



JIM PETRO
AUDITOR OF STATE

STATE OF OHIO

**CLIENTS' SECURITY FUND
FRANKLIN COUNTY**

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**STATE OF OHIO
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**REPORT OF INDEPENDENT ACCOUNTANTS ON
APPLYING AGREED-UPON PROCEDURES**

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

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 eighteen month period ended June 30, 2001. 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 18 month 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 November 2000 and March 2001, we agreed the wire transfer amount to the Supreme Court's Attorney Registration Fund records, the CSF Schedule, and the Huntington National Bank (HNB) bank statement.

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 Trust Bank. We compared the interest receipts reported for each month on the CSF's Schedule to CSF's accounting ledgers and to the Huntington Trust 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 Huntington statements. However, we did note the CSF does not specifically identify the interest income line item as net of accrued interest charges or gain/loss on sale or maturity. We recommend to CSF that they identify the interest revenue line item as Interest (net) on the Schedule so that users will know that the gross amount of interest revenue may be higher or lower than the amount reported on the Schedule. The Schedule was subsequently adjusted to reflect Interest (net).

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 January 1, 2000 and June 30, 2001, 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 bank statement.
- b) For each month of the 18 month period, we agreed the subrogation receipts reported on the Schedule to the CSF accounting ledgers and the HNB bank statements.

Results

- a) We noted no errors in our testing of the 20 subrogation receipts.
- 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 55 Claims Awarded disbursed between January 1, 2000 and June 30, 2001. 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
 - iv) accurately recorded in the accounting ledgers.

Procedure No. 4 – Claims Awarded (Continued)

- b) For each month of the 18 month period, we reconciled the claims awarded as reported on CSF's Schedule to CSF's accounting ledgers and the HNB bank statement.

Results

- a) There were no errors or exceptions noted in our test of the 55 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 bank statements.

Procedure No. 5 – Salaries and Fringe Benefits

We tested Salaries and Fringe Benefits expenditures by completing the following steps:

- a) We haphazardly selected a sample of 20 payroll transactions between January 1, 2000 and June 30, 2001 from CSF's time/leave recap reports. We agreed the payroll information reported on the time/leave recap reports to CSF employee time sheets (beginning in January, 2001) and to leave forms.
- b) We traced the amounts recorded on the CSF accounting ledgers to the amounts on the Department of Administrative Services (DAS) recapitulation reports and the amounts reported on the CSF's Schedule.

Results

- a) We noted the following errors in our test of the employee time sheets, recaps, and leave forms:
 - i) For 2 out of 20 payroll transactions selected, the amount of leave on the leave request did not agree to the amount reported on the time/leave recap report. These errors occurred prior to January 2001, when the employees began completing time sheets.
 - ii) For 1 out of the 20 payroll transactions selected, the leave request did not agree to the time sheet. However, the leave request did agree to the time/leave recap report, which is the source document for payroll.
 - iii) For 1 out of the 20 payroll transactions selected, we could not agree the leave request to the time/leave recap report because the time/leave recap report for that pay period could not be located. In addition, the leave request did not agree to the time sheet.

These errors do not affect the amount of payroll expenditures reported on CSF's Schedule.

- b) The total payroll expenditure amount per CSF's accounting ledger for one out of 39 pay periods did not agree to either the DAS Payroll Recapitulation form or to CSF's Schedule. The individual categories (wages, fringe benefits, and other) each agreed to the DAS Payroll Recapitulation form; however, the total payroll expenditures for the pay period ending 10/21/2000 per the CSF's accounting ledgers (\$7,907.21) did not agree to total payroll expenditures for the pay period ending 10/21/2000 per the DAS Payroll Recapitulation form (\$7,986.07). Based on the difference of \$78.86, it appears that the fringe benefit amount of \$78.86 was not included in the total payroll expenditures in the CSF accounting ledger for the pay period ending 10/21/2000. This incorrect amount was included in the "Salaries and Fringe Benefits" reported on the CSF's Schedule for the month of October 2000. Because Salaries and Fringe Benefits is one of the expenditure line items funded by the court, the Ohio Supreme Court Funding line item was also understated by \$78.86. The amounts were subsequently adjusted on CSF's Schedule.

Procedure No. 6 – Rent Disbursements

We haphazardly selected five monthly office space rental payments made between January 1, 2000 and June 30, 2001 and traced to the lease agreement and related invoices, the CSF's accounting ledgers, and the HNB bank statements.

Results

There were no errors or exceptions noted in our test of the five 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 were four errors identified during the substantive testing of the 24 general and administrative expenditures:
 - i) Two invoices were not paid within 30 days of receipt. Per Pamela Leslie, these errors were due to a dispute with the amount of the invoice. These errors did not affect the general and administrative expenditures' amount on CSF's Schedule
 - ii) One ledger date preceded the invoice date. Per Pamela Leslie, the ledger date preceded the invoice date because the check was sent out before the invoice arrived, since she knew the invoice amount would be the same as the previous year's invoice amount. This error did not affect the general and administrative expenditures' amount on CSF's Schedule.
- b) In the reconciliation of the general and administrative expenditures to the Supreme Court's Disbursement Journal and CSF's Schedule, we noted that the amount of general and administrative expenses for February 2000 was overstated by 1 cent.

Procedure No. 8 – Bank Fee Charges

We traced the quarterly bank fee charges for each of the six quarters between January 1, 2000 and June 30, 2001 from the CSF Schedule to the HNB bank statements.

Results

There were no errors noted during the test of the quarterly 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 18 months between January 1, 2000 and June 30, 2001. We also reconciled the 6/30/2001 fund balance reported on CSF's Schedule to the HNB bank statements.

Results

We noted one error in the mathematical accuracy of the Schedule. The excess of receipts over/(under) cash disbursements line item on CSF's Schedule for June, 2000, was reported as \$345,575.38, when the amount should have been (\$171,342.33). After a discussion with the client, the adjustment was made to CSF's June, 2000 Schedule for the amount of this error. This footing error was isolated to one section of the June, 2000 Schedule, and was not carried forward to the ending balance, so no adjustment to the final CSF Schedule was necessary. The fund balances on the monthly CSF Schedules agreed to the HNB bank statements.

On July 3, 2002, 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 18 month period ended June 30, 2001, which is attached as Exhibit A. 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 Clients' Security Fund, and is not intended to be and should not be used by anyone other than these specified parties.



JIM PETRO
Auditor of State

May 6, 2002

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Exhibit A

**Clients' Security Fund
Schedule of Revenues and Disbursements for the
18-month Period Ended June 30, 2001**

	1/1/2000 to 6/30/2001
Cash Receipts:	
Ohio Supreme Court Funding *	\$927,477
Interest (net)	94,279
Subrogation	103,394
Total Cash Receipts	1,125,150
Cash Disbursements:	
Claims Awarded	1,557,058
Salaries and Fringe Benefits	324,743
Rent	40,292
General and Administrative	62,442
Bank Fees	2,079
Total Cash Disbursements	1,986,614
Excess of Cash Receipts Over/(Under) Cash Disbursements	(861,464)
Fund Balance, 1/1/00	1,032,608
Fund Balance, 6/30/01	\$171,144

* = Amount includes \$500,000 (two \$250,000 wire transfers) 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
AUGUST 6, 2002**