We tested disbursements for claims awarded by completing the following steps:

- a) We haphazardly selected 60 Claims Awarded disbursed between July 1, 2001 and June 30, 2003. We then traced the claims awarded information reported in the quarterly board meetings, claimant files, and accounting ledgers to determine that the expenditure had been:
  - i) approved by the Board of Commissioners,
  - ii) paid to the correct payee, account, and period,
  - iii) paid in compliance with the Supreme Court Rules for the Bar, Rule VIII, Sections 5 & 7 (F), and

**Procedure No. 4 – Claims Awarded (continued)**

- iv) accurately recorded in the accounting ledgers.
- b) For each month of the audit period, we reconciled the claims awarded as reported on CSF's Schedule to CSF's accounting ledgers and the HNB/Fifth Third bank statement.

**Results**

- a) There were no errors or exceptions noted in our test of the 60 haphazardly selected Claims Awarded disbursements.
- b) There were no errors or exceptions noted in our reconciliation of the Claims Awarded as reported on CSF's Schedule to CSF's accounting ledgers and the HNB/Fifth Third bank statements.

**Procedure No. 5 – Salaries and Fringe Benefits**

Individual CSF payroll transactions were tested separately as part of our audit of the Supreme Court of Ohio, so we tested Salaries and Fringe Benefits expenditures by reconciling the amounts recorded on the CSF accounting ledgers to the amounts reported on the CSF's Schedule.

**Results**

There were no errors or exceptions noted as part of our reconciliation of Salaries and Fringe Benefits expenditures.

**Procedure No. 6 – Rent Disbursements**

We haphazardly selected ten monthly office space rental payments made between July 1, 2001 and June 30, 2003 and traced to the lease agreement and related invoices, the CSF's accounting ledgers, and the HNB/Fifth Third bank statements.

**Results**

There were no errors or exceptions noted in our test of the ten monthly rental payments.

**Procedure No. 7 – General and Administrative Disbursements**

We performed the following to test general and administrative expenditures:

- a) We haphazardly selected 24 general and administrative disbursements from the accounting ledger and determined whether the expenditure:
  - i) was included within the proper period and the proper accounting ledger,
  - ii) was not made before the expense was incurred (i.e. invoice date preceded ledger date),
  - iii) invoice was paid within 30 days of receipt, and
  - iv) agreed to the Custodial Account Withdrawal Form
- b) We reconciled the monthly general and administrative expenditure amount as reported in CSF's accounting ledgers to the Supreme Court's records and CSF's Schedule.

## Results

- a) There was one error identified during the substantive testing of the 24 general and administrative expenditures:
  - i) One ledger date preceded the invoice date. Per Pamela Leslie, there is usually only a week between their receipt of the invoice and the payment due date. Therefore, there is not much time to submit the check request through the Court and get the payment to the vendor by the due date.
- b) There were no errors or exceptions noted during the reconciliation of the general and administrative expenditures to the Supreme Court's Disbursement Journal and CSF's Schedule.

## Procedure No. 8 – Bank Fee Charges

We traced the quarterly bank fee charges from July, 2001 through September, 2002 to the Huntington Bank statements, and the monthly bank fee charges from October 2002 to June 2003 to the Fifth Third Bank statements.

## Results

There were no errors noted during the test of the bank fee expenditures.

## Procedure No. 9 – Schedule

We tested the mathematical accuracy of CSF's Schedule by footing and cross-footing CSF's Schedule for each of the 24 months between July 1, 2001 and June 30, 2003. We also reconciled the 6/30/2002 fund balance reported on CSF's Schedule to the HNB bank statement and the 6/30/2003 fund balance reported on CSF's Schedule to the Fifth Third bank statement.

## Results

We noted one error in the mathematical accuracy of the Schedule. The total expenditures reported for January, 2003 should have been \$24,621 and was instead reported as (\$25,379). A \$50,000 claim redeposit had not been included in the total. After discussion with the client, the adjustment was made to CSF's January, 2003 Schedule for the amount of this error. This footing error was isolated to one section of the January, 2003 Schedule, and was not carried forward to the ending balance, so no adjustment to the final CSF Schedule was necessary. The ending fund balances on the CSF Schedules agreed to the HNB and the Fifth Third bank statements.

On May 11, 2004, we held an exit conference with the following Clients' Security Fund personnel: Janet Green Marbley (Administrator) and Pam Leslie (Fiscal Specialist). The attendees were given an opportunity to respond to this Agreed-Upon Procedures Report. Their response was evaluated and no changes to the report were deemed necessary.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the Clients' Security Fund Schedule of Revenue and Disbursements for the period ended June 30, 2003, which is attached as Exhibits A and B. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the Administrator and the Board of Commissioners of the Clients' Security Fund, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Betty Montgomery". The signature is written in a cursive, flowing style.

**Betty Montgomery**  
**Auditor of State**

March 12, 2004

**Exhibit A**

**Clients' Security Fund  
Schedule of Revenues and Disbursements for FY 2002  
July 1, 2001 to June 30, 2002**

	<b>FY 2002</b>
<b>Cash Receipts:</b>	
Ohio Supreme Court Funding *	\$1,305,065
Interest (net)	17,396
Subrogation	12,467
<b>Total Cash Receipts</b>	<b>1,334,928</b>
<b>Cash Disbursements:</b>	
Claims Awarded	800,870
Salaries and Fringe Benefits	244,979
Rent	36,465
General and Administrative	23,621
Bank Fees	829
<b>Total Cash Disbursements</b>	<b>1,106,764</b>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	<b>228,164</b>
<b>Fund Balance, 7/1/01</b>	<b>170,854</b>
<b>Fund Balance, 6/30/02</b>	<b>\$399,018</b>

\* = Amount includes \$1,000,000 (wire transfer) received from the Supreme Court for the purpose of providing funding for Claims Awarded disbursements.

**Exhibit B**

**Clients' Security Fund  
Schedule of Revenues and Disbursements for FY 2003  
July 1, 2002 to June 30, 2003**

	<b>FY 2003</b>
<b>Cash Receipts:</b>	
Ohio Supreme Court Funding *	\$1,322,948
Interest (net)	15,675
Subrogation	19,191
<b>Total Cash Receipts</b>	<b>1,357,814</b>
<b>Cash Disbursements:</b>	
Claims Awarded	1,015,287
Salaries and Fringe Benefits	256,817
Rent	36,336
General and Administrative	29,796
Bank Fees	2,130
<b>Total Cash Disbursements</b>	<b>1,340,366</b>
<b>Excess of Cash Receipts Over/(Under) Cash Disbursements</b>	<b>17,448</b>
<b>Fund Balance, 7/1/02</b>	<b>399,018</b>
<b>Fund Balance, 6/30/03</b>	<b>\$416,466</b>

\* = Amount includes \$1,000,000 (wire transfer) received from the Supreme Court for the purpose of providing funding for Claims Awarded disbursements.

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**CLIENTS' SECURITY FUND**

**FRANKLIN COUNTY**

**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.**

*Susan Babbitt*

**CLERK OF THE BUREAU**

**CERTIFIED  
JULY 1, 2004**