



FINAL REPORT
LEGAL SERVICES CORPORATION
Office of Compliance and Enforcement

Legal Aid Bureau, Inc.
Focused Fiscal Review – Internal Controls
August 22-26, 2011

Recipient No. 321016

I. EXECUTIVE SUMMARY

Finding 1: Review of Legal Aid Bureau's ("LAB") current internal fiscal control structure and policies indicates that since the 2008 discovery of the fraud committed by its former Chief Financial Officer ("CFO"), LAB has implemented substantial changes in its policies, procedures, and personnel which have generally mitigated the environment in which that fraud occurred. LAB's Accounting & Financial Policies and Procedures Manual ("AFPPM") is a comprehensive fiscal control guide which continues to be updated and improved. However, some fiscal policies are contained in LAB's Human Resources Policy Manual which needs to be updated to comport with and compliment the AFPPM.

Finding 2: LAB's Accounting System Security consists of physical level security which is maintained by LAB's Information Technology ("IT") unit and software security, which is managed by the program's Controller.

Finding 3: In response to the 2008 discovery of fraud by its former CFO, LAB has restructured its fiscal operations. Limited on-site sampling found: the appropriate use of purchase orders and documentation of receipt of goods prior to payment by accounting staff; property inventory numbers had been assigned and were affixed on furniture and equipment; appropriate items were included in LAB's General Ledger ("GL") for capital assets (\$5,000 and over) and on LAB's property inventory; and the disposition of capitalized items was properly documented.

Finding 4: Discussions with LAB staff confirmed that for (at least) the last six (6) years its Legal Service Corporation ("LSC") Migrant and Technology Initiative Grant ("TIG") grants and expenses have been contemporaneously recorded in the program's General Ledger ("GL"), which is maintained with AccuFund accounting software. However, LAB's basic field grant ("BFG") funds had been allocated to expenses annually at year-end for financial reporting purposes. LAB management agreed that for 2011 forward, LSC BFG expenditure allocations will be fully incorporated into LAB's GL and updated on a monthly basis.

Finding 5: Documentation reviewed and discussions with LAB staff found that the determination and recording of the expenditures of LSC BFG funds during (at least) the last six (6) years has been based on an allocation process which is not documented in LAB's AFPPM.

Finding 6: Review of LAB's Personnel and Payroll Policies and a sampling of timekeeping and payroll records for a limited cross-section of staff found that LAB employees generally conform to payroll timekeeping procedures as defined in LAB's AFPPM. Comparison of the Payroll Timekeeping recording with LAB's Program Manager data (LAB's Case and Time Management software) indicated general compliance with 45 CFR Part 1635. However, review indicated that LAB Management and Administrative staff, who are admitted to the Bar, do not maintain contemporaneous time records as promulgated under 45 CFR § 1635.3(b).

Finding 7: A review of contracts entered into by LAB for legal services and professional consulting found that LAB has appropriate written procedures in place for the approval of contracts. However, one (1) instance was found where a vendor was receiving monthly

payments from LAB based on services being rendered under an expired contract. It was noted that LAB has contracted for Legislative Representation in a manner appropriate under the provisions of 45 CFR § 1612.6(f).

Finding 8: LAB makes use of electronic banking opportunities which increase both efficiency and security and further a “Green” initiative. Processes utilized include electronic deposit of checks (via scanner), a Positive Pay System (bank will only clear checks matching those written), Automated Clearing for payroll program vendors (insurance, pension plan, 401K, etc.), and Automated Clearing Monitor, which limits and monitors Automated Clearing debits and provides exception notices. All processes are documented in LAB’s AFPPM, with the exception of the electronic deposit of checks which is in the process of being written.

Finding 9: LAB has created a comprehensive records retention policy which meets or exceeds the retention recommendations contained in the AGFLR.

Finding 10: LAB maintains a detailed Cash Receipts policy which addresses sound internal controls. LAB should further strengthen its internal control related to cash receipts by designating an employee(s) from each office as specifically authorized to receive cash. Additionally, notification should be provided to clients that they are entitled to a receipt for cash provided.

Finding 11: From a limited review of LAB’s travel reimbursement policies and procedures, it was determined that the program has generally sound internal controls in place. However, internal controls related to timely submission of travel expense reports and the documentation requirements for exceptions should be strengthened.

Finding 12: During the on-site review, the ED presented the argument that none of LAB’s attorneys should be considered staff attorneys based on the definition of “private attorney” as provided under 45 CFR § 1614.1(d) coupled with the definition of “staff attorney” as provided under 45 CFR § 1600.1. He reasoned that since LAB receives a minority of its funding from LSC, its attorneys do not receive over half of their professional income from the proceeds of an LSC grant and, therefore, these attorneys do not meet the definition of staff attorney. However, it was determined that this is not the case based on the content detailed in LSC External Opinion EX-2003-1004.

Finding 13: The review revealed that LAB’s reporting of PAI expenses as detailed under 45 CFR § 1614.3 – Range of Activities is partially compliant, as there are several employees who had PAI time allocations without sufficient supporting documentation. Additionally, it was determined that LAB misreported the LSC PAI expenses in its AFS due to a misinterpretation regarding the determination of its PAI ratio as required under 45 CFR § 1614.1(a).

Finding 14: LAB maintains a detailed Credit Cards policy within its AFFPM which contains sound internal controls for this area. However, it was determined that LAB should update its AFFPM to incorporate the recent addition of a Chase Visa card and to establish procedures for credit card adjustments for chargebacks and credits. A limited review of LAB’s 2010 credit card statements revealed that the program maintains detailed documentation in support of its

charges. However, one (1) instance was noted where there was an unallowable charge for alcohol which was partially allocated to LSC funds.

Finding 15: LAB has received a total of \$576,547.17 in insurance payments for recovery from the previous fraud involving its former CFO and an external vendor. Per discussion with the ED and COO, it was agreed that the program will determine the best way to allocate a fair portion of the recovered funds to LSC for 2011. It is recommended that LAB discuss the issue with its IPA and, based on the requirements of 45 CFR § 1630.3(h), determine the appropriate methodology for this reimbursement allocation.

Finding 16: A comparative analysis of LAB's AFS from 2008 through 2010 was conducted which revealed that the program had several accounts with significant changes in excess of 10 percent from year-to-year. A limited review of LAB's expenditures for office supplies from 2009 to 2010, as well as the variance explanations from a selection made by LAB's auditors for 2009-2010, indicates that these account variances appear reasonable.

Finding 17: From a limited review of documents and interviews with staff it was determined that LAB has reasonable procedures in place related to cash disbursements, including a system of authorizations and approvals whereby staff are assigned specific duties and responsibilities relating to the initiation, preparation, and distribution of cash disbursements. However, a limited on-site review found improvements could be made in adhering to those procedures since exceptions were found related to check preparation, check signing, and voided checks.

Finding 18: From a limited review of LAB's policies and procedures over bank reconciliations and through interviews with FAU staff, it was determined that LAB has reasonable procedures in place related to bank account reconciliations. From a limited review of the program's bank statement reconciliations, it was determined that the reconcilements were performed; however, exceptions were noted related to: (1) examination of voided checks, (2) investigation of prolonged outstanding (stale dated) checks, (3) unclaimed funds, (4) bank statement reconciliations are not dated by those responsible for their preparation and/or review and approval and (5) bank statements not being signed and dated by the ED or COO to indicate their review and approval prior to reconciliation.

Finding 19: From a limited review of documents and interviews with FAU staff it was determined that LAB has reasonable procedures in place related to Client Trust Accounts. LAB maintains its Client Trust Accounts in strict compliance with its own policies and procedures, as well as with LSC's guidelines.

II. BACKGROUND OF REVIEW

Legal Aid Bureau, Inc. ("LAB") is an LSC-funded, statewide program in Maryland with an administrative office in Baltimore and 13 offices in total. The administrative office oversees the operation of the entire program and ensures compliance with the LSC Act, regulations, and grant conditions, etc., as well as assists with the efficient provision of services to the program.

During 2007, LAB was subject to a Legal Services Corporation ("LSC") Case Service Report/Case Management System ("CSR/CMS") review in April and a Program Engagement Visit in October, with no significant findings of systemic deficiencies. Annual independent audits, as submitted to the LSC Office of Inspector General ("OIG"), for years 2008 and prior, did not reflect any significant internal control deficiencies and had an unqualified opinion rendered by the independent public accountants regarding LAB's financial statements.

In 2008, following the departure of its long-time Chief Financial Officer ("CFO"), who had served for approximately 30 years, LAB's Chief Operating Officer ("COO") reviewed the amounts being spent on office supplies and determined that its "blanket agreement" for the purchase of office supplies through an external vendor had never been thoroughly audited. The COO determined that there appeared to be few, if any, controls on the amounts prepaid by LAB and the amounts of supplies received or the purchase orders that were created and paid throughout the years; all of which seemed excessive. LAB referred the case to appropriate law enforcement authorities and actively assisted in the investigation by the Federal Bureau of Investigation ("FBI") and the OIG. The investigation revealed that this was a fraud which had perpetuated for several years prior to its discovery and that LAB had overpaid approximately \$1,200,000 for its office supplies. As a result, criminal charges were filed and convictions obtained against the former CFO and the vendor. In order to prevent a similar situation from recurring, LAB has subsequently taken several steps to strengthen its internal controls, resulting in a complete restructuring of its Finance and Accounting Unit ("FAU").

For 2010, LAB reported LSC support of \$4,702,813, which approximated 18.5% of the program's overall funding and support. LSC's Office of Information Management ("OIM") records indicate that for 2010, the Basic Field Grant ("BFG") was \$4,567,053 and LAB also received Migrant Funding totaling \$133,260. LAB reported PAI expenses in 2010 of \$570,882 which represented 12.5% of its BFG. In 2010, LAB had an LSC approved subgrant in the amount of \$32,000 with Maryland Volunteer Lawyers.

On August 22 through August 26, 2011, the Office of Compliance and Enforcement ("OCE") conducted an on-site review directed at reviewing the internal fiscal controls of LAB. In light of the recent conviction and incarceration of LAB's longtime CFO for embezzlement, the fiscal visit provided an opportunity for OCE to assess how LAB has moved forward from the incident and what steps have been set in place to strengthen its internal controls.

In accordance with the approved work plan, the members of OCE's on-site fiscal review team interviewed LAB's upper and middle management and other relevant staff and reviewed pertinent program files and documentation in order to gain an understanding and explanation of the program's financial operations, policies, and procedures sufficient to assess compliance with generally accepted Internal Controls/Fundamental Criteria and oversight of regulatory and fiscal requirements. The

review was conducted at LAB's administrative office in Baltimore and covered the period January 1, 2008 through July 1, 2011. The review tasks were divided amongst the team members, which included two (2) OCE program analysts and one (1) fiscal temporary employee.

The on-site fiscal review included the following areas: general internal controls; personnel and payroll; property control; procurement; legal consultants/contract services; travel; controls over cash disbursements (checks; electronic transactions; credit/debit cards); controls over cash receipts; bank reconciliation procedures; segregation of duties; petty cash controls; client trust accounts; and electronic banking.

As noted above, to conduct the on-site review, OCE team members met with and interviewed members of LAB's upper and middle management and fiscal staff including the Executive Director ("ED"), COO, Chief of Administration ("CA"), Controller, Financial Consultant, Senior Accountant, Accountant – Payroll Specialist, Accountant – Accounts Payable Specialist, Purchasing Coordinator, Director of Technology, and Executive Assistant. The team also interviewed LAB's Board Treasurer.

During the on-site review, the ED stated on numerous occasions at meetings attended by both LAB's fiscal staff and the LSC review team that his intention is to work towards decreasing and eventually eliminating LAB's LSC funding. He also reminded the LSC staff on several occasions that LSC funding represents a minority portion of LAB's total funding. During the on-site review, LAB staff made an effort to provide materials in a timely manner; however, LAB had established a protocol whereby all information requests made by the OCE review team were funneled through its Controller before the requested information could be provided. This protocol resulted in a backlog on receiving requested information on several occasions. As a result, information requests and/or follow-up needs that were not completed during the on-site review, were obtained and/or reviewed by OCE team members following the visit.

During the on-site review, the OCE review team kept LAB management informed of any compliance issues and/or internal control weaknesses revealed. This was accomplished by discussing issues with appropriate FAU staff and at meetings which were conducted at the end of each day with LAB's ED and/or COO. At the conclusion of the visit, OCE held a brief exit conference during which OCE advised LAB of its preliminary findings. This meeting was attended by members of LAB's senior management and FAU staff, as well as LAB's Financial Consultant and Board Treasurer. OCE advised LAB that, while no patterns of non-compliance were detected, there were instances of non-compliance with certain regulatory and fiscal reporting requirements. OCE also provided recommendations to strengthen LAB's internal fiscal controls. Additionally, the program was advised of areas reviewed where internal controls appeared adequate and there were no associated findings or recommendations by OCE. LAB management was instructed that all findings presented at the meeting were merely preliminary. LAB was also advised that all findings would be contained in the Draft Report which would be provided to the program, and that LAB would have the opportunity to respond to those findings.

By letter dated February 13, 2012, OCE issued a Draft Report ("DR") detailing its findings, recommendations, and required corrective actions regarding the August 22-26, 2011 Focused Fiscal Review – Internal Controls visit. LAB was asked to review the DR and provide written comments by March 14, 2012. By letter dated August 6, 2012, LAB's comments were received. OCE has carefully

considered LAB's comments and has either accepted and incorporated them within the body of this Final Report ("FR"), or responded accordingly. LAB's comments, in their entirety, are attached to this Final Report.

As a condition of LAB's 2012 LSC grant award, the program was subjected to Year 2012 Special Grant Conditions ("SGC") which included five (5) SGCs based upon findings of the DR. By letter dated July 30, 2012, OCE advised LAB they had demonstrated compliance with the SGC issues and that all Year 2012 SGCs were considered closed.

III. FINDINGS

The on-site review evidenced the following:

Finding 1: Review of Legal Aid Bureau’s (“LAB”) current internal fiscal control structure and policies indicates that since the 2008 discovery of the fraud committed by its former Chief Financial Officer (“CFO”), LAB has implemented substantial changes in its policies, procedures, and personnel which have generally mitigated the environment in which that fraud occurred. LAB’s Accounting & Financial Policies and Procedures Manual (“AFPPM”) is a comprehensive fiscal control guide which continues to be updated and improved. However, some fiscal policies are contained in LAB’s Human Resources Policy Manual which needs to be updated to comport with and compliment the AFPPM.

Since the 2008 discovery of the fraud committed by its former CFO, LAB has implemented substantial changes in its policies, procedures and personnel which have generally mitigated the environment in which that fraud occurred including: (1) hiring a new auditing firm; (2) hiring a Financial Consultant and restructuring of the FAU; (3) creating a new Purchasing Coordinator position; (4) providing training to program management and FAU staff; (5) enhancing Board oversight, including the creation of an Internal Financial Control Policy; (6) developing and updating its policies and procedures manual; (7) conducting background checks for all new employees; and (8) implementing accounting software enhancements.

(1) Hiring a New Auditing Firm:

LAB has changed its Independent Public Accountant (“IPA”) twice since 2007. LAB initially engaged Mitchell & Titus, LLP as its IPA firm in 1997. This relationship continued for many years, through the 2006 audit.

In 2007, LAB issued a Request for Proposal (“RFP”) to several certified public accounting firms seeking competitive proposals to perform audit and tax services for the organization. The result of this process was the selection, in late 2007, of Walker & Company, LLP as LAB’s IPA for the 2007 financial statements. However, LAB and its new IPA ultimately could not agree to terms regarding the final amount of the audit fees. Following negotiations conducted by members of LAB’s Finance Committee, LAB paid Walker & Company for its 2007 year-end services and then terminated the relationship.

In June 2008, LAB engaged an outside Certified Public Accountant (“CPA”) as a consultant to assist in developing an RFP for audit services in a manner that followed the outline in the LSC Guide for Procurement of Audit Services by Legal Services Corporation Grantees. The RFP process resulted in the selection of SB & Company as LAB’s IPA in the fall of 2008. SB & Company were engaged to provide audit and tax services for LAB’s 2008 year-end financial results and currently remain as LAB’s IPA.

(2) Hiring a Financial Consultant and Restructuring of the FAU:

In 2008, prior to the detection of the possible fraud, LAB had already engaged a Financial Consultant on a long-term basis. This individual is a CPA with extensive experience in law firm management. The Financial Consultant’s role was to assist the program in strengthening its financial policies and

procedures and to restructure its FAU. Specifically, he was asked to: 1) assess the requisite skills of the budget and finance staff and to recommend, if appropriate, revisions to the types of positions and job descriptions within the department; 2) recommend and draft improved internal control procedures; 3) assist with the recruiting, hiring, and training of accounting staff; and 4) perform interim services within the budget and finance department during the transition to new staff.

Subsequent to the discovery of the fraud in 2008, LAB implemented several corrective actions designed to strengthen its internal controls with the goal being to prevent a similar situation from occurring in the future. These steps resulted in a complete reorganization and restructuring of LAB's FAU. LAB's FAU now reports to the COO and is headed by the Director of Finance. However, that position has remained vacant since 2008 and the Financial Consultant has effectively assumed many of the Director of Finance's responsibilities. Review of the Financial Consultant's 2008 consulting contract disclosed that the contract appears to be unexecuted. The program was advised by OCE to ensure an executed agreement is on file.

No member of the FAU staff employed by LAB in October 2008, when the defalcation was discovered, remains with LAB today. Staff positions were redefined and job descriptions developed which included relevant education and experience requirements. LAB has sought to recruit and hire highly qualified accounting professionals. At the time of the August 2011 review, staff working in the FAU included: the Controller (hired April 2009), Senior Accountant (hired December 2009), Accountant - Payroll Specialist (hired January 2010), Accountant - Accounts Payable Specialist (hired April 2010), and an Executive Assistant (hired December 2009). The Executive Assistant position is a shared resource divided 50 percent to supporting the FAU and 50 percent to supporting the Director of Program Development & Compliance.

Current job positions and job duties include:

- The Director of Finance (currently being filled by the Financial Consultant) is responsible for: recommending revised staffing positions within LAB's FAU, recommending and drafting improved internal control procedures, assisting with the recruiting, hiring and training of accounting staff, and the implementation of additional internal control procedures with a strong emphasis on segregation of duties.
- The Controller reports to the Director of Finance, and is responsible for managing the FAU, and directing all transactional financial accounting functions of LAB which include cash receipts, cash disbursements, general ledger maintenance, payroll, and purchasing in accordance with generally accepted accounting principles and financial policies and guidelines. Typical duties over cash disbursements involve control over blank checks, payment approval of billing invoices, and protection of blank checks using locks in areas with limited access.
- The Senior Accountant reports to the Controller, and is responsible for directly supporting the Controller in the preparation of program and grant budgets, contract billing, grant and contract reporting, preparation and maintenance of fixed asset records, general ledger maintenance and reconciliations, and other financial accounting and reporting tasks as required.
- The Accountant - Payroll Specialist reports to the Controller, and is responsible for timely and accurate processing of bi-weekly payroll through an outside payroll processing service. Typical duties include calculating and processing payroll deductions, maintaining the payroll

journal, opening payroll checks, supporting accounts payable and receipts functions, performing financial analysis, and internal audit functions.

- The Accountant - Accounts Payable Specialist reports to the Controller, and is responsible for the timely and accurate recording of vendor invoices for payment. Responsibilities also include preparing reports from the AccuFund accounting software system utilizing Microsoft Excel, analysis and reconciliations of GL accounts, and maintaining the chart of accounts, including account numbers and cost centers. Typical duties include preparing checks for payment, distribution and mailing of checks, the stamping and dating of invoices paid, and posting of entries to the Check Disbursements Journal.
- The Executive Assistant reports to the Chief of Administrative Services, and is responsible for providing administrative support to both the Director of Program Development & Compliance and LAB's FAU. Typical duties include opening mail, listing of cash receipts in the cash receipts log, and restrictively endorsing checks received.

Analysis of the LSC Internal Control Worksheet prepared by LAB and discussions with the FAU staff indicated sufficient staffing assignments and management oversight to provide adequate segregation of fiscal duties and responsibilities. Duties are divided between physical control and the recordkeeping responsibility so that no one individual can independently initiate, execute, and record a financial transaction.

(3) Creating a New Purchasing Coordinator Staff Position:

In addition to hiring FAU staff, LAB created a new Purchasing Coordinator position in November 2009. This position reports to the Chief of Administration and is responsible for overseeing the purchase of LAB's consumable supplies and also for administering the program's requisition and purchase order system.

Some of the primary job functions of this position include: (1) preparation, issuance, and analysis of RFPs; (2) obtaining and comparing competitive bids and quotations from vendors and negotiating purchase prices and terms related to the purchase of furniture, equipment, and consumable supplies; (3) reviewing and processing purchase requisitions received from offices and unit Chiefs; (4) preparing purchase orders and processing purchase order adjustments, and (5) developing and maintaining a list of approved vendors, including Minority Business Enterprises ("MBE") vendors, along with conducting vendor background checks and research.

The Purchasing Coordinator position helps to mitigate the potential for fraud by ensuring that receipts for supplies, furniture, equipment, and other tangible goods are documented and receiving documents are tied to and reconciled with purchase orders and vendor invoicing. *See Finding 3* for additional comments related to procurement.

(4) Providing Training to Program Management and FAU Staff:

Program management has instituted a practice of taking advantage of training opportunities relative to fiscal oversight on a top-down basis in order to demonstrate to staff a dedicated interest, effort, and attentiveness to the subject. In January 2011, the program's COO and fiscal staff attended a webinar which covered fiscal oversight and internal controls. This training highlighted key changes in the 2010 Edition of the Accounting Guide for LSC Recipients ("AGFLR") and the critical importance of effective financial oversight and internal controls. Topics addressed included strategies, procedures

and best practices in accounting that facilitate effective internal controls, and the risks associated with inadequate financial oversight and internal controls.

In January 2011, LAB's ED attended a training presentation titled Fiscal Oversight, Internal Controls, and the 2010 Accounting Guide for LSC Recipients. This training was conducted by a Program Counsel from LSC's Office of Program Performance ("OPP") and the discussion focused on establishing adequate internal controls and effective fiscal oversight to ensure program integrity.

LAB's FAU staff also receives periodic training. At the time of the August 2011 review, the Controller had received LSC training and the Senior Accountant, Accountant - Payroll Specialist, and Accountant - Accounts Payable Specialist were each scheduled to attend an AccuFund training class in September 2011. LAB's accountants were also scheduled to receive LSC training in 2011 and 2012, respectively. In addition, the Accountant - Payroll Specialist had taken some Automated Data Processing ("ADP") classes and was scheduled to take two (2) additional ADP classes by the end of 2011.¹

LAB has clearly provided relevant training to its fiscal staff. Since the entire FAU staff is still relatively new to the program and most are new to the non-profit environment, it is recommended that LAB continue to seek additional training opportunities to further broaden their knowledge with respect to LSC policies and requirements relative to applicable Federal regulations and the AGFLR.

(5) Enhancing Board Oversight:

An LSC recipient, under the direction of its board of directors, is required (in part) to establish and maintain adequate accounting records and internal control procedures. *See* AGFLR (2010 Edition), § 1-5. Internal control is defined as a process effected by an entity's governing body, management and other personnel, designed to provide reasonable assurances regarding the achievement of objectives in the following categories: (1) Effectiveness and efficiency of operations; (2) Reliability of financial reporting; and (3) Compliance with applicable laws and regulations. *See* AGFLR (2010 Edition), § 1.1.

LAB has established an Internal Financial Control Policy which states, in part, that the program shall maintain a robust system of internal financial controls with the specific objectives of: promoting operational efficiency and effectiveness; safeguarding assets; producing reliable financial reports; and complying with applicable laws and regulations. The foundation of this system is LAB's control environment, dictated by the Board of Directors and directed by management, which emphasizes and fosters professionalism, integrity, ethical values, and competence in the performance of duties and the delivery of professional services throughout the organization. It is LAB's policy to comply fully with the financial accounting and reporting standards required of recipients of LSC funds. These include accounting policies, recordkeeping, and internal control procedures proscribed by the LSC. Control procedures and activities occur throughout LAB at all levels, in all functions. Generally, these internal controls can be classified into two (2) broad categories. The first category includes controls designed to collect, record, and process financial data and prepare timely reports. The second category of internal controls includes those designed to enhance the reliability of the data reported and to safeguard assets.

¹ LAB submitted a record of 2011 financial training attended by members of its management team and FAU staff.

The AGFLR provides guidance on all aspects of fiscal operations and the 2010 edition has a significantly revised Accounting Procedures and Internal Control Checklist that provides guidance to programs on how accounting procedures and internal controls can be strengthened and improved with the goal of eliminating, or at least reducing as much as reasonably possible, opportunities for fraudulent activities to occur. The AGFLR provides that, in establishing an adequate internal controls structure, the following items must be considered: Competent Personnel; Definition of Duties and Responsibilities; Segregation of Duties; Establishment of Independent Checks and Proofs; Establishment of an Accounting Manual; and Committee of Sponsoring Organizations (“COSO”) Considerations such as Risk Assessment. *See* AGFLR (2010 Edition), Appendix VII – Accounting Procedures and Internal Control Checklist and LSC Program Letter 10-2, Appendix A - Embezzlement, Fraud, and the Critical Importance of Effective Internal Control.

Part 1-7 - Responsibilities of the Financial Oversight Committee or Committees of the 2010 Edition of the AGFLR, defines a recipient's governing body's fiduciary responsibility to the program including the establishment of a Finance Committees which should, at a minimum (subject to any requirements of state law): review and revise budgets and make recommendations to the full Board of Directors; review monthly financial management reports with the Chief Financial Officer, Controller, and/or CPA (IPA); review accounting and control policies; review the audited financial statements, management letter, and senior staff's response with staff and auditor; regularly review and make recommendations about investment policies; coordinate board training on financial matters; and act as liaison between full the Board and staff on fiscal matters.

The AGFLR also recommends that a program have an Audit Committee whose role (subject to any requirements of state law) includes: hiring the auditor; setting the compensation of the auditor; overseeing the auditor's activities; setting rules and processes for complaints concerning accounting practices and internal control practices; reviewing the annual IRS Form 990 for completeness, accuracy, and on-time filing and providing assurances of compliance to the full board; and ensuring the recipient's operations are conducted and managed in a manner that emphasizes ethical and honest behavior, compliance with applicable laws, regulations and policies, effective management of the recipient's resources and risks, and accountability of persons within the organization.

It is recognized that some Boards, due to their small size and other considerations, will decide not to have a separate audit committee. Nevertheless, it generally is considered a best practice for governing bodies to have both a finance committee and a separate audit committee. The critical point is that all of the finance and audit committee duties listed immediately above must be performed by a financial oversight committee(s). It is also critical, and considered a best practice, that the financial oversight committee(s) have at least one (1) member who is a financial expert or, alternatively, for the board to have access to a financial expert. A financial expert has: (1) an understanding of Generally Accepted Accounting Principles (“GAAP”) and financial statements; (2) the capacity to apply GAAP in connection with preparing and auditing financial statements; (3) familiarity with developing and implementing internal financial controls and procedures; and (4) the capacity to understand the implications of different interpretations of accounting rules.

LAB's Board maintains a finance committee but not a separate audit committee; however, based on review of LAB's policies and on-site interview with LAB's Board Treasurer, it was determined that its finance committee performs all the responsibilities of a financial oversight committee described

above. The finance committee generally meets quarterly, or more often if needed. It also has special meetings related to LAB's budget and the program's Audited Financial Statements ("AFS"). The finance committee provides oversight in several areas including financial accounting, audit, executive compensation, and pension. In addition, the Board's Treasurer has an extensive professional knowledge of internal control and has access to financial experts through his network of professional affiliations.

In discussions with the Controller, it was revealed that the financial information provided to finance committee members includes data related to LAB's revenues, expenses, and budget. However, it does not include a statement of cash on hand as recommended in the AGFLR. LSC recommends that a cash flow statement or a statement of cash on hand be submitted monthly to the finance committee and quarterly to all Board members. *See* AGFLR (2010 Edition), Appendix VII, Section A (General) and § 3-5.9.

(6) Developing and Updating its Accounting Policies and Procedures Manual:

Recipients of LSC funds are subject to LSC Grant Assurance 1 in which they agree, in part, that they "will comply with the requirements of the Legal Services Corporation Act of 1974 as amended (LSC Act), any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the Legal Services Corporation (LSC), including, but not limited to, LSC Audit Guide for Recipients and Auditors, the Accounting Guide, the CSR Handbook (2008 Edition), the 1981 LSC Property Manual (as amended) and the Property Acquisition and Management Manual, and with any amendments of the foregoing adopted before or during the period of this grant. It will comply with both substantive and procedural requirements, including recordkeeping and reporting requirements..."²

The 2010 Edition of the AGFLR sets forth financial accounting and reporting standards for recipients of LSC funds, and describes the accounting policies, records, and internal control procedures to be maintained by recipients to ensure the integrity of accounting, reporting and financial systems. In addition, it includes illustrative appendices which describe accounting practices and procedures acceptable to LSC. *See* AGFLR (2010 Edition), Appendix VII - Accounting Procedures & Internal Control - which provides a document review checklist as a guideline for revisions of accounting procedures or internal controls which can be made to strengthen, improve or simplify an existing system.

Under the direction of the Director of Finance (currently the Financial Consultant), LAB has undertaken a great effort to develop a comprehensive AFPPM which incorporates both a table of contents and a topical index for ease of use. The content is program-wide, incorporating the fiscal duties and responsibilities from Board members to all staff. In addition to accounting specific material, policy content includes: Organizational Structure: The Role of the Board of Directors; Committee Structure; Finance Committee Responsibilities; The Roles of the Executive Director and Staff; Business Conduct: Practice of Ethical Behavior; Compliance with Laws, Regulations and Organization Policies; Policy on Suspected Misconduct, Conflicts of Interest; Technology and Electronic Communications; and Political Intervention: Prohibited Expenditures, Endorsements of Candidates, and Prohibited Use of Organization Assets.

² *See* LSC Grant Assurances for Calendar Year 2011 Funding, Form C.

LAB's AFPPM was originally completed in 2008 and it has since been updated on a regular basis. The most recent update occurred in July 2011 when FAU staff titles were changed. By updating its policies and procedures manual on an ongoing basis, LAB has demonstrated commitment to improve and strengthen its internal control structure. LAB also made changes to their policies and procedures during the August 2011 review based on LSC's recommendations and findings. These revisions include updates to the AFPPM's appendix and to LAB's voided check policy.

While LAB's AFPPM includes all the items contained in the AGFLR, Appendix VII - Accounting Procedures & Internal Control Checklist, it was noted that the LAB's Human Resources Policy Manual contains several sections impacting fiscal procedures. These sections include the Salary Plan, Timesheets, Personnel Action Forms, Pay Periods, Travel, Advances, etc. These sections predate the development of LAB's current AFPPM and must be revised to conform to the current standards detailed within the AFPPM.

(7) Conducting Background Checks For All New Employees:

During the entrance conference for the on-site OCE review, it was disclosed by the COO that background checks are conducted on all new employees. This is a sound internal control against potential fraud. See AGFLR (2010 Edition), Appendix VII – Accounting Procedures and Internal Control Checklist, Section B – Personnel and Payroll and also Chapter 3-6, Fraud Prevention. LAB's Controller was asked to provide a date when this practice started but this information had not yet been provided when the Draft Report was released. LAB was advised to provide this information with its comments to the Draft Report.

(8) Implementing Accounting Software Enhancements:

LAB has utilized the AccuFund accounting software application package since 2006. Since that time, specific areas of improvement have been made which help LAB to maintain better financial controls over its fixed assets. These enhancements include the implementation of an automated requisition and purchase order system that is integrated with the financial accounting system. Also, the program has implemented a software Fixed Asset module, which provides fixed asset records within the accounting system.

In response to the DR and this finding, LAB stated, in part, that the program agrees with the report's finding that Legal Aid Bureau has implemented substantial changes over the past four (4) years in its fiscal policies, procedures, and personnel which have resulted in improvements in its fiscal management and internal control environment. LAB indicated that it is in the process of reviewing and rewriting its Human Resources Policy Manual in order to update and coordinate the document with the AFPPM. The program acknowledged that at the time of the Fiscal Review Team visit, LAB had not countersigned the December 2008 services proposal letter from the CPA financial consultant. LAB's response stated that a services proposal letter, executed by both parties, is now on file. LAB agreed with the report's finding that the program has provided relevant training to its fiscal staff and indicated that the program intends to continue to expand staff training in the areas of LSC policies and requirements, fraud prevention, and internal controls.

LAB should advise LSC, via the Office of Compliance and Enforcement, when it has completed its revision of its Human Resources Policy Manual.

Finding 2: LAB’s Accounting System Security consists of physical level security which is maintained by LAB’s IT unit and software security, which is managed by the program’s Controller.

The Fundamental Criteria, as expounded in the AGLFR (2010 Edition), incorporate the five (5) critical components from the COSO Internal Control guidelines that help an organization evaluate risk as discussed in the COSO Enterprise Risk Management - Integrated Framework report. While the Fundamental Criteria are not intended to include all possible control methods or to identify all potential risks resulting from internal control weaknesses, general controls apply to all computer processing carried out at a facility and are independent of specific applications. These controls relate to organization, system design, development, and modifications, and security. Controls in this category are intended to insure that systems meet user needs, are developed economically, are thoroughly documented and tested, and contain appropriate internal controls. These controls must provide assurances that computers and the data they contain are properly protected against theft, loss, unauthorized access, and natural disaster.³

Discussions with staff and review of LAB’s policies found that LAB has established internal controls designed to manage its electronic data. Security of funds and accounting records are defined in LAB’s AFPPM.⁴ Physical security of the accounting office, blank check stock and petty cash is described in the section titled “Security - Accounting Department” which states, in part, that access to the AccuFund accounting software and Electronically Stored Accounting Data is protected by password and individual access is limited by “permissions” which are assigned by LAB’s Controller. These “permissions” serve as an internal control by limiting each individual’s access to only the accounting files and functions to which they are assigned. LAB requires all users to adhere to this policy. Violations of this policy result in disciplinary action, which could include termination of employment or cancellation of contracts.⁵ See AGFLR (2010 Edition), § 3-5.14, Key Elements – EDP Controls - which describes criteria and risks associated with internal controls for a program’s electronic data.

LAB’s AccuFund accounting software and data is maintained on a secure virtual server and automated daily backup has been established. Storage of back-up accounting data files is maintained off-site in LAB’s Bel-Air office, which would allow for continued service in the event of a catastrophic event at the headquarters office.

In response to the DR and this finding, LAB advised that it agreed with the DR findings that LAB has established internal controls designed to manage its electronic data and has established daily data backup procedures at an off-site office location which allows for continued service should a catastrophic event occur at the administrative offices which house centralized accounting operations.

No further action by LAB is required at this time.

³ See AGLFR (2010 Edition), Page 47.

⁴ See LAB’s AFPPM, Pages 26-28.

⁵ See LAB’s AFPPM, Page 30.

Finding 3: In response to the 2008 discovery of fraud by its former CFO, LAB has restructured its fiscal operations. Limited on-site sampling found: the appropriate use of purchase orders and documentation of receipt of goods prior to payment by accounting staff; property inventory numbers had been assigned and were affixed on furniture and equipment; appropriate items were included in LAB’s General Ledger (“GL”) for capital assets (\$5,000 and over) and on LAB’s property inventory; and the disposition of capitalized items was properly documented.

Recipients of LSC Funds are subject to LSC Grant Assurance 1 in which they agree (among other things) that they will “... comply with the requirements of the Legal Services Corporation Act of 1974 as amended (LSC Act), any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the Legal Services Corporation, including, but not limited to,.... the 1981 LSC Property Manual (as amended) and the Property Acquisition and Management Manual, and with any amendments of the foregoing adopted before or during the period of this grant. It will comply with both substantive and procedural requirements, including recordkeeping and reporting requirements...”⁶

One of the Key Elements of Cash Disbursements is Managing Purchases.⁷ The process ranges from Purchase Approvals and Invoice and Receipt Verification (the procurement stages) to Control over (possible) Duplicate Payments (cash disbursements), followed by Recordkeeping to categorize and record disbursements, and the maintenance of a Property Record. In response to the 2008 fraud discovery, LAB divided its procurement and property control functions between the Administration area (supplies, furniture and fixtures, copiers, etc.) and the IT area (computers, peripherals, servers, telephone networking, etc.) while the account payment functions and capitalization recording have been retained by FAU staff.

As noted previously, LAB created a Purchasing Coordinator position in November 2009. This new position is responsible for overseeing the purchase of all consumable supplies and also administers the requisition and purchase order system. Physical receipt of supplies, furniture, equipment and other tangible goods are documented and receiving documents are tied to and reconciled with purchase orders and vendor invoicing. Completed documentation is forwarded to the FAU for payment and recordation as expense or asset and capitalization control as appropriate.⁸

A limited testing of office supply purchases revealed the use of numbered purchase orders, invoices bearing notation of receipt of goods, as well as invoices marked with the date received by the FAU and, subsequently, with the date paid. Testing revealed that paid invoices and attachments are attached to the voucher copy of the check which includes the invoice number, date, the amount, and account distribution codes for the payment.

Property purchase control is split between the Chief of Administration (furniture, fixtures, copiers, etc.) and the Director of Technology (computers, peripherals, networks, telephone network, etc.). Purchase orders used by LAB utilize separate and identifying numbering. Each group assigns and affixes asset identification (“ID”) tags, maintains property lists and conducts inventory review (the

⁶ See LSC Grant Assurances for Calendar Year 2011 Funding, Form C.

⁷ See AGFLR (2010 Edition), § 3-5.4 Cash Disbursements.

⁸ See LAB’s AFPPM, Purchasing Policies and Procedures, pages 48-59, for a complete description of the process.

last inventory review was conducted in 2010).⁹ A limited and unscientific random test of copy machines in the Baltimore office found each to be included on the property list and to have a LAB property ID tag affixed. Property items exceeding \$5,000 were found to be capitalized and reflected as assets in LAB's GL. Property items that had been disposed of were found to be properly recorded by a general journal entry.

In response to the DR, LAB stated that the program agreed with the report's findings that LAB uses purchase orders and documents the receipt of goods prior to the payment of vendor invoices. Further, the program agreed that inventory numbers have been assigned and affixed on furniture and equipment and appropriate items have been included in LAB's general ledger for capital assets and on property inventories. LAB also agreed with the conclusion that the dispositions of capitalized items have been property documented.

No further action by LAB is required at this time.

Finding 4: Discussions with LAB staff confirmed that for (at least) the last six (6) years its Legal Service Corporation ("LSC") Migrant and Technology Initiative Grant ("TIG") grants and expenses have been contemporaneously recorded in the program's General Ledger ("GL"), which is maintained with AccuFund accounting software. However, LAB's basic field grant ("BFG") funds had been allocated to expenses annually at year-end for financial reporting purposes. LAB management agreed that for 2011 forward, LSC BFG expenditure allocations will be fully incorporated into LAB's GL and updated on a monthly basis.

The AGFLR (2010 Edition), § 2-1.2 Principles states (in part) that: "Because LSC requires separate disclosure as part of the financial statements (either within the overall statement of activities or as a separate schedule), LSC recipients should maintain a fund-based accounting system at least for LSC funds. Other grantors may impose similar requirements. In addition, within this system, recipients of LSC funds must maintain: (a) a client trust fund and accounting system to account for funds held on the client's behalf; and (b) a property fund to: (1) accumulate the cost (or fair value if donated) of building, furniture, fixture, equipment, leasehold improvements, and law library; (2) reflect depreciation and amortization thereon; (3) record gains or losses from the disposition of such assets; and (4) record any other transactions specifically relating to fixed assets."

The proper use of the GL is incorporated on Page 31 of LAB's AFPPM which states, "The general ledger is defined as a group of accounts that supports the information shown in the major financial statements. The general ledger is used to accumulate all financial transactions of Legal Aid, and is supported by subsidiary ledgers that provide details for certain accounts in the general ledger. The general ledger is the foundation for the accumulation of data and reports."

The LSC BFG expenditures are not posted in LAB's GL, but instead are maintained in a subsidiary system (Excel spreadsheets). The expense allocations are made using the program's GL Chart of Account designations and are available to its independent auditor and others, but are not posted or journalized to the GL. As a result, standard integrated accounting software generated checks and balances (such as a trial balance) and integrated financial reports are unavailable regarding the LSC

⁹ See LAB's Furniture, Fixtures & Copiers Property List and Property List of LAB's IT Equipment.

BFG. During the August 2011 visit, LAB agreed that for 2009 and 2010, journal entries will be made to enter expenses attributed to LSC into LAB's GL. These journal entries will reflect year-end balances and will agree with the numbers in LAB's 2009 and 2010 AFS as reported by the program's IPA.

LAB is somewhat unique in its proportionate level of LSC funding, in that it receives the majority of its funding from non-LSC sources. In 2010, LSC BFG funding of \$4,567,053, represented approximately 19% of LAB's total funding. Inasmuch as the substantive portion of its activities are in support of legal assistance to clients meeting LSC criteria, LAB has established an allocation process based on 45 CFR Part 1630.3¹⁰ which it uses to allocate BFG funding to various direct and indirect expenses. See Finding 5 regarding LAB's allocation methodology. This has, historically, been done on an annual (year-end) basis and is documented in subsidiary accounting records which have been reviewed and utilized by the IPA in preparation of LAB's annual audit of financial statements. However, it is noted that as a result of maintaining the LSC BFG fund accounting in a separate subsidiary records system, standard integrated accounting software generated checks and balances (such as a trial balance) and integrated financial reports are unavailable regarding the LSC BFG. After discussions with the review team, LAB management considered the matter and discussed its methodology with its accounting software provider. LAB has stated its intent to incorporate expenses attributable to LSC BFG funding for 2009 and 2010 in the GL through journal entry and, beginning in 2011, to include LSC BFG in their monthly allocation process and post LSC BFG expenditures to the GL.

In response to the DR and this finding, LAB stated, in part, that the program agreed with the report's findings that for the last six (6) years LSC Migrant and Technology Initiative Grants and expenses have been contemporaneously recorded in the program's general ledger which is maintained with AccuFund accounting software. LAB acknowledged that, in the past, LSC BFG expense allocations

¹⁰ See 45 CFR § 1630.3 Standards governing allowability of costs under Corporation grants or contracts.

(d) *Direct costs.* Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular grant award, project, service, or other direct activity of an organization. Costs identified specifically with grant awards are direct costs of the awards and are to be assigned directly thereto. Direct costs include, but are not limited to, the salaries and wages of recipient staff who are working on cases or matters that are identified with specific grants or contracts. Salary and wages charged directly to Corporation grants and contracts must be supported by personnel activity reports.

(e) *Indirect costs.* Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. Any direct cost of a minor amount may be treated as an indirect cost for reasons of practicality where the accounting treatment for such cost is consistently applied to all final cost objectives. Indirect costs include, but are not limited to, the costs of operating and maintaining facilities, and the costs of general program administration, such as the salaries and wages of program staff whose time is not directly attributable to a particular grant or contract. Such staff may include, but are not limited to, executive officers and personnel, accounting, secretarial and clerical staff.

(f) *Allocation of indirect costs.* Where a recipient has only one major function, i.e., the delivery of legal services to low-income clients, allocation of indirect costs may be by a simplified allocation method, whereby total allowable indirect costs (net of applicable credits) are divided by an equitable distribution base and distributed to individual grant awards accordingly. The distribution base may be total direct costs, direct salaries and wages, attorney hours, numbers of cases, numbers of employees, or another base which results in an equitable distribution of indirect costs among funding sources.

(g) *Exception for certain indirect costs.* Some funding sources may refuse to allow the allocation of certain indirect costs to an award. In such instances, a recipient may allocate a proportional share of another funding source's share of an indirect cost to Corporation funds, provided that the activity associated with the indirect cost is permissible under the LSC Act and regulations.

have occurred annually at year-end for financial reporting purposes utilizing straightforward allocation calculations performed on a subsidiary system (Excel spreadsheets). LAB's response advised that during the August 2011 review, these procedures, and the underlying theory behind them, were fully discussed with the review team and LAB had agreed with the review team's recommendation that BFG funds be fully incorporated into the general ledger. For years 2009, 2010, and 2011, this was accomplished by journal entry of expenses allocated to LSC in the general ledger. For 2012, LAB reported it had engaged the services of an AccuFund software consultant to design reports and general ledger integration procedures to contemporaneously record the LSC BFG and its expenses in the program's GL. LAB's response advised that going forward, reporting of LSC funding will be produced from reports emanating directly from the GL.

LAB's response noted that the DR indicated that "LAB has stated its intent to incorporate expenses attributable to LSC BFG funding for 2009 and 2010 in the GL through journal entry and, beginning in 2011, to include LSC BFG in their monthly allocation process and post LSC BFG expenditures to the GL." Given that the fiscal review did not occur until the second half of August 2011, LAB correctly noted that it would have been impossible to contemporaneously do the monthly allocations prior to August in 2011. LAB, therefore, incorporated the LSC BFG into its general ledger in 2011 by journal entry and has developed the reports and methodology to begin fully automated general ledger accounting integration in 2012.

No further action by LAB is required at this time.

Finding 5: Documentation reviewed and discussions with LAB staff found that the determination and recording of the expenditures of LSC BFG funds during (at least) the last six (6) years has been based on an allocation process which is not documented in LAB's AFPPM.

LSC's rules regarding cost allocations among funds (Cost Allocation System) are set forth in 45 CFR Part 1630. *See* footnote 10 *supra*. Direct costs include, but are not limited to, the salaries and wages of recipient staff who are working on cases or matters that are identified with specific grants or contracts. Salary and wages charged directly to Corporation (LSC) grants and contracts must be supported by personnel activity reports. The allocation of indirect costs may be by a simplified allocation method, whereby total allowable indirect costs (net of applicable credits) are divided by an equitable distribution base and distributed to individual grant awards accordingly. The distribution base may be total direct costs, direct salaries and wages, attorney hours, numbers of cases, numbers of employees, or another base which results in an equitable distribution of indirect costs among funding sources. A recipient may allocate a proportional share of another funding source's share of an indirect cost to Corporation funds, provided that the activity associated with the indirect cost is permissible under the LSC Act and regulations. Additionally, some functional programs such as Private Attorney Involvement ("PAI") have specific requirements such as the recipient's administrative, overhead, staff, and support costs related to PAI activities shall be allocated on the basis of reasonable operating data, while direct costs must be based on contemporaneous time recordings.¹¹

¹¹ *See* 45 CFR § 1614.3(e)(1). The recipient's administrative, overhead, staff, and support costs related to PAI activities. Non-personnel costs shall be allocated on the basis of reasonable operating data. All methods of allocating common costs shall be clearly documented. If any direct or indirect time of staff attorneys or paralegals

The allocation methodology LAB provided to the review team for its LSC BFG funds is different than the allocation methodology documented in its AFPPM, which is used for the program's other funding sources. The described allocation process for the LSC BFG was deficient in that it sought to apply a fixed percentage based on LSC BFG revenue to total program expenses (less certain non-permitted expenses) to both direct (salary) costs and indirect (overhead) costs. Additionally, while certain expense categories were excluded, some of the other expense categories included non-permitted expenses, for example National Legal Aid & Defender Association ("NLADA") membership fees and dues. During the August 2011 review, LAB management stated its intent to review the expense allocation procedure to ensure that no LSC funds are allocated to prohibited costs and that the allocation process is thoroughly documented in its AFPPM.

At the time of the August 2011 review, LAB was utilizing a year-end allocation process which is not documented in its AFPPM. This allocation process consisted of taking total LAB expenses for the year less non-permitted amounts, based on selected Chart of Accounts ("COA") categories, divided into LSC BFG funding to acquire a percentage factor which is then applied to all but the excluded expense accounts. Asset accounts were not omitted, as LSC has a reversionary interest in capital items. It was noted that the excluded accounts cited were not adequate, since remaining accounts included such items as COA 570000-Professional Dues, which included the program's NLADA membership renewal,¹² an expense not allowed under 45 CFR § 1627.4(a).¹³

This process, as defined, did not differentiate between direct and indirect costs and the overall process does not meet the requirements of 45 CFR § 1630.3, which governs the allowability or questioning of costs for LSC grants. The review revealed that processes for charging costs, allocation procedures, and segregating unallowable funds had already been developed by LAB and are included in LAB's AFPPM¹⁴ for use relative to other funding sources. These processes are equally appropriate for

is to be allocated as a cost to PAI, such costs must be documented by time sheets accounting for the time those employees have spent on PAI activities. The timekeeping requirement does not apply to such employees as receptionists, secretaries, intake personnel or bookkeepers; however, personnel cost allocations for non-attorney or non-paralegal staff should be based on other reasonable operating data which is clearly documented.

¹² For 2011, LAB recorded an NLADA Membership payment of \$10,000.

¹³ See 45 CFR § 1627.4(a) which requires that: a) LSC funds may not be used to pay membership fees or dues to any private or nonprofit organization, whether on behalf of a recipient or an individual.

¹⁴ See LAB's AFPPM, Pages 133-134:

Charging of Costs

Unless an expenditure is for an item or service that has been specifically identified and specified in a grant, contract or award, all costs are allocated between cost centers and programs based on the dollar amount of Legal Salaries which is driven by the number of full-time equivalent legal staff assigned to a particular cost center and program. This cost allocation percentage is calculated in an allocation table that is integrated into the accounting system and is monitored by the Senior Accountant. The table's function is to assign percentages to each cost center and then further to individual grants, contracts and programs.

Allocation Procedures

- Staffing patterns for each office are determined by Finance Staff and Executive Management.
- Budgets are further generated to determine the number of full time equivalent (FTE) legal staff assigned to a program/grant.
- The FTE are then used to calculate the percentage of cost to be spread to each program/grant.
- An allocation spreadsheet is prepared by the Senior Accountant and imported into the accounting software. This spreadsheet is updated on an as needed basis.
- Transactions are entered into the ledger according to the office in which the expenditure occurred.
- Quarterly, an allocation journal entry is prepared which allocates the balance from the office cost center to the office program and grant activity cost centers.

application to LSC funding and could be a starting point in developing and documenting an appropriate process for allocating LSC BFG funding.

In response to the DR for this section LAB advised, in part, that as noted in Finding 4 above, it acknowledges that historically, LSC BFG expenditures were not posted in the general ledger, but were instead calculated by a straightforward allocation of costs procedure on Excel spreadsheets at the end of each year. The program agreed to change this procedure and the comments indicated that this has been done. The new LSC BFG allocation methodology has been reviewed and approved by LSC and incorporated into the AFPPM. The comments further reported that its current accounting and reporting practices follow this methodology.

The response further stated, in part, that that it had never been LAB's intention to allocate non-allowable costs to LSC funding, and the program does not believe that its former reporting methodology implied that it did so. Under the former methodology, one measure used to prevent the allocation of non-allowable costs in annual reporting was to exclude specific expense accounts entirely from LSC allocations. The response noted that because LSC has historically represented approximately 20% of Legal Aid funding, the program's belief and position has always been that allocation from such accounts to LSC did not contain any portion of such non-allowable costs, assuming they existed. Rather, those non-allowable costs, if any, were by assumption and definition contained in the 80+% of the expense account that was not allocated to LSC.

LAB's response further noted that it agreed to begin recording the LSC BFG in the accounting system's general ledger. LSC reporting will now flow directly from the general ledger without the intermediate step of downloading general ledger information into an Excel spreadsheet and

Allocation of Cost to the Offices

- Purchases/expenses are charged to the office that benefits from that item or service. Costs are further allocated to the programs in the office as described above.
- Costs that are incurred that pertain to all staff are allocated to each office according to the salary expense in each office. These are health insurance, pension, bonding insurance, all staff training events, unemployment insurance and Worker's compensation insurance.

Page 148, Segregating Unallowable From Allowable Costs

The following steps shall be taken to identify and segregate costs that are allowable and unallowable with respect to each federal award:

1. The budget and grant or contract for each award shall be reviewed for costs specifically allowable or unallowable.
2. Accounting personnel shall be familiar with the allowability of costs provisions of OMB Circular A-122, "Cost Principles for Non-Profit Organizations", particularly:
 - a. The list of specifically unallowable costs found in Attachment B (Selected Items of Cost), such as alcoholic beverages, bad debts, contributions, fines and penalties, lobbying, etc. Unallowable costs must be coded to cost center fund ID# 49.
 - b. Those costs requiring advance approval from Federal agencies in order to be allowable in accordance with Attachment B, such as foreign travel, equipment purchases, etc.
3. No costs shall be charged directly to any Federal award until the cost has been determined to be allowable under the terms of the award and/or OMB Circular A- 122.
4. For each Federal award, an appropriate set of general ledger accounts shall be established in the chart of accounts of Legal Aid to reflect the categories of allowable costs identified in the award or the award budget.
5. All items of miscellaneous income or credits, including the subsequent write-offs of uncashed checks, rebates, refunds, and similar items, shall be reflected for grant accounting purposes as reductions in allowable expenditures if the credit relates to charges that were originally charged to a Federal award or to activity associated with a Federal award. The reduction in expenditures shall be reflected in the year in which the credit is received (i.e. if the purchase that results in the credit took place in a prior period, the prior period shall not be amended for the credit.)

calculating allocations on that spreadsheet. As confirmed above, LSC BFG funding and expenses for 2009, 2010, and 2011 were recorded in the general ledger through journal entry. LAB's response noted that no changes were necessary in the LSC reports previously prepared using the Excel spreadsheet methodology, as the results were exactly the same. Finally, LAB's response reported that, in association with the integration of LSC BFG into the accounting system, LAB modified and updated its policies and procedures and internal controls in association with the allocation of costs to LSC and the safeguards ensuring that no non- allowable costs are allocated to LSC funding. These procedures have been reviewed and approved by LSC (in conjunction with Year 2012 SGC).

No further action by LAB is required at this time.

Finding 6: Review of LAB's Personnel and Payroll Policies and a sampling of timekeeping and payroll records for a limited cross-section of staff found that LAB employees generally conform to payroll timekeeping procedures as defined in LAB's AFPPM. Comparison of the Payroll Timekeeping recording with LAB's Program Manager data (LAB's Case and Time Management software) indicated general compliance with 45 CFR Part 1635. However, review indicated that LAB Management and Administrative staff, who are admitted to the Bar, do not maintain contemporaneous time records as promulgated under 45 CFR § 1635.3(b).

LSC's timekeeping requirement, 45 CFR Part 1635, is intended to improve accountability for the use of all funds of a recipient by: (a) assuring that allocations of expenditures of LSC funds pursuant to 45 CFR Part 1630 are supported by accurate and contemporaneous records of the cases, matters, and supporting activities for which the funds have been expended; (b) enhancing the ability of the recipient to determine the cost of specific functions; and (c) increasing the information available to LSC for assuring recipient compliance with Federal law and LSC rules and regulations.

Specifically, 45 CFR § 1635.3(a) requires that all expenditures of funds for recipient actions are, by definition, for cases, matters, or supporting activities. The allocation of all expenditures must satisfy the requirements of 45 CFR Part 1630. Time spent by attorneys and paralegals must be documented by time records which record the amount of time spent on each case, matter, or supporting activity. Time records must be created contemporaneously and account for time by date and in increments not greater than one-quarter of an hour which comprise all of the efforts of the attorneys and paralegals for which compensation is paid by the recipient. Each record of time spent must contain: for a case, a unique client name or case number; for matters or supporting activities, an identification of the category of action on which the time was spent. The timekeeping system must be able to aggregate time record information on both closed and pending cases by legal problem type.

On-site review of five (5) staff members' payroll timekeeping records (a non-scientific random selection from all of the LAB offices) for the pay periods covering December 4-17, 2010 and July 2-15, 2011 disclosed that the records are electronically and contemporaneously kept in accordance with LAB's Human Resources Policy Manual Section 305-001. Bi-weekly e-Time reports ("e-TIMEsheet"), with electronic signatures by the employee and approving manager, are forwarded to the FAU by the Monday following the end of each pay period. Payroll timekeeping is recorded by each employee using e-Time software that is provided by the program's payroll service, ADP. Time records which had been entered contemporaneously into LAB's case and time management system

(Program Manager Case and Expense report) by the five (5) staff members sampled were retrieved and compared to their e-TIMESheet payroll records. While time recorded generally conformed between the employees' e-TIMESheet (payroll) and their Case and Expense report (case and time management), in one instance the Case and Expense report recorded 17.95 hours in a single day, while the e-TIMESheet reflected 8.5 hours for the same day; an apparent clerical error which occurred when inputting the hours into the Case and Expense report.

LSC regulations governing contemporaneous timekeeping requirements for attorneys, notably 45 CFR § 1635.3, states that "All expenditures of funds for recipient actions are, by definition, for cases, matters, or supporting activities and time spent by attorneys and paralegals must be documented by time records which record the amount of time spent on each case, matter, or supporting activity." Supplementary information, as printed in the Federal Register, indicates that "This proposed rule requires recipients to account for the time spent on all cases, matters and other activities by their attorneys and paralegals. These requirements apply whether the case, matter or activity is funded by the Corporation or by other sources." The Supplementary information also notes at "Section 1635.2 Definitions - This section defines "case," "matter," and "activity," the functions of a program for which time records are required to be kept. The definitions are formulated so as to cover all allocations of recipients. Some examples of "matters" are education of eligible clients and development of written materials explaining legal rights and responsibilities. "Administrative and general" is a catchall category within "activity." It is designed to encompass everything that does not fall within cases or matters or fund-raising activities, and would include, for example, skills training and professional activities."

As previously stated, LAB utilizes two (2) contemporaneous timekeeping systems, the e-Time payroll system (e-TIMESheet) for all employees and the Program Manager Case and Expense system (Time and Expense reports) which is utilized by attorneys and paralegals. This dual system requires a substantial number of staff to make daily timekeeping entries into two (2) separate systems. The program may wish to explore the potential for requiring all staff to utilize the Program Manager Time and Expense reports for recordation of time and then extract or export data reports for payroll purposes. The Program Manager Case and Expense system can be configured so that time reports generated are capable of reflecting leave taken, PAI time, direct time by fund (based on case or matter), and other data useful for payroll and cost allocation purposes.

Finally, several members of LAB's management staff, including the ED and COO, are attorneys who are members of the Maryland Bar. However, in their current capacities they are not case handlers. It was the position of the ED that attorneys who function in administrative roles, rather than providing legal services or assistance, do not meet the requirements of Part 1635, citing 45 CFR § 1600.1 "Definitions. As used in these regulations, chapter XVI, unless otherwise indicated, the term—*Act* means the Legal Services Corporation Act, Pub. L. 93-355 (1974), as amended, Pub. L. 95-222 (1977), 42 U.S.C. 2996-29961. *Attorney* means a person who provides legal assistance to eligible clients and who is authorized to practice law in the jurisdiction where assistance is rendered and *Legal assistance* means the provisions of any legal services consistent with the purposes and provisions of the Act or other applicable law."

Based on material cited above as well as review of available Program Letters and External Opinions, it would appear that the intent of LSC in promulgating Part 1635 was to require an attorney in any

capacity with a recipient to keep contemporaneous time records in the manner defined by Part 1635. OCE has requested a formal OLA legal opinion to determine if program staff attorneys who do not handle case work meet the definition of “attorney” as used in the LSC regulations and are, therefore, required to complete time records. Once that opinion is issued, OCE will contact LAB separately regarding this issue.

In response to the DR, LAB stated, in part, that it agreed with the finding that LAB employees conform to payroll and timekeeping procedures as defined in Legal Aid’s Accounting & Financial Policies and Procedures Manual. In addressing OCE’s request for a formal Office of Legal Affairs opinion “to determine if program staff attorneys who do not handle case work meet the definition of “attorney” as used in the LSC regulations and are, therefore required to complete time records,” LAB reasserted its argument, with respect to executives and other administrative staff who do not record time in the case management system, that just because an individual matriculated from a law school and may or may not have previously practiced law that does not make him/her an “attorney” for the purposes of CFR Part 1635 if that individual does not practice law or otherwise provide legal assistance to eligible clients in the capacity of his/her employment at Legal Aid. According to LAB’s argument, if a person does not provide legal assistance to eligible clients, then he/she is not “a person who provides legal assistance to eligible clients.”

As stated above, OLA was requested to provide a legal opinion to determine if program staff attorneys who do not handle case work meet the definition of “attorney” as used in the LSC regulations and are, therefore, required to complete time records. Once OLA issues that legal opinion, OCE will contact LAB separately regarding this issue.

Finding 7: A review of contracts entered into by LAB for legal services and professional consulting found that LAB has appropriate written procedures in place for the approval of contracts. However, one (1) instance was found where a vendor was receiving monthly payments from LAB based on services being rendered under an expired contract. It was noted that LAB has contracted for Legislative Representation in a manner appropriate under the provisions of 45 CFR § 1612.6(f).

A limited review of LAB’s check register for 2010 was conducted to identify any unusual expenditures. Two (2) of the items reviewed were selected for further explanation:

1. *Periodic payments made to TeleLawyer:* In 2001, a Telephone and Application Agreement was entered into by the Maryland Legal Services Corporation (“MLSC”) through the Maryland Legal Assistance Project, of which LAB was a participant. The result of the agreement was the establishment of the statewide hot-line or telephone intake system, now housed in LAB. The original agreement with MLSC has not been updated and does not reflect LAB as the contracting party; however, TeleLawyer continues to provide some services for which they bill LAB. LAB management advised that they do not intend to negotiate a new contract with TeleLawyer but instead, they intend to eventually bring the automated call distribution system in-house, at which point they will terminate the relationship with TeleLawyer. However, in the interim, they will continue to utilize the service and pay for actual service used.

LAB must ensure that the costs associated with these services are accurately and adequately documented pursuant to 45 CFR Part 1630.

The purpose of 45 CFR § 1612.6(f) is to ensure that LSC recipients and their employees do not engage in certain prohibited activities, including representation before legislative bodies or other direct lobbying activity, grassroots lobbying, participation in rulemaking, public demonstrations, advocacy training, and certain organizing activities. This part also provides guidance on when recipients may participate in public rulemaking or in efforts to encourage State or local governments to make funds available to support recipient activities, and when they may respond to requests of legislative and administrative officials.

2. *Periodic payments for Legislative Representation:* LAB has contracted for the services of the law firm of registered lobbyist and government relations consultant Alexander & Cleaver P.A. The contract states that the primary effort is to seek additional funding for LAB through additional appropriations or fund balance transfers, working with both the Executive Branch and the General Assembly. This expense is excluded in the Chart of Accounts from the LSC fund expense allocations and is an appropriate use of non-LSC funding under 45 CFR § 1612.6(f).

LAB operates a pro bono model PAI program, and has no contracted legal services with individual private attorneys. It does have sub-grants to promote pro bono services as a part of that program.

In response to the DR, LAB stated, in part, that it agreed with the finding that it has appropriate written procedures in place for the approval of contracts and that it has contracted for legislative representation in a manner appropriate under the provisions of 45 CFR § 1612.6(f). The response further acknowledged that LAB did purchase continuing services directly from a vendor in support of a hotline service and that these services were in the same nature as services previously acquired during a service agreement arrangement with the vendor dating to 2001. The response indicated that following the conclusion of that agreement, LAB continued to purchase identical services, on a service used basis, billed monthly without a commitment regarding volume or term of service. The response indicated that final services from this vendor were received in January 2012 and final payments were made in February 2012.

LAB is reminded of the importance of ensuring that costs are accurately and adequately documented pursuant to 45 CFR Part 1630 and that contracts are fully and timely executed before making any payments. However, no further action is required by LAB at this time.

Finding 8: LAB makes use of electronic banking opportunities which increase both efficiency and security and further a “Green” initiative. Processes utilized include electronic deposit of checks (via scanner), a Positive Pay System (bank will only clear checks matching those written), Automated Clearing for payroll program vendors (insurance, pension plan, 401K, etc.), and Automated Clearing Monitor, which limits and monitors Automated Clearing debits and provides exception notices. All processes are documented in LAB’s AFPPM, with the exception of the electronic deposit of checks which is in the process of being written.

The 2010 Edition of the AGFLR, Appendix VII, Accounting Procedures and Internal Control Check List M (Electronic Banking) dictates that LSC recipients must have documented processes and procedures for its electronic banking activities. This includes having policies for electronic deposits, wire transfers, on-line transfers, telephone transfers, and electronic disbursements.

LAB’s AFPPM, at pages 73 and 74, defines the program’s approved electronic banking processes. LAB uses Positive Pay system in which its Controller provides (electronically) a list of checks issued (processed at each check run) listing the check date, number, payee, and amount. Only checks meeting all four (4) criteria will be cleared by the bank and any checks presented not meeting the criteria result in an exception notice to the COO. Automated Clearing House (ACH) debits are limited to the Impress Payroll account. A limited number of vendors are authorized, per LAB’s Board or by the ED or COO, to conduct ACH debits from the Payroll account. The list of approved vendors currently includes its outside payroll service, 401(k) plans, and employee deduction manager (parking etc.). ACH Monitor is an in-bank software program used by LAB which controls and monitors ACH debits to demand deposits and, when applicable, it sends an e-mail exception notice to LAB’s COO who can make a “pay or return” decision after consulting with program staff. Electronic deposits may be made by using an in-house scanner and bank provided on-line software. In-house pre-deposit processes are the same as manual bank deposits and the deposit receipt is electronically provided. At the time of the visit, LAB’s process for the electronic deposit of checks was not documented in the AFPPM. During the course of the review, LAB was advised that it must take the steps to ensure that this process is properly documented. During the visit, LAB’s management stated the AFPPM would be promptly updated to reflect the process for the electronic deposit of checks. With its comments to the Draft Report, LAB was directed to submit the updated section of the AFPPM.

In response to the DR, LAB stated that it agreed with the finding that it makes use of electronic banking opportunities which increase both efficiency and security. LAB’s response acknowledged that the electronic deposit of check process was described in the Cash Receipts section of the AFPPM, but a description of these processes was not included in the Electronic Banking Activities section of the manual at the time of the review. The response noted that this has been corrected. Included as Attachment 1 to LAB’s response was a copy of the updated description of electronic banking activities - including the electronic deposit of check procedures – now included in the AFPPM. These procedures were reviewed and approved by LSC (in conjunction with Year 2012 SGC).

No further action by LAB is required at this time.

Finding 9: LAB has created a comprehensive records retention policy which meets or exceeds the retention recommendations contained in the AGFLR.

LAB has incorporated its Record Retention Policy in its AFPPM. LAB's policy states that it will retain records as required by law and destroy them when appropriate. According to the policy, the destruction of records must be approved by the Director of Finance. Review of LAB's Record Retention Policy revealed that it mandates record retention requirements that meet or exceed the recommendations provided in the AGFLR.

For example, LAB's policy dictates record retention for bank statements of seven (7) years and the Chart of Accounts must be maintained permanently. These requirements each mirror the retention guidelines contained in the AGFLR. *See* AGFLR (2010 Edition), Appendix II, Description of Accounting Records – Retention Times for Nonprofit Records.

In response to the DR for this finding, LAB replied that the program agreed that it has created a comprehensive records retention policy which meets or exceeds the retention recommendations contained in the AGFLR.

No further action by LAB is required at this time.

Finding 10: LAB maintains a detailed Cash Receipts policy which addresses sound internal controls. LAB should further strengthen its internal control related to cash receipts by designating an employee(s) from each office as specifically authorized to receive cash. Additionally, notification should be provided to clients that they are entitled to a receipt for cash provided.

From discussion with LAB's fiscal staff it was determined that most of the money physically received by the program is in the form of checks. The program restrictively endorses the checks it receives and these items are deposited timely. The program discourages the acceptance of actual cash, which is usually only accepted by LAB in a trust capacity. *See* Finding 19 for additional description of LAB's Client Trust Accounts.

Based on a limited review of LAB's Cash Receipts policy, it was determined that when a client remits cash the case handler is responsible for accepting the cash and providing the receipt. It is recommended that LAB establish procedures which designate an employee(s) from each office as specifically authorized to receive cash. Additionally, notification should be provided to clients that they are entitled to a receipt for cash provided and if a receipt is not provided that the client should see a supervisor. The program is encouraged to implement these recommendations as they strengthen the program's internal control, and are a deterrent to possible fraudulent activities. *See* AGFLR (2010 Edition), Appendix VII, Section H, Accounting Procedures and Internal Control Checklist - Controls over Cash Receipts.

In response to the DR, LAB stated that it agreed with the DR finding that it maintains a detailed Cash Receipts policy which addresses sound internal controls. LAB's response advised, in part, that its current policy is not to receive currency (cash) under any circumstances. Only payments by check or

money order are accepted. The response further noted that LAB has updated its cash receipts and attorney trust accounting policy statements in this regard to make it perfectly clear that currency will not be accepted. Under longstanding policy, all clients are provided with written receipts for any payments made to LAB. All payments received from clients are deposited into LAB's Attorney Trust Account. The response indicated that LAB has drafted, and is in the process of reviewing prior, to organization-wide implementation, a policy that requires that a sign be posted in each office stating that a client making any payment is entitled to a receipt for that payment, and if not provided such receipt, the sign shall state that the client should ask to see a supervisor. Full implementation of this policy was expected to occur by September 30, 2012.

Finding 11: From a limited review of LAB's travel reimbursement policies and procedures, it was determined that the program has generally sound internal controls in place. However, internal controls related to timely submission of travel expense reports and the documentation requirements for exceptions should be strengthened.

LAB has updated its travel policy to request that staff submit travel expenses on a monthly basis. However, the policy also states that quarterly submission is acceptable. An all-staff e-mail was sent by LAB which reiterated this policy, along with a schedule showing that travel expenses must be submitted within 15 calendar days following the end of each quarter. Therefore, some expenses could be submitted over 100 days after they were incurred. In discussion with the Controller, she advised that not receiving travel expenses timely had hindered her year-end budget preparation because she received many older expense submissions in late December and early January, after the budget was prepared. Also, unreported expenses have the effect of understating the liabilities reported on the program's financial records. It is recommended that LAB revise its travel policy to require monthly submission of all travel expenses.

In July 2010, LAB strengthened its review procedures related to travel expense reimbursements to include increased supporting documentation requirements as well as independent review and random audits of expense reimbursement requests by a member of the budget and finance department. While on-site, OCE staff conducted a limited review of travel expense reports submitted by LAB employees and Directors. From this review it was determined that LAB maintains adequate documentation in support of its travel expenditures. However, there was an instance noted where one (1) night's hotel rate was greater than for the other three (3) nights during the same stay with no explanation in file to explain this difference. During the on-site review, the COO contacted the traveler and determined that the reason for the higher rate was that the one (1) night's stay had not been booked in advance and therefore the traveler was unable to get the same rate as for the rest of the stay. It is suggested that when there are circumstances which result in increased travel charges, that LAB maintain documentation and/or notes which explain the reason(s) for the additional fee.

In response to the DR, LAB stated, in part, that it agreed with the finding it has sound controls in place regarding travel reimbursements. LAB's response advised that it requests that travel expenses be submitted on a monthly basis and the majority of reimbursements are processed on this schedule. Generally, employees who are entitled to significant travel reimbursement amounts are anxious to receive those reimbursements and, therefore, submit expense reimbursement requests as frequently as

allowed. If, however, amounts eligible for reimbursement are small, many individuals are less inclined to submit monthly requests.

The response noted that, in an effort to accommodate these individuals and to foster labor and work environment harmony, LAB has implemented a policy that allows for reimbursement of travel expenses, if submitted on a calendar quarter basis and if submitted within 15 days following the end of a quarter. With three (3) months of reimbursements submitted at a time, LAB is required to process only one (1) reimbursement check, as opposed to three (3). Another problem caused by forcing employees to process monthly requests for small reimbursement amounts, is that checks issued for small amounts are more likely to end up on the stale outstanding check list, which creates additional administrative efforts.

LAB's response further advised that because it has very strict documentation and supervisor approval requirements, LAB does not believe that it suffers any adverse financial impact from having some flexibility in its time of submittal requirements related to travel expense reimbursements. As such, LAB does not believe that its optional quarterly expense reimbursement policy should be changed.

While OCE has considered the arguments contained in LAB's response, OCE stands by its recommendation in the DR that LAB revise its travel policy to require monthly submission of all travel expenses. However, this is a recommendation and not a required action and as noted under footnote 16, items appearing in the "Recommendations" section are not enforced by LSC and therefore the program is not required to take any of the actions or suggestions listed in that section. Recommendations are offered when useful suggestions or actions are identified that, in OCE's experience, could help the program with topics addressed in the report.

Finding 12: During the on-site review, the ED presented the argument that none of LAB's attorneys should be considered staff attorneys based on the definition of "private attorney" as provided under 45 CFR § 1614.1(d) coupled with the definition of "staff attorney" as provided under 45 CFR § 1600.1. He reasoned that since LAB receives a minority of its funding from LSC, its attorneys do not receive over half of their professional income from the proceeds of an LSC grant and, therefore, these attorneys do not meet the definition of staff attorney. However, it was determined that this is not the case based on the content detailed in LSC External Opinion EX-2003-1004.

During the on-site review, the ED questioned whether any of LAB's attorneys are staff attorneys as defined in applicable LSC regulations. Specifically, 45 CFR § 1614.1(d) defines "private attorney" as an attorney who is not a staff attorney as defined in § 1600.1 of these regulations and 45 CFR § 1600.1 defines "staff attorney" as an attorney more than one half of whose annual professional income is derived from the proceeds of a grant from the LSC or is received from a recipient, subrecipient, grantee, or contractor that limits its activities to providing legal assistance to clients eligible for assistance under the Act.

The ED reasoned that since LAB receives a minority of its funding from LSC, its attorneys do not receive over half of their professional income from the proceeds of an LSC grant and, therefore, these

attorneys do not meet the definition of staff attorney. The ED's interpretation would mean that all of the expenses related to LAB attorneys could be eligible as PAI expenses.

However, upon subsequent consultation with LSC's OLA, it was determined that LAB does, in fact, have staff attorneys pursuant to LSC regulatory definitions. OLA External Opinion EX-2003-1004 concludes, in part, that as staff delivery model entities, all LSC-funded basic field programs are encompassed within the definition, such that attorneys receiving one half of their professional income from an LSC recipient are staff attorneys.

In response to the DR, LAB stated that it acknowledged that LSC's Office of Legal Affairs' External Opinion EX-2003-1004 concludes, in part, that as staff delivery model entities, all LSC-funded basic field programs are encompassed within the definition of "staff attorneys," such that attorneys receiving one-half of their professional income from an LSC recipient are "staff attorneys."

However, LAB's response argued, in part, that it believed this definition is inconsistent with the definition of staff attorney as defined in 45 CFR § 1600.1. Additionally, LAB's response further challenged that OLA's External Opinion EX-2003-1004 argues against previous opinions issued by LSC's OLA on the same subject.

While OCE has considered LAB's arguments contained in its response, OCE stands by its position as stated in the DR that LAB's staff attorneys meet the definition of staff attorneys as described in LSC External Opinion EX-2003-1004.

Finding 13: The review revealed that LAB's reporting of PAI expenses as detailed under 45 CFR § 1614.3 – Range of Activities is partially compliant, as there are several employees who had PAI time allocations without sufficient supporting documentation. Additionally, it was determined that LAB misreported the LSC PAI expenses in its AFS due to a misinterpretation regarding the determination of its PAI ratio as required under 45 CFR § 1614.1(a).

45 CFR § 1614.3(e)(1)(i) states, in part, that "All methods of allocating common costs shall be clearly documented. If any direct or indirect time of staff attorneys or paralegals is to be allocated as a cost to PAI, such costs must be documented by timesheets accounting for the time those employees have spent on PAI activities. The timekeeping requirement does not apply to such employees as receptionists, secretaries, intake personnel or bookkeepers; however, personnel cost allocations for non-attorney or non-paralegal staff should be based on other reasonable operating data which is clearly documented."

The program uses documented timesheets as maintained in Program Manager for the majority of its attorneys which report PAI time. However, there were four (4) attorneys that did not enter their time into PM. These attorneys are members of the Maryland Bar; however, in their current position with LAB they are not case handlers. The LAB employees in question include its ED, COO, Director of Resource Development, and Chief Counsel. *Refer* also to Finding 6. The ED asserted that these employees are not subject to the 45 CFR § 1614.3 requirement to document their PAI time with timesheets as they do not meet the definition of "attorney" as detailed in the applicable LSC regulation. It was the position of the ED that attorneys who function in administrative roles rather

that providing legal services or assistance do not meet the definition of attorney. The ED cited 45 CFR § 1600.1 Definitions, “Attorney means a person who provides legal assistance to eligible clients and who is authorized to practice law in the jurisdiction where assistance is rendered” and “Legal assistance means the provisions of any legal services consistent with the purposes and provisions of the Act or other applicable law.”¹⁵

There are also three (3) employees, other than attorneys, who do not enter timekeeping information into the Program Manager system but who have a portion of their time counted as PAI. In aggregate, the portion of these seven (7) employees’ salaries which was counted towards PAI totaled \$200,050.00 which equaled 39.6% of the PAI salaries reported by LAB for 2010.

Prior to the commencement of the LSC on-site visit, the program obtained a worksheet from each of these individuals which included an estimate of the percentage of their time devoted to PAI in 2010 along with a list of activities that were considered PAI. However, the list does not indicate the time the staff person expended for the stated activities or provide a clear methodology to substantiate the percentage of the attorneys’ time allocated to PAI as required by 45 CFR § 1614.3(e).

LAB also, included in its 2010 PAI salaries \$47,311 in salaries for five (5) attorneys and a law clerk who entered time into Program Manager which was not indicated as PAI. LAB performed a supplemental calculation for these employees to allocate their PAI reportable salaries by applying their hourly rate to the number of PAI hours identified.

LAB must ensure that all direct or indirect time of staff attorneys or paralegals allocated as a cost to PAI is documented on timesheets which indicate the time those employees have spent on PAI activities. Also, the program must ensure that PAI personnel cost allocations for non-attorney or non-paralegal staff is based on other reasonable operating data which is clearly documented.

From discussion with LAB staff and review of fiscal documents, it was determined that program management believed that the 12.5 percent PAI requirement, as outlined in 45 CFR § 1614.1(a), must be comprised entirely of LSC PAI expenses. In discussion with the ED and Financial Consultant, it was revealed that the program was unaware that they may include both LSC and non-LSC funded PAI expenses towards the 12.5 percent PAI requirement. In its 2010 AFS, LAB reported total PAI expenses of \$827,762 (LSC and non-LSC PAI expenses) or an 18.12 percent PAI ratio. Of this amount, \$570,882 was reported as LSC PAI expenses, which equals exactly 12.5 percent of its LSC BFG. However, this was not based on actual expenses or the allocation methodology used by LAB for its LSC charges, but rather a 12.5 percent sweep allocation of the program’s LSC BFG. The allocation methodology used by LAB to calculate LSC PAI expenses was inconsistent with the allocation methodology used by LAB for its overall LSC charges. For example, for 2010 the program reported LSC PAI salaries of \$363,683 which represented over 72 percent of the \$504,532 in total PAI salaries reported by LAB. This is in contrast to the 18.97 percent generally allocated for LSC charges by LAB. If the 18.97 percent allocation had been applied, then LSC PAI expenses would have been calculated at \$157,026 of the \$827,762 in total PAI expenses reported. LAB must follow its established allocation methodology, as contained within its AFPPM, when allocating and reporting LSC PAI expenses.

¹⁵ Note that a formal OLA legal opinion has been requested to determine if program staff attorneys who do not handle case work meet the definition of “attorney” as used in the LSC regulations and are, therefore, required to complete time records and document their PAI time with timesheets. Once that opinion is issued, OCE will contact LAB separately regarding this issue.

In response to the DR, LAB replied, in part, that the program acknowledged that it appears to have under reported (“misreported”) PAI expenses in the past due to a misinterpretation regarding the inclusion of non-LSC funded PAI activities in the PAI ratio and by not fully including general and administrative overhead in its PIA costs. LAB’s response advised that it had modified its PAI timekeeping procedures and reporting methodologies based on the recommendations of OCE’s fiscal review team.

LAB’s response further advised, in part, that with regard to timekeeping, its current policy is that it allocates PAI costs for those individuals who are engaged in client case work as part of their employment responsibilities and who do not maintain a record of their time in the Practice Manager case management system. For these individuals, LAB alternatively maintain a record of their PAI related time in automated or manual daily planning calendars. As in the past, all attorney and paralegal time allocated to PAI costs is entered and documented in the Practice Manager case management system.

No further action by LAB is required at this time.

Finding 14: LAB maintains a detailed Credit Cards policy within its AFFPM which contains sound internal controls for this area. However, it was determined that LAB should update its AFFPM to incorporate the recent addition of a Chase Visa card and to establish procedures for credit card adjustments for chargebacks and credits. A limited review of LAB’s 2010 credit card statements revealed that the program maintains detailed documentation in support of its charges. However, one (1) instance was noted where there was an unallowable charge for alcohol which was partially allocated to LSC funds.

At the time of the August 2011 review, LAB’s Credit Cards policy, which is included in its AFFPM stated that LAB has seven (7) credit cards and that the COO would be receiving a Visa Credit Card. However, limited on-site testing revealed that this credit card had already been issued to LAB’s COO in July 2011. LAB’s policy should therefore be updated to reflect that the credit card has been issued, which brings the total credit cards issued/received to eight (8). LAB’s Credit Cards policy also states that the Director of the Statewide Advocacy Support Unit, Chief Attorney, and the Director of Program Development & Compliance will be issued Visa Cards. However, it does not appear that these cards had been issued by August 2011. LAB should verify whether these staff members have since been issued credit cards and ensure its policy conforms to the cards that have been issued.

It was also determined that LAB should establish procedures to ensure the timely recognition of credits and chargebacks applied to its credit card accounts. On LAB’s March 2011 American Express Corporate Card statement, two (2) credits totaling \$447.53 were given; however, these credits were not recorded by LAB until May 2011. The program should have recorded these credits in the month they were received rather than in later months. LAB’s Credit Cards policy states that the review and approval of credit card statements, together with supporting documentation, shall be a priority and be conducted in a timely manner so that payment can be timely made. This policy should be applied to chargebacks and credits on its account as well.

A limited review of LAB's 2010 credit card statements revealed that the program keeps the receipts in support of charges. Additionally, the fiscal staff documents the allocation used to assess the charges to the proper funding code. It was determined that the program paid off the balance in full each month and incurred no finance charges.

However, there was one (1) instance of noncompliance noted, where an authorized LAB cardholder incurred a charge to a liquor store on his January 2010 credit card statement for \$285.31 related to the program's 2009 holiday party. The charge was allocated to Account 526001 EVENT – EMPLOYEES and allocated to funding source 49 Individual Contributions. The Controller advised that she had been instructed by a member of LAB's former fiscal staff that this coding would allocate the charge as non-permitted for Federal funds. However, based on the allocation methodology provided by LAB, it appears that this charge was partially allocated to LSC, as account 526001 is not one of LAB's designated non-permitted accounts for 2010 as detailed in LAB's accounting policies. LAB's Financial Consultant advised that he would check into this to determine whether this charge was partially allocated to LSC funds. Based on LAB's 2010 LSC allocation percentage of 18.97 percent, approximately \$54.12 would have been allocated to LSC funds. This amount is a questionable cost per 45 CFR Part 1630 – Cost Standards and Procedures and that amounts should be refunded to LSC funds from LAB's non-LSC funds.

The program must evaluate and strengthen its internal controls related to unallowable charges to ensure that these charges are not allocated to its LSC funding. Further, LAB must determine any unallowable credit card charges allocated to its LSC funds and take action to reverse that charge. LAB's determination on this issue must be included with its comments to the Draft Report.

In response to the DR LAB stated, in part, that it had updated its Credit Card policy within its Accounting & Financial Policy and Procedures Manual to include the addition of a Chase Visa card and it added additional language to its policies regarding credit card adjustments, charge backs and credits. LAB's response acknowledged that credits appearing on a March 2011 credit card statement were not applied until May 2011 because the Accountant – Accounts Payable was waiting for confirmed supporting documentation in support of the credit and a delay in obtaining that documentation caused a temporary delay in applying those credits. LAB acknowledged that this process should have ideally occurred at least one credit card billing cycle sooner.

LAB agreed with the DR statement that it maintained detailed documentation in support of its credit card charges; however, LAB's response stated, in part, that the program strongly disagreed with the DR statement that an unallowable charge for alcohol was partially allocated to LSC funds in 2010. LAB's response argued, in part, that it has never been LAB's intent to allocate non-allowable costs to LSC funding, and LAB did not believe that its reporting methodology implied that it did so. LAB's position was that allocation of costs in expense accounts to LSC did not contain any portion of non-allowable costs, but rather, those non-allowable costs, if any, were by assumption and definition, contained in the 80+% of the expense account that was not allocated to LSC. LAB's response concluded that it had implemented the recommendations of the OCE fiscal review team in regards to fully incorporating the LSC BFG accounting into its accounting system. In addition, LAB has strengthened its internal controls related to unallowable charges to ensure that these charges are not allocated to LSC funding.

No further action by LAB is required at this time.

Finding 15: LAB has received a total of \$576,547.17 in insurance payments for recovery from the previous fraud involving its former CFO and an external vendor. Per discussion with the ED and COO, it was agreed that the program will determine the best way to allocate a fair portion of the recovered funds to LSC for 2011. It is recommended that LAB discuss the issue with its IPA and, based on the requirements of 45 CFR § 1630.3(h), determine the appropriate methodology for this reimbursement allocation.

On-site review of the program's records determined that LAB has received a total of \$576,547.17 in insurance payments for recovery from the fraud involving its former CFO and an external vendor. LAB received \$500,000 from Hartford Insurance Company of the Midwest on April 21, 2011 and \$76,547.17 on July 22, 2011 from Brethren Mutual Insurance. The Controller advised that those funds are currently in an income account and have not yet been allocated by funding source.

LAB should refer to the Applicable Credits section of 45 CFR Part 1630 – Cost Standards and Procedures. Specifically, 45 CFR § 1630.3(h) states applicable credits are those receipts or reductions of expenditures which operate to offset or reduce expense items that are allocable to grant awards as direct or indirect costs. Applicable credits include, but are not limited to, purchase discounts, rebates or allowances, *recoveries or indemnities on losses* (italicized for emphasis), insurance refunds, and adjustments of overpayments or erroneous charges. To the extent that such credits relate to allowable costs, they shall be credited as a cost reduction or cash refund in the same fund to which the related costs are charged.

Per discussion with the ED and COO, it was agreed that the program would determine the best way to allocate a fair portion of the recovered funds to LSC for 2011. The DR recommended that LAB consult with its IPA and, based on the requirements of 45 CFR § 1630.3(h), determine the proper way to allocate to its LSC funds, LSC's fair portion of the recovered insurance money. The DR directed that LAB's determination on this issue be included with its comments.

In response to the DR, LAB advised that the program calculated a fair portion of 2011 insurance recoveries to be reported as derivative income attributable to LSC by using the "Loss allocation to Federal Funds" calculations found in the detailed 2004-2007 Loss Calculation tables referenced in, and associated with, the Office of Inspector General, Legal Services Corporation, Report of Investigation dated September 14, 2010 which related to a fraud perpetrated against LAB by its former CFO. This report detailed the findings of an extensive investigation of the losses that resulted in insurance payments received in 2011 that were the source of the recoveries allocated. The average Federal Funds percentage calculated in the report over the period covered was 22.1% and this was the percentage of insurance recoveries attributed as derivative income to LSC. As recommended in the DR, LAB discussed this derivative income calculation with its IPA.

No further action by LAB is required at this time.

Finding 16: A comparative analysis of LAB's AFS from 2008 through 2010 was conducted which revealed that the program had several accounts with significant changes in excess of 10 percent from year-to-year. A limited review of LAB's expenditures for office supplies from 2009 to 2010, as well as the variance explanations from a selection made by LAB's auditors for 2009-2010, indicate that these account variances appear reasonable.

A comparative analysis of LAB's AFS from 2008 through 2010 was conducted which revealed that the program had several accounts with significant changes in account balances in excess of ten 10 percent from year-to-year. A sample of the noted account balances with year-to-year changes in excess of 10 percent was provided to LAB and the program's Controller was asked to explain these changes in account balances from year to year.

One of the accounts with year-to-year changes noted in excess of 10 percent was office supplies. As noted previously, this was the area where a previous fraud had occurred at LAB. A review of LAB's 2010 AFS revealed that the program had a reduction of \$46,226 in its office supplies expenditures when comparing 2009 to 2010. Upon further review, it was determined that this change was primarily attributed to one (1) vendor (Etta Company). In 2009, LAB purchased office supplies from Etta Company totaling \$133,086.77 compared to purchases of \$22,563.64 in 2010 from this company. LAB decided to terminate its business relationship with this vendor and in 2010, LAB started using Office Depot, Rudolph's Office, and Metropolitan Office for their office supplies. Subsequent to the detection of the previous fraud involving procurement of office supplies purchased through Baltimore Office Supply, all new vendors are now required to fill out a form W-9 (Tax Identification Number) before they can be used as a vendor.

As of the issuance of the DR, the Controller had not provided information on the other noted accounts with year-to-year balance changes in excess of 10 percent for 2009-2010. However, she did provide variance explanations from a selection made by LAB's auditors for 2009-2010. From those selections, the explanations for variances appear to be reasonable. The DR directed, LAB to submit the requested variance explanations.

In response to the DR, LAB stated that the program agreed with the DR finding that expenditures for office supplies from 2008 to 2010, as well as variances in spending from year-to-year in those accounts selected for review by LAB's auditors, are reasonable and properly explained. LAB's response advised that the program was unclear about what the DR was referring to in its request that LAB submit the requested variance explanations, since following the OCE fiscal review team's visit, there was a great deal of communication between LAB's Controller and a member of the OCE fiscal review team who had a number of follow-up questions. LAB's response conveyed its contention that any additional information regarding explanations of variances was provided to LSC at that time. OCE considered LAB's position in its response to the DR and agrees that LAB had subsequently supplied the requested variance explanations.

No further action by LAB is required at this time.

Finding 17: From a limited review of documents and interviews with staff it was determined that LAB has reasonable procedures in place related to cash disbursements, including a system of authorizations and approvals whereby staff are assigned specific duties and responsibilities relating to the initiation, preparation, and distribution of cash disbursements. However, a limited on-site review found improvements could be made in adhering to those procedures since exceptions were found related to check preparation, check signing, and voided checks.

A review of LAB's policies and procedures over cash disbursements was conducted to determine if the program has adequate internal controls in place to ensure compliance with the AGFLR and adherence to LAB's management policies in the following areas: (1) check preparation; (2) check signing; (3) use of positive pay system; (4) ACH (Automated Clearing House) Monitor; (5) mailing of checks; (6) voided checks and stop payments; (7) record-keeping associated with independent contractors; (8) electronic banking activities; (9) wire transfers; and (10) credit cards (issuance and usage).

In evaluating LAB's policies and procedures over cash disbursements, interviews with pertinent personnel were conducted, relevant documentation and processes were reviewed, and general observations were made. In addition, compliance testing of key functions was performed and actual operations were compared to applicable laws, regulations, and guidelines. The test period was from January 1, 2008 through June 30, 2011; however, in certain instances when it was deemed appropriate, the test period was expanded. Review and testing of LAB's policies and procedures over cash disbursements revealed the following:

- (1) Check Preparation:
 - LAB has established adequate separation of duties over the handling of checks;
 - Checks are processed properly and issued timely;
 - Complete records of signed checks are maintained;
 - Expenditures are supported in conformity with LAB's policies covering purchasing, accounts payable, and travel and business entertainment;
 - Timely disbursements are made allowing LAB to take advantage of early discounts offered by vendors;
 - Vendors are generally paid within 20 days of submitting a proper invoice upon delivery of the goods or services;
 - Total cash requirements associated with each check run are monitored in conjunction with the available cash balance in the bank prior to the release of any checks;
 - All supporting documentation is attached to the corresponding voucher packages and/or check requests along with the Preliminary Register Report and is forwarded to the Controller for review and signature. Only the number of blank checks necessary to process the batch, as supported by the signed and approved Preliminary Register Report, will allow the checks to be released by the Controller;
 - LAB maintains full accountability of the check stock by storing them in a locked file cabinet located in the Controller's office;
 - Checks are never made payable to "bearer" or "cash";
 - Blank checks are never signed prior to being prepared; and
 - Checks are manually signed by the appropriate personnel.

- (2) Check Signing:
 - The Preliminary Register Reports (pre Check Writer) are approved by the Controller prior to the printing of checks;
 - Complete records of signed checks are maintained;
 - The issuance of manual checks required for payroll must be pre-numbered and printed by the Payroll Accountant;
 - Manual payroll checks require two signatures for all dollar amounts (after the Controller's review for accuracy and approval); and
 - Manual payroll account blank checks stock inventory are stored in a locked file cabinet maintained by the Controller.

- (3) Use of Positive Pay System:
 - M&T Bank receives a list of check numbers, dates, amounts, and payees for each check run that is electronically communicated (uploaded) by the Controller or Director of Finance; and
 - M&T Bank notifies the COO or other members of management outside of the FAU if any check presented for payment does not match the four (4) characteristics for valid checks provided in the Check Register Report.

- (4) ACH Monitor:
 - LAB utilizes a Fraud Review and Approval module through M&T Bank;
 - ACH debit transactions are monitored for all demand deposit accounts, only allowing the processing of electronic payments from authorized vendors;
 - Electronic payment attempts by unauthorized vendors are rejected and an exception notice is transmitted by email to the Controller and COO or other members of management outside the FAU; and
 - Appropriate management personnel can make pay or return decisions on rejected payments by accessing M&T Bank's secure website.

- (5) Mailing of Checks:
 - Checks are mailed immediately after printing by the Accounts Payable Specialist; and
 - Checks are not be mailed by or returned to individuals who authorize expenditures.

- (6) Voided Checks and Stop Payments:
 - Checks voided due to processing errors are notated in the check register and defaced by stamping "VOID";
 - Stop payment orders may be made for checks lost in the mail or other valid reasons;
 - Stop payments are processed by telephone instruction and written authorization to the bank by accounting personnel; and
 - Stop payments are recorded by journal entries along with any related fees.

- (7) Record-Keeping Associated with Independent Contractors:
 - LAB requires all vendors to provide a completed Form W-9 or equivalent substitute documentation; and
 - LAB maintains a record in the AccuFund accounting system of all vendors to whom a Form 1099 is required.

- (8) Electronic Banking Activities:
- Electronic banking activity requires Board approval;
 - Electronic banking disbursement activities are restricted to only the payroll or flexible spending plan bank accounts;
 - The ED and COO are the only employees authorized to act as the electronic banking electronic system “administrator”;
 - Auditable supporting documentation of all ACH transactions are maintained and timely entry of the transactions are made in the accounting system;
 - Online banking passwords are changed no less frequently than every 90 days;
 - ACH payment transactions are used for high volume and recurring transactions (payroll and related transactions including retirement plan contributions);
 - LAB’s agreement with its financial institution limits electronic transfers (on-line access) only between LAB accounts; and
 - Electronic transfers to outside accounts are prohibited except for ACH transactions between LAB and its authorized vendors and by special circumstances.
- (9) Wire Transfers:
- The ED and COO are the only employees authorized to initiate wire transfers;
 - The Director of Finance or Controller must approve all wire transfers prior to initiation; and
 - Auditable supporting documentation of all wire transactions are maintained and timely entry of the transactions are made in the accounting system.
- (10) Credit Cards (Issuance and Usage):
- American Express Corporate charge accounts were issued to five senior management and advocacy staff for convenience;
 - One (1) American Express Corporate charge card was issued for Enterprise Rental Car in support of Children in Need of Assistance client visits and certain vendor payments are processed by credit cards in order to obtain card issuer reward points (maintained in the Controller’s office);
 - One M&T Bank issued Visa card is used strictly for filing “Bankruptcy” petitions on behalf of legal clients and this card is maintained in the Controller’s office;
 - LAB’s COO was issued a Chase Visa card in July 2011; however, this is not yet reflected in LAB’s policies (*Refer to Finding 14*);
 - All credit card uses are strictly limited to business purposes;
 - No cash advances or ATM withdrawals are allowed using corporate credit cards;
 - Any change in employee status or transfer to an incompatible position requires the return of their card to the COO;
 - Review and approval of credit card statements, together with supporting documentation, is deemed a priority so that payment can be timely made;
 - All credit card billings are paid from LAB’s general operating account by direct debit for the bankruptcy card or by check for the American Express cards;
 - The ED’s card is approved by the President of the Board; and
 - The ED approves all other employees’ credit cards.

Limited on-site testing revealed that LAB has an adequate system of authorizations and approvals over cash disbursements. LAB has implemented a system of checks and balances which requires all financial transactions to receive an independent review by a member of management outside the FAU. This process involves a detailed review and approval of supporting documentation by an executive level individual for disbursements by check. All significant actions or financial transactions are required to be authorized or approved by the appropriate managerial personnel. All checks are signed manually by the ED or COO. Checks of \$10,000 or greater require two (2) manual signatures.

From a review of LAB's organization chart, employee job descriptions, and LAB's responses to LSC's Internal Control Worksheet, it appears the program has established proper segregation of duties for its Finance and Accounting functions and for Purchasing. LAB's management team members' responsibilities are clearly defined. The Controller is responsible for directing all transactional financial accounting functions of LAB to include cash receipts, cash disbursements, general ledger maintenance, payroll, and purchasing in accordance with generally accepted accounting principles ("GAAP") and financial policies and guidelines. Typical duties over cash disbursements involve control over blank checks, payment approval of billing invoices, and protection of blank checks using locks in areas with limited access. The Executive Assistant has duties which include restrictively endorsing checks received. The Senior Accountant is responsible for directly supporting the Controller in the preparation of program and grant budgets, contract billing, grant and contract reporting, preparation and maintenance of fixed asset records, general ledger maintenance and reconciliations, and other financial accounting and reporting tasks. The Accountant-Payroll Specialist reports to the Controller and is responsible for timely and accurate processing of payroll through an outside payroll processing service. Typical duties include calculating and processing payroll deductions, maintaining the payroll journal, opening payroll checks, supporting accounts payable and receipts functions, performing financial analysis and internal audit functions. The Accountant-Accounts Payable Specialist reports to the Controller and is responsible for the timely and accurate recording of vendor invoices for payment, preparing reports from AccuFund accounting software system utilizing Microsoft Excel, preparing analysis and reconciliations of general ledger accounts, and maintaining the Chart of Accounts, including account numbers and cost centers. Typical duties includes preparing checks for payment, distribution and mailing of checks, stamping and dating invoices paid, and posting of entries to the Check Disbursements Journal. The Purchasing Coordinator reports directly to the Chief of Administration and is responsible for reviewing, approving, or holding for disposition purchase requisitions received from the program's departments and offices. In this context, the roles and responsibilities for each position are clearly defined and their job functions are an integral part of the cash disbursements process.

The on-site testing of LAB's internal controls related to its cash disbursements found certain deficiencies in which controls could be improved in the areas of check preparation policies, check signing policies and voided checks. These deficiencies resulted when LAB did not follow its established procedures. A review of two (2) voided checks (#78483 and #78544), made payable to ADECCO in the same amount of \$1,353.78, revealed that they were the result of multiple errors. The initial check was issued to pay for an original vendor invoice, in accordance with LAB procedures. However, the check amount was incorrect as it included both current charges of \$618.03 (payable per LAB policy) and also an amount indicated as balance due of \$735.75 (not payable per LAB policy).

After the check was processed, the Controller caught the error and voided check #78483. LAB policy states that upon preparation of a check, vendor invoices and other supporting documentation shall immediately be canceled in order to prevent subsequent reuse. However, in this instance the invoice was never cancelled in the system and subsequently another check (#78544) was generated for the same incorrect amount of \$1,353.78. The Controller once again identified the error, but LAB fiscal personnel again did not void either the check or the invoice. LAB policy states that original supporting documentation is examined and reviewed prior to approving a check batch for printing. However, in this particular case, these two (2) checks went through LAB's control procedures and were approved for check printing. This resulted in LAB's cash balance being understated by \$1,353.78 because the voided check (#78544) was not used to aid in the preparation of July's bank reconciliation. This was in contravention to LAB's policy which states, in part, that voided checks are retained to aid in the preparation of bank reconciliations. During the on-site review, when questioned about these two (2) voided checks, the Controller discussed the situation with the Accounts Payable Specialist and they determined the cause of the errors and made the necessary corrections.

LAB can resolve these deficiencies in its procedures by ensuring that it follows its policies and procedures including: (1) immediately canceling vendor invoices and other supporting documentation upon preparation of a check to prevent subsequent reuse, (2) examining and reviewing original supporting documentation prior to approving a check batch for printing, and (3) retaining all voided checks to be used in the preparation of bank reconciliations. As a result of these findings, LAB created a new voided check policy which includes new accounting procedures regarding the handling of VOIDED checks. The DR directed the program to update its APPFM to include its new voided check policy.

In its response to the DR, LAB stated that the program agreed with the DR finding that LAB has reasonable procedures in place related to cash disbursements. LAB's response to this finding in the DR acknowledged, in part, that errors were made by its Accountant - Accounts Payable Specialist while processing the two (2) checks discussed in the DR; however, LAB argued that the voided checks which had been printed in the wrong amount were not released and no financial harm was caused to the organization. LAB's response pointed out that its internal controls and redundant layers of reviews and approvals in the cash disbursement area are designed with the human propensity to make mistakes in mind.

LAB's response further stated that, in regards to the DR's comments regarding the immediate cancellation of vendor invoices, LAB agrees that vendor invoices must be canceled upon payment and that is its policy. LAB's response argued, however, that marking the invoice PAID with the appropriate date is one of the indications to the authorized signer(s) that the check has passed all of the required review and approval layers in its FAU and until that point, the invoice has not been "paid" from an accounting department disbursement processing standpoint. LAB's response reiterated that it continued to place a very high emphasis on strict compliance with its internal control policies and procedures related to disbursement processing.

LAB's response concluded that in response to this finding in the DR, LAB had developed and implemented new and expanded accounting procedures regarding the handling of voided checks and

these procedures had been incorporated into LAB's Accounting & Financial Policies and Procedures Manual.

No further action by LAB is required at this time.

Finding 18: From a limited review of LAB's policies and procedures over bank reconciliations and through interviews with FAU staff, it was determined that LAB has reasonable procedures in place related to bank account reconciliations. From a limited review of the program's bank statement reconciliations, it was determined that the reconcilements were performed; however, exceptions were noted related to: (1) examination of voided checks; (2) investigation of prolonged outstanding (stale dated) checks; (3) unclaimed funds; (4) bank statement reconciliations are not dated by those responsible for their preparation and/or review and approval; and (5) bank statements not being signed and dated by the ED or COO to indicate their review and approval prior to reconciliation.

As of June 30, 2011, LAB had five (5) banking accounts with M&T Bank. According to LAB's Chart of Accounts, GL, and various bank statements, the five (5) accounts include its: (1) general operating account; (2) resource development account; (3) payroll account; (4) flexible spending account; and (5) investment sweep account.

(1) General operating account: The M&T general checking account is LAB's general operating account and is used for routine business check disbursements. All general cash receipts transactions are remotely deposited into this account. Cash transfers are done on an as needed basis to cover disbursements. Excess funds in this account are transferred into short-term investments or higher interest cash equivalents if interest earnings warrant and exceed any resulting bank fees.

(2) Resource development account: LAB's resource development account is used for donations and contributions received from funders that are remotely deposited and /or deposited from credit card receipts. The bank statements are delivered unopened to the office of the ED and are reviewed by the ED or COO prior to delivery to the Controller.

(3) Payroll account: The payroll account is separate from the general operating account and is a fixed balance account. As such, only the amount needed to cover each payroll is transferred into this account from the general operating account. This amount is based on the cash requirement amount calculated and communicated by ADP, LAB's outside payroll service center. Transfers from the general operating account into the payroll account are initiated by the Controller or the Director of Finance (currently the Financial Consultant) through M&T Bank's online account system. LAB's policy and agreement with M&T Bank limits electronic transfers by online access only between LAB's accounts. Payroll bank statements are delivered unopened to the office of the ED and are reviewed by the ED or COO prior to delivery to the Controller. The payroll account is reconciled monthly by the Controller and the bank reconciliation is reviewed and approved by the Director of Finance (Financial Consultant).

(4) Flexible spending account: The flexible spending account is a separate demand deposit account used for the purpose of holding employee contributions to LAB's elective flexible benefits

plan. Each pay date, employee contributions to this plan are transferred by the Controller or the Director of Finance (Financial Consultant) from the general operating account into this account. The third party administrator (PayFlex) is authorized to withdraw funds from this account only via ACH transactions. The bank statements are delivered unopened to the office of the ED and are reviewed by the ED or COO prior to delivery to the Controller. The flexible spending account is reconciled monthly by the Controller and the bank statement reconciliations are reviewed and approved by the Director of Finance (Financial Consultant). Annually, when forfeited amounts remaining in the account are calculated, those forfeited amounts are transferred by the Controller or the Director of Finance (Financial Consultant) into the general operating account and taken into revenue.

(5) Investment sweep account: The investment sweep account is an interest-bearing account in U.S. government funds which is linked to LAB's general operating (checking) account. When interest rates warrant then sweeps occur. Transfers to and from this account occur automatically as funds are required in the general operating account. Funds in the general operating account that are not needed are cleared (swept) into the investment account daily to earn interest.

The ED, COO, Director of Human Resources, and Director of Administrative Services are authorized to sign checks and initiate other transactions on all checking accounts.

A review of LAB's policies and procedures over bank account reconciliations was conducted to determine if the program had adequate internal controls in place to ensure compliance with LSC's AGFLR and adherence to LAB's management policies in the following areas: (1) comparison of cancelled checks with the check register and positive pay; (2) examination of voided checks; (3) accounting for all check numbers; (4) issuing checks are properly endorsed; (5) investigation of prolonged outstanding checks; (6) follow-up on any exceptions identified in the reconciliation; (7) making all "cash adjustment" entries through the bank reconciliation program; (8) review of bank reconciliations by the Director of Finance or Controller are signed and dated; (9) review of bank statements by the Executive Director or COO are signed and dated; and (10) filing reconciliation worksheets and bank statements in date sequence in the bank reconciliation file.

In evaluating LAB's policies and procedures over bank reconciliations in these 10 areas (see above), interviews with pertinent personnel were conducted, relevant documentation and processes were reviewed, and general observations were made. Compliance testing of key functions was performed and actual operations were compared to applicable laws, regulations, and guidelines. The test period was from January 1, 2008 through June 30, 2011; however, in certain instances when it was deemed appropriate, the test period was expanded.

From review of documents and interviews with staff, it was determined that LAB has generally adequate procedures in place related to bank reconciliations. However, on-site testing of LAB's internal controls over bank reconciliations revealed exceptions related to: (1) unexamined voided checks; (2) lack of investigation of prolonged outstanding (stale dated) checks; (3) bank statement reconciliations not dated by those responsible for their preparation and/or review and approval; and (4) bank statements not signed and dated by the ED or COO to indicate their review and approval prior to their reconciliation.

(1) Unexamined voided checks: As previously mentioned, LAB had two (2) voided checks (#78483 and #78544) made payable to ADECCO in the same amount of \$1,353.78. The voided check (#78544) appeared on LAB's July 31, 2011, general operating account bank reconciliation as outstanding. During OCE's review process it was determined that the outstanding (unexamined voided) check was actually a voided check. However it was never entered and voided in LAB's accounting system as a voided check which resulted in an understatement of July's cash balance in the amount of \$1,353.78. As a result of these findings, LAB has created a new voided check policy which includes new accounting procedures regarding the handling of VOID checks. The program should ensure that it follows its policies and procedures and uses voided checks to aid in the reconciliation of bank reconciliations. *See Finding 17 for a more detailed description.*

(2) Lack of investigation of prolonged outstanding (stale dated) checks: A review of LAB's July 31, 2011 bank statement reconciliations revealed that there were 56 stale dated checks (over 180 days old) totaling \$7,925.86. This is in contravention of LAB's written policy which dictates that checks over six (6) months old which have not cleared are to be voided and reversed.

The Controller advised the on-site review team that the Accounts Payable Specialist investigates prolonged outstanding checks by either sending out e-mails or by making telephone calls to the payees. A sample of eight (8) prolonged outstanding checks was randomly selected from the July 2011 bank statement reconciliation. From this sample, LAB was asked to provide documentation, such as an e-mail, indicating when the payees of these outstanding checks were notified. From that sample, LAB could not produce the records to show when any of these payees had been notified or contacted. LAB did provide copies of e-mails (from their own selection) where they had previously notified other payees. However, the correspondence (e-mails) LAB provided date back to August 2010 and are for stale dated checks, issued between September 2009 through March 2010, that are still listed as outstanding as of July 31, 2011. The Controller indicated that she has consulted with the Financial Consultant and going forward they will contact all payees with outstanding checks older than four (4) months.

It was recommended that LAB should investigate these outstanding checks and make a determination if any funds should be classified as unclaimed and remitted to the State of Maryland, per the state's escheat laws. Based on OCE's findings during the review process, LAB's Controller has since indicated that a new liability account (Unclaimed Properties) will be established to identify those checks to be turned over to the State of Maryland. LAB should ensure that it follows its written policies with respect to stale dated checks and/or unclaimed funds and any changes should be reflected within its revised policies.

(3) Bank statement reconciliations are not dated by those responsible for their preparation and/or review and approval: From a review of documents and interviews with staff, it was determined that LAB has generally adequate procedures in place related to bank statement reconciliations. LAB's current procedures dictate that each of its bank statement reconciliations is prepared by either the Controller or Financial Consultant. They are then reviewed and approved by either the Controller or Financial Consultant (the one who does not prepare the reconciliation is then responsible for its review and approval). A limited review of LAB's bank reconciliations for all five (5) of its M&T Bank accounts was conducted regarding control procedures related to performing the bank reconciliation. From this review it was determined that bank statement reconciliations were

performed, but they were not dated to indicate when they were prepared or reviewed. LAB's policy requires that both the Director of Finance (in this case Financial Consultant) and Controller sign and date the bank reconciliations. Since this step in the procedure was not fully implemented, it could not be determined whether LAB's bank statement reconciliations were performed or reviewed in a timely manner. LAB's Financial Consultant and Controller must follow the program's written procedures and date the bank statement reconciliations for which they are responsible for preparing and/or reviewing.

(4) Bank statements are not signed and dated by the ED or COO to indicate their review and approval prior to their reconciliation: Each of LAB's M&T Bank accounts was tested for control procedures related to the review of bank statements by LAB management. The ED advised that he reviews and keeps copies of monthly bank statements and from time to time compares consecutive statements. However, there was no documentation, such as a signature or date, relative to these reviews to confirm such review.

LAB management was receptive to this finding and the Controller indicated that, going forward, both the ED and COO will sign and date all bank statements since they believe this step will strengthen LAB's internal controls. LAB should also confirm that all bank statements are received unopened by the Executive Office. According to the Controller, on July 31, 2011, M&T Bank was instructed by LAB to add to (Attn: Executive Offices) to the address for all bank statements. Any changes to current policies and procedures related to the preparation and/or review of bank statement reconciliations should be reflected in LAB's AFPPM and provided to OCE with its comments to the Draft Report.

In response to the DR for this finding, LAB agreed that Finding 18 included five (5) areas where procedures and compliance with procedures related to bank reconciliations could be improved. LAB's response stated that it appreciated the recommendations of the OCE fiscal review team and it had implemented new and expanded policies regarding examination of voided checks, establishing a liability account for unclaimed funds, investigating stale checks, noting bank reconciliation preparation and review dates, and documenting executive review of bank statements prior to those statements being forwarded to the FAU for reconciliation.

No further action by LAB is required at this time.

Finding 19: From a limited review of documents and interviews with FAU staff it was determined that LAB has reasonable procedures in place related to Client Trust Accounts. LAB maintains its Client Trust Accounts in strict compliance with its own policies and procedures, as well as with LSC's guidelines.

A review of LAB's policies and procedures over its Client Trust Accounts was conducted to determine if the program had adequate internal controls in place. This review revealed that LAB maintains its Client Trust Accounts in strict compliance with its own policies and procedures, as well as with LSC's guidelines, by: (1) establishing an approved Interest On Lawyers Trust Account ("IOLTA"), (2) assigning four employees to have authorization to sign checks drawn on the Attorney Trust Accounts, (3) assigning the account reconciliation by a specific employee not involved in the

client deposit operations, (4) requiring that at least three people are involved in every Attorney Trust Account deposit, (5) maintaining a cash disbursement journal, and (6) maintaining a detail record of the activity for each client's deposit.

A limited examination of LAB's escrow account bank reconciliations, general ledger, cash receipts log, and the program's responses to LSC's Internal Controls Worksheet illustrates these internal controls. LAB has established an approved IOLTA bank account with M&T Bank; the Client Trust Account checks are signed by LAB's authorized executives (ED and COO); the monthly bank reconciliation is prepared by the Controller; client funds are received by an attorney/case handler, they are deposited by a second individual, and records are maintained by the Controller; requests for disbursement of funds from the Attorney Trust Account must be initiated by the responsible attorney/case handler, and must be approved by the Controller or the Director of Finance, and then must also be approved by either the ED or COO; and the Controller maintains a detail record of the activity for each client's deposit. *See* Finding 10 for additional description of LAB's Cash Receipts policy and recommendations.

In response to the DR for this finding, LAB stated that the program agreed with this conclusion.

No further action by LAB is required at this time.

IV. RECOMMENDATIONS¹⁶

Consistent with the findings of this report, it is recommended that LAB:

1. Consider requiring all staff to utilize the Case and Time Management system for recordation of time and extract or export data reports for payroll purposes.

In response to the DR and this Recommendation, LAB offered the following: “Legal Aid utilizes separate and distinct systems for case management and payroll processing purposes. Both systems are rather sophisticated and intricate and require a significant financial investment. It is not likely, therefore, that Legal Aid will be able to implement this recommendation until such time as a different case and time management system is identified and installed. Because of the high cost of such systems, in the current funding environment other costs currently have a higher priority.”

2. Document its electronic bank deposit processes in its AFPPM.

In response to the DR and this Recommendation, LAB offered the following: “Legal Aid has documented its electronic bank deposit process in its AFPPM. *See* Legal Aid’s Response to Draft Report, Finding 8.”

3. Submit a cash flow statement or a statement of cash on hand monthly to members of its Finance Committee and quarterly to all Board members as recommended in the AGFLR (2010 Edition).

In response to the DR and this Recommendation, LAB offered the following: “Cash on hand balances are now stated by the Controller in association with the presentation of financial “Board Reports” at each meeting of the Board of Directors – six meetings annually.”

4. Designate an employee(s) from each office as specifically authorized to receive cash.

In response to the DR and this Recommendation, LAB offered the following: “Legal Aid has modified and formalized its cash receipts policy and will no longer accept cash (currency) under any circumstances. Only checks and money orders are accepted. Therefore, there is no need to designate specific employees to accept cash.”

5. Put a sign in each of its lobbies that contains a notice to its clients of LAB’s cash receipt policy including a statement that the client is entitled to a receipt for cash provided.

In response to the DR and this Recommendation, LAB offered the following: “The posting of a sign informing clients that they are entitled to a receipt for any payment is included as part of the policy discussed in Legal Aid’s Response to Draft Report, Finding 4.”

¹⁶ Items appearing in the “Recommendations” section are not enforced by LSC and therefore the program is not required to take any of the actions or suggestions listed in this section. Recommendations are offered when useful suggestions or actions are identified that, in OCE’s experience, could help the program with topics addressed in the report. Often recommendations address potential issues and may assist a program to avoid future compliance errors. By contrast, the items listed in “Required Corrective Actions” must be addressed by the program, and will be enforced by LSC.

6. Revise its travel policy to require monthly submission of all travel expenses.

In response to the DR and this Recommendation, LAB offered the following: “For reasons discussed in Legal Aid’s Response to Draft Report, Finding 11, Legal Aid believes that while encouraging monthly submission of travel expenses, it is also in Legal Aid’s best interest to provide some limited flexibility in this regard by also allowing the submission of travel expense reimbursement requests on a quarterly basis.”

7. File voided checks in sequential order (first check to last check or last check to first check).

In response to the DR and this Recommendation, LAB offered the following: “For reasons discussed in Legal Aid’s Response to Draft Report, Finding 11, Legal Aid believes that while encouraging monthly submission of travel expenses, it is also in Legal Aid’s best interest to provide some limited flexibility in this regard by also allowing the submission of travel expense reimbursement requests on a quarterly basis.”

8. Provide a copy of voided checks to the preparer of the bank reconciliations.

In response to the DR and this Recommendation, LAB offered the following: “See response to recommendation 7 above.”

9. Prepare and use a check request form for all disbursements.

In response to the DR and this Recommendation, LAB offered the following: “Legal Aid utilizes Check Requests forms, or alternative forms such as travel reimbursement requests, as part of the process of preparing checks whenever more information is needed to properly document a disbursement than what is available on a vendor invoice. Check requests are used when it is necessary to document or explain the purpose of a disbursement, to document a client case number, etc. Specialized forms are used to request/document payroll withholding related disbursements. Properly approved vendor invoices are deemed to be sufficient for normal, recurring, expenses where the purpose of the expenditure and the responsible approving official are clear. Legal Aid believes that it is not necessary to require the use of a uniform check request form for all disbursements.”

10. Continue to seek additional training opportunities for its FAU staff to further broaden their knowledge with respect to LSC policies and requirements relative to applicable Federal regulations and the AGFLR.

In response to the DR and this Recommendation, LAB offered the following: “Legal Aid continues to expand training opportunities for its Finance Unit staff. Recent topics have included LSC policies and requirements relative to applicable Federal regulations and the Accounting Guide for LSC Recipients.”

11. Maintain documentation which explains the reason(s) for additional costs when travel charges change during the same trip.

In response to the DR and this Recommendation, LAB offered the following: “Legal Aid’s travel policy, developed in April 2012, provides that travelers are only reimbursed for expenses properly approved, documented and timely submitted for reimbursement and further requires that lodging reservations must be made or approved in advance by Legal Aid. Also, original itemized, detailed receipts for all lodging expenses must accompany the travel expense report. With respect to mid-trip changes, in order to obtain the required approvals, staff are required to provide an explanation of why they need to change their travel plans. If a change in travel plans relates to an emergency situation, staff are required to document in writing, after the fact, the nature of that emergency and the rationale for the change in travel plans.”

V. REQUIRED CORRECTIVE ACTIONS

Consistent with the findings of this report, LAB is required to take the following corrective actions:¹⁷

1. Update 2009 and 2010 journal entries to enter expenses attributed to LSC into LAB's GL. These journal entries must reflect year-end balances and should agree with the numbers reported in LAB's 2009 and 2010.

In response to the DR and this Required Corrective Action, LAB offered the following: "Legal Aid incorporated expenses attributable to the LSC BFG funding for 2009, 2010 and 2011 in the general ledger through journal entry. No changes in the reports previously prepared using the Excel spreadsheet work papers were necessary. The results were identical. Summary annual reports and detailed general ledger reports are enclosed (Attachments 2, 3, and 4). *See* Legal Aid's Response to Draft Report, Finding 4."

Based on the information provided by LAB, Required Corrective Action 1 is closed.

2. For 2011 forward, LSC BFG expenditure allocations must be fully incorporated into LAB's GL and updated on a monthly basis.

In response to the DR and this Required Corrective Action, LAB offered the following: "Beginning in 2012, Legal Aid's LSC BFG expenditure allocations are fully incorporated into Legal Aid's general ledger and are automatically updated on a monthly basis by the accounting system. *See* Legal Aid's Response to Draft Report, Finding 4."

Based on the information provided by LAB, Required Corrective Action 2 is closed.

3. Define and include in its AFPPM a cost allocation process for LSC Basic Funds that meets the requirements of 45 CFR Part 1630, including documented direct expense charges and procedures to ensure that no LSC funds are allocated to unallowable costs.

In response to the DR and this Required Corrective Action, LAB offered the following: "Legal Aid adopted new cost allocation processes for LSC BFG funding allocations and has implemented internal control procedures to ensure that no LSC funds are allocated to unallowable costs. These processes were submitted for review to, and approved by, LSC."

Based on the information provided by LAB, Required Corrective Action 3 is closed.

4. Ensure that all direct or indirect time of staff attorneys or paralegals allocated as a cost to PAI is documented by timesheets accounting for the time those employees have spent on PAI activities. Also, the program must ensure that personnel cost allocations for non-attorney or non-paralegal staff is based on other reasonable operating data which is clearly documented.

¹⁷ LAB was advised that its response to the Draft Report must contain sufficient detail and documentation to evidence that each required corrective action has either been completed. For any required corrective action still pending, LAB's response was to provide a detailed narrative and proposed timeline for completion.

In response to the DR and this Required Corrective Action, LAB offered the following: “All direct and indirect time of staff attorneys and paralegals allocated as a cost to Private Attorney Involvement (PAI) activities is documented by time entries into Legal Aid’s case management system. Legal Aid executives, managers and staff who do not provide legal assistance to eligible clients, but who do engage in PAI activities, the cost of which Legal Aid allocates to LSC BFG or otherwise reports as PAI spending, maintain records of the time engaged in these supporting activities in their personal daily planning calendars. These contemporaneous timekeeping records, in regards to PAI related time, include the date, the amount of time spent, an identification designating PAI qualified time and a notation regarding the nature of the activity. PAI related time is recorded in increments not greater than one-quarter hour. *See* Legal Aid’s Response to Draft Report, Finding 6.”

Based on the information provided by LAB, Required Corrective Action 4 is closed.

5. Follows its established allocation methodology, as contained within its AFPPM, when allocating and reporting LSC PAI expenses.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid follows its established allocation methodology, as contained within its AFPPM, when allocating and reporting LSC PAI expenses.”

Based on the information provided by LAB, Required Corrective Action 5 is closed.

6. Evaluate and strengthen its internal control related to unallowable charges to ensure that these charges are not allocated to its LSC funding. Further, LAB must determine any unallowable credit card charges allocated to its LSC funds and take action to reverse that charge. LAB’s determination on this issue must be included with its comments to the Draft Report.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid adopted new and expanded internal controls related to unallowable charges to ensure that those charges were not allocated to its LSC funding. These procedures were submitted for review to, and approved by, LSC. Legal Aid does not believe that unallowable credit card charges were ever allocated to LSC funds. Furthermore, following integration of LSC funding into the general ledger by journal entry and producing LSC BFG spending reports directly from the general ledger, it was confirmed that no unallowable costs were allocated to LSC. *See* Legal Aid’s Response to Draft Report, Findings 5 & 14.”

Based on the information provided by LAB, Required Corrective Action 6 is closed.

7. Consult with its IPA and based on the requirements of 45 CFR § 1630.3(h), determine the proper way to allocate to its LSC funds, LSC’s portion of the recovered insurance money related to its fraud recovery. LAB’s determination on this issue must be included with its comments to the Draft Report.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid allocated LSC’s portion of recovered insurance money based upon the “Loss allocation to Federal

Funds” calculations found in the detailed 2004-2007 Loss Calculation tables referenced in, and associated with, LSC’s Office of Inspector General’s Report of Investigation, dated September 14, 2010. Legal Aid consulted with its IPA regarding this matter. *See* Legal Aid’s Response to Draft Report, Finding 15.”

Based on the information provided by LAB, Required Corrective Action 7 is closed.

8. Follow its established procedures by immediately canceling vendor invoices and other supporting documentation upon preparation of a check.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid’s policy requires Finance Unit staff to cancel invoices and other supporting documentation by stamping each as “PAID,” as of the date of payment, immediately before the paying checks and supporting documentation are forwarded to the authorized signers for signature. Legal Aid follows its established procedures in this regard. *See* Legal Aid’s Response to Draft Report, Finding 17.”

Based on the information provided by LAB, Required Corrective Action 8 is closed.

9. Follow its established procedures by examining and reviewing original supporting documentation prior to approving a check batch for printing.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid follows its established procedures by examining and reviewing original supporting documentation prior to check batches being approved and printed.”

Based on the information provided by LAB, Required Corrective Action 9 is closed.

10. Follow its procedures by retaining all voided checks to be used in the preparation of bank reconciliations.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid retains voided checks for use in the preparation of bank reconciliations. *See* Legal Aid’s Response to Draft Report, Finding 17.”

Based on the information provided by LAB, Required Corrective Action 10 is closed.

11. Follow its written policies with respect to stale dated checks and update its policies and procedures manual if the current policy is revised.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid updated its policies and procedures manual regarding stale checks which now references a general ledger liability account titled Unclaimed Property Liability. This policy change was reviewed and approved by LSC. Legal Aid follows its written polices with respect to stale dated checks.”

Based on the information provided by LAB, Required Corrective Action 11 is closed.

12. Update its policies and procedures manual to include its new voided check policy.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid has updated its policies and procedures manual to include its new voided check policy. This policy was reviewed and approved by LSC.”

Based on the information provided by LAB, Required Corrective Action 12 is closed.

13. Comply with its current unclaimed properties policy and update this policy to reflect the proposed changes regarding the new liability account (when approved) for Unclaimed Properties.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid updated its unclaimed properties policy and complies with that policy. That policy was reviewed and approved by LSC.”

Based on the information provided by LAB, Required Corrective Action 13 is closed.

14. Investigate outstanding stale dated checks and make a determination if any should be classified as unclaimed properties and remit those checks (funds) to the State of Maryland if required by its escheat law.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid does investigate outstanding stale dated checks and makes determinations as to whether any should be classified as unclaimed properties and remitted to the State of Maryland under the state’s escheat law.”

Based on the information provided by LAB, Required Corrective Action 14 is closed.

15. Require LAB’s Financial Consultant and Controller to follow the program’s written procedures and date the bank reconciliations which they are responsible for preparing and/or reviewing.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid’s Financial Consultant and Controller follow the program’s written procedures and date the bank reconciliations which they are responsible for preparing and/or reviewing.”

Based on the information provided by LAB, Required Corrective Action 15 is closed.

16. Deliver all bank statements to the Executive Office unopened.

In response to the DR and this Required Corrective Action, LAB offered the following: “All bank statements are addressed and delivered to the Executive Office unopened.”

Based on the information provided by LAB, Required Corrective Action 16 is closed.

17. Update the AFPPM under the section Credit Cards to reflect the recent issuance of its new Chase Visa card to the COO, which brings the total credit cards issued/received to eight (8).

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid updated its Accounting & Financial Policies and Procedures Manual to reflect all currently active credit cards.”

Based on the information provided by LAB, Required Corrective Action 17 is closed.

18. Verify whether the Director of the Statewide Advocacy Support Unit, Chief Attorney, and Director of Program Development & Compliance were issued Visa Cards as mentioned in its Credit Cards policy and ensure its policy conforms to the cards that are issued.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid has revised and updated its Accounting and Financial Policies and Procedures Manual to reflect current credit cards issued to its Director of Statewide Advocacy Support, Chief Counsel, and Director of Program Development & Compliance. These individuals do not have Visa Cards issued to them; those cards were replaced by American Express cards issued to these individuals in 2011.”

Based on the information provided by LAB, Required Corrective Action 18 is closed.

19. Establish procedures to ensure the timely recognition of credits and chargebacks applied to its credit card accounts.

In response to the DR and this Required Corrective Action, LAB offered the following: “Legal Aid modified its procedures related to the timely recognition of credits and charge backs applied to its credit card accounts. These procedures were reviewed and approved by LSC.”

Based on the information provided by LAB, Required Corrective Action 19 is closed.

20. Ensure that an executed agreement is on file for the Financial Consultant.

In response to the DR and this Required Corrective Action, LAB offered the following: “An executed agreement is on file for the Financial Consultant. *See* Legal Aid’s Response to Draft Report, Finding 1.”

Based on the information provided by LAB, Required Corrective Action 20 is closed.



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LEGAL AID**

Advancing Human Rights and Justice for All

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August 6, 2012

Lora M. Rath
Acting Director
Office of Compliance and Enforcement
Legal Services Corporation
3333 K Street, NW 3rd Floor
Washington, DC 20007-3522

RE: Recipient Number: 321016
Focused Fiscal Review – Internal Controls
Response to Draft Report

Dear Ms. Rath:

Enclosed please find for your review Maryland Legal Aid's Response to the Draft Report prepared by LSC's Office of Compliance and Enforcement in association with the Focused Fiscal Review – Internal Controls, August 22-26, 2011. Also included are Maryland Legal Aid's responses to LSC's recommendations and suggested corrective actions along with any requested attachments.

Maryland Legal Aid's policy has always been to comply fully with both the letter and spirit of LSC regulations. As such, we welcome any reasonable guidance provided by LSC with respect to our service delivery and operations.

Thank you for the input and recommendations offered by your office and we look forward to your feedback. In the interim, should you have any questions, I can be contacted by email, wjoseph@mdlab.org, or by



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The Legal Aid Bureau Inc. is a 501(c)(3) organization that provides free civil legal services to low-income people in every Maryland community. A copy of our current financial statement is available upon request by calling our office: (410) 951-7719. Documents and information submitted to the State of Maryland under the Maryland Charitable Solicitations Act are available from the Office of the Secretary of State, State House, Annapolis, MD 21401, for the cost of copying and mailing. All funds received by the Legal Aid Bureau, Inc. are spent in accordance with the Legal Services Corporation Act of 1974, as amended 1977, 42 U.S.C. §§ 2996 et. seq., its implementing regulations, 45 C.F.R. § 1600 et. seq., and other applicable law.

telephone at 410-951-7680. In addition, it would be helpful if you could copy Chief Operating Office, Gusty Taler, on any emails related to these matters, gtaler@mdlab.org.

Sincerely,

A handwritten signature in black ink, appearing to read 'W. Joseph', with a long horizontal flourish extending to the right.

Wilhelm H. Joseph, Jr.
Executive Director

Cc: Warren S. Oliveri, Jr.
James Sandman
Gusty Taler

LEGAL AID BUREAU RESPONSE TO THE DRAFT REPORT OF THE LEGAL SERVICES CORPORATION'S OFFICE OF COMPLIANCE AND ENFORCEMENT'S FOCUSED FISCAL REVIEW – INTERNAL CONTROLS

SECTION III -- FINDINGS

FINDING 1:

Legal Aid agrees with the report's finding that Legal Aid has implemented substantial changes over the past four years in its fiscal policies, procedures and personnel. These changes have resulted in improvements in its fiscal management and internal control environment. Legal Aid also agrees that its Accounting & Financial Policies and Procedures Manual is a comprehensive fiscal control guide which is being continuously updated and improved. Legal Aid is in the process of reviewing and rewriting its Human Resources Policy Manual in order to update and coordinate the document with the Accounting & Financial Policies and Procedures Manual.

Legal Aid appreciates the review team's specific acknowledgement of Legal Aid's internal control and financial oversight improvements including: (1) hiring a new auditing firm; (2) hiring a Financial Consultant and restructuring of the Finance Unit; (3) creating a new Purchasing Coordinator staff position; (4) providing training to program management and Finance staff; (5) enhancing Board oversight, including the creation of an Internal Financial Control Policy; (6) developing and updating its policies and procedures manual; (7) conducting background checks for all new employees; and (8) implementing accounting software enhancements.

Legal Aid acknowledges that at the time of the Fiscal Review Team visit, Legal Aid had not countersigned the December 2008 services proposal letter from a CPA financial consultant who has been providing a variety of accounting services to Legal Aid on an hourly rate basis. That proposal letter specified the hourly rate at which the consultant would provide services, but did not commit either party to a volume or term of services. A services proposal letter, executed by both parties, is now on file.

Legal Aid, in partnership with its outside auditors and with the complete support of its governing board, is continuously striving to improve fiscal management processes and procedures in order to 1) maintain a strong internal control environment, 2) continue to efficiently and accurately process transactions, 3) maintain timely and accurate financial reporting, and 4) maintain superior stewardship of the funding it receives. This is an ongoing and constantly evolving process requiring the adopting of new technologies and the integration and training of new staff into the Finance Unit. Legal Aid agrees with the report's finding that Legal Aid has clearly provided relevant training to its fiscal staff and Legal Aid intends to continue to expand staff training in the area of LSC policies and requirements, fraud prevention, and internal controls.

FINDING 2

Legal Aid agrees with the report's findings that Legal Aid has established internal controls designed to manage its electronic data and has established daily data backup procedures at an off-site Legal Aid office location. This allows for continued service should a catastrophic event occur at the administrative offices which house centralized accounting operations.

FINDING 3

Legal Aid agrees with the report's findings that Legal Aid appropriately uses purchase orders and documents the receipt of goods prior to the payment of vendor invoices. Further, Legal Aid agrees that inventory numbers have been assigned and affixed on furniture and equipment and appropriate items have been included in Legal Aid's general ledger for capital assets and on property inventories. Legal Aid also agrees that the disposition of capitalized items have been properly documented.

FINDING 4

Legal Aid agrees with the report's findings that for the last six years Legal Service Corporation (LSC) Migrant and Technology Initiative Grants and expenses have been contemporaneously recorded in the program's general ledger which is maintained with AccuFund accounting software. Legal Aid also acknowledges that, in the past, LSC Basic Field Grant (BFG) expense allocations have occurred annually at year-end for financial reporting purposes utilizing straightforward allocation calculations performed on a subsidiary system (Excel spreadsheets).

During the Fiscal Review Team's visit in August, 2011, these procedures, and the underlying theory behind them, were fully discussed. The Team recommended that BFG funds be fully incorporated into the general ledger, and Legal Aid agreed to do so. For years 2009, 2010 and 2011, this was accomplished by journal entry of expenses allocated to LSC in the general ledger. For 2012, Legal Aid engaged the services of an AccuFund software consultant to design reports and general ledger integration procedures to contemporaneously record the LSC BFG and its expenses in the program's general ledger. Going forward, reporting of LSC funding will be produced from reports emanating directly from the general ledger.

Legal Aid notes that the Draft Report indicates that *"LAB has stated its intent to incorporate expenses attributable to LSC BFG funding for 2009 and 2010 in the GL through journal entry and, beginning in 2011, to include LSC BFG in their monthly allocation process and post LSC BFG expenditures to the GL"*. Given that the fiscal review did not occur until the second half of August 2011, it would have been impossible

to contemporaneously do the monthly allocations prior to August in 2011. Legal Aid, therefore, incorporated the LSC BFG into its general ledger in 2011 by journal entry and has developed the reports and methodology to begin fully automated general ledger accounting integration in 2012.

FINDING 5

As noted in Finding 4 above, Legal Aid acknowledges that historically LSC BFG expenditures were not posted in the general ledger, but were instead calculated by a straightforward allocation of costs procedure on Excel spreadsheets at the end of each year. As stated above, Legal Aid agreed to change this procedure and has done so. Legal Aid's new LSC BFG allocation methodology has been reviewed and approved by LSC and incorporated into Legal Aid's Accounting & Financial Policies and Procedures Manual. Legal Aid's current accounting and reporting practices follow this methodology.

It has never been Legal Aid's intention to allocate non-allowable costs to LSC funding, and Legal Aid does not believe that its former reporting methodology implied that it did so. Under this former methodology, one measure used to prevent the allocation of non-allowable costs in annual reporting was to exclude specific expense accounts entirely from LSC allocations. Some expense accounts not excluded in their entirety from receiving allocations of costs to the LSC BFG contained specific transactions that may have involved non-allowable costs. However, because LSC has historically represented approximately 20% of Legal Aid funding, Legal Aid's belief and position has always been that allocation from such accounts to LSC did not contain any portion of such non-allowable costs, assuming they existed. Rather, those non-allowable costs, if any, were by assumption and definition contained in the 80+% of the expense account that was not allocated to LSC.

The logic of this procedure is valid because every expense account being allocated contains costs available for LSC allocation that exceed 20% of the account total. As described above, any expense accounts that did not meet these criteria were eliminated from allocation to LSC altogether.

The determination of which specific expense accounts to include and exclude in LSC allocations in order to construct annual reports was the responsibility of the Senior Accountant with the review and approval of the Controller. They collaborated on the final construction of annual reports to ensure that non-allowable costs were not included in allocations to LSC.

Legal Aid also established an expense account titled Discretionary Expense for the purpose of charging miscellaneous expenditures which might contain non-allowable expenses. The individuals responsible for processing payments – the Accountant – Accounts Payable and the Controller – coded non-allowable expenses to this account accordingly. This account's sole purpose was to segregate and identify certain smaller miscellaneous expenses that were not eligible for allocation to LSC.

Following this logic, Legal Aid's view has always been that Legal Aid's annual reports to LSC have never contained any allocations of non-allowable costs. Legal Aid has always taken steps and followed procedures to avoid allocating non-allowable costs to LSC by identifying and segregating certain costs into accounts not subject to allocation and by identifying expense accounts which in their entirety would not be subject to allocation. Legal Aid's belief is that allocation of costs from expense accounts containing both allowable and non-allowable costs was only done in situations where the expense account contained allowable costs available for allocation that exceeded those amounts allocated to LSC.

As acknowledged previously, these LSC allocations were not historically posted to the general ledger, but instead were performed on Excel spreadsheets utilizing data downloaded directly from the general ledger. These allocation work papers were the basis for the preparation of annual LSC reports.

In Draft Report Finding 5, the Fiscal Review Team takes specific exception to Legal Aid's allocation and reporting methodology related to the BFG and Legal Aid agreed to begin recording the LSC BFG in the accounting system's general ledger. LSC reporting will now flow directly from the general ledger without the intermediate step of downloading general ledger information into an Excel spreadsheet and calculating allocations on that spreadsheet. As confirmed above, LSC BFG funding and expenses for 2009, 2010 and 2011 were recorded in the general ledger through journal entry.

No changes were necessary in the LSC reports previously prepared using the Excel spreadsheet methodology.. The results were exactly the same.

In association with the integration of LSC BFG into the accounting system, Legal Aid has modified and updated its policies and procedures and internal controls in association with the allocation of costs to LSC and the safeguards ensuring that no non-allowable costs are allocated to LSC funding. These procedures have been reviewed and approved by LSC.

FINDING 6

Legal Aid agrees with the Draft Report finding that Legal Aid employees conform to payroll and timekeeping procedures as defined in Legal Aid's Accounting & Financial Policies and Procedures Manual. These procedures include the recording of time in Legal Aid's case and time management system by all attorneys and paralegals that perform legal services on behalf of Legal Aid. Executives, managers and staff who may happen to have law degrees, but who do not deliver legal services in the capacity of their employment with Legal Aid, are not required to record their time in the case management system because they have no involvement with client case work – their duties are limited to various administrative support functions.

The Draft Report indicates that LSC's Office of Compliance and Enforcement has requested a formal Office of Legal Affairs opinion *"to determine if program staff attorneys who do not handle case work meet the definition of "attorney" as used in the LSC regulations and are, therefore required to complete time records"*. Legal Aid would again assert its argument with respect to executives and other administrative staff who do not record time in the case management system that just because an individual matriculated from a law school and may or may not have previously practiced law that does not make him/her an *"attorney"* for the purposes of CFR § 16.35 if that individual does not practice law or otherwise provide legal assistance to eligible clients in the capacity of his/her employment at Legal Aid. If a person does not provide legal assistance to eligible clients, then he/she is not *"a person who provides legal assistance to eligible clients"*.

Legal Aid executives, managers and staff who do not provide legal assistance to eligible clients, but who do engage in Private Attorney Involvement (PAI) activities, the cost of which Legal Aid allocates to LSC BFG or other PAI spending, maintain records of the time engaged in these supporting activities in their personal daily planning calendars. These contemporaneous timekeeping records, in regard to PAI-related time, include the date, the amount of time expended, an identification designating PAI qualified time, and a notation regarding the nature of the activity. PAI-related time is recorded in increments not greater than one-quarter hour. These records are now the basis of PAI cost allocations for these individuals.

FINDING 7

Legal Aid agrees with the Draft Report finding that Legal Aid has appropriate written procedures in place for the approval of contracts and that Legal Aid has contracted for Legislative Representation in a manner appropriate under the provisions of 45 CFR § 1612.6(f). Legal Aid acknowledges that it did purchase continuing services directly from a vendor in support of a hotline service and Legal Aid acknowledges that these services were in the same nature as services previously acquired during a service agreement arrangement with Legal Aid, Maryland Legal Services Corporation, and the vendor dating to 2001. Following the conclusion of that agreement, Legal Aid continued to purchase identical services, on a service used basis, billed monthly without a commitment regarding volume or term of service. As explained to the Fiscal Review Team and as noted in the Draft Report, Legal Aid's intention was to cease using this vendor's services. Final services from this vendor were received in January 2012 and final payments were made to this vendor in February 2012.

FINDING 8

Legal Aid agrees with the Draft Report finding that Legal Aid makes use of electronic banking opportunities which increase both efficiency and security.

The Draft Report states in Finding 8 that all electronic banking processes are documented in Legal Aid's Accounting & Financial Policies and Procedures Manual with the exception of the electronic deposit of checks. The electronic deposit of check process was described in the Cash Receipts section of the manual, but admittedly a description of these processes was not included in the Electronic Banking Activities section of the manual at the time of the Fiscal Review Team's visit. That condition has been corrected.

Enclosed (Attachment 1) is a copy of Legal Aid's updated description of electronic banking activities - including the electronic deposit of check procedures – now included in Legal Aid's Accounting & Financial Policies and Procedures Manual. These procedures were reviewed and approved by LSC.

FINDING 9

Legal Aid agrees with the Draft Report finding that Legal Aid has created a comprehensive records retention policy which meets or exceeds the retention recommendations contained in the Accounting Guide for LSC Recipients.

FINDING 10

Legal Aid agrees with the Draft Report finding that Legal Aid maintains a detailed Cash Receipts policy which addresses sound internal controls.

Legal Aid's current policy is not to receive currency (cash) under any circumstances. Only payments by check or money order are accepted. Legal Aid has updated its cash receipts and attorney trust accounting policy statements in this regard to make it perfectly clear that currency will not be accepted. Under longstanding policy, all clients are provided with written receipts for any payments made to Legal Aid. All payments received from clients are deposited into Legal Aid's Attorney Trust Account. Legal Aid has drafted, and is in the process of reviewing prior to organization-wide implementation, a policy that requires that a sign be posted in each office stating that a client making any payment is entitled to a receipt for that payment, and if not provided such receipt, the sign shall state that the client should ask to see a supervisor. Full implementation of this policy is expected to occur by September 30, 2012.

FINDING 11

Legal Aid agrees with the Draft Report finding that the program has sound controls in place regarding travel reimbursements. In fact, Legal Aid would argue that its documentation and receipt requirements in support of travel cost reimbursements are exceptionally strong. In addition to strict requirements for receipt documentation and a written detail of expenses and purpose, Legal Aid also requires that distances between

points driven for business purposes must be supported by MapQuest or similar verifiable mileage calculations.

As the Draft Report states, Legal Aid requests that travel expenses be submitted on a monthly basis and the majority of reimbursements are processed on this schedule. Generally, employees who are entitled to significant travel reimbursement amounts are anxious to receive those reimbursements and, therefore, submit expense reimbursement requests as frequently as allowed. If, however, amounts eligible for reimbursement are small, many individuals are less inclined to submit monthly requests.

In an effort to accommodate these individuals and to foster labor and work environment harmony, Legal Aid has implemented a policy that allows for reimbursement of travel expenses, if submitted on a calendar quarter basis and if submitted within 15 days following the end of a quarter. With three months of reimbursements submitted at a time, Legal Aid is required to process only one reimbursement check, as opposed to three. Another problem caused by forcing employees to process monthly requests for small reimbursement amounts, is that checks issued for small amounts are more likely to end up on the stale outstanding check list, which creates additional administrative efforts.

Because of Legal Aid's very strict documentation and supervisor approval requirements, Legal Aid does not believe that it suffers any adverse financial impact from having some flexibility in its time of submittal requirements related to travel expense reimbursements. As such, Legal Aid does not believe that its optional quarterly expense reimbursement policy should be changed.

FINDING 12

Legal Aid acknowledges that LSC's Office of Legal Affairs' External Opinion EX-2003-1004 concludes, in part, that as staff delivery model entities, all LSC-funded basic field programs are encompassed within the definition of "staff attorneys", such that attorneys receiving one-half of their professional income from an LSC recipient are "staff attorneys".

However, 45 CFR § 1600.1 defines a staff attorney as an attorney more than one-half of whose annual professional income is derived from the proceeds of a grant from the Legal Services Corporation or is received from a recipient, subrecipient, grantee, or contractor that limits its activities to providing legal assistance to clients eligible for assistance under the Act.

The Act itself defines a "Staff Attorney" as: an attorney who receives more than one-half of his annual professional income from a recipient organized solely for the provision of legal assistance to eligible clients under this title. 42 U.S.C. §299a(7).

Legal Aid, which was organized and operated for decades prior to the creation of the LSC Act, receives less than 20% of its funding from LSC, and, under various programs, appropriately delivers assistance to clients who are not eligible for assistance “under the Act”.

It is interesting to note that Opinion EX-2003-1004 argues against previous opinions issued by LSC’s Office of Legal Affairs on the same subject, leaving the reader to conclude that this document may be the latest, but perhaps not the last, “opinion” expressed on the subject.

Of further note is the language of the opinion which contains statements such as “...suggests that Congress considered...”; “...it seems that Congress intended ...”; and, “...it is unreasonable to conclude that Congress would have sought..”

Reasonable people can apparently reach different conclusions regarding issues of congressional intent. Although the language in the law and the regulation seem quite clear, different LSC general counsels have apparently endorsed different interpretations of its meaning over the years. Perhaps this matter is not as cut and dry as Finding 12 in the Draft Report would imply.

FINDING 13

Legal Aid acknowledges that it appears to have under reported (“misreported”) PAI expenses in the past due to a misinterpretation regarding the inclusion of non-LSC funded PAI activities in the PAI ratio as required under 45CFR §1614.1(a) and by not fully including general and administrative overhead in its PIA costs. Legal Aid has modified its PAI timekeeping procedures and reporting methodologies based on recommendations of the Fiscal Review Team.

With regard to timekeeping, Legal Aid’s current policy is that individuals for whom Legal Aid allocates PAI costs who do not engage in client case work as part of their Legal Aid employment responsibilities, and who do not maintain a record of their time in the Practice Manager case management system, alternatively maintain a record of their PAI related time in automated or manual daily planning calendars. See Response to Finding 6 above.

As in the past, all attorney and paralegal time allocated to PAI costs is entered and documented in the Practice Manager case management system.

FINDING 14

Legal Aid agrees with the Draft Report that it maintains a detailed Credit Card policy within its Accounting & Financial Policy and Procedures Manual, which contains sound internal controls for this area. Legal Aid has updated its Manual to include the addition

of a Chase Visa card and it added additional language to its policies regarding credit card adjustments, charge backs and credits. Legal Aid acknowledges that credits appearing on a March 2011 credit card statement were not applied until May 2011 because the Accountant – Accounts Payable was waiting for confirmed supporting documentation in support of the credit and a delay in obtaining that documentation caused a temporary delay in applying those credits.

Legal Aid is very strict in its requirements regarding reviewed and approved detailed documentation in support of all credit card transactions and does not issue payments based on vendor statement balances – credit card or otherwise. Rather payments are issued, or credits applied, based on reviewed and approved individual invoices or credit card transactions. The subject credits were not a usual situation and the credits were not applied until supporting documentation had been obtained and confirmed to assure that the credits were in fact appropriate. Legal Aid acknowledges that this process should have ideally occurred at least one credit card billing cycle sooner.

Legal Aid agrees with the Draft Report statement that Legal Aid maintains detailed documentation in support of its credit card charges.

Legal Aid *strongly* disagrees with the Draft Report statement that an unallowable charge for alcohol was partially allocated to LSC funds in 2010. At the time of the Fiscal Review Team visit and as acknowledged earlier in the Draft Report, Legal Aid was using an allocation methodology for the preparation of LSC annual reports that did not involve monthly allocations of costs to LSC. Very few specific costs, if any, were being coded to the LSC BFG funding during the year and certainly none of those were non-allowable. At the time of the review, allocations of cost categories were being done after the fact at year-end. The Fiscal Review team report pointed out, and Legal Aid acknowledged, that cost allocations to LSC were not at that time being posted to the general ledger. Legal Aid did not, and had no intention of, allocating non-allowable 2010 costs to LSC. As the Draft Report points out, the credit card charge in question was, in fact, specifically “coded” to a non-LSC funding source – source 49 Individual Contributions. Because the cost allocation methodology used to prepare the 2010 annual LSC BFG reports did not require or utilize individual transaction funding source codes, this Finding assumes that a portion of that charge, must have been allocated to LSC. Legal Aid disagrees with this conclusion.

As explained in Legal Aid’s response to Finding 5 above, it has never been Legal Aid’s intent to allocate non-allowable costs to LSC funding, and Legal Aid did not believe that its reporting methodology implied that it did so. Historically, LSC represents less than 20% of Legal Aid funding. Legal Aid’s belief and position has always been that allocation of costs in expense accounts to LSC did not contain any portion of non-allowable costs. Rather, those non-allowable costs, if any, were by assumption and definition, contained in the 80+% of the expense account that was not allocated to LSC.

Thus, Legal Aid’s position is that the portion of the 2010 expense account 526001 EVENT – EMPLOYEES allocated to LSC BFG came from the fully allowable costs

charged to that expense account. Any non-allowable costs in that expense account were assumed to be included in the 80% of the account not allocated to the LSC BFG. Legal Aid's responses to Findings 4 and 5 above address this position in more detail.

As explained in Finding 4 above, Legal Aid implemented the recommendations of the Fiscal Review Team in regards to fully incorporating the LSC BFG accounting into its accounting system. In addition, Legal Aid has strengthened its internal controls related to unallowable charges to ensure that these charges are not allocated to LSC funding.

FINDING 15

Legal Aid calculated a fair portion of 2011 insurance recoveries to be reported as derivative income attributable to LSC by using the "Loss allocation to Federal Funds" calculations found in the detailed 2004-2007 Loss Calculation tables referenced in, and associated with, the Office of Inspector General, Legal Services Corporation, Report of Investigation dated September 14, 2010 which related to a fraud perpetrated against Legal Aid by its former CFO. This report detailed the findings of an extensive investigation of the losses that resulted in insurance payments received in 2011 that were the source of the recoveries allocated. The average Federal Funds percentage calculated in the report over the period covered was 22.1% and this was the percentage of insurance recoveries attributed as derivative income to LSC. Legal Aid discussed this derivative income calculation with its IPA.

FINDING 16

Legal Aid agrees with the Draft Report finding that expenditures for office supplies from 2008 to 2010, as well as variances in spending from year-to-year in those accounts selected for review by Legal Aid's auditors are reasonable and properly explained. Legal Aid is unclear about to what the Draft Report is referring in its request that Legal Aid "*submit the requested variance explanations.*" Following the Fiscal Review Team's visit, there was a great deal of communication between Legal Aid's Controller and a member of the Team who had a number of follow-up questions. It is Legal Aid's contention that any additional information regarding explanations of variances was provided to LSC at that time. Further, there were no Recommendations or suggested Corrective Actions in the Draft Report which related to this specific request.

FINDING 17

Legal Aid agrees with the Draft Report finding that Legal Aid has reasonable procedures in place related to cash disbursements. These include a strong system of authorizations and redundant approvals, strong internal controls, good segregation of duties in the accounting and purchasing functions and utilization of financial institution anti-fraud systems.

Legal Aid acknowledges that errors were made by its Accountant - Accounts Payable Specialist while processing two checks discussed in the Draft Report. Both of these checks were voided following transaction review by the Controller. The voided checks which had been printed in the wrong amount were not forwarded for signature and were not released. No financial harm was caused to the organization.

Legal Aid acknowledges that had the supporting invoice been more carefully studied prior to the printing of the check batches, the checks would not have been printed until corrected. However, it is clear that a detailed review of the supporting invoice did occur during the processing step immediately following the printing of the checks – prior to those checks being forwarding for signature.

Legal Aid agrees that there is always room for improvement in systems and compliance with procedures when humans are involved. Legal Aid's internal controls and redundant layers of reviews and approvals in the cash disbursement area are designed with the human propensity to make mistakes in mind.

In regards to the Draft Report's comments regarding the immediate cancellation of vendor invoices, Legal Aid certainly agrees that vendor invoices must be canceled upon payment and that is Legal Aid's policy. Legal Aid would argue, however, that the appropriate time to physically cancel a vendor invoice to prevent subsequent reuse (by stamping the invoice PAID together with the date of the paying check) is at the point the invoice and associated paying check have been printed, reviewed and approved by the Finance Unit and is ready to be forwarded for authorized signature. The approving authority at that point (normally the Controller) – one step prior to signature – is the individual who cancels the vendor invoice after all Finance Unit reviews and approvals have been completed.

Marking the invoice PAID with the appropriate date is one of the indications to the authorized signer(s) that the check has passed all of the required review and approval layers in the Finance Unit. Until that point, the invoice has not been "paid" from an accounting department disbursement processing standpoint.

Legal Aid continues to place a very high emphasis on strict compliance with its internal control policies and procedures related to disbursement processing. Legal Aid developed and implemented new and expanded accounting procedures regarding the handling of voided checks and these procedures have been incorporated into Legal Aid's Accounting & Financial Policies and Procedures Manual. These procedures were reviewed and approved by LSC.

FINDING 18

Finding 18 concludes that Legal Aid has generally adequate procedures in place related to bank reconciliations. However, five areas were noted in the Draft Report where procedures and compliance with procedures could be improved. Legal Aid appreciated the recommendation of the Fiscal Review Team and has implemented new and expanded policies regarding examination of voided checks, establishing a liability account for unclaimed funds, investigating stale checks, noting bank reconciliation preparation and review dates, and documenting executive review of bank statements prior to those statements being forwarded to the Finance Unit for reconciliation. These new procedures have been reviewed and approved by LSC.

FINDING 19

The Draft Report under Finding 19 concludes that Legal Aid has reasonable procedures in place related to Client Trust Accounts and that Legal Aid maintains its Client Trust Accounts in strict compliance with its own policies and procedures, as well as with LSC's guidelines. Legal Aid agrees with this conclusion.

SECTION IV -- RECOMMENDATIONS

The Draft Report presents 11 recommendations. These are listed below followed by Legal Aid's comments:

1. Consider requiring all staff to utilize the Case and Time Management system for recordation of time and extract or export data reports for payroll purposes.

Legal Aid utilizes separate and distinct systems for case management and payroll processing purposes. Both systems are rather sophisticated and intricate and require a significant financial investment. It is not likely, therefore, that Legal Aid will be able to implement this recommendation until such time as a different case and time management system is identified and installed. Because of the high cost of such systems, in the current funding environment other costs currently have a higher priority.

2. Document its electronic bank deposit processes in its AFPPM.

Legal Aid has documented its electronic bank deposit process in its AFPPM. *See* Legal Aid's Response to Draft Report, Finding 8.

3. Submit a cash flow statement or a statement of cash on hand monthly to members of its Finance Committee and quarterly to all Board members as recommended in the AGFLR (2010 Edition).

Cash on hand balances are now stated by the Controller in association with the presentation of financial "Board Reports" at each meeting of the Board of Directors – six meetings annually.

4. Designate an employee(s) from each office as specifically authorized to receive cash.

Legal Aid has modified and formalized its cash receipts policy and will no longer accept cash (currency) under any circumstances. Only checks and money orders are accepted. Therefore, there is no need to designate specific employees to accept cash.

5. Put a sign in each of its lobbies that contains a notice to its clients of LAB's cash receipt policy including a statement that the client is entitled to a receipt for cash provided.

The posting of a sign informing clients that they are entitled to a receipt for any payment is included as part of the policy discussed in Legal Aid's Response to Draft Report, Finding 4.

6. Revise its travel policy to require monthly submission of all travel expenses.

For reasons discussed in Legal Aid's Response to Draft Report, Finding 11, Legal Aid believes that while encouraging monthly submission of travel expenses, it is also in Legal Aid's best interest to provide some limited flexibility in this regard by also allowing the submission of travel expense reimbursement requests on a quarterly basis.

7. File voided checks in sequential order (first check to last check or last check to first check).

Voided checks, if available, and void check stock, are retained, sorted in sequential order, provided to the preparer of bank reconciliations, and filed with bank reconciliations.

8. Provide a copy of voided checks to the preparer of the bank reconciliations.

See response to recommendation 7 above.

9. Prepare and use a check request form for all disbursements.

Legal Aid utilizes Check Requests forms, or alternative forms such as travel reimbursement requests, as part of the process of preparing checks whenever more information is needed to properly document a disbursement than what is available on a vendor invoice. Check requests are used when it is necessary to document or explain the purpose of a disbursement, to document a client case number, etc. Specialized forms are used to request/document payroll withholding related disbursements. Properly approved vendor invoices are deemed to be sufficient for normal, recurring, expenses where the purpose of the expenditure and the responsible approving official are clear. Legal Aid believes that it is not necessary to require the use of a uniform check request form for all disbursements.

10. Continue to seek additional training opportunities for its FAU staff to further broaden their knowledge with respect to LSC policies and requirements relative to applicable Federal regulations and the AGFLR.

Legal Aid continues to expand training opportunities for its Finance Unit staff. Recent topics have included LSC policies and requirements relative to applicable Federal regulations and the Accounting Guide for LSC Recipients.

11. Maintain documentation which explains the reason(s) for additional costs when travel charges change during the same trip.

Legal Aid's travel policy, developed in April 2012, provides that travelers are only reimbursed for expenses properly approved, documented and timely submitted for reimbursement and further requires that lodging reservations must be made or approved in advance by Legal Aid. Also, original itemized, detailed receipts for all lodging expenses must accompany the travel expense report. With respect to mid-trip changes, in order to obtain the required approvals, staff are required to provide an explanation of why they need to change their travel plans. If a change in travel plans relates to an emergency situation, staff are required to document in writing, after the fact, the nature of that emergency and the rationale for the change in travel plans.

SECTION V -- REQUIRED CORRECTIVE ACTIONS

The Draft Report lists 20 required corrective actions. Those requirements and Legal Aid's comments on each follow:

1. Update 2009 and 2010 journal entries to enter expenses attributed to LSC into LAB's GL. These journal entries must reflect year-end balances and should agree with the numbers reported in LAB's 2009 and 2010.

Legal Aid incorporated expenses attributable to the LSC BFG funding for 2009, 2010 and 2011 in the general ledger through journal entry. No changes in the reports previously prepared using the Excel spreadsheet work papers were necessary. The results were identical. Summary annual reports and detailed general ledger reports are enclosed (Attachments 2, 3, and 4). *See* Legal Aid's Response to Draft Report, Finding 4.

2. For 2011 forward, LSC BFG expenditure allocations must be fully incorporated into LAB's GL and updated on a monthly basis.

Beginning in 2012, Legal Aid's LSC BFG expenditure allocations are fully incorporated into Legal Aid's general ledger and are automatically updated on a monthly basis by the accounting system. *See* Legal Aid's Response to Draft Report, Finding 4.

3. Define and include in its AFPPM a cost allocation process for LSC Basic Funds that meets the requirements of 45 CPR Part 1630, including documented direct expense charges and procedures to ensure that no LSC funds are allocated to unallowable costs.

Legal Aid adopted new cost allocation processes for LSC BFG funding allocations and has implemented internal control procedures to ensure that no LSC funds are allocated to unallowable costs. These processes were submitted for review to, and approved by, LSC.

4. Ensure that all direct or indirect time of staff attorneys or paralegals allocated as a cost to PAI is documented by timesheets accounting for the time those employees have spent on PAI activities. Also, the program must ensure that personnel cost allocations for non-attorney or non-paralegal staff is based on other reasonable operating data which is clearly documented.

All direct and indirect time of staff attorneys and paralegals allocated as a cost to Private Attorney Involvement (PAI) activities is documented by time entries into Legal Aid's case management system. Legal Aid executives, managers and staff who do not provide legal

assistance to eligible clients, but who do engage in PAI activities, the cost of which Legal Aid allocates to LSC BFG or otherwise reports as PAI spending, maintain records of the time engaged in these supporting activities in their personal daily planning calendars. These contemporaneous timekeeping records, in regards to PAI related time, include the date, the amount of time spent, an identification designating PAI qualified time and a notation regarding the nature of the activity. PAI related time is recorded in increments not greater than one-quarter hour. *See* Legal Aid's Response to Draft Report, Finding 6.

5. Follows its established allocation methodology, as contained within its AFPPM, when allocating and reporting LSC PAI expenses.

Legal Aid follows its established allocation methodology, as contained within its AFPPM, when allocating and reporting LSC PAI expenses.

6. Evaluate and strengthen its internal control related to unallowable charges to ensure that these charges are not allocated to its LSC funding. Further, LAB must determine any unallowable credit card charges allocated to its LSC funds and take action to reverse that charge. LAB's determination on this issue must be included with its comments to the Draft Report.

Legal Aid adopted new and expanded internal controls related to unallowable charges to ensure that those charges were not allocated to its LSC funding. These procedures were submitted for review to, and approved by, LSC. Legal Aid does not believe that unallowable credit card charges were ever allocated to LSC funds. Furthermore, following integration of LSC funding into the general ledger by journal entry and producing LSC BFG spending reports directly from the general ledger, it was confirmed that no unallowable costs were allocated to LSC. *See* Legal Aid's Response to Draft Report, Findings 5 & 14.

7. Consult with its IPA and based on the requirements of 45 CFR § 1630.3(h), determine the proper way to allocate to its LSC funds, LSC's portion of the recovered insurance money related to its fraud recovery. LAB's determination on this issue must be included with its comments to the Draft Report.

Legal Aid allocated LSC's portion of recovered insurance money based upon the "Loss allocation to Federal Funds" calculations found in the detailed 2004-2007 Loss Calculation tables referenced in, and associated with, LSC's Office of Inspector General's Report of Investigation, dated September 14, 2010. Legal Aid consulted with its IPA regarding this matter. *See* Legal Aid's Response to Draft Report, Finding 15.

8. Follow its established procedures by immediately canceling vendor invoices and other supporting documentation upon preparation of a check.

Legal Aid's policy requires Finance Unit staff to cancel invoices and other supporting documentation by stamping each as "PAID," as of the date of payment, immediately before the paying checks and supporting documentation are forwarded to the authorized signers for signature. Legal Aid follows its established procedures in this regard. *See* Legal Aid's Response to Draft Report, Finding 17.

9. Follow its established procedures by examining and reviewing original supporting documentation prior to approving a check batch for printing.

Legal Aid follows its established procedures by examining and reviewing original supporting documentation prior to check batches being approved and printed.

10. Follow its procedures by retaining all voided checks to be used in the preparation of bank reconciliations.

Legal Aid retains voided checks for use in the preparation of bank reconciliations. *See* Legal Aid's Response to Draft Report, Finding 17

11. Follow its written policies with respect to stale dated checks and update its policies and procedures manual if the current policy is revised.

Legal Aid updated its policies and procedures manual regarding stale checks which now references a general ledger liability account titled Unclaimed Property Liability. This policy change was reviewed and approved by LSC. Legal Aid follows its written policies with respect to stale dated checks.

12. Update its policies and procedures manual to include its new voided check policy.

Legal Aid has updated its policies and procedures manual to include its new voided check policy. This policy was reviewed and approved by LSC.

13. Comply with its current unclaimed properties policy and update this policy to reflect the proposed changes regarding the new liability account (when approved) for Unclaimed Properties.

Legal Aid updated its unclaimed properties policy and complies with that policy. That policy was reviewed and approved by LSC.

14. Investigate outstanding stale dated checks and make a determination if any should be classified as unclaimed properties and remit those checks (funds) to the State of Maryland if required by its escheat law.

Legal Aid does investigate outstanding stale dated checks and makes determinations as to whether any should be classified as unclaimed properties and remitted to the State of Maryland under the state's escheat law.

15. Require LAB's Financial Consultant and Controller to follow the program's written procedures and date the bank reconciliations which they are responsible for preparing and/or reviewing.

Legal Aid's Financial Consultant and Controller follow the program's written procedures and date the bank reconciliations which they are responsible for preparing and/or reviewing.

16. Deliver all bank statements to the Executive Office unopened.

All bank statements are addressed and delivered to the Executive Office unopened.

17. Update the AFPPM under the section Credit Cards to reflect the recent issuance of its new Chase Visa card to the COO, which brings the total credit cards issued/received to eight (8).

Legal Aid updated its Accounting & Financial Policies and Procedures Manual to reflect all currently active credit cards.

18. Verify whether the Director of the Statewide Advocacy Support Unit, Chief Attorney, and Director of Program Development & Compliance were issued Visa Cards as mentioned in its Credit Cards policy and ensure its policy conforms to the cards that are issued.

Legal Aid has revised and updated its Accounting and Financial Policies and Procedures Manual to reflect current credit cards issued to its Director of Statewide Advocacy Support, Chief Counsel, and Director of Program Development & Compliance. These individuals do not have Visa Cards issued to them; those cards were replaced by American Express cards issued to these individuals in 2011.

19. Establish procedures to ensure the timely recognition of credits and charge backs applied to its credit card accounts.

Legal Aid modified its procedures related to the timely recognition of credits and charge backs applied to its credit card accounts. These procedures were reviewed and approved by LSC.

20. Ensure that an executed agreement is on file for the Financial Consultant.

An executed agreement is on file for the Financial Consultant. *See* Legal Aid's Response to Draft Report, Finding 1.

LEGAL AID BUREAU RESPONSE TO THE DRAFT REPORT OF THE LEGAL SERVICES CORPORATION'S OFFICE OF COMPLIANCE AND ENFORCEMENT'S FOCUSED FISCAL REVIEW – INTERNAL CONTROLS

Enclosure in support of comments to Finding 8 regarding Electronic Banking Policies and Procedures

Electronic Banking Activities

Electronic banking agreements with banks require Board of Directors resolution approval. Legal Aid limits Automated Clearing House (ACH) and other similar electronic banking disbursement activity to a select group of vendors and all such activity is restricted to the Payroll or Flexible Spending plan bank accounts. ACH transactions shall not be allowed from the general operating account.

Only the Executive Director or the Chief Operating Officer is authorized to act as the electronic banking electronic system "administrator". Auditable supporting documentation of all ACH transactions shall be maintained and timely entry of the transactions shall be made in the accounting system.

ACH Monitor

It is the policy of Legal Aid to utilize a Fraud Review and Approval module through its financial institution. This service monitors ACH Debits to all demand deposit accounts and only allows the processing of electronic payments from authorized vendors. If an attempt is made to process an electronic payment by an unauthorized vendor, an exception notice is sent by email to the Controller and to the Chief Operating Officer. Either of those individuals can make pay or return decisions on rejected payments by accessing the financial institution's secure website.

ACH payment transactions shall only be used for high volume recurring transactions, generally limited to payroll and related transactions including retirement plan contributions.

It is the policy of Legal Aid that its agreement with its financial institution limits electronic transfers via online access only between Legal Aid accounts. Electronic transfers to outside accounts are prohibited except for ACH transactions between Legal Aid and authorized vendors and by special circumstance Wire Transfers discussed below.

Use of Positive Pay System

It is the policy of Legal Aid to utilize a "Positive Pay" system through its financial institution for all checks drawn on the operating account. With this Positive Pay system, the Controller or Director of Finance electronically communicates to the financial institution a list of check numbers, dates, amounts, and payees in connection with each check run. The financial institution then notifies the Controller and the Chief Operating Officer if any check is presented for payment that does not match the four characteristics for valid checks provided in the Check Register report uploaded to the bank.

Electronic Deposit of Checks

Daily, the Accountant - AP deposits checks into Legal Aid's general operating checking account via remote deposit hardware and software provided by the financial institution. Deposits are transmitted to the bank over a secure internet connection utilizing bank provided software and instructions. Electronic deposit functions are performed by the Accountant - AP or, if not available, the Payroll Administrator. Following transmittal of daily deposits, the Accountant - AP notifies the Senior Accountant and Controller that the deposit has been made and provides the Senior Accountant with a computer generated "DDA Deposit Items Detail Report" (DDA Report), which details the deposit. The Accountant - AP also emails a copy of that report to the Controller and to the Director of Finance. The Senior Accountant compares the DDA Report with the "cash receipts log" and then records the deposit in the cash receipts journal. The individual preparing the daily list of receipts in the cash receipts log is always someone that is not involved in the accounts receivable or accounts payable process. Specific cash deposit processes and procedures preceding and following these steps are detailed in the Cash Receipts section of this manual.

Wire Transfers

The Chief Operating Officer and the Executive Director shall be the only Legal Aid employees authorized to initiate wire transfers. Additionally, the Director of Finance or the Controller must approve all wire transfers prior to initiation. Auditable supporting documentation of all wire transactions shall be maintained and timely entry of the transactions shall be made in the accounting system.

Legal Aid rarely initiates wire transfers and such transfers can only be made in compliance with the financial institution's restrictive procedures. These include signed requests and call backs via telephone initiated by the bank for identity and instruction verification. Confirmations of all wire transfers shall be delivered to the Controller. Auditable supporting documentation of all wire transactions are maintained and timely entry of the transactions are made in the accounting system.

LSC Basic Field Grant Year End December 31, 2009

	<u>LSC - MD1</u>
REVENUE	
Revenue	
400009 GRANTS-FEDERAL-LSC	<u>4,229,777</u>
Total Revenue	4,229,777
EXPENSES	
PERSONNEL	
Lawyers	1,568,110
Paralegals	427,078
Other Staff	639,635
Employee Benefits	<u>812,191</u>
Salary Subtotal	<u>3,447,014</u>
Total Personnel Costs	3,447,014
Non-personnel	
NON PERSONNEL	
Space-Rent/ Lease	107,790
Mortgage Payments	-
Other Space Expenses	148,901
Equipment Rental	25,689
Supplies	53,718
Telephone	112,726
Travel	43,246
Travel Board	411
Training	14,352
Training Board	399
Insurance	12,444
Library	16,510
Dues and Fees - Client Protection Fund	8,780
Litigation	7,366
Audit	4,925
Capital Additions	17,589
Contract Services to Clients	32,000
Contract Services to Recipient	84,996
Other	<u>90,921</u>
Total Non-personnel	<u>782,763</u>
Total Personnel and Non Personnel Costs	4,229,777

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LEGAL AID BUREAU, INC.
Year To Date Actual Ledger for Period Ending 12/31/2009

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
500000	50-00-00-00-00	LAWYERS SALARIES EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,568,110.36		1,568,110.36
500000	50-00-00-00-00	LAWYERS SALARIES EXPENSE LSC	Ending Balance		1,568,110.36	0.00	1,568,110.36
501000	50-00-00-00-00	CLERICAL STAFF SALARIES EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	152,037.20		152,037.20
501000	50-00-00-00-00	CLERICAL STAFF SALARIES EXPENSE LSC	Ending Balance		152,037.20	0.00	152,037.20
502000	50-00-00-00-00	OTHER STAFF SALARIES EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	487,598.04		487,598.04
502000	50-00-00-00-00	OTHER STAFF SALARIES EXPENSE LSC	Ending Balance		487,598.04	0.00	487,598.04
503000	50-00-00-00-00	PARALEGALS SALARIES EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	427,077.57		427,077.57
503000	50-00-00-00-00	PARALEGALS SALARIES EXPENSE LSC	Ending Balance		427,077.57	0.00	427,077.57
510000	50-00-00-00-00	HEALTH-GROUP LIFE PLAN EXPENSE LSC	Agency Agency Agency Agency Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	341,262.83		341,262.83
510000	50-00-00-00-00	HEALTH-GROUP LIFE PLAN EXPENSE LSC	Agency Agency Agency Agency Ending Balance		341,262.83	0.00	341,262.83
511000	50-00-00-00-00	VACATION SALARIES LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	6,211.76		6,211.76
511000	50-00-00-00-00	VACATION SALARIES LSC	Ending Balance		6,211.76	0.00	6,211.76
512000	50-00-00-00-00	PENSION PLAN EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	7,753.80		7,753.80
512000	50-00-00-00-00	PENSION PLAN EXPENSE LSC	Ending Balance		7,753.80	0.00	7,753.80
512500	50-00-00-00-00	PENSION CONTRIBUTIONS LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	251,490.96		251,490.96
512500	50-00-00-00-00	PENSION CONTRIBUTIONS LSC	Ending Balance		251,490.96	0.00	251,490.96
516000	50-00-00-00-00	FICA EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	193,797.86		193,797.86
516000	50-00-00-00-00	FICA EXPENSE LSC	Ending Balance		193,797.86	0.00	193,797.86
517000	50-00-00-00-00	STATE UNEMPLOYMENT EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	4,285.55		4,285.55
517000	50-00-00-00-00	STATE UNEMPLOYMENT EXPENSE LSC	Ending Balance		4,285.55	0.00	4,285.55
518000	50-00-00-00-00	WORKERS COMPENSATION EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	6,913.18		6,913.18
518000	50-00-00-00-00	WORKERS COMPENSATION EXPENSE LSC	Ending Balance		6,913.18	0.00	6,913.18
519000	50-00-00-00-00	VACATION SALARY EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	475.20		475.20
519000	50-00-00-00-00	VACATION SALARY EXPENSE LSC	Ending Balance		475.20	0.00	475.20
520000	50-00-00-00-00	CONSULTANTS SERVICE EXPENSE LSC	Agency Agency Agency Agency Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	40,910.67		40,910.67
520000	50-00-00-00-00	CONSULTANTS SERVICE EXPENSE LSC	Agency Agency Agency Agency Ending Balance		40,910.67	0.00	40,910.67
520001	50-00-00-00-00	WESTLAW EXPENSE LSC	Agency Agency Agency Agency Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	14,912.89		14,912.89
520001	50-00-00-00-00	WESTLAW EXPENSE LSC	Agency Agency Agency Agency Ending Balance		14,912.89	0.00	14,912.89
521000	50-00-00-00-00	TEMPORARY SERVICE EXPENSE LSC	Agency Agency Agency Agency Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	7,891.30		7,891.30
521000	50-00-00-00-00	TEMPORARY SERVICE EXPENSE LSC	Agency Agency Agency Agency Ending Balance		7,891.30	0.00	7,891.30
522000	50-00-00-00-00	AUDITING SERVICE EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	4,924.58		4,924.58
522000	50-00-00-00-00	AUDITING SERVICE EXPENSE LSC	Ending Balance		4,924.58	0.00	4,924.58
523000	50-00-00-00-00	SPEC ACCOUNTING & BOOKKEEPING EXPENSE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	6,735.02		6,735.02
523000	50-00-00-00-00	SPEC ACCOUNTING & BOOKKEEPING EXPENSE LSC	Ending Balance		6,735.02	0.00	6,735.02
523001	50-00-00-00-00	OUTSIDE SERVICES - ADP PAYROLL LSC	Agency Agency Agency Agency Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	11,409.30		11,409.30
523001	50-00-00-00-00	OUTSIDE SERVICES - ADP PAYROLL LSC	Agency Agency Agency Agency Ending Balance		11,409.30	0.00	11,409.30
523002	50-00-00-00-00	OUTSIDE SERVICES - ADP - SCREENING LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,238.30		1,238.30
523002	50-00-00-00-00	OUTSIDE SERVICES - ADP - SCREENING LSC	Ending Balance		1,238.30	0.00	1,238.30
525000	50-00-00-00-00	AWARDS PROGRAM LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	87.03		87.03
525000	50-00-00-00-00	AWARDS PROGRAM LSC	Ending Balance		87.03	0.00	87.03
526000	50-00-00-00-00	MEETING - EMPLOYEES - MEAL LSC	Agency Agency Agency Agency Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	2,294.15		2,294.15
526000	50-00-00-00-00	MEETING - EMPLOYEES - MEAL LSC	Agency Agency Agency Agency Ending Balance		2,294.15	0.00	2,294.15

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LEGAL AID BUREAU, INC.
Year To Date Actual Ledger for Period Ending 12/31/2009

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
526001	50-00-00-00-00	EVENT - EMPLOYEES LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	482.47		482.47
526001	50-00-00-00-00	EVENT - EMPLOYEES LSC	Ending Balance		482.47	0.00	482.47
528000	50-00-00-00-00	AWARD EXPENSE - EMPLOYEES LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	834.93		834.93
528000	50-00-00-00-00	AWARD EXPENSE - EMPLOYEES LSC	Ending Balance		834.93	0.00	834.93
529000	50-00-00-00-00	RESOURCE DEVELOPMENT LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	5,301.33		5,301.33
529000	50-00-00-00-00	RESOURCE DEVELOPMENT LSC	Ending Balance		5,301.33	0.00	5,301.33
529001	50-00-00-00-00	EQUAL JUSTICE COUNCIL LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	747.46		747.46
529001	50-00-00-00-00	EQUAL JUSTICE COUNCIL LSC	Ending Balance		747.46	0.00	747.46
530000	50-00-00-00-00	TRAVEL EXPENSE-LOCAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	39,710.42		39,710.42
530000	50-00-00-00-00	TRAVEL EXPENSE-LOCAL LSC Agency Agency Agency Agency	Ending Balance		39,710.42	0.00	39,710.42
531000	50-00-00-00-00	OUT OF TOWN TRAVEL EXPENSE LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	3,535.15		3,535.15
531000	50-00-00-00-00	OUT OF TOWN TRAVEL EXPENSE LSC Agency Agency Agency Agency	Ending Balance		3,535.15	0.00	3,535.15
533000	50-00-00-00-00	TRAVEL BOARD LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	410.93		410.93
533000	50-00-00-00-00	TRAVEL BOARD LSC Agency Agency Agency Agency	Ending Balance		410.93	0.00	410.93
534000	50-00-00-00-00	TRAINING-CLIENTS LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	175.24		175.24
534000	50-00-00-00-00	TRAINING-CLIENTS LSC Agency Agency Agency Agency	Ending Balance		175.24	0.00	175.24
534001	50-00-00-00-00	TRAINING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	89.22		89.22
534001	50-00-00-00-00	TRAINING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency	Ending Balance		89.22	0.00	89.22
535000	50-00-00-00-00	TRAINING-STAFF LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	14,087.76		14,087.76
535000	50-00-00-00-00	TRAINING-STAFF LSC Agency Agency Agency Agency	Ending Balance		14,087.76	0.00	14,087.76
536000	50-00-00-00-00	TRAINING-BOARD LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	399.30		399.30
536000	50-00-00-00-00	TRAINING-BOARD LSC Agency Agency Agency Agency	Ending Balance		399.30	0.00	399.30
536001	50-00-00-00-00	MEETING - BOD - MEAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	82.87		82.87
536001	50-00-00-00-00	MEETING - BOD - MEAL LSC Agency Agency Agency Agency	Ending Balance		82.87	0.00	82.87
538000	50-00-00-00-00	TRANSLATION EXPENSE - LANGUAGE LINE LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,488.05		1,488.05
538000	50-00-00-00-00	TRANSLATION EXPENSE - LANGUAGE LINE LSC	Ending Balance		1,488.05	0.00	1,488.05
539000	50-00-00-00-00	EVENT EXPENSE - MEAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	420.94		420.94
539000	50-00-00-00-00	EVENT EXPENSE - MEAL LSC Agency Agency Agency Agency	Ending Balance		420.94	0.00	420.94
539001	50-00-00-00-00	EVENT EXPENSE - OTHER LSC	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	532.21		532.21
539001	50-00-00-00-00	EVENT EXPENSE - OTHER LSC	Ending Balance		532.21	0.00	532.21
540000	50-00-00-00-00	OCCUPANCY-CARE OF BLDG. AND GRDS. EXPENS LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	20,404.54		20,404.54
540000	50-00-00-00-00	OCCUPANCY-CARE OF BLDG. AND GRDS. EXPENS LSC Agency Agency Agency Agency	Ending Balance		20,404.54	0.00	20,404.54
540001	50-00-00-00-00	BUILDING - SECURITY LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	3,983.22		3,983.22
540001	50-00-00-00-00	BUILDING - SECURITY LSC Agency Agency Agency Agency	Ending Balance		3,983.22	0.00	3,983.22
540002	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	2,746.35		2,746.35
540002	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency	Ending Balance		2,746.35	0.00	2,746.35
541000	50-00-00-00-00	BUILDING - CLEANING & TRASH REMOVAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	12,173.12		12,173.12
541000	50-00-00-00-00	BUILDING - CLEANING & TRASH REMOVAL LSC Agency Agency Agency Agency	Ending Balance		12,173.12	0.00	12,173.12
542000	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,075.77		1,075.77
542000	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency	Ending Balance		1,075.77	0.00	1,075.77
543000	50-00-00-00-00	REAL ESTATE TAXES AND INSURANCE EXPENSE LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	5,339.26		5,339.26
543000	50-00-00-00-00	REAL ESTATE TAXES AND INSURANCE EXPENSE LSC Agency Agency Agency Agency	Ending Balance		5,339.26	0.00	5,339.26

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
543001		50-00-00-00-00		INSURANCE EXPENSE - THE BRETHREN MUTUAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	2,641.05		2,641.05
543001		50-00-00-00-00		INSURANCE EXPENSE - THE BRETHREN MUTUAL LSC Agency Agency Agency Agency Ending Balance			2,641.05
544000		50-00-00-00-00		RENT EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	107,790.48		107,790.48
544000		50-00-00-00-00		RENT EXPENSE LSC Agency Agency Agency Agency Ending Balance	107,790.48	0.00	107,790.48
545000		50-00-00-00-00		UTILITIES EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	103,178.91		103,178.91
545000		50-00-00-00-00		UTILITIES EXPENSE LSC Agency Agency Agency Agency Ending Balance	103,178.91	0.00	103,178.91
546000		50-00-00-00-00		OFFICE EXPENSE - WATER LSC Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	906.06		906.06
546000		50-00-00-00-00		OFFICE EXPENSE - WATER LSC Ending Balance	906.06	0.00	906.06
549000		50-00-00-00-00		EXPENDABLE OFFICE EQUIPMENT/SOFTWARE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	15,937.74		15,937.74
549000		50-00-00-00-00		EXPENDABLE OFFICE EQUIPMENT/SOFTWARE LSC Agency Agency Agency Agency Ending Balance			15,937.74
549001		50-00-00-00-00		COMPUTER SOFTWARE LICENSE LSC Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	792.03		792.03
549001		50-00-00-00-00		COMPUTER SOFTWARE LICENSE LSC Ending Balance	792.03	0.00	792.03
550000		50-00-00-00-00		OFFICE SUPPLIES EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	31,578.31		31,578.31
550000		50-00-00-00-00		OFFICE SUPPLIES EXPENSE LSC Agency Agency Agency Agency Ending Balance	31,578.31	0.00	31,578.31
550001		50-00-00-00-00		OFFICE EXPENSE - ARAMARK LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	331.61		331.61
550001		50-00-00-00-00		OFFICE EXPENSE - ARAMARK LSC Agency Agency Agency Agency Ending Balance	331.61	0.00	331.61
551000		50-00-00-00-00		OUTSIDE PRINTING AND ARTWORK EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	9,497.53		9,497.53
551000		50-00-00-00-00		OUTSIDE PRINTING AND ARTWORK EXPENSE LSC Agency Agency Agency Agency Ending Balance	9,497.53	0.00	9,497.53
552000		50-00-00-00-00		POSTAGE AND SHIPPING EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	9,950.70		9,950.70
552000		50-00-00-00-00		POSTAGE AND SHIPPING EXPENSE LSC Agency Agency Agency Agency Ending Balance	9,950.70	0.00	9,950.70
552001		50-00-00-00-00		DELIVERY - MESSENGER LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,726.31		1,726.31
552001		50-00-00-00-00		DELIVERY - MESSENGER LSC Agency Agency Agency Agency Ending Balance	1,726.31	0.00	1,726.31
552002		50-00-00-00-00		DELIVERY - MAIL SERVICES LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	633.93		633.93
552002		50-00-00-00-00		DELIVERY - MAIL SERVICES LSC Agency Agency Agency Agency Ending Balance	633.93	0.00	633.93
553000		50-00-00-00-00		SUBSCRIPTION AND PUBLICATION EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	16,485.75		16,485.75
553000		50-00-00-00-00		SUBSCRIPTION AND PUBLICATION EXPENSE LSC Agency Agency Agency Agency Ending Balance	16,485.75	0.00	16,485.75
553001		50-00-00-00-00		SUBSCRIPTION -OTHER LSC Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	24.12		24.12
553001		50-00-00-00-00		SUBSCRIPTION -OTHER LSC Ending Balance	24.12	0.00	24.12
555000		50-00-00-00-00		RECRUITMENT EXPENSE LSC Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	410.55		410.55
555000		50-00-00-00-00		RECRUITMENT EXPENSE LSC Ending Balance	410.55	0.00	410.55
556000		50-00-00-00-00		GRANT PYMNT - MD VOLUNTEER LAWYERS LSC Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	32,000.00		32,000.00
556000		50-00-00-00-00		GRANT PYMNT - MD VOLUNTEER LAWYERS LSC Ending Balance	32,000.00	0.00	32,000.00
560000		50-00-00-00-00		LITIGATION COSTS EXPENSE-COURT COST LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	7,351.53		7,351.53
560000		50-00-00-00-00		LITIGATION COSTS EXPENSE-COURT COST LSC Agency Agency Agency Agency Ending Balance	7,351.53	0.00	7,351.53
560001		50-00-00-00-00		LITIGATION EXPENSE - PRIVATE PROCESS LSC Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	14.33		14.33
560001		50-00-00-00-00		LITIGATION EXPENSE - PRIVATE PROCESS LSC Ending Balance	14.33	0.00	14.33
561000		50-00-00-00-00		BANK CHARGES LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	722.94		722.94
561000		50-00-00-00-00		BANK CHARGES LSC Agency Agency Agency Agency Ending Balance	722.94	0.00	722.94
562000		50-00-00-00-00		SCANN & SHRED EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	2,132.99		2,132.99
562000		50-00-00-00-00		SCANN & SHRED EXPENSE LSC Agency Agency Agency Agency Ending Balance	2,132.99	0.00	2,132.99
570000		50-00-00-00-00		DUES-PROF. COSTS EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	8,780.08		8,780.08
570000		50-00-00-00-00		DUES-PROF. COSTS EXPENSE LSC Agency Agency Agency Agency Ending Balance	8,780.08	0.00	8,780.08

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574000	50-00-00-00-00	REPAIR & MAINTANACE - SOFTWARE	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	629.69		629.69
574000	50-00-00-00-00	REPAIR & MAINTANACE - SOFTWARE	LSC	Ending Balance	629.69	0.00	629.69
580000	50-00-00-00-00	EQUIPMENT RENTAL EXPENSE	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	8,317.94		8,317.94
580000	50-00-00-00-00	EQUIPMENT RENTAL EXPENSE	LSC Agency Agency Agency Agency	Ending Balance	8,317.94	0.00	8,317.94
581000	50-00-00-00-00	EQUIPMENT CONTRACT & REPAIRS EXPENSE	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	17,371.26		17,371.26
581000	50-00-00-00-00	EQUIPMENT CONTRACT & REPAIRS EXPENSE	LSC Agency Agency Agency Agency	Ending Balance	17,371.26	0.00	17,371.26
589000	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER EQUIP	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	495.30		495.30
589000	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER EQUIP	LSC Agency Agency Agency Agency	Ending Balance	495.30	0.00	495.30
589001	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER SOFTWARE	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	471.27		471.27
589001	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER SOFTWARE	LSC	Ending Balance	471.27	0.00	471.27
590000	50-00-00-00-00	DEPRECIATION EXPENSE BUILDINGS	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009		4.24	(4.24)
590000	50-00-00-00-00	DEPRECIATION EXPENSE BUILDINGS	LSC Agency Agency Agency Agency	Ending Balance		4.24	(4.24)
591000	50-00-00-00-00	DEPRECIATION-FURNITURE, EQUIPMENT, FIXT.	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	26,172.56		26,172.56
591000	50-00-00-00-00	DEPRECIATION-FURNITURE, EQUIPMENT, FIXT.	LSC Agency Agency Agency Agency	Ending Balance	26,172.56	0.00	26,172.56
592000	50-00-00-00-00	DEPRECIATION EXPENSE - LEASEHOLDS	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	542.31		542.31
592000	50-00-00-00-00	DEPRECIATION EXPENSE - LEASEHOLDS	LSC	Ending Balance	542.31	0.00	542.31
595000	50-00-00-00-00	GAIN/LOSS ON SALE OF EQUIPMENT	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,080.44		1,080.44
595000	50-00-00-00-00	GAIN/LOSS ON SALE OF EQUIPMENT	LSC Agency Agency Agency Agency	Ending Balance	1,080.44	0.00	1,080.44
596000	50-00-00-00-00	BONDING INSURANCE	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	9,802.72		9,802.72
596000	50-00-00-00-00	BONDING INSURANCE	LSC	Ending Balance	9,802.72	0.00	9,802.72
598000	50-00-00-00-00	COMMUNICATIONS - TELEPHONE/INTERNET	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	34,129.93		34,129.93
598000	50-00-00-00-00	COMMUNICATIONS - TELEPHONE/INTERNET	LSC Agency Agency Agency Agency	Ending Balance	34,129.93	0.00	34,129.93
598001	50-00-00-00-00	TELEPHONE - AT&T LAND LINES	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	21,221.44		21,221.44
598001	50-00-00-00-00	TELEPHONE - AT&T LAND LINES	LSC Agency Agency Agency Agency	Ending Balance	21,221.44	0.00	21,221.44
598002	50-00-00-00-00	TELEPHONE - VERIZON CELL PHONES	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,418.18		1,418.18
598002	50-00-00-00-00	TELEPHONE - VERIZON CELL PHONES	LSC	Ending Balance	1,418.18	0.00	1,418.18
598004	50-00-00-00-00	INTERNET CONNECTION	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	4,293.43		4,293.43
598004	50-00-00-00-00	INTERNET CONNECTION	LSC Agency Agency Agency Agency	Ending Balance	4,293.43	0.00	4,293.43
598005	50-00-00-00-00	TELE LAWYER	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	12,249.80		12,249.80
598005	50-00-00-00-00	TELE LAWYER	LSC	Ending Balance	12,249.80	0.00	12,249.80
598007	50-00-00-00-00	MX LOGIC - EMAIL FILTER	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	859.56		859.56
598007	50-00-00-00-00	MX LOGIC - EMAIL FILTER	LSC	Ending Balance	859.56	0.00	859.56
598008	50-00-00-00-00	TELEPHONE - VERIZON - LAND LINES	LSC	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	5,078.12		5,078.12
598008	50-00-00-00-00	TELEPHONE - VERIZON - LAND LINES	LSC	Ending Balance	5,078.12	0.00	5,078.12
598009	50-00-00-00-00	TELEPHONE - ATX - LAND LINES	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	15,166.01		15,166.01
598009	50-00-00-00-00	TELEPHONE - ATX - LAND LINES	LSC Agency Agency Agency Agency	Ending Balance	15,166.01	0.00	15,166.01
598010	50-00-00-00-00	TELEPHONE - BROADVIEW - LAND LINES	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	274.76		274.76
598010	50-00-00-00-00	TELEPHONE - BROADVIEW - LAND LINES	LSC Agency Agency Agency Agency	Ending Balance	274.76	0.00	274.76
598011	50-00-00-00-00	TELEPHONE - VERIZON BUSINESS - SECONDARY INTERNET ACCESS	LSC Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	1,738.28		1,738.28
598011	50-00-00-00-00	TELEPHONE - VERIZON BUSINESS - SECONDARY INTERNET ACCESS	LSC Agency Agency Agency Agency	Ending Balance	1,738.28	0.00	1,738.28

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LEGAL AID BUREAU, INC.
Year To Date Actual Ledger for Period Ending 12/31/2009

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
598012	50-00-00-00-00	TELEPHONE - NEC - REPAIR LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	455.57		455.57
598012	50-00-00-00-00	TELEPHONE - NEC - REPAIR LSC Agency Agency Agency Agency		Ending Balance		0.00	455.57
598013	50-00-00-00-00	TELEPHONE - PAETEC LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	6,830.83		6,830.83
598013	50-00-00-00-00	TELEPHONE - PAETEC LSC Agency Agency Agency Agency		Ending Balance		0.00	6,830.83
598014	50-00-00-00-00	TELEPHONE - SPRINT LSC		Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	8,189.79		8,189.79
598014	50-00-00-00-00	TELEPHONE - SPRINT LSC		Ending Balance		0.00	8,189.79
598015	50-00-00-00-00	TELEPHONE - BROADWING LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	819.88		819.88
598015	50-00-00-00-00	TELEPHONE - BROADWING LSC Agency Agency Agency Agency		Ending Balance		0.00	819.88
599000	50-00-00-00-00	MISCELLANEOUS EXPENSE LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2009	G/L	6533	TO ALLOCATE LSC CHARGES	1,136.29		1,136.29
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	25,626.10		26,762.39
599000	50-00-00-00-00	MISCELLANEOUS EXPENSE LSC Agency Agency Agency Agency		Ending Balance		0.00	26,762.39
599002	50-00-00-00-00	COURT FEES - CLIENTS LSC		Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	102.97		102.97
599002	50-00-00-00-00	COURT FEES - CLIENTS LSC		Ending Balance		0.00	102.97
599003	50-00-00-00-00	A/R WRITE OFF LSC		Beginning Balance			0.00
	12/31/2009	G/L	5596 12-LSC #1	TO ALLOCATE LSC CHARGES -2009	3,392.77		3,392.77
599003	50-00-00-00-00	A/R WRITE OFF LSC		Ending Balance		0.00	3,392.77
Report Total					4,212,192.24	4.24	4,212,188.00

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LEGAL AID BUREAU, INC.
Account Detail 1/01/2009 to 12/31/2009

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<u>Date</u>	<u>Post Type</u>	<u>Source</u>	<u>Reference</u>	<u>Description</u>	<u>Units</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
162001 12/31/2009	Actual	G/L	12-LSC #1	FURNITURE, FIXTURE, EQUIPMENT LSC Agency Agency Agency TO ALLOCATE LSC CHARGES		17,589.00		17,589.00
				-2009				0.00
162001	50-00-00-00-00	FURNITURE, FIXTURE, EQUIPMENT LSC Agency Agency Agency			0.00	17,589.00	0.00	17,589.00
Report Total					0.00	17,589.00	0.00	17,589.00

LSC Basic Field Grant Year End December 31, 2010

LSC- MD1**REVENUE****Revenue**

400009 GRANTS-FEDERAL-LSC	4,567,053.00
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Total Revenue	4,567,053.00
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EXPENSES

PERSONNEL

Lawyers	1,827,344.01
Paralegals	479,084.39
Other Staff	603,033.97
Employee Benefits	881,549.61

Salary Subtotal	3,791,011.98
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Total Personnel Costs	3,791,011.98
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Non-personnel

NON PERSONNEL

Space-Rent/ Lease	114,378.45
Other Space Expenses	85,347.63
Equipment Rental	24,403.75
Supplies	40,833.48
Telephone	111,912.00
Travel	42,691.64
Travel Board	668.44
Training	16,036.15
Training Board	189.65
Insurance	14,707.64
Library	18,050.78
Dues and Fees - Client Protection Fund	8,318.00
Litigation	10,125.13
Audit	5,727.56
Capital Additions	16,065.63
Contract Services to Clients	21,068.00
Contract Services to Recipient	84,464.60

Other	161,052.44
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Total Non-personnel	776,040.97
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Total Personnel and Non Personnel Costs	4,567,052.95
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LEGAL AID BUREAU, INC.
Year To Date Actual Ledger for Period Ending 12/31/2010

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
500000				LAWYERS SALARIES EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,827,344.01		1,827,344.01
500000				LAWYERS SALARIES EXPENSE LSC Ending Balance	1,827,344.01	0.00	1,827,344.01
501000				CLERICAL STAFF SALARIES EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	171,155.18		171,155.18
501000				CLERICAL STAFF SALARIES EXPENSE LSC Ending Balance	171,155.18	0.00	171,155.18
502000				OTHER STAFF SALARIES EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	431,878.79		431,878.79
502000				OTHER STAFF SALARIES EXPENSE LSC Ending Balance	431,878.79	0.00	431,878.79
503000				PARALEGALS SALARIES EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	479,084.39		479,084.39
503000				PARALEGALS SALARIES EXPENSE LSC Ending Balance	479,084.39	0.00	479,084.39
510000				HEALTH-GROUP LIFE PLAN EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	395,927.36		395,927.36
510000				HEALTH-GROUP LIFE PLAN EXPENSE LSC Agency Agency Agency Agency Ending Balance	395,927.36	0.00	395,927.36
511000				VACATION SALARIES LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	262.63		262.63
511000				VACATION SALARIES LSC Ending Balance	262.63	0.00	262.63
512000				PENSION PLAN EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	17,932.58		17,932.58
512000				PENSION PLAN EXPENSE LSC Ending Balance	17,932.58	0.00	17,932.58
512500				PENSION CONTRIBUTIONS LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	230,655.37		230,655.37
512500				PENSION CONTRIBUTIONS LSC Ending Balance	230,655.37	0.00	230,655.37
516000				FICA EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	212,931.82		212,931.82
516000				FICA EXPENSE LSC Ending Balance	212,931.82	0.00	212,931.82
517000				STATE UNEMPLOYMENT EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	16,954.77		16,954.77
517000				STATE UNEMPLOYMENT EXPENSE LSC Ending Balance	16,954.77	0.00	16,954.77
518000				WORKERS COMPENSATION EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	6,864.99		6,864.99
518000				WORKERS COMPENSATION EXPENSE LSC Ending Balance	6,864.99	0.00	6,864.99
519000				VACATION SALARY EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	20.09		20.09
519000				VACATION SALARY EXPENSE LSC Ending Balance	20.09	0.00	20.09
520000				CONSULTANTS SERVICE EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	30,161.44		30,161.44
520000				CONSULTANTS SERVICE EXPENSE LSC Agency Agency Agency Agency Ending Balance	30,161.44	0.00	30,161.44
520001				WESTLAW EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	19,403.92		19,403.92
520001				WESTLAW EXPENSE LSC Agency Agency Agency Agency Ending Balance	19,403.92	0.00	19,403.92
521000				TEMPORARY SERVICE EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	7,898.61		7,898.61
521000				TEMPORARY SERVICE EXPENSE LSC Agency Agency Agency Agency Ending Balance	7,898.61	0.00	7,898.61
522000				AUDITING SERVICE EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	5,727.56		5,727.56
522000				AUDITING SERVICE EXPENSE LSC Ending Balance	5,727.56	0.00	5,727.56
523000				SPEC ACCOUNTING & BOOKKEEPING EXPENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	5,306.50		5,306.50
523000				SPEC ACCOUNTING & BOOKKEEPING EXPENSE LSC Ending Balance	5,306.50	0.00	5,306.50
523001				OUTSIDE SERVICES - ADP PAYROLL LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	15,232.69		15,232.69
523001				OUTSIDE SERVICES - ADP PAYROLL LSC Agency Agency Agency Agency Ending Balance	15,232.69	0.00	15,232.69
523002				OUTSIDE SERVICES - ADP - SCREENING LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	2,278.44		2,278.44
523002				OUTSIDE SERVICES - ADP - SCREENING LSC Ending Balance	2,278.44	0.00	2,278.44
525000				AWARDS PROGRAM LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1.47		1.47
525000				AWARDS PROGRAM LSC Ending Balance	1.47	0.00	1.47
526000				MEETING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	4,903.35		4,903.35
526000				MEETING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency Ending Balance	4,903.35	0.00	4,903.35

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LEGAL AID BUREAU, INC.
Year To Date Actual Ledger for Period Ending 12/31/2010

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
526001	50-00-00-00-00	EVENT - EMPLOYEES LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	745.34		745.34
526001	50-00-00-00-00	EVENT - EMPLOYEES LSC	Ending Balance		745.34	0.00	745.34
528000	50-00-00-00-00	AWARD EXPENSE - EMPLOYEES LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,440.08		1,440.08
528000	50-00-00-00-00	AWARD EXPENSE - EMPLOYEES LSC	Ending Balance		1,440.08	0.00	1,440.08
529000	50-00-00-00-00	RESOURCE DEVELOPMENT LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	71.12		71.12
529000	50-00-00-00-00	RESOURCE DEVELOPMENT LSC	Ending Balance		71.12	0.00	71.12
529001	50-00-00-00-00	EQUAL JUSTICE COUNCIL LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,655.97		1,655.97
529001	50-00-00-00-00	EQUAL JUSTICE COUNCIL LSC	Ending Balance		1,655.97	0.00	1,655.97
530000	50-00-00-00-00	TRAVEL EXPENSE-LOCAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	4,682.13		4,682.13
530000	50-00-00-00-00	TRAVEL EXPENSE-LOCAL LSC Agency Agency Agency Agency	Ending Balance		4,682.13	0.00	4,682.13
530001	50-00-00-00-00	TRAVEL EXPENSE - CLIENT LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	12.52		12.52
530001	50-00-00-00-00	TRAVEL EXPENSE - CLIENT LSC	Ending Balance		12.52	0.00	12.52
530002	50-00-00-00-00	TRAVEL EXPENSE - LOCAL MILEAGE LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	29,632.00		29,632.00
530002	50-00-00-00-00	TRAVEL EXPENSE - LOCAL MILEAGE LSC Agency Agency Agency Agency	Ending Balance		29,632.00	0.00	29,632.00
530003	50-00-00-00-00	TRAVEL EXPENSE - OUT OF TOWN MILEAGE LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	671.52		671.52
530003	50-00-00-00-00	TRAVEL EXPENSE - OUT OF TOWN MILEAGE LSC Agency Agency Agency Agency	Ending Balance		671.52	0.00	671.52
531000	50-00-00-00-00	OUT OF TOWN TRAVEL EXPENSE LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	7,693.47		7,693.47
531000	50-00-00-00-00	OUT OF TOWN TRAVEL EXPENSE LSC Agency Agency Agency Agency	Ending Balance		7,693.47	0.00	7,693.47
532000	50-00-00-00-00	TRAINING - LEGAL STAFF	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	9,894.44		9,894.44
532000	50-00-00-00-00	TRAINING - LEGAL STAFF	Ending Balance		9,894.44	0.00	9,894.44
533000	50-00-00-00-00	TRAVEL BOARD LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	668.44		668.44
533000	50-00-00-00-00	TRAVEL BOARD LSC Agency Agency Agency Agency	Ending Balance		668.44	0.00	668.44
534000	50-00-00-00-00	TRAINING-CLIENTS LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	157.41		157.41
534000	50-00-00-00-00	TRAINING-CLIENTS LSC Agency Agency Agency Agency	Ending Balance		157.41	0.00	157.41
534001	50-00-00-00-00	TRAINING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	884.87		884.87
534001	50-00-00-00-00	TRAINING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency	Ending Balance		884.87	0.00	884.87
535000	50-00-00-00-00	TRAINING-STAFF LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	5,099.43		5,099.43
535000	50-00-00-00-00	TRAINING-STAFF LSC Agency Agency Agency Agency	Ending Balance		5,099.43	0.00	5,099.43
536000	50-00-00-00-00	TRAINING-BOARD LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	189.65		189.65
536000	50-00-00-00-00	TRAINING-BOARD LSC Agency Agency Agency Agency	Ending Balance		189.65	0.00	189.65
536001	50-00-00-00-00	MEETING - BOD - MEAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	63.22		63.22
536001	50-00-00-00-00	MEETING - BOD - MEAL LSC Agency Agency Agency Agency	Ending Balance		63.22	0.00	63.22
537000	50-00-00-00-00	OTHER PURCHASED SERVICES LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	531.51		531.51
537000	50-00-00-00-00	OTHER PURCHASED SERVICES LSC Agency Agency Agency Agency	Ending Balance		531.51	0.00	531.51
537500	50-00-00-00-00	SUBGRANTS- MVLS LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	21,068.00		21,068.00
537500	50-00-00-00-00	SUBGRANTS- MVLS LSC	Ending Balance		21,068.00	0.00	21,068.00
538000	50-00-00-00-00	TRANSLATION EXPENSE - LANGUAGE LINE LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	3,095.69		3,095.69
538000	50-00-00-00-00	TRANSLATION EXPENSE - LANGUAGE LINE LSC	Ending Balance		3,095.69	0.00	3,095.69
539000	50-00-00-00-00	EVENT EXPENSE - MEAL LSC Agency Agency Agency Agency	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	889.37		889.37
539000	50-00-00-00-00	EVENT EXPENSE - MEAL LSC Agency Agency Agency Agency	Ending Balance		889.37	0.00	889.37
539001	50-00-00-00-00	EVENT EXPENSE - OTHER LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,002.13		1,002.13
539001	50-00-00-00-00	EVENT EXPENSE - OTHER LSC	Ending Balance		1,002.13	0.00	1,002.13

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
540000		50-00-00-00-00		OCCUPANCY-CARE OF BLDG. AND GRDS. EXPENS LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	10,408.15		10,408.15
540000		50-00-00-00-00		OCCUPANCY-CARE OF BLDG. AND GRDS. EXPENS LSC Agency Agency Agency Agency Ending Balance			10,408.15
540001		50-00-00-00-00		BUILDING - SECURITY LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	6,578.25		6,578.25
540001		50-00-00-00-00		BUILDING - SECURITY LSC Agency Agency Agency Agency Ending Balance	6,578.25	0.00	6,578.25
540002		50-00-00-00-00		BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	42.29		42.29
540002		50-00-00-00-00		BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency Ending Balance	42.29	0.00	42.29
541000		50-00-00-00-00		BUILDING - CLEANING & TRASH REMOVAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	25,607.37		25,607.37
541000		50-00-00-00-00		BUILDING - CLEANING & TRASH REMOVAL LSC Agency Agency Agency Agency Ending Balance	25,607.37	0.00	25,607.37
542000		50-00-00-00-00		BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	4,557.17		4,557.17
542000		50-00-00-00-00		BUILDING - REPAIR & MAINTENANCE LSC Agency Agency Agency Agency Ending Balance	4,557.17	0.00	4,557.17
543000		50-00-00-00-00		REAL ESTATE TAXES AND INSURANCE EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	3,320.66		3,320.66
543000		50-00-00-00-00		REAL ESTATE TAXES AND INSURANCE EXPENSE LSC Agency Agency Agency Agency Ending Balance	3,320.66		3,320.66
543001		50-00-00-00-00		INSURANCE EXPENSE - THE BRETHREN MUTUAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	3,918.33		3,918.33
543001		50-00-00-00-00		INSURANCE EXPENSE - THE BRETHREN MUTUAL LSC Agency Agency Agency Agency Ending Balance	3,918.33		3,918.33
544000		50-00-00-00-00		RENT EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	114,378.45		114,378.45
544000		50-00-00-00-00		RENT EXPENSE LSC Agency Agency Agency Agency Ending Balance	114,378.45	0.00	114,378.45
545000		50-00-00-00-00		UTILITIES EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	34,833.74		34,833.74
545000		50-00-00-00-00		UTILITIES EXPENSE LSC Agency Agency Agency Agency Ending Balance	34,833.74	0.00	34,833.74
546000		50-00-00-00-00		OFFICE EXPENSE - WATER LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,391.83		1,391.83
546000		50-00-00-00-00		OFFICE EXPENSE - WATER LSC Ending Balance	1,391.83	0.00	1,391.83
549000		50-00-00-00-00		EXPENDABLE OFFICE EQUIPMENT/SOFTWARE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	12,715.33		12,715.33
549000		50-00-00-00-00		EXPENDABLE OFFICE EQUIPMENT/SOFTWARE LSC Agency Agency Agency Agency Ending Balance	12,715.33		12,715.33
549001		50-00-00-00-00		COMPUTER SOFTWARE LICENSE LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	397.89		397.89
549001		50-00-00-00-00		COMPUTER SOFTWARE LICENSE LSC Ending Balance	397.89	0.00	397.89
550000		50-00-00-00-00		OFFICE SUPPLIES EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	24,866.28		24,866.28
550000		50-00-00-00-00		OFFICE SUPPLIES EXPENSE LSC Agency Agency Agency Agency Ending Balance	24,866.28	0.00	24,866.28
550001		50-00-00-00-00		OFFICE EXPENSE - ARAMARK LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	65.19		65.19
550001		50-00-00-00-00		OFFICE EXPENSE - ARAMARK LSC Agency Agency Agency Agency Ending Balance	65.19	0.00	65.19
551000		50-00-00-00-00		OUTSIDE PRINTING AND ARTWORK EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	7,206.86		7,206.86
551000		50-00-00-00-00		OUTSIDE PRINTING AND ARTWORK EXPENSE LSC Agency Agency Agency Agency Ending Balance	7,206.86	0.00	7,206.86
552000		50-00-00-00-00		POSTAGE AND SHIPPING EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	7,749.18		7,749.18
552000		50-00-00-00-00		POSTAGE AND SHIPPING EXPENSE LSC Agency Agency Agency Agency Ending Balance	7,749.18	0.00	7,749.18
552001		50-00-00-00-00		DELIVERY - MESSENGER LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	781.23		781.23
552001		50-00-00-00-00		DELIVERY - MESSENGER LSC Agency Agency Agency Agency Ending Balance	781.23	0.00	781.23
552002		50-00-00-00-00		DELIVERY - MAIL SERVICES LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	164.74		164.74
552002		50-00-00-00-00		DELIVERY - MAIL SERVICES LSC Agency Agency Agency Agency Ending Balance	164.74	0.00	164.74
553000		50-00-00-00-00		SUBSCRIPTION AND PUBLICATION EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	18,042.25		18,042.25
553000		50-00-00-00-00		SUBSCRIPTION AND PUBLICATION EXPENSE LSC Agency Agency Agency Agency Ending Balance	18,042.25	0.00	18,042.25
553001		50-00-00-00-00		SUBSCRIPTION -OTHER LSC Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	8.53		8.53
553001		50-00-00-00-00		SUBSCRIPTION -OTHER LSC Ending Balance	8.53	0.00	8.53

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LEGAL AID BUREAU, INC.
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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
555000	50-00-00-00-00	RECRUITMENT EXPENSE LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	555.80		555.80
555000	50-00-00-00-00	RECRUITMENT EXPENSE LSC	Ending Balance		555.80	0.00	555.80
560000	50-00-00-00-00	LITIGATION COSTS EXPENSE-COURT COST LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	9,961.55		9,961.55
560000	50-00-00-00-00	LITIGATION COSTS EXPENSE-COURT COST LSC	Agency Agency Agency Agency	Ending Balance	0.00		9,961.55
560001	50-00-00-00-00	LITIGATION EXPENSE - PRIVATE PROCESS LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	163.58		163.58
560001	50-00-00-00-00	LITIGATION EXPENSE - PRIVATE PROCESS LSC	Ending Balance		163.58	0.00	163.58
561000	50-00-00-00-00	BANK CHARGES LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	51.38		51.38
561000	50-00-00-00-00	BANK CHARGES LSC	Agency Agency Agency Agency	Ending Balance	51.38	0.00	51.38
562000	50-00-00-00-00	SCANN & SHRED EXPENSE LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,045.95		1,045.95
562000	50-00-00-00-00	SCANN & SHRED EXPENSE LSC	Agency Agency Agency Agency	Ending Balance	0.00		1,045.95
570000	50-00-00-00-00	DUES-PROF. COSTS EXPENSE LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	8,318.00		8,318.00
570000	50-00-00-00-00	DUES-PROF. COSTS EXPENSE LSC	Agency Agency Agency Agency	Ending Balance	0.00		8,318.00
574000	50-00-00-00-00	REPAIR & MAINTANACE - SOFTWARE LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	14,502.30		14,502.30
574000	50-00-00-00-00	REPAIR & MAINTANACE - SOFTWARE LSC	Ending Balance		14,502.30	0.00	14,502.30
580000	50-00-00-00-00	EQUIPMENT RENTAL EXPENSE LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	5,889.29		5,889.29
580000	50-00-00-00-00	EQUIPMENT RENTAL EXPENSE LSC	Agency Agency Agency Agency	Ending Balance	0.00		5,889.29
581000	50-00-00-00-00	EQUIPMENT CONTRACT & REPAIRS EXPENSE LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	18,514.46		18,514.46
581000	50-00-00-00-00	EQUIPMENT CONTRACT & REPAIRS EXPENSE LSC	Agency Agency Agency Agency	Ending Balance	0.00		18,514.46
589000	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER EQUIP LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,293.33		1,293.33
589000	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER EQUIP LSC	Agency Agency Agency Agency	Ending Balance	0.00		1,293.33
589001	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER SOFTWARE LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	1,369.71		1,369.71
589001	50-00-00-00-00	DEPRECIATION EXPENSE - COMPUTER SOFTWARE LSC	Ending Balance		1,369.71	0.00	1,369.71
590000	50-00-00-00-00	DEPRECIATION EXPENSE BUILDINGS LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	54,085.82		54,085.82
590000	50-00-00-00-00	DEPRECIATION EXPENSE BUILDINGS LSC	Agency Agency Agency Agency	Ending Balance	0.00		54,085.82
591000	50-00-00-00-00	DEPRECIATION-FURNITURE, EQUIPMENT, FIXT. LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	56,190.58		56,190.58
591000	50-00-00-00-00	DEPRECIATION-FURNITURE, EQUIPMENT, FIXT. LSC	Agency Agency Agency Agency	Ending Balance	0.00		56,190.58
592000	50-00-00-00-00	DEPRECIATION EXPENSE - LEASEHOLDS LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	234.14		234.14
592000	50-00-00-00-00	DEPRECIATION EXPENSE - LEASEHOLDS LSC	Ending Balance		234.14	0.00	234.14
595000	50-00-00-00-00	GAIN/LOSS ON SALE OF EQUIPMENT LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	52.72		52.72
595000	50-00-00-00-00	GAIN/LOSS ON SALE OF EQUIPMENT LSC	Agency Agency Agency Agency	Ending Balance	0.00		52.72
596000	50-00-00-00-00	BONDING INSURANCE LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	10,789.31		10,789.31
596000	50-00-00-00-00	BONDING INSURANCE LSC	Ending Balance		10,789.31	0.00	10,789.31
598000	50-00-00-00-00	COMMUNICATIONS - TELEPHONE/INTERNET LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	6,183.47		6,183.47
598000	50-00-00-00-00	COMMUNICATIONS - TELEPHONE/INTERNET LSC	Agency Agency Agency Agency	Ending Balance	0.00		6,183.47
598001	50-00-00-00-00	TELEPHONE - AT&T LAND LINES LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	27,402.50		27,402.50
598001	50-00-00-00-00	TELEPHONE - AT&T LAND LINES LSC	Agency Agency Agency Agency	Ending Balance	0.00		27,402.50
598002	50-00-00-00-00	TELEPHONE - VERIZON CELL PHONES LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	163.93		163.93
598002	50-00-00-00-00	TELEPHONE - VERIZON CELL PHONES LSC	Ending Balance		163.93	0.00	163.93
598004	50-00-00-00-00	INTERNET CONNECTION LSC	Agency Agency Agency Agency	Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	7,864.44		7,864.44
598004	50-00-00-00-00	INTERNET CONNECTION LSC	Agency Agency Agency Agency	Ending Balance	0.00		7,864.44
598005	50-00-00-00-00	TELE LAWYER LSC	Beginning Balance				0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	13,666.84		13,666.84
598005	50-00-00-00-00	TELE LAWYER LSC	Ending Balance		13,666.84	0.00	13,666.84

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LEGAL AID BUREAU, INC.
Year To Date Actual Ledger for Period Ending 12/31/2010

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<u>Account</u>	<u>Date</u>	<u>Source</u>	<u>JE Reference</u>	<u>Description</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
598007	50-00-00-00-00	MX LOGIC - EMAIL FILTER LSC		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	455.17		455.17
598007	50-00-00-00-00	MX LOGIC - EMAIL FILTER LSC		Ending Balance	455.17	0.00	455.17
598008	50-00-00-00-00	TELEPHONE - VERIZON - LAND LINES LSC		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	3,214.30		3,214.30
598008	50-00-00-00-00	TELEPHONE - VERIZON - LAND LINES LSC		Ending Balance	3,214.30	0.00	3,214.30
598009	50-00-00-00-00	TELEPHONE - ATX - LAND LINES LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	12,701.65		12,701.65
598009	50-00-00-00-00	TELEPHONE - ATX - LAND LINES LSC Agency Agency Agency Agency		Ending Balance	12,701.65	0.00	12,701.65
598010	50-00-00-00-00	TELEPHONE - BROADVIEW - LAND LINES LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	8,794.93		8,794.93
598010	50-00-00-00-00	TELEPHONE - BROADVIEW - LAND LINES LSC Agency Agency Agency Agency		Ending Balance	8,794.93	0.00	8,794.93
598011	50-00-00-00-00	TELEPHONE - VERIZON BUSINESS - SECONDARY INTERNET ACCESS LSC Agency Agency Agency		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	2,171.93		2,171.93
598011	50-00-00-00-00	TELEPHONE - VERIZON BUSINESS - SECONDARY INTERNET ACCESS LSC Agency Agency Agency		Ending Balance	2,171.93	0.00	2,171.93
598013	50-00-00-00-00	TELEPHONE - PAETEC LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	10,470.09		10,470.09
598013	50-00-00-00-00	TELEPHONE - PAETEC LSC Agency Agency Agency Agency		Ending Balance	10,470.09	0.00	10,470.09
598014	50-00-00-00-00	TELEPHONE - SPRINT LSC		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	18,374.14		18,374.14
598014	50-00-00-00-00	TELEPHONE - SPRINT LSC		Ending Balance	18,374.14	0.00	18,374.14
598015	50-00-00-00-00	TELEPHONE - BROADWING LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	448.61		448.61
598015	50-00-00-00-00	TELEPHONE - BROADWING LSC Agency Agency Agency Agency		Ending Balance	448.61	0.00	448.61
599000	50-00-00-00-00	MISCELLANEOUS EXPENSE LSC Agency Agency Agency Agency		Beginning Balance			0.00
	12/31/2010	G/L	5594 12-LSC #1	TO ALLOCATE LSC CHARGES -2010	6,949.41		6,949.41
599000	50-00-00-00-00	MISCELLANEOUS EXPENSE LSC Agency Agency Agency Agency		Ending Balance	6,949.41	0.00	6,949.41
Report Total					4,550,987.32	0.00	4,550,987.32

LEGAL AID BUREAU, INC.
Account Detail 1/01/2010 to 12/31/2010

<u>Date</u>	<u>Post Type</u>	<u>Source</u>	<u>Reference</u>	<u>Description</u>	<u>Units</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
162001 50-00-00-00-00	Actual	G/L	12-LSC #1	FURNITURE, FIXTURE, EQUIPMENT LSC Agency Agency				0.00
12/31/2010				TO ALLOCATE LSC CHARGES -2010		6,834.54		6,834.54
162001 50-00-00-00-00				FURNITURE, FIXTURE, EQUIPMENT LSC Agency Agency	0.00	6,834.54	0.00	6,834.54
Total								
162001 50-02-23-82-86	Actual	G/L	FA-2010	FURNITURE AGENCY				0.00
12/31/2010				TO RECLASSIFY FIXED ASSET - FURN & ACCUM DEPR FROM 50-02-23-82-86 TO 50-23-19-82-86			6,497.89	(6,497.89)
162001 50-02-23-82-86				FURNITURE AGENCY Total	0.00	0.00	6,497.89	(6,497.89)
162001 50-23-19-82-86	Actual	G/L	FA-2010	FURNITURE, FIXTURE, EQUIPMENT LSC TAL US BONO				0.00
12/31/2010				HOTLINE		6,497.89		6,497.89
162001 50-23-19-82-86				FURNITURE, FIXTURE, EQUIPMENT LSC TAL US BONO	0.00	6,497.89	0.00	6,497.89
HOTLINE Total								
163001 50-00-00-00-00	Actual	G/L	12-LSC #1	COMPUTER SOFTWARE LSC Agency				0.00
12/31/2010				TO ALLOCATE LSC CHARGES -2010		9,231.09		9,231.09
163001 50-00-00-00-00				COMPUTER SOFTWARE LSC Agency Total	0.00	9,231.09	0.00	9,231.09
Report Total								
					0.00	22,563.52	6,497.89	16,065.63

LSC Grant - December 31, 2011

LSC - MD1**REVENUE****Revenue**

400009 GRANTS-FEDERAL-LSC	4,378,261.00
431050 LSC DERIVATIVE INCOME	127,623.76

Total Revenue	4,505,884.76
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EXPENSES**PERSONNEL**

Lawyers	1,830,162.16
Paralegals	493,637.81
Other Staff	668,625.38
Employee Benefits	837,479.88

Salary Subtotal	3,829,905.23
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Total Personnel Costs	3,829,905.23
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Non-personnel

NON PERSONNEL

Space-Rent/ Lease	117,343.64
Other Space Expenses	91,353.00
Equipment Rental	26,011.07
Supplies	43,187.91
Telephone	109,205.35
Travel	39,290.23
Travel Board	450.41
Training	16,312.91
Insurance	19,598.21
Library	17,628.60
Litigation	5,579.65
Audit	6,589.63
Contract Services to Clients	39,990.00
Contract Services to Recipient	89,144.17

Other	54,294.60
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Total Non-personnel	675,979.38
Total Personnel and Non Personnel Costs	4,505,884.61

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LEGAL AID BUREAU, INC.
Year To Date Actual Ledger for Period Ending 12/31/2011

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
500000				LAWYERS SALARIES EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,297,438.30		1,297,438.30
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	532,723.86		1,830,162.16
500000				LAWYERS SALARIES EXPENSE LSC Ending Balance	1,830,162.16	0.00	1,830,162.16
501000				CLERICAL STAFF SALARIES EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	128,281.50		128,281.50
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	48,783.45		177,064.95
501000				CLERICAL STAFF SALARIES EXPENSE LSC Ending Balance	177,064.95	0.00	177,064.95
502000				OTHER STAFF SALARIES EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	326,047.56		326,047.56
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	126,558.71		452,606.27
502000				OTHER STAFF SALARIES EXPENSE LSC Ending Balance	452,606.27	0.00	452,606.27
503000				PARALEGALS SALARIES EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	354,504.16		354,504.16
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	139,133.65		493,637.81
503000				PARALEGALS SALARIES EXPENSE LSC Ending Balance	493,637.81	0.00	493,637.81
504000				SUPPORT STAFF SALARIES - LEGAL LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	30,787.95		30,787.95
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	8,166.21		38,954.16
504000				SUPPORT STAFF SALARIES - LEGAL LSC Ending Balance	38,954.16	0.00	38,954.16
510000				HEALTH-GROUP LIFE PLAN EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	300,909.39		300,909.39
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	131,329.75		432,239.14
510000				HEALTH-GROUP LIFE PLAN EXPENSE LSC Agency Agency Agency Agency Ending Balance	432,239.14	0.00	432,239.14
510001				PAYFLEX ADMIN COSTS LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	666.00		666.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	236.92		902.92
510001				PAYFLEX ADMIN COSTS LSC Ending Balance	902.92	0.00	902.92
510002				EMPLOYEE ASSISTANCE PROGRAM LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	375.22		375.22
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	22.08		397.30
510002				EMPLOYEE ASSISTANCE PROGRAM LSC Ending Balance	397.30	0.00	397.30
511000				VACATION SALARIES LSC Beginning Balance			0.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,206.83		2,206.83
511000				VACATION SALARIES LSC Ending Balance	2,206.83	0.00	2,206.83
512000				PENSION PLAN EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	19,151.87		19,151.87
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	4,311.07		23,462.94
512000				PENSION PLAN EXPENSE LSC Ending Balance	23,462.94	0.00	23,462.94
512500				PENSION CONTRIBUTIONS LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	90,000.00		90,000.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	5,294.79		95,294.79
512500				PENSION CONTRIBUTIONS LSC Ending Balance	95,294.79	0.00	95,294.79
513000				EMPLOYER 401K CONTRIBUTIONS Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	19,573.73		19,573.73
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	16,334.30		35,908.03
513000				EMPLOYER 401K CONTRIBUTIONS Ending Balance	35,908.03	0.00	35,908.03
516000				FICA EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	156,685.98		156,685.98
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	61,804.31		218,490.29
516000				FICA EXPENSE LSC Ending Balance	218,490.29	0.00	218,490.29
517000				STATE UNEMPLOYMENT EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	18,166.13		18,166.13
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,820.16		19,986.29
517000				STATE UNEMPLOYMENT EXPENSE LSC Ending Balance	19,986.29	0.00	19,986.29

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
518000				50-00-00-00-00 WORKERS COMPENSATION EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	6,497.01		6,497.01
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,925.52		8,422.53
518000				50-00-00-00-00 WORKERS COMPENSATION EXPENSE LSC Ending Balance	8,422.53	0.00	8,422.53
519000				50-00-00-00-00 VACATION SALARY EXPENSE LSC Beginning Balance			0.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	168.82		168.82
519000				50-00-00-00-00 VACATION SALARY EXPENSE LSC Ending Balance	168.82	0.00	168.82
520000				50-00-00-00-00 CONSULTANTS SERVICE EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	21,840.08		21,840.08
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	7,607.06		29,447.14
520000				50-00-00-00-00 CONSULTANTS SERVICE EXPENSE LSC Agency Agency Agency Agency Ending Balance	29,447.14	0.00	29,447.14
520001				50-00-00-00-00 WESTLAW EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	10,928.88		10,928.88
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	5,139.35		16,068.23
520001				50-00-00-00-00 WESTLAW EXPENSE LSC Agency Agency Agency Agency Ending Balance	16,068.23	0.00	16,068.23
521000				50-00-00-00-00 TEMPORARY SERVICE EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,303.88		1,303.88
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,310.79		3,614.67
521000				50-00-00-00-00 TEMPORARY SERVICE EXPENSE LSC Agency Agency Agency Agency Ending Balance	3,614.67	0.00	3,614.67
522000				50-00-00-00-00 AUDITING SERVICE EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	6,223.50		6,223.50
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	366.13		6,589.63
522000				50-00-00-00-00 AUDITING SERVICE EXPENSE LSC Ending Balance	6,589.63	0.00	6,589.63
523000				50-00-00-00-00 SPEC ACCOUNTING & BOOKKEEPING EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	8,628.29		8,628.29
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	3,451.00		12,079.29
523000				50-00-00-00-00 SPEC ACCOUNTING & BOOKKEEPING EXPENSE LSC Ending Balance	12,079.29	0.00	12,079.29
523001				50-00-00-00-00 OUTSIDE SERVICES - ADP PAYROLL LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	7,030.41		7,030.41
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,891.01		9,921.42
523001				50-00-00-00-00 OUTSIDE SERVICES - ADP PAYROLL LSC Agency Agency Agency Agency Ending Balance	9,921.42	0.00	9,921.42
523002				50-00-00-00-00 OUTSIDE SERVICES - ADP - SCREENING LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,723.13		2,723.13
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	557.61		3,280.74
523002				50-00-00-00-00 OUTSIDE SERVICES - ADP - SCREENING LSC Ending Balance	3,280.74	0.00	3,280.74
526000				50-00-00-00-00 MEETING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,824.30		2,824.30
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,002.61		3,826.91
526000				50-00-00-00-00 MEETING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency Ending Balance	3,826.91	0.00	3,826.91
526001				50-00-00-00-00 EVENT - EMPLOYEES LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	61.15		61.15
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		61.15	0.00
526001				50-00-00-00-00 EVENT - EMPLOYEES LSC Ending Balance	61.15	61.15	0.00
528000				50-00-00-00-00 AWARD EXPENSE - EMPLOYEES LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	40.50		40.50
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	578.92		619.42
528000				50-00-00-00-00 AWARD EXPENSE - EMPLOYEES LSC Ending Balance	619.42	0.00	619.42
529000				50-00-00-00-00 RESOURCE DEVELOPMENT LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	469.33		469.33
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		442.24	27.09
529000				50-00-00-00-00 RESOURCE DEVELOPMENT LSC Ending Balance	469.33	442.24	27.09
529001				50-00-00-00-00 EQUAL JUSTICE COUNCIL LSC Beginning Balance			0.00
	9/09/2011	A/P	2011-09-09	ALLEN, AUDRA REIMBURSEMENT FOR PARKING EJC	23.00		23.00
	9/30/2011	G/L	5699 9-620	TO CORRECT A/C NUMBER		23.00	0.00

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	9/30/2011	G/L	5995 9-623	TO COORECT COST CENTER		23.00	(23.00)
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,493.08		1,470.08
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	138.52		1,608.60
529001	50-00-00-00-00			EQUAL JUSTICE COUNCIL LSC Ending Balance	1,654.60	46.00	1,608.60
530000	50-00-00-00-00			TRAVEL EXPENSE-LOCAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,997.39		1,997.39
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,290.76		3,288.15
530000	50-00-00-00-00			TRAVEL EXPENSE-LOCAL LSC Agency Agency Agency Agency Ending Balance	3,288.15	0.00	3,288.15
530002	50-00-00-00-00			TRAVEL EXPENSE - LOCAL MILEAGE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	18,826.35		18,826.35
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	12,865.35		31,691.70
530002	50-00-00-00-00			TRAVEL EXPENSE - LOCAL MILEAGE LSC Agency Agency Agency Agency Ending Balance	31,691.70	0.00	31,691.70
530003	50-00-00-00-00			TRAVEL EXPENSE - OUT OF TOWN MILEAGE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	58.93		58.93
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	159.92		218.85
530003	50-00-00-00-00			TRAVEL EXPENSE - OUT OF TOWN MILEAGE LSC Agency Agency Agency Agency Ending Balance	218.85	0.00	218.85
531000	50-00-00-00-00			OUT OF TOWN TRAVEL EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,879.51		2,879.51
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,212.02		4,091.53
531000	50-00-00-00-00			OUT OF TOWN TRAVEL EXPENSE LSC Agency Agency Agency Agency Ending Balance	4,091.53	0.00	4,091.53
532000	50-00-00-00-00			TRAINING - LEGAL STAFF Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	4,449.87		4,449.87
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,757.69		7,207.56
532000	50-00-00-00-00			TRAINING - LEGAL STAFF Ending Balance	7,207.56	0.00	7,207.56
533000	50-00-00-00-00			TRAVEL BOARD LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	238.68		238.68
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	211.73		450.41
533000	50-00-00-00-00			TRAVEL BOARD LSC Agency Agency Agency Agency Ending Balance	450.41	0.00	450.41
534001	50-00-00-00-00			TRAINING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	423.84		423.84
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	139.98		563.82
534001	50-00-00-00-00			TRAINING - EMPLOYEES - MEAL LSC Agency Agency Agency Agency Ending Balance	563.82	0.00	563.82
535000	50-00-00-00-00			TRAINING-STAFF LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,962.27		1,962.27
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	6,579.26		8,541.53
535000	50-00-00-00-00			TRAINING-STAFF LSC Agency Agency Agency Agency Ending Balance	8,541.53	0.00	8,541.53
537000	50-00-00-00-00			OTHER PURCHASED SERVICES LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,836.00		1,836.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	3,157.45		4,993.45
537000	50-00-00-00-00			OTHER PURCHASED SERVICES LSC Agency Agency Agency Agency Ending Balance	4,993.45	0.00	4,993.45
537500	50-00-00-00-00			SUBGRANTS- MVLS LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	4,798.80		4,798.80
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	35,191.20		39,990.00
537500	50-00-00-00-00			SUBGRANTS- MVLS LSC Ending Balance	39,990.00	0.00	39,990.00
537600	50-00-00-00-00			SUBGRANTS- VAWA LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	3,570.93		3,570.93
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,456.73		5,027.66
537600	50-00-00-00-00			SUBGRANTS- VAWA LSC Ending Balance	5,027.66	0.00	5,027.66
538000	50-00-00-00-00			TRANSLATION EXPENSE - LANGUAGE LINE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,490.70		2,490.70
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,355.05		3,845.75
538000	50-00-00-00-00			TRANSLATION EXPENSE - LANGUAGE LINE LSC Ending Balance	3,845.75	0.00	3,845.75
539000	50-00-00-00-00			EVENT EXPENSE - MEAL LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,818.26		2,818.26

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,317.35		4,135.61
539000	50-00-00-00-00	EVENT EXPENSE - MEAL	LSC Agency Agency Agency Agency	Agency Ending Balance	135.61	0.00	4,135.61
539001	50-00-00-00-00	EVENT EXPENSE - OTHER	LSC Beginning Balance				0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,894.47		1,894.47
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		677.01	1,217.46
539001	50-00-00-00-00	EVENT EXPENSE - OTHER	LSC Ending Balance		1,894.47	677.01	1,217.46
540000	50-00-00-00-00	OCCUPANCY-CARE OF BLDG. AND GRDS. EXPENS	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	7,725.44		7,725.44
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,553.82		10,279.26
540000	50-00-00-00-00	OCCUPANCY-CARE OF BLDG. AND GRDS. EXPENS	LSC Agency Agency Agency Agency	Agency Ending Balance	2,553.82		10,279.26
540001	50-00-00-00-00	BUILDING - SECURITY	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	5,239.68		5,239.68
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,414.79		7,654.47
540001	50-00-00-00-00	BUILDING - SECURITY	LSC Agency Agency Agency Agency	Agency Ending Balance	7,654.47	0.00	7,654.47
540002	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	460.22		460.22
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,832.49		3,292.71
540002	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE	LSC Agency Agency Agency Agency	Agency Ending Balance	3,292.71	0.00	3,292.71
541000	50-00-00-00-00	BUILDING - CLEANING & TRASH REMOVAL	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	13,980.23		13,980.23
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	5,745.88		19,726.11
541000	50-00-00-00-00	BUILDING - CLEANING & TRASH REMOVAL	LSC Agency Agency Agency Agency	Agency Ending Balance	19,726.11	0.00	19,726.11
542000	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	3,958.42		3,958.42
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	7,608.47		11,566.89
542000	50-00-00-00-00	BUILDING - REPAIR & MAINTENANCE	LSC Agency Agency Agency Agency	Agency Ending Balance	11,566.89	0.00	11,566.89
543000	50-00-00-00-00	REAL ESTATE TAXES AND INSURANCE EXPENSE	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,493.73		1,493.73
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	744.42		2,238.15
543000	50-00-00-00-00	REAL ESTATE TAXES AND INSURANCE EXPENSE	LSC Agency Agency Agency Agency	Agency Ending Balance	2,238.15	0.00	2,238.15
543001	50-00-00-00-00	INSURANCE EXPENSE - THE BRETHREN MUTUAL	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,145.38		2,145.38
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,284.97		3,430.35
543001	50-00-00-00-00	INSURANCE EXPENSE - THE BRETHREN MUTUAL	LSC Agency Agency Agency Agency	Agency Ending Balance	3,430.35	0.00	3,430.35
544000	50-00-00-00-00	RENT EXPENSE	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	84,582.14		84,582.14
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	32,761.50		117,343.64
544000	50-00-00-00-00	RENT EXPENSE	LSC Agency Agency Agency Agency	Agency Ending Balance	117,343.64	0.00	117,343.64
545000	50-00-00-00-00	UTILITIES EXPENSE	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	27,177.45		27,177.45
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	9,417.96		36,595.41
545000	50-00-00-00-00	UTILITIES EXPENSE	LSC Agency Agency Agency Agency	Agency Ending Balance	36,595.41	0.00	36,595.41
546000	50-00-00-00-00	OFFICE EXPENSE - WATER	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,384.53		1,384.53
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	490.23		1,874.76
546000	50-00-00-00-00	OFFICE EXPENSE - WATER	LSC Agency Agency Agency Agency	Agency Ending Balance	1,874.76	0.00	1,874.76
549000	50-00-00-00-00	EXPENDABLE OFFICE EQUIPMENT/SOFTWARE	LSC Agency Agency Agency Agency	Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	15,371.35		15,371.35
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		8,578.96	6,792.39
549000	50-00-00-00-00	EXPENDABLE OFFICE EQUIPMENT/SOFTWARE	LSC Agency Agency Agency Agency	Agency Ending Balance	15,371.35	8,578.96	6,792.39

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
549001				50-00-00-00-00 COMPUTER SOFTWARE LICENSE LSC Beginning Balance			0.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,781.63		1,781.63
549001				50-00-00-00-00 COMPUTER SOFTWARE LICENSE LSC Ending Balance	1,781.63	0.00	1,781.63
550000				50-00-00-00-00 OFFICE SUPPLIES EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	17,035.73		17,035.73
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	7,599.14		24,634.87
550000				50-00-00-00-00 OFFICE SUPPLIES EXPENSE LSC Agency Agency Agency Agency Ending Balance	24,634.87	0.00	24,634.87
551000				50-00-00-00-00 OUTSIDE PRINTING AND ARTWORK EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	4,790.78		4,790.78
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,837.52		7,628.30
551000				50-00-00-00-00 OUTSIDE PRINTING AND ARTWORK EXPENSE LSC Agency Agency Agency Agency Ending Balance	7,628.30	0.00	7,628.30
552000				50-00-00-00-00 POSTAGE AND SHIPPING EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	6,841.47		6,841.47
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,708.25		9,549.72
552000				50-00-00-00-00 POSTAGE AND SHIPPING EXPENSE LSC Agency Agency Agency Agency Ending Balance	9,549.72	0.00	9,549.72
552001				50-00-00-00-00 DELIVERY - MESSENGER LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	754.37		754.37
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	620.65		1,375.02
552001				50-00-00-00-00 DELIVERY - MESSENGER LSC Agency Agency Agency Agency Ending Balance	1,375.02	0.00	1,375.02
553000				50-00-00-00-00 SUBSCRIPTION AND PUBLICATION EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	12,507.64		12,507.64
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	5,082.80		17,590.44
553000				50-00-00-00-00 SUBSCRIPTION AND PUBLICATION EXPENSE LSC Agency Agency Agency Agency Ending Balance	17,590.44	0.00	17,590.44
553001				50-00-00-00-00 SUBSCRIPTION -OTHER LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	36.04		36.04
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2.12		38.16
553001				50-00-00-00-00 SUBSCRIPTION -OTHER LSC Ending Balance	38.16	0.00	38.16
555000				50-00-00-00-00 RECRUITMENT EXPENSE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	839.48		839.48
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	26.34		865.82
555000				50-00-00-00-00 RECRUITMENT EXPENSE LSC Ending Balance	865.82	0.00	865.82
560000				50-00-00-00-00 LITIGATION COSTS EXPENSE-COURT COST LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	3,111.85		3,111.85
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,467.80		5,579.65
560000				50-00-00-00-00 LITIGATION COSTS EXPENSE-COURT COST LSC Agency Agency Agency Agency Ending Balance	5,579.65	0.00	5,579.65
561000				50-00-00-00-00 BANK CHARGES LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011		69.04	(69.04)
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		4.06	(73.10)
561000				50-00-00-00-00 BANK CHARGES LSC Agency Agency Agency Agency Ending Balance	0.00	73.10	(73.10)
562000				50-00-00-00-00 SCANN & SHRED EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	585.74		585.74
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	439.11		1,024.85
562000				50-00-00-00-00 SCANN & SHRED EXPENSE LSC Agency Agency Agency Agency Ending Balance	1,024.85	0.00	1,024.85
570000				50-00-00-00-00 DUES-PROF. COSTS EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011 CLIENT PROTECT FUND	5,278.23		5,278.23
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		5,278.23	0.00
570000				50-00-00-00-00 DUES-PROF. COSTS EXPENSE LSC Agency Agency Agency Agency Ending Balance	5,278.23	5,278.23	0.00
574000				50-00-00-00-00 REPAIR & MAINTANACE - SOFTWARE LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	12,271.42		12,271.42
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	13,072.31		25,343.73
574000				50-00-00-00-00 REPAIR & MAINTANACE - SOFTWARE LSC Ending Balance	25,343.73	0.00	25,343.73
580000				50-00-00-00-00 EQUIPMENT RENTAL EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	4,010.61		4,010.61
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,549.08		5,559.69
580000				50-00-00-00-00 EQUIPMENT RENTAL EXPENSE LSC Agency Agency Agency Agency Ending Balance	5,559.69	0.00	5,559.69

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
581000				EQUIPMENT CONTRACT & REPAIRS EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	20,268.64		20,268.64
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	182.74		20,451.38
581000				EQUIPMENT CONTRACT & REPAIRS EXPENSE LSC Agency Agency Agency Agency Ending Balance			20,451.38
589000				DEPRECIATION EXPENSE - COMPUTER EQUIP LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	840.13		840.13
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		840.13	0.00
589000				DEPRECIATION EXPENSE - COMPUTER EQUIP LSC Agency Agency Agency Agency Ending Balance			0.00
589001				DEPRECIATION EXPENSE - COMPUTER SOFTWARE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,539.56		2,539.56
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		2,539.56	0.00
589001				DEPRECIATION EXPENSE - COMPUTER SOFTWARE LSC Agency Agency Agency Agency Ending Balance	2,539.56	2,539.56	0.00
590000				DEPRECIATION EXPENSE BUILDINGS LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	38,499.43		38,499.43
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		38,499.43	0.00
590000				DEPRECIATION EXPENSE BUILDINGS LSC Agency Agency Agency Agency Ending Balance	38,499.43	38,499.43	0.00
591000				DEPRECIATION-FURNITURE, EQUIPMENT, FIXT. LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	41,180.05		41,180.05
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		41,180.05	0.00
591000				DEPRECIATION-FURNITURE, EQUIPMENT, FIXT. LSC Agency Agency Agency Agency Ending Balance	41,180.05	41,180.05	0.00
592000				DEPRECIATION EXPENSE - LEASEHOLDS LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	166.67		166.67
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		166.67	0.00
592000				DEPRECIATION EXPENSE - LEASEHOLDS LSC Agency Agency Agency Agency Ending Balance	166.67	166.67	0.00
596000				BONDING INSURANCE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	10,435.44		10,435.44
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	5,732.42		16,167.86
596000				BONDING INSURANCE LSC Agency Agency Agency Agency Ending Balance	16,167.86	0.00	16,167.86
597000				INTEREST EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	13,936.16		13,936.16
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES		13,936.16	0.00
597000				INTEREST EXPENSE LSC Agency Agency Agency Agency Ending Balance	13,936.16	13,936.16	0.00
598000				COMMUNICATIONS - TELEPHONE/INTERNET LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	6,103.00		6,103.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	4,173.30		10,276.30
598000				COMMUNICATIONS - TELEPHONE/INTERNET LSC Agency Agency Agency Agency Ending Balance	10,276.30	0.00	10,276.30
598001				TELEPHONE - AT&T LAND LINES LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	23,033.23		23,033.23
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	13,636.45		36,669.68
598001				TELEPHONE - AT&T LAND LINES LSC Agency Agency Agency Agency Ending Balance	36,669.68	0.00	36,669.68
598002				TELEPHONE - VERIZON CELL PHONES LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	8,386.10		8,386.10
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,063.75		10,449.85
598002				TELEPHONE - VERIZON CELL PHONES LSC Agency Agency Agency Agency Ending Balance	10,449.85	0.00	10,449.85
598004				INTERNET CONNECTION LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	4,297.68		4,297.68
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	8,349.65		12,647.33
598004				INTERNET CONNECTION LSC Agency Agency Agency Agency Ending Balance	12,647.33	0.00	12,647.33
598005				TELE LAWYER LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	4,349.55		4,349.55
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,682.70		7,032.25
598005				TELE LAWYER LSC Agency Agency Agency Agency Ending Balance	7,032.25	0.00	7,032.25

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Account	Date	Source	JE Reference	Description	Debit	Credit	Balance
598007				50-00-00-00-00 MX LOGIC - EMAIL FILTER LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	972.00		972.00
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,667.54		2,639.54
598007				50-00-00-00-00 MX LOGIC - EMAIL FILTER LSC Ending Balance	2,639.54	0.00	2,639.54
598008				50-00-00-00-00 TELEPHONE - VERIZON - LAND LINES LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,103.47		2,103.47
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	813.48		2,916.95
598008				50-00-00-00-00 TELEPHONE - VERIZON - LAND LINES LSC Ending Balance	2,916.95	0.00	2,916.95
598010				50-00-00-00-00 TELEPHONE - BROADVIEW - LAND LINES LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	9,208.61		9,208.61
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	3,712.37		12,920.98
598010				50-00-00-00-00 TELEPHONE - BROADVIEW - LAND LINES LSC Agency Agency Agency Agency Ending Balance	12,920.98	0.00	12,920.98
598011				50-00-00-00-00 TELEPHONE - VERIZON BUSINESS - SECONDARY INTERNET ACCESS LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	1,032.41		1,032.41
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	609.85		1,642.26
598011				50-00-00-00-00 TELEPHONE - VERIZON BUSINESS - SECONDARY INTERNET ACCESS LSC Agency Agency Agency Agency Ending Balance	1,642.26	0.00	1,642.26
598013				50-00-00-00-00 TELEPHONE - PAETEC LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	5,752.62		5,752.62
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	1,727.59		7,480.21
598013				50-00-00-00-00 TELEPHONE - PAETEC LSC Agency Agency Agency Agency Ending Balance	7,480.21	0.00	7,480.21
598014				50-00-00-00-00 TELEPHONE - SPRINT LSC Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	4,258.68		4,258.68
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	271.32		4,530.00
598014				50-00-00-00-00 TELEPHONE - SPRINT LSC Ending Balance	4,530.00	0.00	4,530.00
599000				50-00-00-00-00 MISCELLANEOUS EXPENSE LSC Agency Agency Agency Agency Beginning Balance			0.00
	9/30/2011	G/L	5693 9-LSC#1	TO ALLOCATE LSC CHARGES FOR JAN 2011 TO SEP 2011	2,329.76		2,329.76
	12/31/2011	G/L	6254 12-656	TO RECLASS	1,136.27		3,466.03
	12/31/2011	G/L	6121 12-LSC #1	TO ALLOCATE LSC CHARGES	2,649.22		6,115.25
599000				50-00-00-00-00 MISCELLANEOUS EXPENSE LSC Agency Agency Agency Agency Ending Balance	6,115.25	0.00	6,115.25
Report Total					4,618,203.30	112,318.69	4,505,884.61