



FINAL REPORT
LEGAL SERVICES CORPORATION
Office of Compliance and Enforcement

Legal Services of Northwest Minnesota Corporation
Case Service Report/Case Management System Review
June 4 – 7, 2012

Recipient No. 524027

I. EXECUTIVE SUMMARY

Finding 1: LSNMC's automated case management system ("ACMS") is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded.

Finding 2: LSNMC's intake procedures and case management system generally support the program's compliance related requirements.

Finding 3: Sampled LSNMC case files evidenced substantial compliance with the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income does not exceed 125% of the Federal Poverty Guidelines ("FPG").

Finding 4: Sampled LSNMC case files evidenced compliance with the asset eligibility documentation required by 45 CFR §§ 1611.3(c) and (d), and CSR Handbook (2008 Ed., as amended 2011), § 5.4.

Finding 5: Sampled LSNMC case files evidenced compliance with the screening requirements of 45 CFR Part 1626 (Restrictions on legal assistance to aliens) but non-compliance with the documentation requirements.

Finding 6: Sampled cases evidenced compliance with the retainer requirements of 45 CFR § 1611.9 (Retainer agreements).

Finding 7: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

Finding 8: LSNMC case files evidenced compliance with the requirements of 45 CFR § 1620.4 and § 1620.6(c) (Priorities in use of resources).

Finding 9: Sampled cases evidenced non-compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided).

Finding 10: LSNMC's application of the CSR case closure categories is substantially consistent with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011).

Finding 11: LSNMC managed files evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases.

Finding 12: Sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases.

Finding 13: Discussions with LSNMC staff did not reveal any violations of the requirements of 45 CFR Part 1604 (Outside practice of law).

Finding 14: Sampled cases and materials reviewed evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities).

Finding 15: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1609 (Fee-generating cases).

Finding 16: A review of LSNMC's accounting and financial records evidenced substantial compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity) as some LSNMC donor notification letters reviewed were found to be inconsistent with the requirements of 45 CFR § 1610.5(a).

Finding 17: LSNMC is in compliance with 45 CFR Part 1614 which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Oversight and follow-up of sampled LSNMC managed PAI case files were in substantial compliance with 45 CFR § 1614.3(d)(3). LSNMC is in substantial compliance with 45 CFR § 1614.3(e)(1)(i) which is designed to ensure that recipients of LSC funds correctly allocate administrative, overhead, staff, and support costs related to PAI activities, and that non-personnel costs are allocated on the basis of reasonable operating data.

Finding 18: LSNMC is in compliance with 45 CFR § 1627.4(a) which prohibits programs from utilizing LSC funds to pay membership fees or dues to any private or nonprofit organization. LSNMC is in non-compliance with 45 CFR §§ 1627.3(a)(1), (2), and (3).

Finding 19: LSNMC is in compliance with 45 CFR Part 1635 (Timekeeping requirement).

Finding 20: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1642 (Attorneys' fees).

Finding 21: Sampled cases and documents reviewed substantial compliance with the requirements of 45 CFR Part 1612 (Restrictions on Lobbying and Certain Other Activities). However, review of financial documents and interviews with staff revealed that LSNMC engaged in legislative and rulemaking activities and failed to maintain separate accounting records showing the expenditures incurred relating to these activities.

Finding 22: Sampled cases evidenced compliance with the requirements of 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and actions collaterally attacking criminal convictions).

Finding 23: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

Finding 24: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

Finding 25: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

Finding 26: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of prisoners).

Finding 27: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

Finding 28: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

Finding 29: Sampled cases evidenced compliance with the requirements of certain other LSC statutory prohibitions (42 USC 2996f § 1007 (a) (8) (Abortion), 42 USC 2996f § 1007 (a) (9) (School desegregation litigation), and 42 USC 2996f § 1007 (a) (10) (Military selective service act or desertion)).

Finding 30: A limited review of LSNMC' internal control policies and procedures revealed weaknesses that are inconsistent with the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the Accounting Guide for LSC Recipients (2010 Ed.).

Finding 31: A limited review of documents and interviews with staff revealed that LSNMC's cash balance for the periods of December 31, 2010, December 31, 2011, and April 30, 2012, exceeded the \$250,000 limit covered by the Federal Deposit Insurance Corporation (FDIC).

Finding 32: LSNMC's Administrator contractually performs accounting duties for Anishinabe Legal Services (ALS). A detailed review revealed that LSNMC and ALS share a checking account and credit card; however a separate general ledger is kept for each recipient. It was agreed to by the Administrator of LSNMC that a separate bank and credit card account would be established between the two (2) programs.

II. BACKGROUND OF REVIEW

On June 4-7, 2012, the Legal Services Corporation's ("LSC") Office of Compliance and Enforcement ("OCE") conducted a Case Service Report/Case Management System ("CSR/CMS") review of the Legal Services of Northwest Minnesota Corporation ("LSNMC"). The purpose of the visit was to assess the program's compliance with the LSC Act, regulations, and other applicable LSC guidance such as Program Letters, the Accounting Guide for LSC Recipients (2010 Ed.), and the Property Acquisition and Management Manual. The visit was conducted by a team of one (1) LSC attorney, one (1) LSC temporary employee, and two (2) fiscal analysts.

The on-site review was designed and executed to assess the program's compliance with basic client eligibility, intake, case management, regulatory and statutory requirements, and to ensure that LSNMC has correctly implemented the 2008 CSR Handbook, as amended 2011. Specifically, the review team assessed LSNMC for compliance with the regulatory requirements of: 45 CFR Part 1611 (Financial eligibility); 45 CFR Part 1626 (Restrictions on legal assistance to aliens); 45 CFR §§ 1620.4 and 1620.6 (Priorities in use of resources); 45 CFR § 1611.9 (Retainer agreements); 45 CFR Part 1636 (Client identity and statement of facts); 45 CFR Part 1604 (Outside practice of law); 45 CFR Part 1608 (Prohibited political activities); 45 CFR Part 1609 (Fee-generating cases); 45 CFR Part 1610 (Use of non-LSC funds, transfers of LSC funds, program integrity); 45 CFR Part 1614 (Private attorney involvement);¹ 45 CFR Part 1627 (Subgrants and membership fees or dues); 45 CFR Part 1635 (Timekeeping requirement); 45 CFR Part 1642 (Attorneys' fees)²; 45 CFR Part 1630 (Cost standards and procedures); 45 CFR Part 1612 (Restrictions on lobbying and certain other activities); 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and Restrictions on actions collaterally attacking criminal convictions); 45 CFR Part 1617 (Class actions); 45 CFR Part 1632 (Redistricting); 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings); 45 CFR Part 1637 (Representation of prisoners); 45 CFR Part 1638 (Restriction on solicitation); 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, or mercy killing); and 42 USC 2996f § 1007 (Abortion, school desegregation litigation and military selective service act or desertion).

The OCE team interviewed members of LSNMC's upper and middle management, staff attorneys, and support staff. LSNMC's case intake, case acceptance, case management, case closure, and Private Attorney Involvement ("PAI") practices and policies in all substantive units were assessed. In addition to interviews, a case file review was conducted. The sample case review period was from January 1, 2010 through April 15, 2012. In accordance with the approved work plan, a total of 254 case files were reviewed. OCE reviewed files from the main office in Moorhead, and the branch offices in Bemidji and Alexandria.

¹ In addition, when reviewing files with pleadings and court decisions, compliance with other regulatory restrictions was reviewed as more fully reported *infra*.

² On December 16, 2009, the enforcement of this regulation was suspended and the regulation was later revoked during the LSC Board of Directors meeting on January 30, 2010. During the instant visit, LSC's review and enforcement of this regulation was therefore only for the period prior to December 16, 2009.

LSNMC received grant awards from LSC in the amounts of \$ 352,795 for 2012, \$473,541 for 2011 and \$463,053 for 2010. In its 2011 CSR data submission to LSC, the program reported 4,389 closed cases; in its 2010 CSR data submission to LSC, the program reported 4,601 closed cases. LSNMC's 2011 self-inspection certification revealed an 8.6% error rate in CSR reporting. LSNMC's 2010 self-inspection certification revealed a 7.2% error rate in CSR reporting.

By letter dated April 2, 2012, OCE requested that LSNMC provide a list of all cases reported to LSC in its 2010 CSR data submission ("closed 2010 cases"), a list of all cases reported in its 2011 CSR data submission ("closed 2011 cases"), a list of all cases closed between January 1, 2012 and April 15, 2012 ("closed 2012 cases"), and a list of all cases which remained open as of May 1, 2012 ("open cases"). OCE requested that the lists contain the client name, the file identification number, the name of the advocate assigned to the case, the opening and closing dates, the CSR case closure category assigned to the case, and the funding code assigned to the case. OCE requested that two sets of lists be compiled - one (1) for cases handled by LSNMC staff and the other for cases handled through LSNMC's PAI component. LSNMC was advised that OCE would seek access to such cases consistent with Section 509(h), Pub.L. 104-134, 110 Stat. 1321 (1996), LSC Grant Assurance Nos. 10, 11, and 12, and the LSC *Access to Records* protocol (January 5, 2004). LSNMC was requested to promptly notify OCE, in writing, if it believed that providing the requested material in the specified format would violate the attorney-client privilege or would be otherwise protected from disclosure.

Thereafter, an effort was made to create a representative sample of cases that the OCE team would review during the on-site visit. The sample was developed proportionately among 2010, 2011, 2012 closed, and open cases. The sample consisted largely of randomly selected cases, but also included targeted cases selected to test for compliance with the CSR instructions relative to timely closings, proper application of the CSR case closure categories, duplicate reporting, etc.

During the visit, access to case-related information was provided through staff intermediaries. Pursuant to the OCE and LSNMC agreement of April 12, 2012, LSNMC staff maintained possession of the file and discussed with the team the nature of the client's legal problem and the nature of the legal assistance rendered. In order to maintain confidentiality, such discussion, in some instances, was limited to a general discussion of the nature of the problem and the nature of the assistance provided.³ LSNMC's management and staff cooperated fully in the course of the review process. As discussed in greater detail below, LSNMC was made aware of compliance issues during the on-site visit. This was accomplished by informing intermediaries, as well as the Executive Director, of any compliance issues uncovered during case review.

At the conclusion of the visit, on June 7, 2012, OCE conducted an exit conference during which LSNMC was provided with OCE's initial findings and was made aware of any areas in which compliance issues were found. LSNMC was advised that they would receive a Draft Report that would include all of OCE's findings and they would have 30 days to submit comments.

³ In those instances where it was evident that the nature of the problem and/or the nature of the assistance provided had been disclosed to an unprivileged third party, such discussion was more detailed, as necessary to assess compliance.

By letter dated August 28, 2012, OCE issued a Draft Report (“DR”) detailing its findings, recommendations, and required corrective actions regarding the June 4-7, 2012 CSR visit. LSNMC was asked to review the DR and provide written comments. By letter dated September 27, 2012, LSNMC’s comments were received. The comments have been incorporated into this Final Report, where appropriate, and are affixed as an exhibit.

III. FINDINGS

Finding 1: LSNMC's automated case management system ("ACMS") is generally sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded.

Recipients are required to utilize ACMS and procedures which will ensure that information necessary for the effective management of cases is accurately and timely recorded in a case management system. At a minimum, such systems and procedures must ensure that management has timely access to accurate information on cases and the capacity to meet funding source reporting requirements. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.1.

Based on a comparison of the information yielded by the ACMS to information contained in the case files sampled, LSNMC's ACMS is generally sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded. One (1) sampled case, closed 2010 PAI Case No. 08080247657, was found to have inconsistent case closing category information.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 2: LSNMC's intake procedures and case management system generally support the program's compliance related requirements.

The intake procedures of all LSNMC's offices were assessed by interviewing the primary and back-up intake staff, and the Supervising Attorneys, in order to ascertain LSNMC's compliance with the intake process. The interviews revealed that intake procedures performed by the intake staff generally support LSNMC's compliance related requirements.

Intake staff in each office was interviewed. According to interviews, the majority of LSNMC's intake is conducted by telephone. Each office conducts telephone and in-person intake. Each office conducts intake in a consistent manner with minor variations in office procedures. Each of the three (3) offices conduct intake Monday through Friday according to hours set by the office. In each office, a front-desk secretary is assigned primary intake responsibilities. Once it is determined that an applicant meets the residency requirements, the legal problem is within LSNMC's priorities, and there is no conflict, a full intake eligibility screening is conducted. The intake staff captures the applicant's basic information, citizenship, name of the adverse party, and information, such as, financial eligibility, and problem type, and enters their case notes. If a written intake form is used, the secretary reviews the applicant's eligibility information to ensure that the applicant's answers are correct and then enters the information directly into the ACMS.

In-person applicants are required to complete a United States Citizenship Statement or a non-Citizen Status form. An eligible alien must provide appropriate documentation demonstrating status, unless they are a victim of domestic violence and are seeking a related remedy. Once intake staff verifies an applicant's eligibility, the cases are matched by problem code to a specific attorney in the office or to a Judicare attorney.

Each office places divorce cases on a six (6) month waiting list, however, if there is domestic violence or disputes concerning custody or parenting time the client is seen immediately. After the six (6) month period, a letter is sent to the client instructing them to call the office within 15 days of receipt of the letter. If the client does not call within a 30-day period, the case is closed as a limited action case since legal advice was provided to the client prior to being put on the waiting list. If the client contacts the program, eligibility and contact information is updated and cases are assigned to a staff or a Judicare attorney.

Once a case is completed, advocates will send the client a closing letter, enter the closing code in the ACMS, and ensure that all required documents are in the file. Support staff completes an LSC Documentation Checklist for extended representation cases.

LEGAL INFORMATION ONLINE NETWORK

LSNMC recently instituted the Legal Information Online Network ("LION") which is an online advice pilot project in which private attorneys provide legal advice in response to questions posed online. It was funded by LSC Technology Innovation Grant #08262. The project's purpose is to increase rural applicants' access to legal advice and broaden pro bono involvement.

In 2012, LSC issued Draft Program Letter 12-1 and requested comment. The letter addresses compliance inquiries with regard to the growing number of online systems implemented by recipients who are attempting to improve the delivery of legal services with dwindling resources. The letter sets forth two (2) guidelines for LSC's requirements of a "reasonable inquiry" of applicants during eligibility screening, as required by 45 CFR Part 1611. The first guideline is that a recipient may not make a determination of LSC's financial eligibility for legal assistance unless a recipient staff person, or another person under the direction of the recipient, has reviewed the application for eligibility. Second, if intake information has not been collected by direct inquiry, recipients may not make a determination of financial eligibility for legal assistance until a recipient staff person, or another person under the direction of the recipient, has conducted sufficient follow-up.

The Minnesota Legal Services Coalition ("MLSC") which is composed of five (5) LSC-funded grantees and two (2) non-LSC funded grantees, submitted comments to the Draft Program Letter raising concerns that an automated intake system such as LION would not meet these guidelines. While LSNMC is the only legal services program in Minnesota using LION, the MLSC has plans to replicate it elsewhere. At the time of the on-site review, a final letter had not been issued by LSC. Nor had it been issued at the time the Final Reports were issued.

The LION system is accessible through LSNMC's website. The LION logo is prominently displayed with a heading of "Introducing, free legal advice online!" and a link to begin. The first screen inquires whether this is the user's first visit to LION or whether the user's eligibility has already been verified and the user provided a password. A new user is guided through introductory and disclaimer screens followed by a series of screens to determine if the legal issue at question is prohibited; if the user is a citizen or eligible alien; and if the user has previously used LION. The user must supply his first and last name; date of birth; name of opposing party;

county of residence; number of adults and children in the household; household income and assets; gender; race; and e-mail address. Certain screens are for informational purposes and others are specifically tied to eligibility. Users may be determined ineligible immediately depending upon their answers. If a user is determined eligible, they are provided a password and permitted to ask their question. The user is also advised to be specific and provide enough details so that the attorney can sufficiently understand the question. Lastly, they are advised that it may take seven (7) or more days for an attorney to reply. Using the password, the user is able to return to the system at any time to review the attorney's answer to their question.

The LION system was tested on-site to assess compliance with LSC requirements and the implications of the Draft Program Letter 12-1. The Client/Attorney Coordinator provided a demonstration. Several issues of concern were noted. First, several ineligible test subjects were determined to be eligible. For example, a test of a user with income in excess of 200% of the Federal Poverty Guidelines ("FPG") was determined eligible by the system. Further, the system does not consider factors to qualify applicants whose income is between 125-200% of the FPG as is required by 45 CFR § 1611.5. Accordingly, a test case of a user with income in this range was determined to be eligible. Test cases in which the legal issue was prohibited, the applicant was not a citizen or did not meet the eligible alien status were correctly found ineligible. In response to these concerns, LSNMC stated that the system was designed to only assist applicants with income at or below 125% of the FPG, but during the on-site test that there was an error in the program that was fixed, and retested prior to the conclusion of the CSR/CMS review. It is intended that individuals with income between 125%-200% of the FPG will be directed to apply in-person or by telephone. It should be noted that the system screens for prohibited legal problems, however, it does not screen for priorities.

Approximately 20 samples of printed questions and answers were requested. The samples reveal that some responses by attorneys qualify as legal advice and others were legal information. Some questions were so broad that the attorney requested additional information but the user never provided the information so the question remained unanswered.

It was noted that attorneys were paid \$25 for each response provided regardless of whether it was legal advice or legal information or whether it was viewed by the user. At least a third of the users did not view the answers provided. LSNMC is currently not using LSC funds for the LION program and not reporting the assistance provided through this project as LSC cases. Unless and until the above concerns are addressed, such assistance cannot be included in future CSR data.

FINANCIAL ELIGIBILITY AND CASE MANAGEMENT ISSUES

Reasonable Inquiry Regarding Income Prospects: LSNMC staff make reasonable inquiry into each applicant's income prospects, pursuant to the requirements of 45 CFR § 1611.7(a). However, the ACMS does not contain a field dedicated to this inquiry. Interviews reveal that staff document the question and answer in either the notes field on the ACMS eligibility screen or, if there is insufficient space, on the case notes screen. During case review, a sample of cases was tested and this documentation procedure was confirmed.

Asset Screening/Authorized Exceptions to Asset Ceiling: No issues were noted. Staff was well versed on the asset ceilings and exclusions. No interviewees could recall a case in which they needed to seek an asset waiver though they were aware of the process for doing so.

Authorized Exceptions to Income Ceilings: In accordance with 45 CFR § 1611.5(c)(2), LSNMC has adopted authorized exceptions to its annual income ceilings, consistent with 45 CFR § 1611.5. LSNMC does not provide legal assistance to individuals with income over 200% of the FPG regardless of funding source. The policy permits assistance to persons with income between 125-200% of the FPG if, "the person's circumstances require that eligibility should be allowed on the basis of one or more of the following factors..." LSNMC's policy adopts six (6) of the factors set forth in 45 CFR § 1611.5(a)(4), but does not include current taxes, a factor that is permissible but not required. *See* 45 CFR § 1611.5(a)(4)(vi). Interviews revealed that intake staff is authorized by senior management to screen for presence of any authorized factors to make an eligibility determination. Factors and an accompanying amount are noted in the notes field on the ACMS eligibility screen or the case notes, if additional space is needed. The "waiver" field on the ACMS eligibility screen is also checked. There was confusion among Moorhead intake staff regarding LSNMC's policy of allowing over-income assistance to applicants when seeking to obtain or maintain public benefits. The Executive Assistant responsible for supervising the intake staff had clarified the policy with the staff prior to the conclusion of the CSR/CMS review. No corrective action is required. Additionally, case review found that some intake staff was listing expenses that are not allowable regulatory factors, such as utilities. Some cases listed multiple fixed debts that are not permissible, which took time to screen and record. Recording only the allowable factor(s) would save valuable support staff time.

Case Oversight: LSNMC's three (3) paralegals are directly supervised by their office's Supervising Attorney. All correspondence providing advice must be reviewed by the Supervising Attorney prior to sending. At least once per year, the Director of Litigation conducts a case review of all open cases and a sample of closed cases for each advocate. The Executive Director does the same for the Director of Litigation's cases. Every other month, advocates are required to submit a Litigation Report to the Director of Litigation, which includes all open court cases. He reviews the lists and, through the ACMS, may review any cases closed since the prior report.

Written Procedures and Compliance Forms: LSNMC provided written screening procedures dated December 2011. The procedures are a step-by-step guide to conducting an intake screening, supplemented by some ACMS screenshots with instructions. In addition, LSNMC has detailed procedures to guide screeners through a complex process of determining income and asset eligibility for farmers. These procedures are referenced in the program's financial eligibility policy and are based upon Minnesota statute. Lastly, LSNMC offices use standardized compliance forms.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 3: Sampled LSNMC case files evidenced substantial compliance with the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income does not exceed 125% of the Federal Poverty Guidelines (“FPG”).

Recipients may provide legal assistance supported with LSC funds only to individuals whom the recipient has determined to be financially eligible for such assistance. *See* 45 CFR § 1611.4(a). Specifically, recipients must establish financial eligibility policies, including annual income ceilings for individuals and households, and record the number of members in the applicant’s household and the total income before taxes received by all members of such household in order to determine an applicant’s eligibility to receive legal assistance.⁴ *See* CSR Handbook (2008 Ed., as amended 2011), § 5.3. For each case reported to LSC, recipients shall document that a determination of client eligibility was made in accordance with LSC requirements. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.2.

In those instances in which the applicant’s household income before taxes is in excess of 125% but no more than 200% of the applicable FPG and the recipient provides legal assistance based on exceptions authorized under 45 CFR § 1611.5(a)(3) and 45 CFR § 1611.5(a)(4), the recipient shall keep such records as may be necessary to inform LSC of the specific facts and factors relied on to make such a determination. *See* 45 CFR § 1611.5(b) and CSR Handbook (2008 Ed., as amended 2011), § 5.3.

For CSR purposes, individuals financially ineligible for assistance under the LSC Act may not be regarded as recipient “clients” and any assistance provided should not be reported to LSC. In addition, recipients should not report cases lacking documentation of an income eligibility determination to LSC. However, recipients should report all cases in which there has been an income eligibility determination showing that the client meets LSC eligibility requirements, regardless of the source(s) of funding supporting the cases, if otherwise eligible and properly documented. *See* CSR Handbook (2008 Ed., as amended 2011), § 4.3.

LSMNC's financial eligibility policy, adopted by the board of directors on February 2, 2012, was provided to LSC in advance of the review. The policy sets its maximum annual income level at 125% of the FPG and incorporates LSC’s 2012 income guidelines, published annually in the Federal Register.

LSNMC's financial eligibility policy complies with 45 CFR Part 1611. As allowed by 45 CFR § 1611.3(c)(2), LSNMC has adopted authorized exceptions to its annual income ceilings as permitted by 45 CFR § 1611.5. It is noted that the regulation allows, but does not require, recipients to adopt policies permitting the provision of legal assistance to persons whose income exceeds 200% of the FPG if they are seeking legal assistance to maintain a government benefit program for low income individuals or families and if the applicant's income is primarily committed to medical or nursing home expenses. *See* 45 CFR §§ 1611.5(a)(1) and (2). LSNMC has not adopted these exceptions. While LSNMC receives non-LSC funding, at least one of which permits assistance in excess of LSC's financial eligibility guidelines, it does not provide legal assistance to individuals with incomes over 200% of the FPG. In addition, LSNMC has

⁴ A numerical amount must be recorded, even if it is zero. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.3.

adopted authorized exceptions to its annual income ceilings for individuals and households whose incomes are between 125-200% of the FPG, as permitted by 45 CFR §§ 1611.5(a)(3) and (4). LSNMC's policy adopts six (6) of the factors set forth in 45 CFR § 1611.5(a)(4), but does not include current taxes, a factor that is not required pursuant to 45 CFR § 1611.5(a)(4)(vi).

LSNMC's policy also adopts LSC-funded group eligibility requirements consistent with 45 CFR § 1611.6. During interviews, staff could recall only one (1) group applicant requesting assistance. Though the case was opened outside of the time frame for which case lists were requested, the file was pulled to review the program's group financial eligibility screening procedures. The review revealed the group to be a mobile home park cooperative, a non-profit organization. The members of the group are the residents of the park. The eligibility notes consist of a statement that the majority of the tenants are low-income, on social security, or unemployed. The screening of this case does not fully comply with the requirements of 45 CFR Part 1611. LSC requires a more thorough assessment and documentation of the group's circumstances. Specifically, for a group primarily composed of eligible individuals, a recipient must collect and maintain documentation to support its determination of eligibility. It must also review the resources available to the group such as dues and donations, as well as the outstanding bills or other obligations. Following such a review, the LSNMC staff must render a decision as to whether the group lacks the financial resources to hire private counsel. It is recommended that LSNMC conduct staff training on group eligibility training. If the group case referenced above remains opened, LSNMC should rescreen the group client according to the requirements of 45 CFR § 1611.6.

Sampled files evidenced substantial compliance with the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income does not exceed 125% of the FPG. Five (5) exceptions were noted. *See* closed 2012 Case No. 1204-0336717, closed 2010 PAI Case No. 1006-0294598, closed 2011 Case No. 1107-032095, closed 2012 Case No. 1202-0333880, and closed 2011 PAI Case No. 0905-0267645. As stated in Finding 2, there was confusion among Moorhead intake staff regarding LSNMC's policy of allowing over-income assistance to applicants when seeking to obtain or maintain public benefits. The Executive Assistant responsible for supervising the intake staff clarified the policy with the staff prior to the conclusion of the CSR/CMS review. No corrective action is required.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 4: Sampled LSNMC case files evidenced compliance with the asset eligibility documentation required by 45 CFR §§ 1611.3(c) and (d) and CSR Handbook (2008 Ed., as amended 2011), § 5.4.

As part of its financial eligibility policies, recipients are required to establish reasonable asset ceilings in order to determine an applicant's eligibility to receive legal assistance. *See* 45 CFR § 1611.3(d)(1). For each case reported to LSC, recipients must document the total value of assets

except for categories of assets excluded from consideration pursuant to its Board-adopted asset eligibility policies.⁵ *See* CSR Handbook (2008 Ed., as amended 2011), § 5.4.

In the event that a recipient authorizes a waiver of the asset ceiling due to the unusual circumstances of a specific applicant, the recipient shall keep such records as may be necessary to inform LSC of the reasons relied on to authorize the waiver. *See* 45 CFR § 1611.3(d)(2).

The revisions to 45 CFR Part 1611 changed the language regarding assets from requiring the recipient's governing body to establish, "specific and reasonable asset ceilings, including both liquid and non-liquid assets," to "reasonable asset ceilings for individuals and households." *See* 45 CFR § 1611.6 in prior version of the regulation and 45 CFR § 1611.3(d)(1) of the revised regulation. Both versions allow the policy to provide for authority to waive the asset ceilings in unusual or meritorious circumstances. The older version of the regulation allowed such a waiver only at the discretion of the Executive Director. The revised version allows the Executive Director or his/her designee to waive the ceilings in such circumstances. *See* 45 CFR § 1611.6(e) in prior version of the regulation and 45 CFR § 1611.3(d)(2) in the revised version. Both versions require that such exceptions be documented and included in the client's files.

LSNMC's financial eligibility policy, dated February 2, 2012, establishes an asset ceiling of \$10,000 for an individual, \$15,000 for a household of two, and \$1,000 for each additional family member. Exempt from consideration as liquid or non-liquid assets, are the homestead or principal residence; vehicles used for transportation; assets used in producing income, assets of a domestic violence perpetrator within the household of the applicant; and certain assets exempt from attachment under state law (personal effects, clothing, household furniture goods and appliances, and deferred employee pension or other benefits to the value permitted by Minn St. 550.37). These exemptions are allowable pursuant to 45 CFR § 1611.3(d)(1). It is noted that it is not necessary to reference assets in terms of liquid or non-liquid, as the 2005 revisions to 45 CFR Part 1611 added a definition of assets which focuses consideration of assets that are readily convertible to cash and available to the applicant.

Furthermore, LSNMC's policy incorporates Minnesota statutory exemptions used to determine whether to grant asset waivers to farmers. The program also has a written procedure to assist screeners in farm asset valuation. Interviews reveal that few farmers apply for services and it is likely that screeners would seek assistance from managerial staff.

Sampled case files reviewed revealed that LSNMC is in compliance with 45 CFR § 1611.6, revised 45 CFR §§ 1611.3(c) and (d), and CSR Handbook (2008 Ed., as amended 2011), § 5.4. No over-asset cases were identified in the sampled cases.

In response to the DR, LSNMC offered no comments on this Finding.

⁵ A numerical total value must be recorded, even if it is zero or below the recipient's guidelines. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.4.

Finding 5: Sampled LSNMC case files evidenced compliance with the screening requirements of 45 CFR Part 1626 (Restrictions on legal assistance to aliens) but non-compliance with the documentation requirements.

The level of documentation necessary to evidence citizenship or alien eligibility depends on the nature of the services provided. With the exception of brief advice or consultation by telephone, which does not involve continuous representation, LSC regulations require that all applicants for legal assistance who claim to be citizens execute a written attestation. *See* 45 CFR § 1626.6. Aliens seeking representation are required to submit documentation verifying their eligibility. *See* 45 CFR § 1626.7. In those instances involving brief advice and consultation by telephone, which does not involve continuous representation, LSC has instructed recipients that the documentation of citizenship/alien eligibility must include a written notation or computer entry that reflects the applicant's oral response to the recipient's inquiry regarding citizenship/alien eligibility. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.5; *See also*, LSC Program Letter 99-3 (July 14, 1999). In the absence of the foregoing documentation, assistance rendered may not be reported to LSC. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.5.

Prior to 2006, recipients were permitted to provide non-LSC funded legal assistance to an alien who had been battered or subjected to extreme cruelty in the United States by a spouse or parent, or by a member of the spouse's or parent's family residing in the same household, or an alien whose child had been battered or subjected to such cruelty.⁶ Although non-LSC funded legal assistance was permitted, such cases could not be included in the recipient's CSR data submission. In January 2006, the Kennedy Amendment was expanded and LSC issued Program Letter 06-2, "Violence Against Women Act 2006 Amendment" (February 21, 2006), which instructs recipients that they may use LSC funds to provide legal assistance to ineligible aliens, or their children, who have been battered, subjected to extreme cruelty, is the victims of sexual assault or trafficking, or who qualify for a "U" visa. LSC recipients are now allowed to include these cases in their CSRs.

With two (2) exceptions, sampled LSNMC files evidenced compliance with 45 CFR Part 1626 but non-compliance with the documentation requirements since the client was asked the required citizenship question during eligibility intake, however, no signature was obtained. *See* closed 2011 Case No. 1109-0323939 which failed to contain a signed citizen attestation. Additionally, there was one case file reviewed that contained a citizenship/alien eligibility documentation that was not dated. *See* closed 2012 Case No. 1203-0334674.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 6: Sampled cases evidenced compliance with the retainer requirements of 45 CFR § 1611.9 (Retainer agreements).

Pursuant to 45 CFR § 1611.9, recipients are required to execute a retainer agreement with each client who receives extended legal services from the recipient. The retainer agreement must be in a form consistent with the applicable rules of professional responsibility and prevailing practices

⁶ *See* Kennedy Amendment at 45 CFR § 1626.4.

in the recipient's service area and shall include, at a minimum, a statement identifying the legal problem for which representation is sought, and the nature of the legal service to be provided. *See* 45 CFR § 1611.9(a).

The retainer agreement is to be executed when representation commences or as soon thereafter is practical and a copy is to be retained by the recipient. *See* 45 CFR §§ 1611.9(a) and (c). The lack of a retainer does not preclude CSR reporting eligibility.⁷ Cases without a retainer, if otherwise eligible and properly documented, should be reported to LSC.

The sampled cases reviewed evidenced compliance with the retainer requirements of 45 CFR § 1611.9. All sampled files contained an executed retainer agreement as required.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 7: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

LSC regulations require that recipients identify by name each plaintiff it represents in any complaint it files, or in a separate notice provided to the defendant, and identify each plaintiff it represents to prospective defendants in pre-litigation settlement negotiations. In addition, the regulations require that recipients prepare a dated, written statement signed by each plaintiff it represents, enumerating the particular facts supporting the complaint. *See* 45 CFR §§ 1636.2(a) (1) and (2).

The statement is not required in every case. It is required only when a recipient files a complaint in a court of law or otherwise initiates or participates in litigation against a defendant, or when a recipient engages in pre-complaint settlement negotiations with a prospective defendant. *See* 45 CFR § 1636.2(a).

Sampled cases evidenced compliance with the requirements of 45 CFR Part 1636.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 8: LSNMC case files evidenced compliance with the requirements of 45 CFR § 1620.4 and § 1620.6(c) (Priorities in use of resources).

LSC regulations require that recipients adopt a written statement of priorities that determines the cases which may be undertaken by the recipient, regardless of the funding source. *See* 45 CFR § 1620.3(a). Except in an emergency, recipients may not undertake cases outside its priorities. *See* 45 CFR § 1620.6.

⁷ However, a retainer is more than a regulatory requirement. It is also a key document clarifying the expectations and obligations of both client and program, thus assisting in a recipient's risk management.

Prior to the visit, LSNMC's provided its Priorities policy, dated November 17, 2010. The current policy sets forth case acceptance considerations and first priority cases and second priority cases. The following are the LSNMC's case priorities: Public Benefits, Income, and Food, Housing, Education/Juvenile Legal Issues, Health, Family, Consumer/Tax, Other Individual Rights, Farm, and Immigration. Within each priority listed above, the policy separates the priorities into first and second priority cases. First priority cases are LSNMC's highest priority cases and are accepted if the eligibility requirements are met, and secondary priority cases are of lower priority and are usually accepted if the eligibility requirements are met and LSNMC has adequate resources and personnel. All of the case files reviewed during the visit were within LSNMC's priorities and therefore evidenced compliance with the requirements of 45 CFR § 1620.4 and § 1620.6(c).

In response to the DR, LSNMC offered no comments on this Finding.

Finding 9: Sampled cases evidenced non-compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided).

LSC regulations specifically define "case" as a form of program service in which the recipient provides legal assistance. *See* 45 CFR §§ 1620.2(a) and 1635.2(a). Consequently, whether the assistance that a recipient provides to an applicant is a "case", reportable in the CSR data, depends, to some extent on whether the case is within the recipient's priorities and whether the recipient has provided some level of legal assistance, limited or otherwise.

If the applicant's legal problem is outside the recipient's priorities, or if the recipient has not provided any type of legal assistance, it should not report the activity in its CSR. For example, recipients may not report the mere referral of an eligible client as a case when the referral is the only form of assistance that the applicant receives from the recipient. *See* CSR Handbook (2008 Ed., as amended 2011), § 7.2.

Recipients are instructed to record client *and* case information, either through notations on an intake sheet or other hard-copy document in a case file, or through electronic entries in an ACMS database, or through other appropriate means. For each case reported to LSC such information shall, at a minimum, describe, *inter alia*, the level of service provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.6.

Sampled cases evidenced non-compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6. There were 11 staff cases reviewed that that lacked documentation of legal advice. *See* closed 2011 Case No. 1103-0312007, closed 2010 Case No. 1006-0296067, closed 2011 Case No. 1101-0308710, closed 2010 Case No. 1009-0300888, closed 2012 Case No. 1203-0335363, closed 2012 Case No. 1204-0336792, closed 2012 Case No. 1204-0336351, closed 2011 Case No. 1111-0328698, closed 2010 Case No. 0901-0259350, and closed 2010 Case No. 1007-0297494. Additionally, the advice documented in the Judicare case files needs improvement. Most of the Judicare cases indicate generally that advice was provided, however, a few sampled cases lacked documentation of the application of law to the specific facts of the client's case. *See*

closed 2012 Case No. 1202-0332480, closed 2012 Case No. 1202-0333458, and closed 2012 Case No. 1204-00336158.

LSNMC must ensure that each case reported to LSC in the CSR data submission documents the legal advice or assistance provided the client in accordance with CSR Handbook (2008 Ed., as amended 2011), § 5.6.

According to LSNMC's comments to the DR, the Director, Judicare Coordinator, and other LSNMC staff have reviewed the need for proper documentation and description of the legal assistance provided to clients, and the issue was included on the September Management Team Meeting Agenda for further discussion and emphasis. Managers, the Litigation Director, and Judicare Coordinator will be requested to monitor files at closure for adequacy of information on the legal assistance provided.

Finding 10: LSNMC's application of the CSR case closure categories is substantially consistent with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011).

The CSR Handbook defines the categories of case service and provides guidance to recipients on the use of the closing codes in particular situations. Recipients are instructed to report each case according to the type of case service that best reflects the level of legal assistance provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.1.

With three (3) exceptions, sampled cases evidenced that LSNMC's application of the CSR case closure categories is consistent with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011). One (1) file reviewed was closed with case closure category "K" (Other), but the level of assistance evidenced in the file was more consistent with "L" (Extensive Service). *See* closed 2011 Case No. 1011-0305016. Another file was closed with case closure category "B" (Limited Action), but the level of assistance evidenced in the file was more consistent with "A" (Counsel and Advice). *See* closed 2010 Case No. 1002-0286516. Finally, a file reviewed was closed with case closure category "B" (Limited Action), but the level of assistance evidenced in the file was more consistent with "L" (Extensive Service). *See* closed 2010 Case No. 0811-0255185.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 11: LSNMC case files evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases.

To the extent practicable, programs shall report cases as having been closed in the year in which assistance ceased, depending on case type. Cases in which the only assistance provided is counsel and advice or limited action (CSR Categories A and B), should be reported as having been closed in the grant year in which the case was opened. *See* CSR Handbook (2008 Ed., as

amended 2011), § 3.3(a).⁸ There is, however, an exception for limited service cases opened after September 30, and those cases containing a determination to hold the file open because further assistance is likely. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.3(a). All other cases (CSR Categories F through L, 2008 CSR Handbook, as amended 2011) should be reported as having been closed in the grant year in which the recipient determines that further legal assistance is unnecessary, not possible or inadvisable, and a closing memorandum or other case-closing notation is prepared. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.3(b). Additionally LSC regulations require that systems designed to provide direct services to eligible clients by private attorneys must include, among other things, case oversight to ensure timely disposition of the cases. *See* 45 CFR § 1614.3(d)(3).

LSNMC case files evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases as only four (4) LSNMC files reviewed were found to be dormant or untimely closed. *See* closed 2010 Case No. 0809-0249601. This is a case that was opened on 3/1/2009 and closed on 1/6/2010 with an “A” (Counsel and Advice) closing category. There was no contact with the client documented in the case file after 3/2009; therefore, this case should have been closed and reported in 2009. *See* closed 2012 Case No. 1011-0304241. This is a case that was opened on 11/2/2010 and closed on 3/5/2012 with an “A” (Counsel and Advice) closing category. The last contact with the client that was documented in the case file was 5/18/2011; therefore, this case should have been closed and reported in 2011. *See* open Case No. 0711-0229715. This is a PAI case that was opened on 11/29/2007. The last activity documented in the case file was 12/16/2009. Requests for status updates were sent from LSNMC to the PAI attorney in 2010, 2011, and 2012 without a response.

See closed 2012 Case No. 1005-0293369. This is a case that was opened on 5/19/2010 and closed on 2/9/2012 with an “A” (Counsel and Advice) closing category. There was no contact with the client documented in the case file after 7/2010. Subsequently, four (4) status updates were sent to the PAI attorney without a response. In 2012 the PAI attorney informed LSNMC that the client did not return after the initial visit. This case should have been closed in 2010.

Files that are found to be untimely closed or dormant should be excluded from LSNMC’s CSR data submission.

In response to the DR, LSNMC offered no comments on this Finding.

⁸ The time limitation of the 2001 Handbook that a brief service case should be closed “as a result of an action taken at or within a few days or weeks of intake” has been eliminated. However, cases closed as limited action are subject to the time limitation on case closure found in CSR Handbook (2008 Ed., as amended 2011), § 3.3(a) this category is intended to be used for the preparation of relatively simple or routine documents and relatively brief interactions with other parties. More complex and/or extensive cases that would otherwise be closed in this category should be closed in the new CSR Closure Category L (Extensive Service).

Finding 12: Sampled cases evidenced compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases.

Through the use of automated case management systems and procedures, recipients are required to ensure that cases involving the same client and specific legal problem are not recorded and reported to LSC more than once. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.2.

When a recipient provides more than one (1) type of assistance to the same client during the same reporting period, in an effort to resolve essentially the same legal problem, as demonstrated by the factual circumstances giving rise to the problem, the recipient may report only the highest level of legal assistance provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.2.

When a recipient provides assistance more than once within the same reporting period to the same client who has returned with essentially the same legal problem, as demonstrated by the factual circumstances giving rise to the problem, the recipient is instructed to report the repeated instances of assistance as a single case. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.3. Recipients are further instructed that related legal problems presented by the same client are to be reported as a single case. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.4.

Sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases as there were only two (2) sets of duplicate cases identified in the review. *See* closed 2011 Case No. 1105-0316220 which was found to be a duplicate of closed 2011 Case No. 1103-0313154. The two (2) files are for the same client, coded as 62 (Home Ownership and Real Property) with a LSNMC sub-code for Mobile Home. One case was opened on 3/22/11 when the client contacted the program about being shut out of a mobile home purchased by the client and her ex-boyfriend. The program assisted the client in drafting a complaint for conciliation court (small claims) in order to get access to the mobile home to retrieve personal belongings and the case was closed with the closing category “B” (Limited Action) on 4/5/11. The client re-contacted the program on 5/9/11 regarding a motion to retrieve personal possessions. A new case was opened and closed on the same date. The cases involve the same legal problem as demonstrated by the factual circumstances. Therefore, the program should have reopened the original case rather than opening a new one. *See also* closed 2011 Case No. 1110-0326463, which is a duplicate of closed 2011 Case No. 1110-0326336. LSNMC provided advice to the client in three (3) cases. Two (2) of the cases regarded collections with two (2) different adverse parties and correctly should be considered separate cases. *See* closed 2011 Case Nos. 110-0326336 and 1110-0326465. The third case, Case No. 1110-0326463, dealt with bankruptcy and was opened and closed on the same day as Case No. 1110-0326465. The bankruptcy advice appears to have been provided to the client as an option in resolving her collection case; therefore, the advice should not have been reported as a separate case.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 13: Discussions with LSNMC staff did not reveal any violations of the requirements of 45 CFR Part 1604 (Outside practice of law).

This part is intended to provide guidance to recipients in adopting written policies relating to the outside practice of law by recipients' full-time attorneys. Under the standards set forth in 45 CFR Part 1604, recipients are authorized, but not required, to permit attorneys, to the extent that such activities do not hinder fulfillment of their overriding responsibility to serve those eligible for assistance under the Act, to engage in pro bono legal assistance and comply with the reasonable demands made upon them as members of the Bar and as officers of the Court.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1604. OCE reviewed the policy and determined that it is consistent with Part 1604. Discussions with the Executive Director and a review of e-mails by the attorney conducting outside practice of law to the Executive Director confirmed that LSNMC is not involved in any unauthorized outside practice of law. Based on the review of the recipient's policies, the list of attorneys who have engaged in the outside practice of law, interviews with the Executive Director, and a review of e-mails, LSNMC appears to be in compliance with the requirements of 45 CFR Part 1604.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 14: Sampled cases and materials reviewed evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities).

LSC regulations prohibit recipients from expending grant funds or contributing personnel or equipment to any political party or association, the campaign of any candidate for public or party office, and/or for use in advocating or opposing any ballot measure, initiative, or referendum. *See* 45 CFR Part 1608.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1608. OCE reviewed the policy and determined that it is consistent with Part 1608. The limited review of accounting records and documentation for the period of January 2010 through December 2011, and fiscal interviews with management and staff disclosed that LSNMC does not appear to have expended any grant funds or used personnel or equipment in prohibited activities in violation of 45 CFR § 1608.3(b). Additionally, a review of hard-copy informational materials and publications which LSNMC makes available to applicants and clients which are published by LSNMC and other federal, state, and private organizations, as well as a review of LSNMC's website, did not evidence any content prohibited by 45 CFR §§ 1608.4, 1608.5, and 1608.6. Discussions with the Executive Director and Financial Administrator further confirmed that LSNMC is not involved in any prohibited political activities. Based on the review of LSNMC's policies, accounting records, hard-copy informational materials, LSNMC's website, and discussions with the Executive Director, LSNMC is in compliance with the requirements of 45 CFR Part 1608.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 15: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1609 (Fee-generating cases).

Except as provided by LSC regulations, recipients may not provide legal assistance in any case which, if undertaken on behalf of an eligible client by an attorney in private practice, reasonably might be expected to result in a fee for legal services from an award to the client, from public funds or from the opposing party. *See* 45 CFR §§ 1609.2(a) and 1609.3.

Recipients may provide legal assistance in such cases where the case has been rejected by the local lawyer referral service, or two (2) private attorneys; neither the referral service nor two (2) private attorneys will consider the case without payment of a consultation fee; the client is seeking, Social Security, or Supplemental Security Income benefits; the recipient, after consultation with the private bar, has determined that the type of case is one that private attorneys in the area ordinarily do not accept, or do not accept without pre-payment of a fee; the Executive Director has determined that referral is not possible either because documented attempts to refer similar cases in the past have been futile, emergency circumstances compel immediate action, or recovery of damages is not the principal object of the client's case and substantial attorneys' fees are not likely. *See* 45 CFR §§ 1609.3(a) and 1609.3(b).

LSC has also prescribed certain specific recordkeeping requirements and forms for fee-generating cases. The recordkeeping requirements are mandatory. *See* LSC Memorandum to All Program Directors (December 8, 1997).

In light of recent regulatory changes, LSC has prescribed certain specific requirements for fee-generating cases. *See* Program Letters 09-3 (December 17, 2009) and 10-1 (February 18, 2010). LSC has determined that it will not take enforcement action against any recipient that filed a claim for, or collected or retained attorneys' fees during the period of December 16, 2009 through March 15, 2010. Enforcement activities related to claims for attorneys' fees filed prior to December 16, 2009, or fees collected or retained prior to December 16, 2009, are no longer suspended and any violations which are found to have occurred prior to December 16, 2009 will subject the grantee to compliance and enforcement action. Additionally, the regulatory provisions regarding accounting for and use of attorneys' fees and acceptance of reimbursement from clients remain in force, and violations of those requirements, regardless of when they have occurred, will subject the grantee to compliance and enforcement action.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1609. OCE reviewed the policy and determined that it is consistent with Part 1609. None of the sampled files reviewed involved legal assistance with respect to a fee-generating case. Additionally, a review of the accounting records and discussions with the Executive Director and Financial Administrator also confirmed that LSNMC is not involved in any fee-generating cases. Based on the review of case files, accounting records, recipient's policies, and discussions with the Executive Director and Financial Administrator, LSNMC is in compliance with the requirements of 45 CFR Part 1609.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 16: A review of LSNMC's accounting and financial records evidenced substantial compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity). A sample of LSNMC donor notification letters reviewed were found to be inconsistent with the requirements of 45 CFR § 1610.5(a).

Part 1610 was adopted to implement Congressional restrictions on the use of non-LSC funds and to assure that no LSC funded entity engage in restricted activities. Essentially, recipients may not themselves engage in restricted activities, transfer LSC funds to organizations that engage in restricted activities, or use its resources to subsidize the restricted activities of another organization.

The regulations contain a list of restricted activities. *See* 45 CFR § 1610.2. They include lobbying, participation in class actions, representation of prisoners, legal assistance to aliens, drug related evictions, and the restrictions on claiming, collecting or retaining attorneys' fees.

Recipients are instructed to maintain objective integrity and independence from any organization that engages in restricted activities. In determining objective integrity and independence, LSC looks to determine whether the other organization receives a transfer of LSC funds, and whether such funds subsidize restricted activities, and whether the recipient is legally, physically, and financially separate from such organization.

Whether sufficient physical and financial separation exists is determined on a case by case basis and is based on the totality of the circumstances. In making the determination, a variety of factors must be considered. The presence or absence of any one or more factors is not determinative. Factors relevant to the determination include:

- i) the existence of separate personnel;
- ii) the existence of separate accounting and timekeeping records;
- iii) the degree of separation from facilities in which restricted activities occur, and the extent of such restricted activities; and
- iv) the extent to which signs and other forms of identification distinguish the recipient from the other organization.

See 45 CFR § 1610.8(a); *see also*, OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

Recipients are further instructed to exercise caution in sharing space, equipment and facilities with organizations that engage in restricted activities. Particularly if the recipient and the other organization employ any of the same personnel or use any of the same facilities that are accessible to clients or the public. But, as noted previously, standing alone, being housed in the same building, sharing a library or other common space inaccessible to clients or the public may be permissible as long as there is appropriate signage, separate entrances, and other forms of identification distinguishing the recipient from the other organization, and no LSC funds subsidize restricted activity. Organizational names, building signs, telephone numbers, and other forms of identification should clearly distinguish the recipient from any organization that

engages in restricted activities. *See* OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

While there is no *per se* bar against shared personnel, generally speaking, the more shared staff, or the greater their responsibilities, the greater the likelihood that program integrity will be compromised. Recipients are instructed to develop systems to ensure that no staff person engages in restricted activities while on duty for the recipient, or identifies the recipient with any restricted activity. *See* OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

From a limited review of LSNMC's policies and procedures, cash receipts journals, cash disbursements journals, chart of accounts, vendors list, grants, contracts, web page, observations of the office locations, as well as interviews with management, LSNMC does not appear to be engaged in any restricted activity which would present 45 CFR Part 1610 compliance issues.

A review of LSNMC's cash receipts and disbursement journals for the review period identified no inappropriate transfers (45 CFR § 1610.7) or expenditures (45 CFR § 1610.4) of LSC or non-LSC funds.

LSNMC uses Great Plains Accounting ("GPS") software modules. The general ledger (G/L) module is a multi-fund, multi-fiscal period, double-entry fund accounting system which has the capability of providing fund based accounting and/or cost accounting. LSNMC's chart of accounts has been developed so that funds received by the recipient from sources other than the LSC are accounted for as separate and distinct receipts and disbursements as required by 45 CFR § 1610.9. Also, the program utilizes an ACMS that records and accounts for time spent by attorneys and paralegals who work on cases, matters, and supporting activities.

LSNMC has a contractual agreement to provide financial accounting services to Anishinabe Legal Services ("ALS") for a fee in the amount of \$41,175. The current contract is for one (1) year of service, however, prior to 2012 there was no contractual agreement even though this arrangement has existed for several years.

The limited review identified no instance where LSNMC had used non-LSC funds for any purpose prohibited by the LSC Act. LSNMC communicates its policies and procedures by providing staff training and conducting staff meetings with continual reinforcement of its policies and procedures.

A review of donor notification letters evidenced that some letters in circulation are not consistent with the requirements of 45 CFR § 1610.5, which requires that recipients provide funders with notification of the prohibitions and conditions which apply to the funds. The review revealed that LSNMC failed to provide written notification to all funders and/or funding sources, who contributed \$250 or more, of the prohibitions and conditions which apply to the funds provided. Furthermore, LSNMC does not maintain a donor list of all donors who contribute \$250 or more. Accordingly, as a corrective action, LSNMC must provide all funders from which they receive \$250 or more with written notification of the prohibitions and conditions which will apply to

those funds and ensure that its donor notification letters comply with the requirements of 45 CFR § 1610.5(a).

According to LSNMC's comments to the DR, it includes a separate notification slip which is mailed with the donor thanks you letters (attached with LANMC's comments). This form was not provided or reviewed by LSC during the onsite review. Additionally, LSNMC indicated that the following language is included in the actual body of donor letters, "Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42 U.S.C. 2996, et seq., and Public Law 104-134. See www.lsc.gov for additional information".

Finding 17: LSNMC is in compliance with 45 CFR Part 1614 which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Oversight and follow-up of sampled LSNMC managed PAI case files were in substantial compliance with 45 CFR § 1614.3(d)(3). LSNMC is in substantial compliance with 45 CFR § 1614.3(e)(1)(i) which is designed to ensure that recipients of LSC funds correctly allocate administrative, overhead, staff, and support costs related to PAI activities, and that non-personnel costs are allocated on the basis of reasonable operating data.

LSC regulations require LSC recipients to devote an amount of LSC and/or non-LSC funds equal to 12.5% of its LSC annualized basic field award for the involvement of private attorneys in the delivery of legal assistance to eligible clients. This requirement is referred to as the "PAI" or private attorney involvement requirement.

Activities undertaken by the recipient to involve private attorneys in the delivery of legal assistance to eligible clients must include the direct delivery of legal assistance to eligible clients. The regulation contemplates a range of activities, and recipients are encouraged to assure that the market value of PAI activities substantially exceed the direct and indirect costs allocated to the PAI requirement. The precise activities undertaken by the recipient to ensure private attorney involvement are, however, to be determined by the recipient, taking into account certain factors. See 45 CFR §§ 1614.3(a), (b), (c), and (e)(3). The regulations, at 45 CFR § 1614.3(e)(2), require that the support and expenses relating to the PAI effort must be reported separately in the recipient's year-end audit. The term "private attorney" is defined as an attorney who is not a staff attorney. See 45 CFR § 1614.1(d). Further, 45 CFR § 1614.3(d)(3) requires programs to implement case oversight and follow-up procedures to ensure the timely disposition of cases to achieve, if possible, the results desired by the client and the efficient and economical utilization of resources.

Additionally, 45 CFR Part 1614 requires that recipients utilize a financial management system and procedures that document its PAI cost allocations, identify and account for separately direct and indirect costs related to its PAI effort, and report separately the entire allocation of revenue and expenses relating to the PAI effort in its year-end audit.

2012 PAI Plan

As required, LSNMC has developed a PAI Plan. The plan states that LSNMC operates two (2) programs to involve private attorneys in the direct delivery of legal assistance: the Judicare program, which represents the majority of the program's PAI program; and a small pro bono program involving retired trial attorneys.

In 2012, LSNMC estimates that 210-230 attorneys will participate in LSNMC's Judicare program, which accounts for two-thirds of the practicing attorneys in its service area. Several law firms also participate in the program. Judicare attorneys handle the majority of LSNMC's extended service cases and the program estimates that Judicare attorneys donate over two (2) million dollars annually in uncompensated services. Lastly, LSNMC's plan notes that all LSC and IOLTA funding is dedicated to the PAI program.

LSNMC PAI Model Assessment

As described in Finding #2, each office refers cases to Judicare depending upon office protocol. Attorneys interested in enrolling in the Judicare program are provided an Attorney Enrollment Form, program overview, handbook, fee schedule, eligibility guidelines, and case priorities. The enrollment form and the accompanying manual sets forth the terms and conditions of the services and the payment structure. These documents taken together are considered to be the contract with the attorney.

Once it has been determined that a case meets the Judicare referral protocol, the intake staff sends a letter to the client advising them that they are eligible for a free initial interview with an attorney and will be considered for further assistance. A United States Citizenship Statement and a list of participating attorneys in the appropriate county are enclosed with the letter. The client is instructed to contact an attorney on the list within 60 days of the date of the letter. The initial meeting between the client and private attorney may be by telephone or in-person, depending upon the location of the attorney. If in-person, attorneys are expected to obtain the executed citizenship attestation. After the meeting, the attorney sends an e-mail or an Attorney Intake Form, indicating the facts, and whether additional assistance is necessary or if assistance is complete. If additional assistance is deemed necessary, the attorney requests approval for the additional services by providing a description of anticipated service, the number of estimated hours, and total estimated fee. Once the PAI Coordinator receives the form from the PAI attorney, she assigns herself as the case handler. If the client has not contacted an attorney after 60 days, the intake staff sends a letter stating that the case will be closed if they do not make contact. If there is still no contact, after a reasonable period of time, the case is closed as "unable to serve" and it is not reported to LSC.

Once the PAI Coordinator receives the contact e-mail or Attorney Intake Form, the case is either closed immediately or, if additional assistance is required, the Client/Attorney Coordinator has the authority to authorize the additional work requested by the PAI attorney or the cases are discussed at a staffing meeting. If authorization is granted to the PAI attorney to continue with extended representation, an approval letter is sent to the attorney with a retainer agreement. If

additional work is not authorized, a closing letter is sent to the client advising them of the decision.

If a case is approved for additional assistance, the Client/Attorney Coordinator is responsible for tracking the case. She sets a five-month tickler in "My Tasks," though most attorneys submit interim billings with status reports before the five (5) months elapses. When extended service cases are concluded, the attorney submits a final billing, the final order, and a description of services provided. Based upon information provided by the attorney and the final order, the Client/Attorney Coordinator selects the closing category and closes the cases on the ACMS.

In addition to the Judicare program, LSNMC operates the Legal Aid Work by Seniors ("LAWS") pro bono program. The program consists of two (2) retired private attorneys working pro bono using LSNMC's offices. Given their experience, the private attorneys serve as mentors and serve as second chair. To date, these cases have not been counted towards PAI because staff is usually also involved in the case. However, some of these cases may qualify as PAI depending upon the level of assistance provided. It is recommended that LSNMC review the CSR Handbook (2008 Ed., as amended 2011), § 10.1 to determine if these cases should be designated as PAI. LSNMC should contact LSC's CSR Questions Committee if they would like LSC to provide additional guidance on this issue.

Allocation of PAI Costs

The review of the PAI schedule disclosed in the Audited Financial Statements ("AFS") for Fiscal Year ("FY") ending December 31, 2011 determined that there was compliance with 45 CFR Part 1614 in the allocation of direct and indirect expenses to PAI and that the calculation of the wages and benefits charged to PAI were in accordance with LSC requirements.

Furthermore, sampled PAI contracts and invoices were found to be in compliance with LSC regulations and requirements, including that the hourly rates charged by PAI attorneys are to be equal to or less than 50% of the average rate charged by private attorneys in the area.

PAI Compliance Overview

LSNMC is in compliance with 45 CFR Part 1614 which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Oversight and follow-up of sampled LSNMC managed PAI case files demonstrated compliance with 45 CFR § 1614.3(d)(3). Finally, LSNMC is in compliance with 45 CFR § 1614.3(e)(1)(i), which is designed to ensure that recipients of LSC funds correctly allocate administrative, overhead, staff, and support costs related to PAI activities, and that non-personnel costs are allocated on the basis of reasonable operating data.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 18: LSNMC is in compliance with 45 CFR § 1627.4(a) which prohibits programs from utilizing LSC funds to pay membership fees or dues to any private or nonprofit organization. LSNMC is in non-compliance with 45 CFR §§ 1627.3(a)(1), (2), and (3).

LSC has developed rules governing the transfer of LSC funds by recipients to other organizations. *See* 45 CFR § 1627.1. These rules govern subgrants, which are defined as any transfer of LSC funds from a recipient to an entity under a grant, contract, or agreement to conduct certain activities specified by or supported by the recipient related to the recipient's programmatic activities.⁹ Except that the definition does not include transfers related to contracts for services rendered directly to the recipient, *e.g.*, accounting services, general counsel, management consultants, computer services, etc., or contracts with private attorneys and law firms involving \$25,000 or less for the direct provision of legal assistance to eligible clients. *See* 45 CFR §§ 1627.2(b)(1) and (b)(2); *see also*, 48 Federal Register 28485 (June 2, 1983) and 48 Federal Register 54207 (November 30, 1983).

Additionally, 45 CFR § 1627.4(a) states 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.
- b) Paragraph (a) of this section does not apply to the payment of membership fees or dues mandated by a government organization to engage in a profession, or to the payment of membership fees or dues from non-LSC funds.

A limited review of accounting records and detailed G/L for the years 2008, 2009, 2010, 2011, and 2012 disclosed that LSNMC made payments exceeding \$25,000 per year to one (1) attorney and three (3) law firms in 2008, and from 2009 thru 2012 to one (1) law firm for legal services rendered in connection with the Judicare program. An examination of LSNMC's 1099 tax forms showed payments made ranging between \$25,957.50 and \$97,727.43. According to the program's Administrator these payments were comprised of LSC and non-LSC funds. The Administrator was asked to identify the LSC and non-LSC funds allocated to those attorneys and law firms. The LSC funds paid to the law firm for legal services exceeded \$25,000 only in 2010 and 2011. The LSC funds paid totaled \$35,676.00 in 2010 and \$33,049.60 in 2011 for a total of \$68,725.60.

45 CFR §§ 1627.3(a) (1), (2), and (3) requires that:

- 1) All subgrants must be submitted in writing to the Corporation for prior, written approval. The submission shall include the terms and conditions of the subgrant and the amount of funds intended to be transferred.

⁹ Programmatic activities includes those that might otherwise be expected to be conducted directly by the recipient, such as representation of eligible clients, or which provides direct support to a recipient's legal assistance activities or such activities as client involvement, training or state support activities. Such activities would not normally include those that are covered by a fee-for-service arrangement, such as those provided by a private law firm or attorney representing a recipient's clients on a contract or judicare basis, except that any such arrangement involving more than \$25,000.00 is included.

- 2) The Corporation shall have 45 days to approve, disapprove, or suggest modifications to the sub grant. A subgrant which is disapproved or to which modifications are suggested may be resubmitted for approval. Should the Corporation fail to take action within 45 days, the recipient shall notify the Corporation of this failure and, unless the Corporation responds within 7 days of the receipt of such notification, the subgrant shall be deemed to have been approved.
- 3) Any subgrant not approved according to the procedures of paragraph (a)(2) of this section shall be subject to audit disallowance and recovery of all the funds expended pursuant thereto.

LSNMC failed to request in writing LSC subgrant approval from 2008-2012. During the exit conference, the Executive Director indicated that a subgrant was not required because the payments made to the attorneys and law firms were on a case by case basis, and that each case or activity had a maximum fee limit that the attorneys could be paid.

Since LSNMC made payments to attorneys and law firms in amounts over \$25,000 per year during 2008-2012, it was required to obtain LSC's prior approval of the expenditures and the relationship. Accordingly, LSNMC must implement policies and procedures that will ensure that subgrants are submitted for approval when required. As to the payments made previously, the program is required to reallocate the money to a non-LSC funding source or the money will be subject to a questioned cost proceeding. LSNMC was directed to provide proof of the reallocation LSC with its comments to the Draft Report.

LSNMC disagreed with this finding in the DR and requested that it not be included in the Final Report. According to LSNMC, accumulation of separate, unpredictable, and varying fee-for-service payments to an individual Judicare attorney for handling individual client cases does not spring into a subgrant with that individual or his/her law firm if, or when, a \$25,000 total is reached. According to LSNMC, it has no arrangements, agreements, or contracts with Judicare attorneys that guarantee any funding amount over \$25,000. LSNMC indicated that it only has fee-for-service of \$55 per hour up to a limited number of hours per individual case, and these contracts are all with individual lawyers, not law firms. Furthermore, according to LSNMC it has not changed its Judicare payment procedures since before the latest 1997 version of § 1627. LSNMC agreed that the Finding in the DR requiring that a subgrant spontaneously springs from individual fee-for-service cases that reach a total of \$25,000, would be a major departure from the law of contracts, from LSC regulations, and from established policy and practice.

Despite disagreeing with the Finding, LSNMC indicated it implemented the reallocation of non-LSC money as required under the DR. According to LSNMC, it has also drafted a new 1627 policy and submitted it to the LSNMC Board. A vote will take place at its next meeting on November 14, 2012.

After careful consideration of LSNMC's comments, LSC has determined that revisions to this Finding are unwarranted. According to the Supplementary Information attached to 45 CFR § 1627.2 dated November 30, 1983, the exception of transfers of funds to private attorneys or law firms on a fee for service or judicare basis is retained, but is limited to transfers involving no more than \$25,000; thus *transfers to private attorneys or law firms in excess of \$25,000 are*

considered subgrants. (Emphasis added). There is no language requiring that an arrangement, agreement, or contract guaranteeing funds of over \$25,000 triggers the subgrant requirements under 45 CFR Part 1627. The language clearly states that any transfers to a private attorney or law firm in excess of \$25,000 is considered a subgrant and falls under the requirements of 45 CFR Part 1627. Additionally, this language has been in place since November 30, 1983; therefore, the finding in the DR is not a major departure from the requirements of 45 CFR § 1627.2.

If LSNMC's Board approves the new policies and procedures submitted for approval at the next Board meeting, such policies should be submitted to LSC for review.

From a limited review of LSNMC's chart of accounts, invoices, cash disbursement journals, journal entries, and general ledger, it appears that no LSC funds were used to pay for mandatory or non-mandatory membership fees or dues. An analysis of the general ledger for January 1, 2010 through April 15, 2012 showed no payments being made using LSC funds for membership fees or dues.

Finding 19: LSNMC is in compliance with 45 CFR Part 1635 (Timekeeping requirement).

The timekeeping requirement, 45 CFR Part 1635, is intended to improve accountability for the use of all funds of a recipient by 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; enhancing the ability of the recipient to determine the cost of specific functions; and increasing the information available to LSC for assuring recipient compliance with Federal law and LSC rules and regulations. *See* 45 CFR § 1635.1.

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. Recipients shall require any attorney or paralegal who works part-time for the recipient and part-time for an organization that engages in restricted activities to certify in writing that the attorney or paralegal has not engaged in restricted activity during any time for which the attorney or paralegal was compensated by the recipient or has not used recipient resources for restricted activities.

A review of eight (8) advocates' timekeeping records selected from LSNMC offices for the pay period ending in October 2011, disclosed that the records are electronically and

contemporaneously kept. The time spent on each case, matter, or supporting activity is recorded in compliance with 45 CFR §§ 1635.3(b) and (c).

Based on the limited review of LSNMC's fiscal timekeeping records, the program appears to be in compliance with 45 CFR Part 1635.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 20: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1642 (Attorneys' fees).

Prior to December 16, 2009, except as otherwise provided by LSC regulations, recipients could not claim, or correct and retain attorneys' fees in any case undertaken on behalf of a client of the recipient. *See* 45 CFR § 1642.3.¹⁰ However, with the enactment of LSC's FY 2010 consolidated appropriation, the statutory restriction on claiming, collecting or retaining attorneys' fees was lifted. Therefore, at its January 30, 2010, meeting, the LSC Board of Directors took action to repeal the regulatory restriction on claiming, collecting or retaining attorneys' fees. Accordingly, effective March 15, 2010, recipients may claim, collect, and retain attorneys' fees for work performed, regardless of when such work was performed.

LSC further determined that it will not take enforcement action against any recipient that filed a claim for, or collected or retained attorneys' fees during the period December 16, 2009, and March 15, 2010. Claims for, collection of, or retention of attorneys' fees prior to December 16, 2009, may, however, result in enforcement action. As well, the regulatory provisions regarding accounting for and use of attorneys' fees and acceptance of reimbursement remain in force and violation of these requirements, regardless of when they occur, may subject the recipient to compliance and enforcement action. *See* LSC Program Letters 09-3 (December 17, 2009) and 10-1 (February 18, 2010).

A limited review of LSNMC's fiscal records, the 2010 AFS, Trial Balances for 2009, 2010, and 2011, and interviews with the Administrator and the Executive Director evidenced that there were no attorneys' fees awarded, collected, or retained for cases serviced directly by LSNMC that would violate the former 45 CFR Part 1642. Based on case files reviewed, discussions with the Executive Director, and the review conducted by LSC's fiscal analysts, LSNMC is in compliance with the requirements of the former 45 CFR Part 1642.

In response to the DR, LSNMC offered no comments on this Finding.

¹⁰ The regulations defined "attorneys' fees" as an award to compensate an attorney of the prevailing party made pursuant to common law or Federal or State law permitting or requiring the award of such fees or a payment to an attorney from a client's retroactive statutory benefits. *See* 45 CFR § 1642.2(a).

Finding 21: Sampled cases and documents reviewed substantial compliance with the requirements of 45 CFR Part 1612 (Restrictions on Lobbying and Certain Other Activities). However, review of financial documents and interviews with staff revealed that LSNMC engaged in legislative and rulemaking activities and failed to maintain separate accounting records showing the expenditures incurred relating to these activities.

The purpose of 45 CFR Part 1612 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.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1612. OCE reviewed the policy and determined that it is consistent with Part 1612. None of the sampled fiscal files or documents reviewed evidenced any lobbying or other prohibited activities. Additionally, as discussed in Finding 14 with regard to Part 1608, a review of hard-copy informational materials and publications which LSNMC makes available to applicants and clients which are published by LSNMC and other federal, state, and private organizations, as well as a review of LSNMC's website, did not evidence any content prohibited by 45 CFR §§ 1612.4, 1612.8, and 1612.9. Discussions with the Executive Director and Administrator also confirmed that LSNMC is not involved in any prohibited public rulemaking or lobbying activities.

45 CFR § 1612.10 states that:

- (a) No funds made available by the Corporation shall be used to pay for administrative overhead or related costs associated with any activity listed in § 1612.6.
- (b) Recipients shall maintain separate records documenting the expenditure of non-LSC funds for legislative and rulemaking activities permitted by § 1612.6.
- (c) Recipients shall submit semi-annual reports describing their legislative activities with non-LSC funds conducted pursuant to § 1612.6, together with such supporting documentation as specified by the Corporation.

A limited review of the accounting records and an interview with the Administrator, revealed that LSNMC engaged in legislative and rulemaking activities. While on-site, LSNMC provided the review team copies of their semi-annual reports describing its legislative and rulemaking activities pursuant to § 1612.6. Review of the semi-annual reports revealed that several attorneys participated in legislative and rulemaking activities, two (2) in 2010 and two (2) in 2011. LSNMC provided time records for the attorneys who participated in legislative and rulemaking activities, by activity date, by time spent working on these activities and by funding source. The limited review of the time records evidences that the ACMS does not independently track time spent on legislative and rulemaking activities. A review of the G/L revealed that some direct and administration charges may have been allocated to the LSC fund for the attorneys' participation

in rulemaking and legislative activities as it could not be definitively determined that only non-LSC funds were used.

LSNMC must ensure they maintain separate recordkeeping and accounting records for activities funded with non-LSC funds for legislative and rulemaking activities. LSNMC must demonstrate that it maintains mandatory recordkeeping by providing documentation showing all expenditures of non-LSC funds relating to legislative and rulemaking activities. Additionally, LSNMC should develop and implement a procedure which enables it to identify the time spent working on legislative and rulemaking activities by attorneys, e.g., using a source code or identifier.

According to LSNMC's comments to the DR, a system has now been put in place requiring that legislative and rulemaking activities have its own Practice Manager File which includes specific actions and records non-LSC time spent on those activities.

Finding 22: Sampled cases evidenced compliance with the requirements of 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings, and actions collaterally attacking criminal convictions).

Recipients are prohibited from using LSC funds to provide legal assistance with respect to a criminal proceeding. *See* 45 CFR § 1613.3. Nor may recipients provide legal assistance in an action in the nature of a habeas corpus seeking to collaterally attack a criminal conviction. *See* 45 CFR § 1615.1.

None of the sampled files reviewed involved legal assistance with respect to a criminal proceeding, or a collateral attack in a criminal conviction. Discussions with the Executive Director also confirmed that LSNMC is not involved in this prohibited activity. Based on the case files reviewed and discussions with the Executive Director, LSNMC appears to be in compliance with 45 CFR Parts 1613 and 1615.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 23: Sampled cases and a review of LSNMC's policies evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

Recipients are prohibited from initiating or participating in any class action. *See* 45 CFR § 1617.3. The regulations define "class action" as a lawsuit filed as, or otherwise declared by a court of competent jurisdiction, as a class action pursuant Federal Rules of Civil Procedure, Rule 23, or comparable state statute or rule. *See* 45 CFR § 1617.2(a). The regulations also define "initiating or participating in any class action" as any involvement, including acting as co-counsel, amicus curiae, or otherwise providing representation relative to the class action, at any stage of a class action prior to or after an order granting relief. *See* 45 CFR § 1617.2(b)(1).¹¹

¹¹ It does not, however, include representation of an individual seeking to withdraw or opt out of the class or obtain the benefit of relief ordered by the court, or non-adversarial activities, including efforts to remain informed about, or to explain, clarify, educate, or advise others about the terms of an order granting relief. *See* 45 CFR § 1617.2(b)(2).

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1617. OCE reviewed the policy and determined that it is consistent with Part 1617. None of the sampled files reviewed involved initiation or participation in a class action. Discussions with the Executive Director also confirmed that LSNMC is not involved in this prohibited activity. Based on the program's policies, the case files reviewed, and discussions with the Executive Director, LSNMC appears to be in compliance with the requirements of 45 CFR Part 1617.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 24: Sampled cases and a review of LSNMC's policies evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

Recipients may not make available any funds, personnel, or equipment for use in advocating or opposing any plan or proposal, or representing any party, or participating in any other way in litigation, related to redistricting. *See* 45 CFR § 1632.3.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1632. OCE has reviewed the policy and has determined that it is consistent with Part 1632. None of the sampled files reviewed revealed participation in litigation related to redistricting. Discussions with the Executive Director also confirmed that LSNMC is not involved in this prohibited activity. Based on the program's policies, case files reviewed, and discussions with the Executive Director, LSNMC appears to be in compliance with the requirements of 45 CFR Part 1632.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 25: Sampled cases and review of LSNMC's policies evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

Recipients are prohibited from defending any person in a proceeding to evict the person from a public housing project if the person has been charged with, or has been convicted of, the illegal sale, distribution, manufacture, or possession with intent to distribute a controlled substance, and the eviction is brought by a public housing agency on the basis that the illegal activity threatens the health or safety or other resident tenants, or employees of the public housing agency. *See* 45 CFR § 1633.3.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1633. OCE reviewed the policy and determined that it is consistent with Part 1633. None of the sampled files reviewed involved defense of any such eviction proceeding. Discussions with the Executive Director also confirmed that LSNMC is not involved in this prohibited activity. Based on the program's policies, case files reviewed, and discussions with the Executive Director, LSNMC appears to be in compliance with the requirements of 45 CFR Part 1633.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 26: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of Prisoners).

Recipients may not participate in any civil litigation on behalf of a person incarcerated in a federal, state, or local prison, whether as plaintiff or defendant; nor may a recipient participate on behalf of such incarcerated person in any administrative proceeding challenging the condition of the incarceration. *See* 45 CFR § 1637.3.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1637. OCE reviewed the policy and determined that it is consistent with Part 1637. None of the sampled files reviewed involved participation in civil litigation, or administrative proceedings, on behalf of an incarcerated person. Discussions with the Executive Director also confirmed that LSNMC is not involved in this prohibited activity. Based on the program’s policies, case files reviewed, and discussions with the Executive Director, LSNMC appears to be in compliance with the requirements of 45 CFR Part 1637.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 27: Sampled cases evidenced review of LSNMC’s policies compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

In 1996, Congress passed, and the President signed, the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (the "1996 Appropriations Act"), Pub. L. 104-134, 110 Stat. 1321 (April 26, 1996). The 1996 Appropriations Act contained a new restriction which prohibited LSC recipients and their staff from engaging a client which it solicited.¹² This restriction has been contained in all subsequent appropriations acts. This restriction is a strict prohibition from being involved in a case in which the program actually solicited the client. As stated clearly and concisely in 45 CFR § 1638.1: “This part is designed to ensure that recipients and their employees do not solicit clients.”

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1638. OCE reviewed the policy and determined that it is consistent with Part 1638. None of the sampled files reviewed, indicated LSNMC’s involvement in such prohibited activity. Discussions with the Executive Director also confirmed that LSNMC is not involved in this prohibited activity. Based on the program’s policies, case files reviewed, and discussions with the Executive Director, LSNMC is in compliance with the requirements of 45 CFR Part 1638.

In response to the DR, LSNMC offered no comments on this Finding.

¹² *See* Section 504(a)(18).

Finding 28: Sampled cases and a review of LSNMC’s policies evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

No LSC funds may be used to compel any person, institution or governmental entity to provide or fund any item, benefit, program, or service for the purpose of causing the suicide, euthanasia, or mercy killing of any individual. No may LSC funds be used to bring suit to assert, or advocate, a legal right to suicide, euthanasia, or mercy killing, or advocate, or any other form of legal assistance for such purpose. *See* 45 CFR § 1643.3.

LSNMC has adopted a written policy to guide its staff in complying with 45 CFR Part 1643. OCE reviewed the policy and determined that it is consistent with Part 1643. None of the sampled files reviewed indicated LSNMC’s involvement in these prohibited activities. Discussions with the Executive Director also confirmed that LSNMC is not involved in these prohibited activities. Based on the LSNMC’s policies, case files reviewed, and discussions with the Executive Director, LSNMC appears to be in compliance with the requirements of 45 CFR Part 1643.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 29: Sampled cases evidenced compliance with the requirements of certain other LSC statutory prohibitions (42 USC 2996f § 1007 (a) (8) (Abortion), 42 USC 2996f § 1007 (a) (9) (School desegregation litigation), and 42 USC 2996f § 1007 (a) (10) (Military selective service act or desertion)).

Section 1007(b) (8) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation which seeks to procure a non-therapeutic abortion or to compel any individual or institution to perform an abortion, or assist in the performance of an abortion, or provide facilities for the performance of an abortion, contrary to the religious beliefs or moral convictions of such individual or institution. Additionally, Public Law 104-134, Section 504 provides that none of the funds appropriated to LSC may be used to provide financial assistance to any person or entity that participates in any litigation with respect to abortion.

Section 1007(b) (9) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation relating to the desegregation of any elementary or secondary school or school system, except that nothing in this paragraph shall prohibit the provision of legal advice to an eligible client with respect to such client's legal rights and responsibilities.

Section 1007(b) (10) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation arising out of a violation of the Military Selective Service Act or of desertion from the Armed Forces of the United States, except that legal assistance may be provided to an eligible client in a civil action in which such client alleges that he was improperly classified prior to July 1, 1973, under the Military Selective Service Act or prior law.

All of the sampled files reviewed demonstrated compliance with the above LSC statutory prohibitions. Discussions with the Executive Director evidenced and confirmed that LSNMC was not engaged in any litigation which would be in violation of Section 1007(b) (8) of the LSC Act, Section 1007(b) (9) of the LSC Act, or Section 1007(b) (10) of the LSC Act. Based on the case files reviewed and discussions with the Executive Director, LSNMC appears to be in compliance with the above LSC statutory prohibitions.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 30: A limited review of LSNMC’s internal control policies and procedures revealed weaknesses that are inconsistent with the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the Accounting Guide for LSC Recipients (2010 Ed.).

In accepting LSC funds, recipients agree to administer these funds in accordance with requirements of the Legal Services Corporation Act of 1974 as amended, any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the LSC, including, but not limited to, LSC Audit Guide for Recipients and Auditors, the Accounting Guide for LSC Recipients (2010 Ed.), the CSR Handbook, the LSC Property Acquisition and Management Manual, and any amendments to the foregoing. Applicants agree to comply with both substantive and procedural requirements, including recordkeeping and reporting requirements.

An LSC recipient, under the direction of its board of directors, is required to establish and maintain adequate accounting records and internal control procedures. Internal control is defined as a process put in place, managed and maintained by the recipient’s board of directors and management which is designed to provide reasonable assurance of achieving the following objectives: (1) safeguarding of assets against unauthorized use or disposition; (2) reliability of financial information and reporting; and (3) compliance with regulations and laws that have a direct and material effect on the program. *See* Chapter 3 of the Accounting Guide for LSC Recipients (2010 Ed.).

Cash Receipts

A limited review of LSNMC’s cash receipt logs, monthly deposits, cash receipt journals, bank statements, G/L, and interviews with staff, it was determined that the program properly records its cash receipts to the cash receipts log. Both regular deposits and donor contributions are deposited in a timely manner to the programs bank account, and cash receipts are reconciled to the cash receipts log and cash receipts journal on a monthly basis. However, LSNMC posted and deposited one (1) cash receipt in the amount of \$609.20 that was intended for ALS. Also, the program, in error, posted and deposited a cash receipt received from one (1) client in the amount of \$450.00 to its cash receipts log and operating account, which was intended for the Client Trust Fund Account. This transaction was later corrected.

LSNMC was directed to provide evidence that the \$609.20 deposited by LSNMC, but intended for ALS, was refunded to ALS, with its comments to the DR.

In response to the DR, ALSC provided documentation showing that the deposit was immediately and correctly deposited into ALS' account.

Personal Time Off Policy

Pursuant to the Accounting Guide for LSC Recipients (2010 Ed.), Appendix VII, Section A14, Accounting Procedures and Internal Controls, LSC recipients should require their employees take annual vacations, and their duties should be assign to others in their absence.

Review of LSNMC's time and attendance report from July 30 through August 12, 2011, and February 25 through March 9, 2012, revealed that personal time off taken by the Administrator is inconsistent with the program's Personal Time Off policy, because the Administrator failed to get the Executive Director's approval. An analysis of the time and attendance report shows at least one (1) week, or five (5) days, of personal time off was taken in 2011 and eight (8) days of personal time off was taken in 2012 over a 10 day period by the Administrator without the Executive Director's approval.

Other LSNMC employees are in compliance with LSC's and LSNMC's policies. However, failure by the Administrator to get prior approval to take leave is in violation of LSNMC's policy. LSC recommends that employees seek Executive Director or Supervising Attorney approval when taking personal time off, in accordance with LSNMC's policy.

In response to the DR, LSNMC offered no comments on this Finding.

Security

Pursuant to the Accounting Guide for LSC Recipients (2010 Ed.), 3.5-14 (EDP Controls), LSC recipients should implement controls to provide assurances that computers and the data they contain are properly protected against theft, loss, unauthorized access, and natural disaster.

While on-site in the main office, and from general observation of the program's facility, LSNMC stores it server in a common area located in its copy room which is unsecured area in the building.

LSNMC should implement controls to provide assurances that computers and the data they contain are properly protected against theft, loss, unauthorized access, and natural disaster.

In response to the DR, LSNMC indicated that the servers and computers are password protected to prevent unauthorized use. According to LSNMC there are two (2) or more staff in the office at all times, when it is open to the public, and all offices are locked outside of regular office hours. Furthermore, the comments noted that, because LSNMC has experienced several major floods in their service area, they keep all equipment as high off of the ground as practical. Additionally, back-up tapes are taken offsite weekly, with the Practice Manager database being

backed up offsite daily by Mid-Minnesota Legal Assistance in Minneapolis. LSNMC indicated that, in case of tornado, fire or other potential disaster threats, back-up tapes are quickly retrieved and removed as part of disaster response procedures. Furthermore, LSNMC's comments indicated that it had a professional security, risk, and disaster assessment conducted by North Dakota State University in 2010.

Journal Entries

The review revealed that several journal entries are being reviewed by the Administrator who performs most of the accounting functions. LSNMC must ensure that someone other than the Administrator is responsible for reviewing the journal entries. Such review should be appropriately documented by signature and date, as required by the Accounting Guide for LSC Recipients (2010 Ed.), 3.5-6 (General Journal) and LSC Program Letter 12-2.

In response to the DR, LSNMC indicated that the Executive Director is now responsible for reviewing and approving the journal entries.

Accounting Manual Review

A cursory review of LSNMC's Accounting Manual disclosed that it is adequately documents and generally meets the requirements of the Accounting Guide for LSC Recipients (2010 Ed.).

In response to the DR, LSNMC offered no comments on this Finding.

Segregation of Duties and Internal Controls

A review of the internal controls worksheet, accounting processes, and interviews with the Executive Director and the Administrator disclosed that due to the small number of employees a strict segregation of duties is not possible.

In response to the DR, LSNMC offered no comments on this Finding.

Company Credit Card Internal Controls

It was disclosed during the review of LSNMC's credit card statements that the credit card is also used to make purchases for ALS which are then reimbursed by ALS.

LSNMC has agreed to obtain a separate credit card for ALS so that there will be no purchases made for ALS using the LSNMC credit card in the future. LSNMC must directed to provide proof to LSC, with its comments to the Draft Report, that separate credit card accounts between LSNMC and ALS have been established.

In response to the DR, LSNMC indicated that it is now utilizing a separate banking and credit card account then ALS. According to LSNMC, ALS has enrolled in a bill pay system through their checking account at Western Bank in Cass Lake. Furthermore, the comments reported that

ALS has applied for its own credit card. Finally, LSNMC reported that a check was sent to ALS for \$19,926.29, which cleared out all ALS' fund balance in LSNMC's Wells Fargo account.

Bank Reconciliations

A review of the bank reconciliations completed for October 2011 disclosed that the reconciliations are completed by employees independent of the accounting function. Balances used in the reconciliations are agreed to the bank statements and G/L by the Administrator and the bank reconciliations and bank statements are reviewed and approved by the Executive Director, who also affixes her initials to the bank statements and bank reconciliations to indicate her review and approval. The internal controls over the bank reconciliations are considered adequate.

In response to the DR, LSNMC offered no comments on this Finding.

Finding 31: A limited review of documents and interviews with staff revealed that LSNMC's cash balance for the periods of December 31, 2010, December 31, 2011, and April 30, 2012, exceeded the \$250,000 limit covered by the Federal Deposit Insurance Corporation (FDIC).

The FDIC insurance limit is \$250,000 per depositor, per insured bank, for each account ownership category. All cash accounts held in financial institutions which are federally insured are limited to the maximum insured limits. According to the Accounting Guide for LSC Recipients (2010 Ed.), 2-2.2 (Cash and Investments), LSC funds in excess of the FDIC limits and not needed for immediate operating expenses should be invested with another financial institution in federally-insured accounts or certificates, or invested in U.S. Treasury notes or bills or investment instruments, for example, money market accounts and repurchase agreements that invest in U.S. government securities.

If, after considering LSC's investment guidelines, above, a recipient adopts policies outside these guidelines, LSC will not override the judgment of the recipient's governing body. In such cases the governing body must acknowledge, by resolution, the divergence from LSC's authorized policy and the acceptance of full responsibility for the security of any investment decisions made outside of LSC's guideline. In cases of losses of LSC funds related to investment decisions made outside of LSC guidelines, for purposes of personal liability, the governing body will be held to the standard of care imposed by applicable state or federal law.

From the review of several bank statements and the G/L, it was determined that for the periods December 31, 2010, December 31, 2011, and April 30, 2012, the program's monthly cash balance was \$286,167.67, \$465,513.83¹³, and \$292,039.16. These funds were LSC and non-LSC funds.

¹³ LSNMC's comment to the DR noted that, according to its 2011 audited financial statement, the total case balance on December 31, 2011 was \$389,548.00 not \$465,513.83. A review of that document confirmed that the \$389,548.00 was the correct amount.

LSNMC should either invest the LSC funds in excess of the FDIC limits and not needed for immediate operating expenses with another financial institution in federally-insured accounts or certificates, or invest in U.S. Treasury notes or bills or investment instruments, or, adopt a policy outside these guidelines, and its governing body must acknowledge, by resolution, the divergence from LSC's authorized policy and accept full responsibility for the security of any investment decisions made outside of LSC's guidelines.

According to LSNMC's comments to the DR, the program always maintains bank and investment accounts at or below the maximum \$250,000 FDIC insurance limit. LSNMC indicated that it receives funds from 18 to 20 separate and distinct funding sources, which are all maintained within one (1) Wells Fargo checking account. LSNMC further indicated that although some of the funds may have been greater than the maximum \$250,000 amount, some of the funds may have also had a deficit. LSNMC indicated that if the balances of the separate funding sources are combined, the actual total balance in the account is at or below the maximum \$250,000 FDIC insurance limit. LSNMC stated that the \$286,164.67 cash balance cited for 12/31/2010 in the DR identified just one (1) of the 18 funding source balances which, when combined with the balances of the separate funding sources, had an actual total balance of \$182,675.31; this total being well within the FDIC insurance limit. Additionally, LSNMC correctly indicated that the total cash balance listed on the 12/31/2011 audit report was \$389,548.00 and not the \$465,513.83 amount cited in the DR. This has been noted in the Final Report. Furthermore, LSNMC stated that the \$389,548.00 cash balance was just one (1) of the several funding source balances contained in the account which, when combined with the balances of the separate funding sources, had an actual total balance of \$35,084.72. Finally, LSNMC indicated that the \$292,039.16 cash balance cited for 4/30/2012 in the DR was also just one (1) of the several funding source balances in the account which, when combined with the balances of the separate funding sources, had an actual total balance of \$36,230.31.

Based on the additional information submitted by LSNMC in response to the DR, no further action is required.

Finding 32: LSNMC's Administrator contractually performs accounting duties for Anishinabe Legal Services (ALS). A detailed review revealed that LSNMC and ALS share a checking account and credit card. It was agreed to by the Administrator of LSNMC that a separate bank and credit card account would be established between the two (2) programs.

LSNMC has a contractual agreement to provide financial accounting services to ALS for a fee in the amount of \$41,175. The contract is for one (1) year of service, however prior to 2012 there was no contractual agreement even though this arrangement has existed for several years. The contract fee amount covers \$3,705.75 for the Executive Director's salary to supervise the Administrator and \$37,469.25 for the Administrator's salary.

During a CSR/CMS visit to ALS in 2011 it was disclosed to LSC that ALS shared a bank account at Wells Fargo Bank with LSNMC. No further action was taken at that time.

This review revealed that ALS advances LSNMC approximately \$25,000 a month, which LSNMC deposits into its Wells Fargo Checking Account, from which it pays ALS invoices. There are separate G/Ls kept for ALS and LSNMC in which there are separate cash accounts set up to account for the funds of each program in the shared bank checking account.

Additionally, the review disclosed that LSNMC uses a business credit card to make purchases for both LSNMC and ALS. LSNMC is reimbursed by ALS for the credit card purchases.

The shared bank and credit card accounts have been used by ALS and LSNMC for years. Based upon a limited review and discussions with the Financial Administrator and the Executive Director of LSNMC, there have been no instances where ALS or LSNMC funds have been used to pay for the other's purchases.

As stated in Finding 30, LSNMC did post and deposit one (1) cash receipt in the amount of \$609.20 from a rebate for building upgrades made payable to ALS that was intended for ALS, but was deposited into LSNMC bank account. The review could not determine whether this amount was then reimbursed to ALS. The DR directed LSNMC to provide evidence that the \$609.20 was reimbursed to ALS.

In response to the DR, ALS provided documentation showing that the deposit was immediately and correctly deposited into ALS' account.

In order to ensure that there are adequate internal controls over the shared bank and credit card accounts, and to prevent commingling of funds, LSNMC should establish that separate bank and credit card accounts. The Financial Administrator indicated during the review that separate banking and checking accounts would be opened for each program. The DR directed that LSNMC must provide proof to LSC, with its comments to the Draft Report, that separate bank accounts between LSNMC and ALS have been established.

In response to the DR, LSNMC indicated that it is now utilizing a separate banking and credit card account from ALS. According to LSNMC, ALS has enrolled in a bill pay system through their checking account at Western Bank in Cass Lake. Furthermore, ALS has applied for its own credit card. Finally LSNMC reported that a check was sent to ALS for \$19,926.29, which cleared out all ALS' fund balance in LSNMC's Wells Fargo account.

IV. RECOMMENDATIONS¹⁴

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

1. Require employees to seek the Executive Director or Supervising Attorney approval when taking personal time off in accordance with LSNMC policy;
2. Amend its Group Client Application in order to maximize compliance with regard to group financial eligibility screening. Specifically, LSNMC should expand the questionnaire so that it better collects information evidencing that the applicant group has no practical means of obtaining private counsel, in accordance with 45 CFR § 1611.6(a), and, when applicable, that the group is primarily composed of individuals who would be eligible for LSC-funded legal assistance, in accordance with § 1611.6(a)(1); and
3. Review the Legal Aid Work by Seniors cases to determine whether these cases should be reported to LSC in the CSR data submission pursuant to CSR Handbook (2008 Ed., as amended 2011) § 10.1.

¹⁴ 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.

V. REQUIRED CORRECTIVE ACTIONS

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

1. Ensure that each case reported to LSC documents the legal advice or assistance provided to the client as required by CSR Handbook (2008 Ed., as amended in 2011), § 5.6;

According to LSNMC's comments to the DR, the Director, Judicare Coordinator, and other LSNMC staff have reviewed the need for proper documentation and description of the legal assistance provided to clients, and the issue was included on the September Management Team Meeting Agenda for further discussion and emphasis. Managers, the Litigation Director, and Judicare Coordinator will be requested to monitor files at closure for adequacy of information on the legal assistance provided.

2. Provide all funders who provide \$250 or more written notification of the prohibitions and conditions which apply to those funds. Additionally, ensure that its donor notification letters comply with the requirements of 45 CFR § 1610.5(a);

According to LSNMC's comments to the DR, it includes a separate notification slip which is mailed with the donor thanks you letters (attached with LANMC's comments). This form was not provided or reviewed by LSC during the onsite review. Additionally, LSNMC indicated that the following language is included in the actual body of donor letters, "Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42 U.S.C. 2996, et seq., and Public Law 104-134. See www.lsc.gov for additional information".

3. Ensure LSNMC maintains separate recordkeeping and accounting records for activities funded with non-LSC funds for legislative and rulemaking activities pursuant to 45 CFR § 1612.10. LSNMC must demonstrate that they maintain mandatory recordkeeping by providing documentation showing all expenditures of non-LSC funds relating to legislative and rulemaking activities. Additionally, LSNMC must develop and implement a procedure which enables it to identify the time spent working on legislative and rulemaking activities by attorneys, e.g., using a source code or identifier;

According to LSNMC's comments to the DR, a system has now been put in place so that legislative and rulemaking activities have its own Practice Manager File which includes specific actions and records non-LSC time spent on those activities.

4. Develop and implement policies and procedures to ensure that subgrants are submitted for approval when required. As to the payments made previously, the program is required to reallocate the money to a non-LSC funding source or the money expended will be subject to a questioned cost proceeding. LSNMC was directed to provide proof of the reallocation to LSC with its comments to the Draft Report.

LSNMC's comments to the DR indicated it has implemented the reallocation of non-LSC money as required under the DR. But, LSNMC does not concede that a subgrant was required. According to LSNMC it has also drafted new policy and submitted it to the LSNMC Board. A vote will take place at its next meeting on November 14, 2012.

5. Either invest LSC funds which are in excess of the FDIC limits and not needed for immediate operating expenses with another financial institution in federally-insured accounts or certificates, or invest in U.S. Treasury notes or bills or investment instruments, or, adopt a policy outside these guidelines, and its governing body must acknowledge, by resolution, the divergence from LSC's authorized policy and the acceptance of full responsibility for the security of any investment decisions made outside of LSC's guideline in accordance with Accounting Guide for LSC Recipients (2010 Ed.), 2-2.2 (Cash and Investments);

According to LSNMC's comments to the DR, the program always maintains bank and investment accounts at or below the maximum \$250,000 FDIC insurance limit. LSNMC's response indicated that it receives funds from 18 to 20 separate and distinct funding sources, which are all maintained within one (1) Wells Fargo checking account. LSNMC further indicated that although some of the funds may have been greater than the maximum \$250,000 amount, some of the funds may have also had a deficit. LSNMC indicated that if the balances of the separate funding sources are combined, the actual total balance in the account is at or below the maximum \$250,000 FDIC insurance limit. LSNMC stated that the \$286,164.67 cash balance cited for 12/31/2010 in the DR identified just one (1) of the 18 funding source balances which, when combined with the balances of the separate funding sources, had an actual total balance of \$182,675.31; this total being well within the FDIC insurance limit. Additionally, LSNMC correctly indicated that the total cash balance listed on the 12/31/2011 audit report was \$389,548.00 and not the \$465,513.83 amount cited in the DR. This has been noted in the Final Report. Furthermore, LSNMC stated that the \$389,548.00 cash balance was just one (1) of the several funding source balances contained in the account which, when combined with the balances of the separate funding sources, had an actual total balance of \$35,084.72. Finally, LSNMC indicated that the \$292,039.16 cash balance cited for 4/30/2012 in the DR was also just one (1) of the several funding source balances in the account which, when combined with the balances of the separate funding sources, had an actual total balance of \$36,230.31.

6. Provide documentation that the \$609.20 deposited by LSNMC, but intended for ALS, was refunded to ALS;

In response to the DR, ALS provided documentation showing that the deposit was immediately and correctly deposited into ALS' account.

7. Ensure that someone other than the Administrator is responsible for reviewing journal entries and that the review is appropriately documented by signature and date;

In response to the DR, LSNMC indicated that the Executive Director is now responsible

for reviewing and approving the journal entries.

8. Implement controls to provide assurances that computers and the data they contain are properly protected against theft, loss, unauthorized access, and natural disaster; and

In response to the DR, LSNMC indicated that the servers and computers are password protected to prevent unauthorized use. According to LSNMC, there are two (2) or more staff is in the office at all times, when it is open to the public, and all offices are locked outside of regular office hours. Furthermore, the comments noted that, because LSNMC has experienced several major floods in their service area, they keep all equipment as high off of the ground as practical. Additionally, back-up tapes are taken offsite weekly, with the Practice Manager database being backed up offsite daily by Mid-Minnesota Legal Assistance in Minneapolis. LSNMC indicated that in case of tornado, fire or other potential disaster threats, back-up tapes are quickly retrieved and removed as part of disaster response procedures. Furthermore, LSNMC's comments indicated that it had a professional security, risk, and disaster assessment conducted by North Dakota State University in 2010.

9. Allocate a portion of the income received through the contract with ALS in the same class of net assets that includes the LSC grant in accordance with the Accounting Guide for LSC Recipients (2010 Ed.), 2-2.7 (Derivative Income); and

After further review, LSC has determined the Finding associated with this corrective action was incorrect and it has been removed from the Final Report. No corrective action is required.

10. Establish separate banking and credit card accounts from ALS to avoid commingling of funds. LSNMC must provide proof of both with its comments to the Draft Report.

In response to the DR, LSNMC indicated that it is now utilizing a separate banking and credit card account from ALS. According to LSNMC, ALS has enrolled in a bill pay system through their checking account at Western Bank in Cass Lake. Furthermore, ALS has applied for its own credit card. Finally LSNMC reported that a check was sent to ALS for \$19,926.29, which cleared out all ALS' fund balance in LSNMC's Wells Fargo account.

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Mary Deutsch Schneider, Director



BY EMAIL AND US MAIL

September 27, 2012

Counties Served:

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

Douglas **Re: Case Service Report/Case Management System Review Visit**
Grant **Recipient No. 524027**

Hubbard Dear Ms. Rath:

Kittson Enclosed are Legal Services of Northwest Minnesota's comments in response to the Legal
Lake Of Services Corporation's Draft Report for the on-site Case Service Report/Case Management
The Woods System Review of our program which took place during the week of June 4-8, 2012.

Mahnomen Attached are also items of documentation as required by Part V. of the Report.
Marshall

Norman Please let me know if you require any additional information.

Otter Tail Thank you for the offer of LSC resources of your Office of Compliance and Enforcement.
Pennington We may be in touch.

Polk

Pope

Red Lake

Roseau

Stevens

Traverse

Wadena

Wilkin

Enclosures

MDS/rer

Sincerely,

Mary Deutsch Schneider
Executive Director



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Legal Services of Northwest Minnesota

Case Service Report/Case Management System Review Report Comments

September 26, 2012

After reviewing the August 28, 2012 Draft Report for the Legal Services Corporation Case Service Report/Case Management System Review conducted June 4-8, 2012, Legal Services of Northwest Minnesota (LSNM) offers the following comments to Part V., Required Corrective Actions. The numbered Corrective Action recommendations and cites to the related Findings are in italics.

1. Ensure that each case reported to LSC documents the legal advice or assistance provided to the client as required by CSR Handbook (2008 Ed., as amended in 2011), §5.6. (Finding 9)

The Director, Judicare Coordinator, and other LSNM staff have reviewed the need for proper documentation and description of the legal assistance provided to clients, and it has been put on the September Management Team Meeting Agenda for further discussion and emphasis. Managers, the Litigation Director and Judicare Coordinator will be requested to monitor files at closure for adequacy of information on legal assistance provided.

2. Provide all funders who provide \$250 or more written notification of the prohibitions and conditions which apply to those funds. Additionally, ensure that its donor notification letters comply with the requirements of 45 CFR § 1610.5(a). (Finding 16)

LSC Reviewers perhaps did not see the separate notification slip, in LSNM files at the time of LSC's visit, which was designed to be mailed with donor thank you letters (attached) and complies with 45 CFR §1610.5(a). The following language, previously approved by LSC for use in another Minnesota program, has been included in the actual body of donor letters, beginning earlier this year:

Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42 U.S.C. 2996, et seq., and Public Law 104-134. See www.lsc.gov for additional information.

3. Ensure LSNMC maintains separate recordkeeping and accounting records for activities funded with non-LSC funds for legislative and rulemaking activities pursuant to 45 CFR. § 1612.10. LSNMC must demonstrate that they maintain mandatory recordkeeping by providing documentation showing all expenditures of non-LSC funds relating to legislative and rulemaking activities. Additionally, LSNMC must develop and implement a procedure which enables it to identify the time spent working on legislative and rulemaking activities by attorneys, e.g., using a source code or identifier. (Finding 21)

Although LSNM has been recording its limited legislative and rulemaking activities on and in a form recommended by LSC, it has not separated out non-LSC time spent on those activities as distinct from other more general time categories. A system has now been put in place so that legislative and rulemaking activities have their own Practice Manager Project File which will include specific actions and record non-LSC time spent on those activities.

4. *Develop and implement policies and procedures to ensure that subgrants are submitted for approval when required. As to the payments made previously, the program is required to reallocate the money to a non-LSC funding source or the money expended will be subject to a questioned cost proceeding. LSNMC must provide proof of the reallocation to LSC within 30 days of receiving this Draft Report. (Finding 18)*

LSNM Subgrant Response Summary:

The subgrant regulation, 45 CFR §1627, has not changed since 1997. LSC monitoring/auditing visits over the past 15 years have recognized that LSNM Judicare contracts are executed on a case-by-case fee-for-service basis. Because they do not individually exceed \$2,063 (the maximum Judicare fee for an appellate court case which is allowed 25 hours at \$55 per hour and a potential waiver up to 50% additional funding in particularly complex situations), they are individual contracts and are not subject to the \$25,000 subcontract approval requirement. LSNM believes the LSC auditor from the June 2012 visit is applying this regulation incorrectly.

SUBGRANT ISSUE

While LSNM has developed and implemented a policy to ensure the proper handling of subgrants (attached), it does not have any subgrants, and never has had any subgrants, despite references in Finding 18 and Required Corrective Action 4.

One of the auditor/reviewers added separate fee-for-service individual case payments made to a LSNM Judicare attorney, and to two law firms which LSNM has no arrangements with (although some individual firm members may be contract Judicare Panel attorneys), and then made the determination that because they totaled over \$25,000, there were subgrants. That determination is not correct under either the law or regulations. Cumulation of separate, unpredictable and varying fee-for-service payments to an individual Judicare attorney for handling individual client cases does not spring into a subgrant with that individual or his/her law firm if or when a \$25,000 total is reached. Simply put:

- o Regulation 45 CFR 1627.2 specifically says that subgrant provisions, “**would not normally include those (activities) that are covered by a fee-for-service arrangement, such as those provided** by a private law firm or attorney representing

a recipient's clients **on a contract or judicare basis**, except that any such **arrangement** (emphasis added) involving more than \$25,000 shall be included.”

- LSNM has no arrangements, agreements or contracts with Judicare attorneys that guarantee any funding amount over \$25,000. It has no arrangements, agreements or contracts for payment at all except a **fee-for-service** \$55 per hour payment up to a limited number of hours per **individual** case (most often 20 hours). Those contracts are all with individual lawyers; LSNM has no contracts, agreements or arrangements with any law firms.
- 45 CFR 1627 governing subgrants has not changed since 1997, and has always presumed a “contract,” an “agreement,” or an “arrangement,” to subcontract;
- Many past LSC reviewers and various auditors and accountants have reviewed and approved of LSNM’s Judicare payment procedures and have never found them to constitute subgrants, even if a total of individual fee-for-service payments to a Judicare attorney cumulatively totaled more than \$25,000 in a year.
- LSNM has not changed its Judicare payment procedures on this issue since before the latest 1997 version of §1627, and a LSC finding that a subgrant spontaneously springs from individual fee-for-service cases that reach a total of \$25,000, would be a major departure from the law of contracts, from LSC regulations, and from established policy and practice.
- The interpretation in Finding 18 and Required Corrective Action 4, if left unchecked, would have a detrimental and chilling effect on Judicare services, on client choice, on private bar involvement, and on the effective and efficient use of LSC funds for client legal help.

LSNM provides high quality legal services in over 4,000 legal cases annually for low income clients in a 25,000 square mile area which constitutes a quarter of Minnesota. All of its 22 counties are considered rural. To reach needy clients LSNM uses a team of staff in three regional offices and a Judicare Panel of 210 private attorneys spread throughout the territory. Judicare attorneys help LSNM provide access to counsel more evenly and inexpensively than the regional office staff could do alone.

The number and nature of cases accepted by Judicare attorneys, however, varies between attorneys and over time. **No Judicare attorney is required to take any case or any number of cases.** There is no way for LSNM to predict or quantify the number of cases any Judicare Panel member, or multiple members of one firm, will take in a year. Factors such as private client workload; attorney experience and skills; type of practice; litigation demands; emerging, burgeoning or waning legal issues; support staff; changing law firm membership or law clerk assistance; family needs, health, age, travel, and any manner of other variables impact the number of cases any given Judicare attorney can or will accept in any given year.

When clients are determined to be financially eligible and given a Judicare Panel list of

attorneys for their area, the client is then free to interview and choose an attorney from that list. LSNM honors their choice of counsel for an initial interview and, if an extended service case is approved, for ongoing representation. It is really not possible to know in advance which Judicare attorneys will be chosen by a client, whether the chosen attorney will accept a particular client's case, and how many client cases the attorney will agree to handle in the course of a year.

Add in changes to Judicare Panel composition, which can happen at any time and with no warning, and anticipating the number of cases a particular Panel attorney will accept becomes even more challenging. For example, if there is only one social security practitioner in a 4-county area at the beginning of a year, and a second attorney moves in during the first quarter, the number of client requests for the first attorney could, in theory, be halved. If one of two practitioners with a particular expertise moves away, the number of LSNM cases handled by the remaining attorney could be doubled.

As provided in 45 CFR §1627.2 (b)(1), "a subrecipient shall mean any entity that accepts Corporation funds from a recipient **under a grant contract** (emphasis added) **or agreement** (emphasis added) to conduct certain activities specified by or supported by the recipient related to the recipient's programmatic activities." The only agreement with LSNM Judicare attorneys is related to individual cases. The only contracts or agreements or arrangements with the Judicare attorney who received over \$25,000 in this matter, was for separate and individual cases, approved only after separate and individual case reviews by LSNM. As to law firms, LSNM has never even discussed an arrangement of any kind with any law firm.

To guess whether an attorney, or which of 210 Judicare attorneys, or the law firms in which they practice, might exceed \$25,000 a year (which could be fewer than 13 cases), not knowing how many hours per case would be needed, and how many clients would select which attorney, is not reasonable, and is not required by the subgrant regulation. The LSC Act and Regulations seek to encourage private bar involvement, not discourage it, as prior approval, auditing and other requirements of subcontracting would do.

To be compliant with the corrective action required, LSNM has implemented the "reallocation" of non-LSC money as directed, but does not concede that any subgrant arose. LSNM also drafted policy (see attached) as required, and submitted it to the LSNM Board at its September 19 meeting for consideration and for a vote at its next meeting, November 14. LSNM respectfully requests, however, that the second sentence of Finding 18, and everything after the first sentence in Required Corrective Action 4, be removed from the Draft Report. Triggering an automatic subgrant upon individual fee-for-service private attorney payments for separate cases when separate payments total \$25,000, absent a contract, agreement or arrangement as stated in §1627, is bad law and bad policy.

5. Either invest LSC funds which are in excess of the FDIC limits and not needed for immediate operating expenses with another financial institution in federally-insured

accounts or certificates, or invest in U.S. Treasury notes or bills or investment instruments, or, adopt a policy outside these guidelines, and its governing body must acknowledge, by resolution, the divergence from LSC's authorized policy and the acceptance of full responsibility for the security of any investment decisions made outside of LSC's guideline in accordance with Accounting Guide for LSC Recipients (2010 Ed.), 2-2.2 (Cash and Investments). (Finding 31)

The LSC auditor was incorrect in his calculations of cash totals in LSNM's bank accounts. LSNM always maintains bank and investment accounts at or below the maximum \$250,000 FDIC insurance limit. Documentation has been attached for 12/31/2010, 12/31/2011, and 4/30/2012. LSNM accounts for 18-20 separate and distinct funding sources, which are all maintained within one Wells Fargo checking account. The \$286,167.67 figure cited by the auditor for 12/31/2010 was just one of 18 fund balances, which when totaled, equaled \$182,675.31, well within the FDIC insurance level. For the 12/31/2011 finding, LSNM's Administrator spent several hours trying a variety of combinations to figure out where the auditor came up with the \$465,513.83 figure. LSNM staff remains unable to do so, and have no idea where that figure came from. Attached is the 12/31/2011 Wells Fargo checking statement showing a balance of only \$35,084.72. LSNM's total cash balance for all bank and investment accounts listed on the 12/31/2011 audit report was \$389,548, so again, staff has no idea where the \$465,513.83 amount came from. The \$292,039.16 4/30/2012 figure cited by the auditor was just like the 12/31/2010 issue, where the auditor only is taking one fund balance out of the 20 total fund balances that make up the Wells Fargo checking account. Attached is documentation showing that checking account balance was only \$36,230.31 on 4/30/2012.

6. Provide documentation that the \$609.20 deposited by LSNMC, but intended for ALS, was refunded to ALS. (Finding 31)

Documentation is attached showing that there was no error, and that the deposit was immediately and correctly deposited into Anishinabe's account #4-100-1010.

7. Ensure that someone other than the Administrator is responsible for reviewing journal entries and that the review is appropriately documented by signature and date; (Finding 30)

Executive Director Mary Schneider is now reviewing and signing off on the journal entries.

8. Implement controls to provide assurances that computers and the data they contain are properly protected against theft, loss, unauthorized access, and natural disaster. (Finding 30)

All LSNM servers and computers are password protected to prevent unauthorized use. Two or more staff is in our offices at all times when it is open to the public, which should assist in theft prevention. All offices are locked down securely outside of regular office hours. Because LSNM has experienced several major floods in our service area, we know to keep all equipment as high off of the ground/floor as practical. Back-up tapes are taken offsite weekly, with the Practice Manager database being backed up offsite daily by Mid-Minnesota Legal Assistance in Minneapolis. In tornado, fire or other potential disaster threats, back-up tapes are quickly retrieved and removed as part of disaster response procedures. LSNM had a professional security, risk and disaster assessment conducted by North Dakota State University in 2010.

9. Allocate a portion of the income received through the contract with ALS in the same class of net assets that includes the LSC grant in accordance with the Accounting Guide for LSC Recipients (2010 Ed.), 2-2.7 (Derivative Income).

LSNM needs LSC guidance on how we would calculate an amount, if any, of derivative income as a result of the financial services contract with Anishinabe Legal Services. As we read 2-2.7, it says derivative income as derived from an LSC grant. LSNM is not being compensated for its financial assistance to Anishinabe because of its LSC grant. One hundred percent of LSNM's LSC grant goes to fund its Judicare private attorney legal services casework, and the corresponding administrative costs which include paying for a portion of the salary and benefits of the Administrator and Executive Director. The LSC grant is only a small fraction of LSNM's total funding, and it does not cover any administrative costs beyond what is necessary to handle the Judicare system.

10. Establish separate banking and credit card accounts from ALS to avoid commingling of funds. LSNMC must provide proof of both with its comments to the Draft Report. (Finding 32)

Separation of banking and credit cards for ALS and LSNM has been completed. Documentation is attached showing:

- Anishinabe's enrollment in a bill pay system through their checking account at Western Bank in Cass Lake. This eliminates the need to use the Wells Fargo Bill Pay system with which LSC took issue. Also attached is the first bill paid with their system, and the bill pay confirmation for it.
- Anishinabe is in the process of applying for its own credit card, which eliminates the need to use the LSNM credit card to pay for any of its invoices (which were of course accounted for separately to the ALS chart of accounts). An email referencing this is attached.
- This week a check was written to Anishinabe for \$19,926.29, which cleared out all fund account balances in the Wells Fargo checking account. Documentation attached includes a copy of the check, email, and detailed trial balance, showing all accounts at a zero balance. As of September 25th, no

ALS assets remain in any bank or investment account with LSNM.

LSNM staff thanks the LSC Review team for its courtesy and professionalism. Reviewers often offered ideas and insight which was most helpful. While LSNM appreciates and has acted upon the recommendations and suggestions of LSC reviewers, the absence of comments on specific facts or findings in the Draft Report should not necessarily be construed as agreement with them.

Corrective Action

2.

LEGAL SERVICES OF NORTHWEST MINNESOTA

1015 7th Avenue North

P.O. Box 838

MOORHEAD, MINNESOTA 56561-0838

Phone (218) 233-8585 (TDD)

Toll Free 1-800-450-8585 (TDD)

FAX (218) 233-8586

E-mail: legalaidsnmlaw.org

Mary Deutsch Schneider, Director



Counties Served:

Becker

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Clay

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Grant

Hubbard

Kittson

Lake Of
The Woods

Mahnomen

Marshall

Norman

Otter Tail

Pennington

Polk

Pope

Red Lake

Roseau

Stevens

Traverse

Wadena

Wilkin

2. Attachment A.

Separate notice to funders included in donor letters over past decade, and in LSNM files at time of June 2012 LSC visit.

NOTICE

Legal Services of Northwest Minnesota (LSNM) is funded in part by the Legal Services Corporation (LSC). As a condition of funding it receives from LSC, it is restricted from engaging in certain activities in all of its legal work – including work supported by other funding sources. LSNM may not expend any funds for any activity prohibited by the Legal Services Corporation Act, 42 U.S.C. 2966 et seq. or by Public Law 104-134. Public Law 104-134 § 504(d) requires that notice of these restrictions be given to all funders of programs funded by LSC.

For a copy of these laws or for any other information or clarifications, please contact Legal Services of Northwest Minnesota, 1015 7th Ave. N., P.O. Box 838, Moorhead, Minnesota 56561-0838 or call 1-800-450-8585.



215 4th St. NW • P.O. Box 1883
BEMIDJI, MINNESOTA 56619-1883
Phone (218) 751-9201
Toll Free 1-800-450-9201
FAX (218) 751-9217
E-mail: legalaidsnmlaw.org

426 Broadway St.
ALEXANDRIA, MINNESOTA 56308
Phone (320) 762-0663
Toll Free 1-800-450-2552
FAX (320) 762-0740
E-mail: legalaidsnmlaw.org

2. Attachment B.

LSC Donor Notice to Funders in Letter Text (in use in 2012):

Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42 U.S.C. 2996, et seq., and Public Law 104-134. See www.lsc.gov for additional information.

Corrective Action

4.

PROGRAM POLICY
POLICY ON SUBGRANTS AND MEMBERSHIP FEES OR DUES PAYMENTS
based upon
45 CFR 1627
61 F.R. 45753 (Aug. 29, 1996)
Revised February 18, 1998
Amended _____, 2012

Subgrants

All subgrants must be for a period no longer than one year and must be submitted in writing to the Legal Services Corporation (LSC) for prior approval. Requirements for subgrants will be those outlined in 45 CFR §1627.3.

Membership Fees and Dues

Legal Services of Northwest Minnesota (LSNM) will not use funds provided by the Legal Services Corporation to pay dues to any private or non-profit organization, whether on behalf of the program or an individual employed by the program with the exception of membership fees or dues mandated by a governmental organization to engage in a profession. Payment of membership fees or dues from non-LSC funds is not prohibited.

Contributions

Any contributions or gifts of Corporation funds to another organization or to an individual are prohibited.

Transfers to other recipients

Transfers to other recipients shall comport with 45 CFR 1627.6.

Tax sheltered annuities, retirement accounts and pensions

Payments made by LSNM on behalf of its employees for the purpose of contributing to or funding a tax sheltered annuity, retirement account, or pension fund are not affected by 45 CFR 1627.

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TITLE 45 — PUBLIC WELFARE [45 CFR]

PART 1627 — SUBGRANTS AND MEMBERSHIP FEES OR DUES [45 CFR 1627]

Note:

— Current as of: 08/23/2012, Updated weekly.

— Enhanced with links to US Code, FR and CFR References where ever possible and more to come.

— You can embed the URL to this page in your documents to access the current CFR part.

— This consolidated CFR Part was last updated by Federal Register(FR) dated 04/21/1997 for [§ 1627.2](#); [§ 1627.4](#); [§ 1627.7](#); [§ 1627.8](#).

What could happen to the stock market if Obama is re-elected?

If you have a \$500,000 portfolio, you should download the latest report by *Forbes* columnist Ken Fisher's firm. It tells you where we think the stock market is headed and why. This must-read report includes our latest stock market forecast, plus research and analysis you can use in your portfolio right now. Don't miss it! [Click Here to Download Your Report!](#)

FISHER INVESTMENTS

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[§ 1627.4 — Membership fees or dues.](#) [Last FR update: 04/21/1997]

[§ 1627.5 — Contributions.](#) [Last FR update: 11/30/1983]

[§ 1627.6 — Transfers to other recipients.](#) [Last FR update: 11/30/1983]

[§ 1627.7 — Tax sheltered annuities, retirement accounts and pensions.](#) [Last FR update: 04/21/1997]

[§ 1627.8 — Recipient policies, procedures and recordkeeping.](#) [Last FR update: 04/21/1997]

Authority: [42 U.S.C. 2996e\(b\)\(1\)](#), [2996f\(a\)](#), and [2996g\(e\)](#); Pub. L. 104-208, 110 Stat 3009; Pub. L. 104-134, 110 Stat 1321.

Source: 48 FR 54209, Nov. 30, 1983, unless otherwise noted.

§ 1627.1 Purpose.

In order to promote accountability for Corporation funds and the observance of the provisions of the Legal Services Corporation Act and the Corporation's regulations adopted pursuant thereto, it is necessary to set out the rules under which Corporation funds may be transferred by recipients to other organizations (including other recipients).

§ 1627.2 Definitions.

(a) *Recipient* as used in this part means any recipient as defined in section 1002(6) of the Act and any grantee or contractor receiving funds from the Corporation under section 1006(a)(1)(B) or 1006(a)(3) of the Act.

(b)(1) *Subrecipient* shall mean any entity that accepts Corporation funds from a recipient under a grant contract, or agreement to conduct certain activities specified by or supported by the recipient related to the recipient's programmatic activities. Such activities would normally include those that might otherwise be expected to be conducted directly by the recipient itself, such as representation of eligible clients, or which provide direct support to a recipient's legal assistance activities or such activities as client involvement, training or state support



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activities. Such activities would not normally include those that are covered by a fee-for-service arrangement, such as those provided by a private law firm or attorney representing a recipient's clients on a contract or judicare basis, except that any such arrangement involving more than \$25,000 shall be included. Subrecipient activities would normally also not include the provision of goods or services by vendors or consultants in the normal course of business if such goods or services would not be expected to be provided directly by the recipient itself, such as auditing or business machine purchase and/or maintenance. A single entity could be a subrecipient with respect to some activities it conducts for a recipient while not being a subrecipient with respect to other activities it conducts for a recipient.

(2) *Subgrant* shall mean any transfer of Corporation funds from a recipient which qualifies the organization receiving such funds as a subrecipient under the definition set forth in paragraph (b)(1) of this section.

(c) *Membership fees or dues* as used in this part means payments to an organization on behalf of a program or individual to be a member thereof, or to acquire voting or participatory rights therein.

[48 FR 54209, Nov. 30, 1983, as amended at 61 FR 45754, Aug. 29, 1996; 62 FR 19418, Apr. 21, 1997]

§ 1627.3 Requirements for all subgrants.

(a)(1) All subgrants must be submitted in writing to the Corporation for prior, written approval. The submission shall include the terms and conditions of the subgrant and the amount of funds intended to be transferred.

(2) The Corporation shall have 45 days to approve, disapprove, or suggest modifications to the subgrant. A subgrant which is disapproved or to which modifications are suggested may be resubmitted for approval. Should the Corporation fail to take action within 45 days, the recipient shall notify the Corporation of this

failure and, unless the Corporation responds within 7 days of the receipt of such notification, the subgrant shall be deemed to have been approved.

(3) Any subgrant not approved according to the procedures of paragraph (a)(2) of this section shall be subject to audit disallowance and recovery of all the funds expended pursuant thereto.

(4) Any subgrant which is a continuation of a previous subgrant and which expires before March 1, 1984 may be extended until March 1, 1984, if a new subgrant agreement is submitted for approval to the Corporation by January 15, 1984. In the event the Corporation refuses to allow the renewal of any such submitted agreement, the recipient shall be permitted to allow the subrecipient 60 days' funding to close out the subgrant activities.

(b)(1) A subgrant may not be for a period longer than one year, and all funds remaining at the end of the grant period shall be considered part of the recipient's fund balance.

(2) All subgrants shall contain a provision providing for their orderly termination in the event that the recipient's funding is terminated or the recipient is not refunded and for suspension of activities if the recipient's funding is suspended.

(3) A substantial change in the work program of a subgrant or an increase or decrease in funding of more than 10% shall require Corporation approval pursuant to the provisions of section 1627.3(a). Minor changes of work program or changes in funding of less than 10% shall not require prior Corporation approval, but the Corporation shall be informed in writing thereof.

(c) Recipients shall be responsible for ensuring that subrecipients comply with the financial and audit provisions of the Corporation. The recipient is responsible for ensuring the proper expenditure, accounting for, and audit of delegated funds. Any funds delegated by a recipient to a subrecipient shall be subject to the audit and financial requirements of the Audit and Accounting Guide for Recipients and Auditors. The delegated funds may be separately disclosed and accounted for, and reported upon in the audited financial statements of a recipient; or such funds may be included in a separate audit report of the subrecipient. The relationship between the recipient and subrecipient will determine the proper method of financial reporting in accordance with generally accepted accounting principles. A subgrant agreement may provide for alternative means of assuring the propriety of subrecipient expenditures, especially in instances where a large organization receives a small subgrant. If such an alternate means is approved by the Audit Division of the Corporation, the information provided thereby shall satisfy the recipient's annual audit requirement with regard to the subgrant funds.

(d) The recipient shall be responsible for repaying the Corporation for any disallowed expenditures by a subrecipient, irrespective of whether the recipient is able to recover such expenditures from the subrecipient.

(e) To assure subrecipient compliance with the Act, Congressional restrictions having the force of law,



Corporation Regulations (45 CFR chapter XVI), and Corporation Guidelines or Instructions, contracts between a recipient and a subrecipient shall provide for the same oversight rights for the Corporation with respect to subrecipients as apply to recipients.

[48 FR 54209, Nov. 30, 1983, as amended at 49 FR 1703, Jan. 13, 1984]

§ 1627.4 Membership fees or dues.

(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.

(b) Paragraph (a) of this section does not apply to the payment of membership fees or dues mandated by a governmental organization to engage in a profession, or to the payment of membership fees or dues from non-LSC funds.

[62 FR 19418, Apr. 21, 1997]

§ 1627.5 Contributions.

Any contributions or gifts of Corporation funds to another organization or to an individual are prohibited.

§ 1627.6 Transfers to other recipients.

(a) The requirements of §1627.3 shall apply to all subgrants by one recipient to another recipient.

(b) The subrecipient shall audit any funds subgranted to it in its annual audit and supply a copy of this audit to the recipient. The recipient shall either submit the relevant part of this audit with its next annual audit or, if an audit has been recently submitted, submit it as an addendum to that recently submitted audit.

(c) In addition to the provisions of §1627.3(d), the Corporation may hold the subrecipient directly responsible for any disallowed expenditures of subgrant funds. Thus, the Corporation may recover all of the disallowed costs from either recipient or subrecipient or may divide the recovery between the two; the Corporation's total recovery may not exceed the amount of expenditures disallowed.

(d) Funds received by a recipient from other recipients in the form of fees and dues shall be accounted for and included in the annual audit of the recipient receiving these funds as Corporation funds.

§ 1627.7 Tax sheltered annuities, retirement accounts and pensions.

No provision contained in this part shall be construed to affect any payment by a recipient on behalf of its employees for the purpose of contributing to or funding a tax sheltered annuity, retirement account, or pension fund.

[62 FR 19418, Apr. 21, 1997]

§ 1627.8 Recipient policies, procedures and recordkeeping.

Each recipient shall adopt written policies and procedures to guide its staff in complying with this part and shall maintain records sufficient to document the recipient's compliance with this part.

[62 FR 19418, Apr. 21, 1997]

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Corrective Action

5.

GENERAL LEDGER ACCOUNT BALANCE

For the Period Dec 01, 2010 to Dec 31, 2010
For the Account 1010-000 - In Location Sequence - * = Inactive Account
For All Locations - For All Departments

ACCOUNT NUMBER	DESCRIPTION	BEGINNING BALANCE	DEBIT	CREDIT	NET CHANGE	ENDING BALANCE	
3-001-1010-000	Wells Fargo Checking	\$596,012.45CR	ACCOUNT TOTALS:	338,456.63	160,522.29	177,934.34	\$418,078.11CR
3-002-1010-000	Wells Fargo Checking	\$20,185.77CR	ACCOUNT TOTALS:	23,928.93	7,834.16	16,094.77	\$4,091.00CR
3-006-1010-000	Wells Fargo Checking	\$300,387.33	ACCOUNT TOTALS:	37,966.23	52,185.89	14,219.66CR	\$286,167.67 *
3-008-1010-000	Wells Fargo Checking	\$85,429.58	ACCOUNT TOTALS:	3,336.17	23,042.73	19,706.56CR	\$65,723.02
3-009-1010-000	Wells Fargo Checking	\$661.26	ACCOUNT TOTALS:	.00	563.33	563.33CR	\$97.93
3-013-1010-000	Wells Fargo Checking	\$166,827.98	ACCOUNT TOTALS:	156,437.20	165,293.16	8,855.96CR	\$157,972.02
3-015-1010-000	Wells Fargo Checking	\$95,971.07	ACCOUNT TOTALS:	23,000.00	27,248.82	4,248.82CR	\$91,722.25
3-020-1010-000	Wells Fargo Checking	\$1,682.18	ACCOUNT TOTALS:	.00	532.65	532.65CR	\$1,149.53
3-021-1010-000	Wells Fargo Checking	\$13,982.17CR	ACCOUNT TOTALS:	13,982.17	.00	13,982.17	.00
3-022-1010-000	Wells Fargo Checking	\$1,373.42CR	ACCOUNT TOTALS:	1,373.42	.00	1,373.42	.00
3-023-1010-000	Wells Fargo Checking	\$1,764.02CR	ACCOUNT TOTALS:	1,809.02	45.00	1,764.02	.00
3-034-1010-000	Wells Fargo Checking	\$2,170.73CR	ACCOUNT TOTALS:	.00	725.00	725.00CR	\$2,895.73CR
4-001-1010-000	Wells Fargo Checking	\$25,991.07	ACCOUNT TOTALS:	.00	3,949.00	3,949.00CR	\$22,042.07
4-002-1010-000	Wells Fargo Checking	\$1,351.00CR	ACCOUNT TOTALS:	** NO TRX FOR THIS ACCOUNT **	.00	.00	\$1,351.00CR
4-006-1010-000	Wells Fargo Checking	\$11,313.55	ACCOUNT TOTALS:	** NO TRX FOR THIS ACCOUNT **	.00	.00	\$11,313.55
4-014-1010-000	Wells Fargo Checking	\$19,439.00CR	ACCOUNT TOTALS:	.00	7,309.92	7,309.92CR	\$26,748.92CR
4-017-1010-000	Wells Fargo Checking	\$659.97CR	ACCOUNT TOTALS:	** NO TRX FOR THIS ACCOUNT **	.00	.00	\$659.97CR
4-019-1010-000	Wells Fargo Checking	\$2,667.00CR	ACCOUNT TOTALS:	3,291.00	312.00	2,979.00	\$312.00
18 ACCOUNTS	GRAND TOTALS:	28,658.49		603,580.77	449,563.95	154,016.82	\$182,675.31

*** PARTIAL TRIAL BALANCE ***

*** TOTALS ARE OUT OF BALANCE BY: \$154,016.82 ***

Book balance for all funds combined

For 12-31-2010

ES

ITEMS OUTSTANDING

CHECK NUMBER	AMOUNT
- 65063	25 ⁰⁰
- 65141	260 ⁰⁰
- 65192	25 ⁰⁰
- 65252	25 ⁰⁰
- 65275	25 ⁰⁰
- 65333	25 ⁰⁰
- 65488	25 ⁰⁰
- 65579	25 ⁰⁰
- 65741	25 ⁰⁰
- 65854	25 ⁰⁰
- 65874	25 ⁰⁰
- 65903	25 ⁰⁰
- 65911	25 ⁰⁰
- 65926	25 ⁰⁰
- 65973	25 ⁰⁰
- 65983	25 ⁰⁰
- 65992	25 ⁰⁰
- 66003	360 ⁰⁰
✓ 66021	25 ⁰⁰
✓ 66041	995 ⁵⁰
✓ 66044	404 ²⁵
✓ 66046	1,204 ⁰⁰
Total This Pg.	3,649 ²⁵
Total Oth Pg.	14,745 ⁴⁰
TOTAL:	18,394³⁵

ENTER NEW BALANCE AS SHOWN ON FRONT OF STATEMENT \$ 201,069.⁶⁶

ADD ANY DEPOSITS WHICH ARE NOT ON YOUR STATEMENT \$

CALCULATE THE SUBTOTAL \$ 201,069.⁶⁶

SUBTRACT THE OUSTANDING CHECKS AND WITHDRAWALS \$ 18,394³⁵

CALCULATE THE ENDING BALANCE \$182,675³¹

OK. 6/7

*1-5-11
2
2/10*

Expanded Business Services[®] Package

Account number: 950021055 ■ December 1, 2010 - December 31, 2010 ■ Page 1 of 9



LEGAL SERVICES OF NW MN INC
NON PROFIT
1015 7TH AVE N
MOORHEAD MN 56560-2023

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wellsfargo.com/biz

Write: Wells Fargo Bank, N.A. (300)
Post Office Box B 514
Minneapolis MN 55479

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Wells Fargo offers business owners a full-service payroll solution with payroll processing, reporting, and tax services. That means you can spend less time working in your business and more time growing your business. And now, enjoy the convenience of processing your payroll online. Online payroll from the online banking leader. For more information, visit wellsfargo.com/biz/payroll or call us at 1-800-421-4714.

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A check mark in the box indicates you have these convenient services with your account. Go to wellsfargo.com/biz or call the number above if you have questions or if you would like to add new services.

- Business Online Banking
- Rewards for Business Check Card
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

Activity summary

Beginning balance on 12/1	\$41,084.49
Deposits/Credits	393,470.37
Withdrawals/Debits	- 233,485.20
Ending balance on 12/31	\$201,069.66
Average ledger balance this period	\$114,408.85

Account number: 950021055

LEGAL SERVICES OF NW MN INC
NON PROFIT

Western Minnesota account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 091000019

For Wire Transfers use

Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Expanded Business Services® Package

Account number: 950021055 ■ December 1, 2011 - December 31, 2011 ■ Page 1 of 9



LEGAL SERVICES OF NW MN INC
NON PROFIT
1015 7TH AVE N
MOORHEAD MN 56560-2023

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wells Fargo.com/biz

Write: Wells Fargo Bank, N.A. (300)

Post Office Box B 514

Minneapolis MN 55479

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- Business Online Banking
- Rewards for Business Check Card
- Online Statements
- Business Bill Pay
- Business Spending Report
- Overdraft Protection

Activity summary

Beginning balance on 12/1	\$63,508.52
Deposits/Credits	422,908.72
Withdrawals/Debits	- 451,332.52
Ending balance on 12/31	\$35,084.72
Average ledger balance this period	\$75,853.24

Account number: 950021055

LEGAL SERVICES OF NW MN INC
NON PROFIT

Western Minnesota account terms and conditions apply

For Direct Deposit and Automatic Payments use

Routing Number (RTN): 091000019

For Wire Transfers use

Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

I cannot figure out how the auditor is coming up with the \$465,513.83 amount. I've attached p14 of our 12-31-11 audit report that shows total cash of \$386,548, and this is comprised of 5 separate federally insured accounts.

For 12-31-2011

[Signature]

LEGAL SERVICES OF NORTHWEST MINNESOTA, INC.
 SCHEDULE OF ASSETS, LIABILITIES AND NET ASSETS

DECEMBER 31, 2011
 (with comparative amounts for 2010)

ASSETS	Minnesota Funding	Senior Legal Services Project	Legal Services Corporation	LSC Technology Initiative Grant	Legal Services Advisory Committee LSAC	Heart of Lakes United Way Grant	Supplemental Security Income Contract	Dawn Carlson Memorial	Frank Lander Social Justice Fund	Minnesota Funded Property	Unrestricted	General Office Costs	Total Memorandum Only	
													2011	2010
Cash	\$ (170,631)	\$ 6,397	\$ 253,560	\$ (7,822)	\$ 64,290	\$ -	\$ 63,459	\$ (577)	\$ (1,215)	\$ -	\$ 4,217	\$ 177,870	\$ 389,548	\$ 410,472
Investments - at market	400,000	-	-	-	-	-	-	7,978	-	-	-	-	407,978	460,563
Accounts receivable - other	24,157	3,080	-	-	3,617	-	-	577	3,929	-	-	246	35,606	42,942
Prepaid expenses and deposits	-	-	-	-	-	-	-	-	-	-	-	9,468	9,468	18,888
Furniture, fixtures, equipment and law library	-	-	-	-	-	-	-	-	-	195,218	-	-	195,218	258,030
Building	-	-	-	-	-	-	-	-	-	863,902	-	-	863,902	603,233
Less accumulated depreciation	-	-	-	-	-	-	-	-	-	(340,381)	-	-	(340,381)	(323,007)
TOTAL ASSETS	\$ 253,526	\$ 9,477	\$ 253,560	\$ (7,822)	\$ 67,907	\$ -	\$ 63,459	\$ 7,978	\$ 2,714	\$ 718,739	\$ 4,217	\$ 187,584	\$ 1,561,339	\$ 1,471,521

LIABILITIES AND NET ASSETS

Accounts payable	\$ 2,866	\$ 8,882	\$ 214,125	\$ -	\$ 63,644	\$ -	\$ 62,399	\$ -	\$ -	\$ -	\$ -	\$ 1,407	\$ 353,323	\$ 431,040
Accrued employee benefits	263,272	-	-	-	-	-	-	-	-	-	-	186,177	186,177	169,173
Deferred income	-	-	-	-	-	-	-	-	-	-	-	-	263,272	150,513
Total liabilities	266,138	8,882	214,125	-	63,644	-	62,399	-	-	-	-	187,584	802,772	750,726
NET ASSETS	(12,612)	595	39,435	(7,822)	4,263	-	1,060	7,978	2,714	718,739	4,217	-	758,567	720,795
LIABILITIES AND NET ASSETS	\$ 253,526	\$ 9,477	\$ 253,560	\$ (7,822)	\$ 67,907	\$ -	\$ 63,459	\$ 7,978	\$ 2,714	\$ 718,739	\$ 4,217	\$ 187,584	\$ 1,561,339	\$ 1,471,521

GENERAL LEDGER ACCOUNT BALANCE

For the Period Apr 01, 2012 to Apr 30, 2012
 For the Account 1010-000 - In Location Sequence - * = Inactive Account
 For All Locations - For All Departments

ACCOUNT NUMBER	DESCRIPTION	BEGINNING BALANCE	DEBIT	CREDIT	NET CHANGE	ENDING BALANCE	
3-001-1010-000	Wells Fargo Checking	\$527,737.77CR	ACCOUNT TOTALS:	266,894.14	277,963.75	11,069.61CR	\$538,807.38CR
3-002-1010-000	Wells Fargo Checking	\$13,253.69CR	ACCOUNT TOTALS:	101.57	13,329.86	13,228.29CR	\$26,481.98CR
3-003-1010-000	Wells Fargo Checking	\$7,838.25CR	ACCOUNT TOTALS:	.00	940.06	940.06CR	\$8,778.31CR
3-006-1010-000	Wells Fargo Checking	\$297,854.90	ACCOUNT TOTALS:	30,774.00	36,589.74	5,815.74CR	\$292,039.16 *
3-008-1010-000	Wells Fargo Checking	\$42,369.67	ACCOUNT TOTALS:	50,668.00	18,917.98	31,750.02	\$74,119.69
3-009-1010-000	Wells Fargo Checking	.00	ACCOUNT TOTALS:	1,875.00	625.00	1,250.00	\$1,250.00
3-013-1010-000	Wells Fargo Checking	\$176,310.06	ACCOUNT TOTALS:	126,117.16	126,533.55	416.39CR	\$175,893.67
3-015-1010-000	Wells Fargo Checking	\$61,183.30	ACCOUNT TOTALS:	14,967.25	17,817.72	2,850.47CR	\$58,332.83
3-020-1010-000	Wells Fargo Checking	\$8,649.53CR	ACCOUNT TOTALS:	.00	72.33	72.33CR	\$8,721.86CR
3-031-1010-000	Wells Fargo Checking	.00	ACCOUNT TOTALS:	5,000.00	.00	5,000.00	\$5,000.00
3-034-1010-000	Wells Fargo Checking	\$1,584.48	ACCOUNT TOTALS:	** NO TRX FOR THIS ACCOUNT **		.00	\$1,584.48
3-100-1010-000	Wells Fargo Checking	\$5,217.02	ACCOUNT TOTALS:	** NO TRX FOR THIS ACCOUNT **		.00	\$5,217.02
4-001-1010-000	Wells Fargo Checking	\$10,456.45	ACCOUNT TOTALS:	.00	10,023.64	10,023.64CR	\$8,432.81
4-006-1010-000	Wells Fargo Checking	\$2,344.09	ACCOUNT TOTALS:	.00	416.25	416.25CR	\$1,927.84
4-008-1010-000	Wells Fargo Checking	\$2,641.99CR	ACCOUNT TOTALS:	.00	154.30	154.30CR	\$2,796.29CR
4-014-1010-000	Wells Fargo Checking	\$16,535.73	ACCOUNT TOTALS:	.00	6,113.41	6,113.41CR	\$10,422.32
4-018-1010-000	Wells Fargo Checking	\$533.47CR	ACCOUNT TOTALS:	** NO TRX FOR THIS ACCOUNT **		.00	\$533.47CR
4-019-1010-000	Wells Fargo Checking	\$1,020.02CR	ACCOUNT TOTALS:	.00	89.91	89.91CR	\$1,109.93CR
4-024-1010-000	Wells Fargo Checking	\$3,330.00CR	ACCOUNT TOTALS:	.00	613.78	613.78CR	\$3,943.78CR
4-027-1010-000	Wells Fargo Checking	\$6,012.87CR	ACCOUNT TOTALS:	.00	803.64	803.64CR	\$6,816.51CR
20 ACCOUNTS	GRAND TOTALS:	50,838.11		496,397.12	511,004.92	14,607.80CR	\$36,230.31

*** PARTIAL TRIAL BALANCE ***

*** TOTALS ARE OUT OF BALANCE BY: \$14,607.80CR***

Book balance for all funds combined

For 4-30-2012

8/5

ITEMS OUTSTANDING

CHECK NUMBER	AMOUNT
-66621 66913	2500
-66804	2028
-66865	2028
-66932	2028
-66935	2028
-67004	2500
-67088	2500
-67374	2500
-67400	2500
-67447	20800
-67449	3640
✓67462	2500
✓67465	2500
✓67470	5800
-67478	57800
-67494	2500
✓67513	2500
✓67517	2500
✓67521	5000
-67523	2500
Total This Pa	1,20052
Total Oth Pa	409450
TOTAL:	5,295 ⁰²

ENTER NEW BALANCE AS SHOWN ON FRONT OF STATEMENT \$ 41,525³³

ADD ANY DEPOSITS WHICH ARE NOT ON YOUR STATEMENT \$

CALCULATE THE SUBTOTAL \$ 41,525³³

SUBTRACT THE OUSTANDING CHECKS AND WITHDRAWALS \$ 5,295⁰²

CALCULATE THE ENDING BALANCE \$ 36,230³¹

OK. 6/1
5-10-12

5-10-12
Ayo

Expanded Business Services[®] Package

Account number: 950021055 ■ April 1, 2012 - April 30, 2012 ■ Page 1 of 9



AS

LEGAL SERVICES OF NW MN INC
NON PROFIT
1015 7TH AVE N
MOORHEAD MN 56560-2023

Questions?

Available by phone 24 hours a day, 7 days a week:

1-800-CALL-WELLS (1-800-225-5935)

TTY: 1-800-877-4833

En español: 1-877-337-7454

Online: wells Fargo.com/biz

Write: Wells Fargo Bank, N.A. (300)
Post Office Box B 514
Minneapolis MN 55479

Your Business and Wells Fargo

As our way of saying thank you to our business customers, Wells Fargo is extending money-saving offers on many of our business accounts and services between April 16 and June 30, 2012. For details on these limited-time offers, stop by any Wells Fargo location, visit us online at wells Fargo.com/appreciation, or call us at 877-436-4170.

Account options

A check mark in the box indicates you have these convenient services with your account. Go to wells Fargo.com/biz or call the number above if you have questions or if you would like to add new services.

Business Online Banking	<input checked="" type="checkbox"/>
Rewards for Business Check Card	<input type="checkbox"/>
Online Statements	<input checked="" type="checkbox"/>
Business Bill Pay	<input checked="" type="checkbox"/>
Business Spending Report	<input checked="" type="checkbox"/>
Overdraft Protection	<input type="checkbox"/>

Activity summary

Beginning balance on 4/1	\$53,021.88
Deposits/Credits	366,743.31
Withdrawals/Debits	- 378,239.86
Ending balance on 4/30	\$41,525.33
Average ledger balance this period	\$128,239.52

Account number: 950021055

**LEGAL SERVICES OF NW MN INC
NON PROFIT**

Western Minnesota account terms and conditions apply

For Direct Deposit and Automatic Payments use
Routing Number (RTN): 091000019

For Wire Transfers use
Routing Number (RTN): 121000248

Overdraft Protection

This account is not currently covered by Overdraft Protection. If you would like more information regarding Overdraft Protection and eligibility requirements please call the number listed at the top of your statement or visit your Wells Fargo branch.

Corrective Action

6.

GENERAL LEDGER DETAIL ACCOUNT BALANCE

For the Period Dec 12, 2011 to Dec 12, 2011
For the Account 1010-000 - In Location Sequence - * = Inactive Account
For Anishinabe - For Unrestricted Funds

NUMBER	ACCOUNT DESCRIPTION	POST DATE	TRX SOURCE	BEGINNING BALANCE SOURCE DOC	JRNL NO	DEBIT	CREDIT	REFERENCE NET CHANGE	ENDING BALANCE
4-100-1010-000	Wells Fargo Checking	12/12/11	GLTRK8522	\$131.63 CR	7433	609.20		OtterTail Power LightingRebate	
1 ENTRY	ACCOUNT TOTALS:			\$131.63		609.20	.00	609.20	\$740.83
1 ACCOUNT	TOTAL DETAIL ENTRY	GRAND TOTALS:		\$131.63		609.20	.00	609.20	\$740.83
*** PARTIAL TRIAL BALANCE ***			*** TOTALS ARE OUT OF BALANCE BY:			\$609.20 ***			

Response to Cash Receipts comment on page 33 and V. Required Corrective Action #6.

-The deposit was immediately and correctly deposited into Anishinabe's account #4-100-1010 as detailed above. There was not an error. Documentation is attached.

Wells Fargo Bank
Transaction Record

Store #0004170 12 Deposit

Account Number
XXXXXX1055
00300

Cash In \$0.00
Total Deposited \$2,409.20
Less Cash - \$0.00
Net Deposit Amount \$2,409.20

Transaction # 013 0016
11:51AM 12/12/11 Credited: 12/12/11

If you are moving or going on vacation,
make arrangements ahead of time to pay
your bills automatically through Online
Bill Pay or automatic payments with your
Credit or Debit Card.

Thank you, Kayse

DEPOSIT TICKET

17-1/910 095
0021055

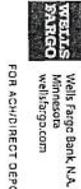
LEGAL SERVICES OF NORTHWEST MINN.
1015 7TH AVE N
MOORHEAD, MN 56560-2023

DATE

12-12-11

DEPOSITS MAY NOT BE AVAILABLE FOR IMMEDIATE WITHDRAWAL.
INCLUDE ADDING MACHINE TAPE LISTING.

	DOLLARS	CENTS
TOTAL CURRENCY		
TOTAL COIN		
TOTAL FOOD STAMPS		
LIST EACH CHECK		
1	190	-
2	609	20
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
14		
15		
16		
17		
18		
19		
20		
21		
22		
23		
24		
25		
26		
27		
28		
TOTAL FROM OTHER SIDE OR ATTACHED LIST		
PLEASE RE-ENTER TOTAL HERE	2,409	20



Wells Fargo Bank, N.A.
wellsfargo.com
FOR ACH/IMMEDIATE DEPOSIT ONLY USE A VOIDED CHECK

⑆5300003921⑆ 0950021055⑆

\$

TOTAL DEPOSIT
2409.20

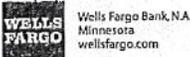
928

CLAY COUNTY BAR ASSN

1069
17-1/910 095
0320100968

12-6-2011 DATE

PAY TO THE ORDER OF Legal Services of NW Minn. \$ 1,800.00
Eighteen hundred & 00/100 DOLLARS



FOR 9-100-4400 Melinda K. Weerts M.

⑆091000019⑆ 0320100968⑈ 01069

© HARLAND / LIBERTY VENTURE

560

AN OTTER TAIL WATERMARK IS VISIBLE ON BACK OF THIS PAPER. HOLD AT ANGLE TO VIEW. THIS DOCUMENT HAS A COLORED BACKGROUND ON WHITE PAPER.



215 S. Cascade Street, Fergus Falls MN 56537

Check No: 711428 ⁷⁵⁻¹⁵⁹²/₉₁₂

Date: 08-Dec-11

Check Amount
\$ *****609.20

Pay to the Order of

MIS PAY TO:
ANISHINABE LEGAL SERVICE
ATTN: GREGG TRAUTWEIN
PO BOX 838
MOORHEAD, MN 56561-0838
UNITED STATES

U.S. BANK NA
EAST GRAND FORKS MN 56721

CEL M. KA...
President & CEO

38

Six Hundred Nine and 20/100 Dollars

⑈00711428⑈ ⑆091215927⑆ 152118010957⑈

144

* Total of \$7409.20 deposit recorded on 12-12-11. 67 *

Trautwein, Gregg

From: Chari LaDuke [claduke@alslegal.org]
Sent: Monday, December 12, 2011 9:34 AM
To: Trautwein, Gregg
Cc: Paul Day
Subject: RE: Check From OtterTail Power

Gregg,

I might have mentioned to you that we had to upgrade some of our lighting ballasts in the building. I realized that there were potential rebates for these upgrades and have been working for 5 months to obtain a credit. This is the rebate for the upgrade in ballasts (and the LED motion light out back).

I'm glad it came through! I applied for the upgrades from 2010 and 2011. I didn't have installation records before that.

From: Trautwein, Gregg [mailto:gtrautwein@lsnmlaw.org]
Sent: Monday, December 12, 2011 9:29 AM
To: Chari LaDuke; Paul W. Day
Subject: Check From OtterTail Power

As the billing address for the automatic payment comes down here to me, OtterTail Power issued the attached check to us down here in Moorhead. I'll deposit it into your account and credit it to Anishinabe.

The description says "Comm. Ltg. Rebate--Retrofit" and I'm not sure what this is for. Is this a rebate you are receiving because you installed newer air conditioning units possibly, or was this a result of some type of litigation settlement? If it's a litigation settlement, then I'm wondering why we haven't received a check for the LSNM-Bemidji office, as they also use OtterTail Power utilities.

Anyway, any ideas would be appreciated...

-----Original Message-----

From: copier@lsnmlaw.org [mailto:copier@lsnmlaw.org]
Sent: Monday, December 12, 2011 8:17 AM
To: Trautwein, Gregg
Subject:

This E-mail was sent from "LD275c" (MP C7500/LD275c).

Scan Date: 12.12.2011 09:17:27 (-0500)
Queries to: copier@lsnmlaw.org

Corrective Action

10.

Trautwein, Gregg

From: customercare13186@customercenter.net
Sent: Tuesday, September 18, 2012 1:40 PM
To: gtrautwein@alslegal.org
Subject: "Welcome to BillPay"

Importance: High

Dear ANISHINABE:

Congratulations! You have successfully enrolled in BillPay -- a convenient service that enables you to receive, view, and pay your bills from one centralized place, saving you time and simplifying your life.

Some billers can send your bills directly to BillPay, where you can view and pay each bill without ever handling a single piece of paper. If you choose, you can also receive an e-mail that tells you when BillPay has received your latest bill.

In addition to paying each bill when you receive it, you can set up automatic payments so that BillPay pays your bills for you. No more scheduling, no more remembering, no more worrying about missed payments. The automatic payment option takes care of everything for you!

For immediate access to BillPay and to begin your online payment experience, please sign in to: <https://cw411.checkfreeweb.com/cw411/wps?rq=home&sp=13186> (You may need to copy the link and paste it into your browser's address line, and then press ENTER.) You will need the user name and password you selected when you signed up.

If you have questions while you are in BillPay, click the Help link on any page to view help and frequently asked questions. If you need further assistance, please contact us by clicking the Messages link.

Once again, congratulations on your enrollment, and thank you for choosing BillPay!

If you did not request bill payment services through Western National Bank and this message has reached you in error, please contact us at 877-238-7277.

=====
Please do not delete this section.
Email_ID:#210213919341819017808_
=====

Trautwein, Gregg

From: customercare13186@customercenter.net
Sent: Tuesday, September 18, 2012 2:02 PM
To: gtrautwein@alslegal.org
Subject: You have a new biller in BillPay

Importance: High

Dear Anishinabe Service:

Because we care about your security, we are contacting you to confirm that you added a new biller to BillPay.

Biller:Trust Technology Services
Account: XXXXXXnabe
Date Added:09/18/2012

If you do not recognize this biller, please contact us immediately at 877-696-3047. If you did add this biller, please disregard this message and do not reply.

To protect your privacy, messages from Western National Bank will never ask you for any information through e-mail that would uniquely identify you.

Please do not respond to this message. Replies to this message are routed to an unmonitored mailbox.

=====
Please do not delete this section.
Email_ID:#210270549441819087022_
=====

Payment Confirmation

You've paid the following bills. If you want to keep any additional information on file with the bill, click the Note link.

Biller Name	Account	Amount	Pay Date	Confirmation
Trust Technology Services *inabe	*04076	\$152.50	09/21/2012	FORBT-G1SC4 INVOICE #10271 DATED 09/15/2012

Total: \$152.50

Customer Service can be reached at 877-696-3047 between the hours of 6:00 AM - 12:00 AM CT, 7 days a week.

*Checking Account
@ Western Bank
in Cass Lake.*



Trust Technology Services
 908 Paul Bunyan Dr. S, Suite 4
 Bemidji, MN 56601

(218)751-2376
 info@trustts.com
 http://www.trustts.com

Invoice

Date	Invoice #
09/15/2012	10271
Terms	Due Date
By First	10/01/2012

Bill To
Chari LaDuke Anishinabe Legal Services, Inc. 411 1st St. NW PO Box 157 CassLake, MN 56633

Amount Due	Enclosed
\$152.50	

Please detach top portion and return with your payment.

Date	Service	Activity	Quantity	Rate	Amount
09/15/2012	MSBASICITSRV	Basic IT Server Management - Hourly Remote Support - Hourly On-Site Support - 24/7/365 Server Monitoring - Hourly Server and Network Administration - Hourly Server Disaster Recovery - Monthly Ticket Reports - Monthly Executive Reports	1 <i>9-26-12</i> <i>OR</i>	49.00	49.00 <i>CR</i>
09/15/2012	MSBASICITUWM	Basic IT User/Workstation Management - Hourly Remote Support - Hourly On-Site Support - 24/7/365 Workstation/Firewall Monitoring - Hourly System Administration - Hourly Network Firewall Management - Monthly Ticket Reports - Monthly Executive Reports	14	5.00	70.00 <i>Western Checking Account.</i>
09/15/2012	MSANTIVIRUSEX CNP	Premier/Premium IT AntiVirus Protection - Non Profit - Powered by ESET Nod32 AntiVirus - Exchange Protection	14	1.75	24.50 <i>4-04-5790</i> <i>4-04-1001</i>
09/15/2012	MSPOSTINIMS	Postini Message Security - Monthly per e-mail account	9	1.00	9.00

A 1.5% monthly (18% annual) finance charge will be added to all invoices not received by the due date.

Thank you for your business!

SubTotal	\$152.50
Tax (7.375%)	\$0.00
Total	\$152.50

Trautwein, Gregg

From: Chari LaDuke <claduke@alslegal.org>
Sent: Monday, September 24, 2012 12:56 PM
To: Trautwein, Gregg
Subject: FW: Business Credit Card Application
Attachments: Business Credit Card Page 2.pdf; Business Credit Card App.pdf

Got the application, looks like they want board approval for it. It also has a 12% APR, I don't know if that is "good" or bad....might take us a bit longer to get this stuff taken care of than I had thought.

Chari LaDuke
Office Manager

Anishinabe Legal Services
PO Box 157
Cass Lake, MN 56633
(218) 335-2223 phone
(218) 335-7988 fax

From: Amy Celentano [<mailto:acelentano@wbcasslake.com>]
Sent: Friday, September 21, 2012 3:47 PM
To: Chari LaDuke
Cc: Larry Refsland
Subject: Business Credit Card Application

Chari – attached you will find Western Bank's Business Credit Card application for your review. The application may be printed and returned to us – there is room for two individuals to whom a card would be issued per application. Another form may be printed if additional users are needed. Please note that credit checks are not performed for the users however the information requested is needed in case there is ever a reason to contact the user such as fraud or call in for verification. Have two of your authorized signers sign the bottom of the application. We would also need something either from your resolution or board meeting minutes stating that Anishinabe Legal Services has authorized the company and the individuals to obtain the credit cards with Western Bank.

If you should have any additional questions or concerns, please feel free to contact us. Thanks.

Amy Celentano
Personal Banker
Western Bank Cass Lake
218/335-4131
218/335-2563 - FAX

IMPORTANT NOTICE:

This email (and any accompanying documents) is confidential, may be legally privileged, and is for the intended recipient only. Access, disclosure, copying, distribution, or reliance on any of it by anyone else is prohibited and may be a criminal offense. If received in error please notify sender and delete transmission. Internet communications are not secure and therefore the sender does not accept legal responsibility for the contents of this message. The information transmitted is intended only for the person or entity to which it is addressed and may contain confidential and/or privileged material. Any review, retransmission,

LEGAL SERVICES OF NW MN

67941

67941

46592	092512	09/25/12	19,926.29	19,926.29	0.00	19,926.29
TRX DESCRIPTION: To Close Out Wells Fgo Balance						

\$19,926.29

LEGAL SERVICES OF NW MN

1015 7TH AVENUE NORTH
MOORHEAD, MN 56560

Wells Fargo Bank, N.A.
Moorhead, MN 56560

17-1-910

CHECK NO.

67941

*****19,926 DOLLARS AND 29 CENTS	09/25/12	67941	\$*****19,926.29
----------------------------------	----------	-------	------------------

PAY
TO THE
ORDER
OF

Anishinabe Legal Services
P O Box 157
Cass Lake MN 56633

Mary Schneider

AUTHORIZED SIGNATURE

Security features. Details on back.



⑈06794⑈ ⑆091000019⑆0950021055⑈

Trautwein, Gregg

From: Trautwein, Gregg
Sent: Tuesday, September 25, 2012 3:54 PM
To: Paul Day (pday@alslegal.org); Chari LaDuke (claduke@alslegal.org)
Cc: Schneider, Mary; Becky Swenson (rswenson@lsnmlaw.org)
Subject: Today I'm mailing Check #67941 for \$19,926.29 payable to Anishinabe Legal Services...
Attachments: 20120925153144357.pdf

...to close out your balance down here in the Moorhead Wells Fargo checking account.

I've attached the detail of the account to show you that, after this check was written, your balance in all funds in the Wells Fargo account is zero.

Upon receipt of this check, please deposit it into your Western checking account in Cass Lake, so that these funds can be used to assist in paying your bills under the new Western Bill Pay system that I began using last week.

With your new bill pay and new credit card, there will be no transactions coming out of the Wells Fargo checking account here in Moorhead.

FYI, I'm providing a printed copy of this email to LSC, for verification purposes in our responses to them that are due the end of this week.

Thanks for your assistance is getting this all changed around.

Gregg Trautwein,
Financial Administrator for Anishinabe Legal Services Administrator for Legal Services of Northwest Minnesota

-----Original Message-----

From: copier@lsnmlaw.org [<mailto:copier@lsnmlaw.org>]
Sent: Tuesday, September 25, 2012 2:32 PM
To: Trautwein, Gregg
Subject:

This E-mail was sent from "LD275c" (MP C7500/LD275c).

Scan Date: 09.25.2012 15:31:44 (-0400)
Queries to: copier@lsnmlaw.org

GENERAL LEDGER DETAIL ACCOUNT BALANCE

For the Period Sep 01, 2012 to Sep 30, 2012
 For the Account 1010-000 - In Location Sequence - * = Inactive Account
 For Anishinabe - For All Departments

ACCOUNT NUMBER	DESCRIPTION	POST DATE	TRX SOURCE	BEGINNING BALANCE SOURCE DOC	JRNL NO	DEBIT	CREDIT	REFERENCE NET CHANGE	ENDING BALANCE
4-001-1010-000	Wells Fargo Checking			\$5,109.49					
		09/19/12	GLTRX0027	GJ	8500	5,109.49		ClosingALSWellsFgoCheckingAcct	
1 ENTRY	ACCOUNT TOTALS:			\$5,109.49		.00	5,109.49	5,109.49CR	.00
4-002-1010-000	Wells Fargo Checking			\$716.20CR					
		09/19/12	GLTRX0027	GJ	8500	716.20		ClosingALSWellsFgoCheckingAcct	
1 ENTRY	ACCOUNT TOTALS:			\$716.20CR		716.20	.00	716.20	.00
4-006-1010-000	Wells Fargo Checking			\$19,453.96					
		09/04/12	GLTRX9921	GJ	4136		179.82	Bill Pay Chris Allery	
		09/17/12	GLTRX0004	GJ	7869		56.06	Bill Pay Brianna Hawthorne	
		09/19/12	GLTRX0027	GJ	8500		19,218.08	ClosingALSWellsFgoCheckingAcct	
3 ENTRIES	ACCOUNT TOTALS:			\$19,453.96		.00		19,453.96CR	.00
							19,453.96		.00
4-008-1010-000	Wells Fargo Checking			\$3,542.91CR					
		09/06/12	GLTRX9952	GJ	7574		156.52	Bill Pay Tina Harville	
		09/19/12	GLTRX0027	GJ	8500	3,699.43		ClosingALSWellsFgoCheckingAcct	
2 ENTRIES	ACCOUNT TOTALS:			\$3,542.91CR		3,699.43	156.52	3,542.91	.00
4-014-1010-000	Wells Fargo Checking			\$3,609.60CR					
		09/01/12	GLTRX9895	GJ	8511		3,431.25	Monthly Financial Admin Charge	
		09/07/12	GLTRX9963	CR	7630	20,000.00		#131301 Check From Anishinabe	
		09/10/12	GLTRX9964	GJ	7633		211.30	Bill Pay Quill	
		09/10/12	GLTRX9964	GJ	7634		150.00	Bill Pay Vala Cleaning	
		09/17/12	GLTRX0004	GJ	7869		3.79	Bill Pay Brianna Hawthorne	
		09/17/12	GLTRX0004	GJ	7873		50.00	Bill Pay Lakes Vending	
		09/17/12	GLTRX0004	GJ	7875		45.00	Bill Pay Legal Services State	
		09/17/12	GLTRX0004	GJ	7878		106.56	Bill Pay Mary Ringhand	
		09/17/12	GLTRX0004	GJ	7879		90.90	Bill Pay NEBO	
		09/17/12	GLTRX0004	GJ	7882		47.12	Bill Pay Teal's Supervalu	
		09/19/12	GLTRX0027	GJ	8500	8,689.50		ClosingALSWellsFgoCheckingAcct	
		09/25/12	GLTRX0066	APCCR			19,926.29	AP - ONETIME 46592 Computer	
		09/25/12	GLTRX0062	GJ	9216		327.89	Mastercard Thouson West	
		09/25/12	GLTRX0062	GJ	9221		258.28	Mastercard TDS	
		09/25/12	GLTRX0063	GJ	9249		431.52	MC Payable - MidCont/Arvig/TDS	
15 ENTRIES	ACCOUNT TOTALS:			\$3,609.60CR		28,689.50		3,609.60	.00
							25,079.90		.00
4-016-1010-000	Wells Fargo Checking			\$583.00CR					
		09/19/12	GLTRX0027	GJ	8500	583.00		ClosingALSWellsFgoCheckingAcct	
1 ENTRY	ACCOUNT TOTALS:			\$583.00CR		583.00	.00	583.00	.00

Mailing to ALS →

For the Period Sep 01, 2012 to Sep 30, 2012
 For the Account 1010-000 - In Location Sequence - * = Inactive Account
 For Anishinabe - For All Departments

-----ACCOUNT-----		BEGINNING BALANCE						REFERENCE		
NUMBER	DESCRIPTION	POST DATE	TRX SOURCE	SOURCE DOC	JRNL NO	DEBIT	CREDIT	NET CHANGE	ENDING BALANCE	
4-017-1010-000	Wells Fargo Checking									
		09/04/12	GLTRX9921	GJ	4136		359.64	Bill Pay Chris Allery		
		09/19/12	GLTRX0027	GJ	8500	359.64		ClosingALSWellsFgoCheckingAcct		
2 ENTRIES	ACCOUNT TOTALS:					359.64	359.64	.00		.00
4-018-1010-000	Wells Fargo Checking									
		09/19/12	GLTRX0027	GJ	8500	533.47		ClosingALSWellsFgoCheckingAcct		
1 ENTRY	ACCOUNT TOTALS:					533.47	.00	533.47		.00
4-019-1010-000	Wells Fargo Checking									
		09/04/12	GLTRX9921	GJ	4136		459.54	Bill Pay Chris Allery		
		09/19/12	GLTRX0027	GJ	8500	3,141.48		ClosingALSWellsFgoCheckingAcct		
2 ENTRIES	ACCOUNT TOTALS:					3,141.48	459.54	2,681.94		.00
4-024-1010-000	Wells Fargo Checking									
		09/04/12	GLTRX9921	GJ	4136		144.30	Bill Pay Chris Allery		
		09/06/12	GLTRX9952	GJ	7572		144.30	Bill Pay Paul W Day		
		09/19/12	GLTRX0027	GJ	8500	6,604.85		ClosingALSWellsFgoCheckingAcct		
3 ENTRIES	ACCOUNT TOTALS:					6,604.85	288.60	6,316.25		.00
10 ACCOUNTS										
31 TOTAL DETAIL ENTRIES	GRAND TOTALS:					44,327.57		6,580.08CR		.00
							50,907.65			.00

*** PARTIAL TRIAL BALANCE ***

*** TOTALS ARE OUT OF BALANCE BY:

\$6,580.08CR***