



**FINAL REPORT**  
**LEGAL SERVICES CORPORATION**  
**Office of Compliance and Enforcement**

**Memphis Area Legal Services, Inc.**  
Case Service Report/Case Management System Review  
April 11-14, 2011

Recipient No. 643030

## **I. EXECUTIVE SUMMARY**

**Finding 1:** MALS'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:** MALS's intake procedures and case management system support the program's compliance related requirements.

**Finding 3:** MALS maintains the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2001 Ed.), ¶ 5.3, CSR Handbook (2008 Ed.), § 5.3, and applicable LSC instructions for clients whose income does not exceed 125% of the Federal Poverty Guidelines.

**Finding 4:** MALS maintains asset eligibility documentation as required by 45 CFR §§ 1611.3(c) and (d), CSR Handbook (2001 Ed.), ¶ 5.4, and CSR Handbook (2008 Ed.), § 5.4.

**Finding 5:** With one (1) exception, MALS is in compliance with 45 CFR § 1626.6 (Verification of citizenship). With respect to clients represented by *Guardians ad Litem* ("GAL"), it should be noted that the issue of whether PAI GALs can attest to the client's citizenship is being considered by the Office of Legal Affairs ("OLA").

**Finding 6:** MALS is in compliance with the retainer requirements of 45 CFR § 1611.9 (Retainer agreements).

**Finding 7:** MALS is in compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

**Finding 8:** Sampled cases evidenced compliance with the requirements of 45 CFR § 1620.4 and § 1620.6(c) (Priorities in use of resources).

**Finding 9:** MALS is in compliance with CSR Handbook (2001 Ed.), ¶ 5.1 and CSR Handbook (2008 Ed.), § 5.6 (Description of legal assistance provided).

**Finding 10:** MALS's application of the CSR case closure categories is generally consistent with the CSR Handbook (2008 Ed.) § 6.1; nevertheless, some coding errors were noted.

**Finding 11:** MALS is in compliance regarding the requirements of CSR Handbook (2001 Ed.), ¶ 3.3 and CSR Handbook (2008 Ed.), § 3.3. (Timely closure)

**Finding 12:** Sample cases evidenced compliance with the requirements of CSR Handbook (2001 Ed.), ¶ 3.2 and CSR Handbook (2008 Ed.), § 3.2 regarding duplicate cases.

**Finding 13: Review of the recipient's policies and the list of attorneys who have engaged in the outside practice of law, revealed that MALS is in compliance with the requirements of 45 CFR Part 1604 (Outside practice of law).**

**Finding 14: Sampled cases 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 MALS's accounting and financial records to determine compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity) determined two (2) instances of non-compliance. First, it used LSC funds to provide representation in certain cases which should have been funded by a state contract. Second, it failed to provide notification to funders who made contributions of \$250 or more with a written notification of the prohibitions and conditions which apply to the funds.**

**Finding 17: MALS is in compliance with 45 CFR § 1614.3(d)(3) which requires oversight and follow-up of the PAI cases. Costs expended, with the possible exception of the aforementioned GAL cases, are also in compliance with the regulations.**

**Finding 18: MALS 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 and 45 CFR § 1627.2(b)(1) which requires LSC prior approval of payments made to attorneys in excess of \$25,000.00.**

**Finding 19: While MALS is in compliance with 45 CFR Part 1635 (Timekeeping requirement) it is recommended that it improve its controls and procedures.**

**Finding 20: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1642 (Attorneys' fees). There was one (1) instance of fees being received; however it was not correctly attributed to the proper account.**

**Finding 21: Sampled cases reviewed and documents reviewed evidenced compliance with the requirements of 45 CFR Part 1612 (Restrictions on lobbying and certain other activities). However, the Executive Director's salary for 2009 and 2010 was not properly recorded.**

**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 review of MALS's Internal Controls revealed a weakness in the processing of cash receipts.**

**Finding 31: An examination of MALS's credit card statements showed LSC funds were used to purchase certain assets, that appears to have been posted to the wrong general ledger account.**

**Finding 32: An examination of MALS's sunshine club fund from January 1, 2008 through February 28, 2011, disclosed that (1) this is a voluntary fund, (2) LSC funds are not used to subsidize the fund, and (3) it's been carrying a positive cash balance. However, on two (2) occasions LSC funds were mistakenly used to match the employees' contribution.**

**Finding 33: Discussions with MALS's regarding time and attendance revealed that non-exempt employees are required to enter their arrival and departure time by signing in and out.**

## II. BACKGROUND OF REVIEW

On April 11-14, 2011, the Office of Compliance and Enforcement (“OCE”) conducted a Case Service Report/Case Management System (“CSR/CMS”) on-site visit at Memphis Area Legal Services, Inc. (“MALS”). The purpose of the visit was to assess MALS’s compliance with the LSC Act, regulations, and other applicable LSC guidance such as Program Letters, the LSC Accounting Guide for LSC recipients (2010), and the Property Acquisition and Management Manual. The visit was conducted by a team of two (2) attorneys and one (1) fiscal analyst. One (1) of the attorneys was an OCE staff member; the other attorney was a consultant.

The review was designed and executed to assess MALS’s compliance with basic client eligibility, intake, case-management, statutory and regulatory requirements, the reporting requirements set forth in the CSR Handbook (2008 Ed.) and the CSR Handbook (2001 Ed.), and to ensure that MALS has correctly implemented the 2008 CSR Handbook. Specifically, the review team assessed MALS’s compliance with regulatory requirements 45 CFR Part 1604 (Outside practice of law), 45 CFR Part 1608 (Prohibited political activities); 45 Part CFR 1609 (Fee-generating cases); 45 CFR Part 1610 (Use of non-LSC funds, transfers of LSC funds, program integrity); 45 CFR Part 1611 (Financial eligibility); 45 CFR § 1611.9 (Retainer agreements); 45 CFR Part 1612 (Restrictions on lobbying and certain other activities); 45 CFR Part 1613 (Restrictions on legal assistance with respect to criminal proceedings); 45 CFR Part 1614 (Private attorney involvement); 45 CFR Part 1615 (Restrictions on action collaterally attacking criminal convictions); 45 CFR Part 1617 (Class actions); 45 CFR Part 1620 (Priorities in use of resources); 45 CFR Part 1626 (Restrictions on legal assistance to aliens); 45 CFR Part 1627 (Subgrants and membership fees or dues); 45 CFR Part 1630 (Cost standards and procedures); 45 CFR Part 1632 (Redistricting); 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings); 45 CFR Part 1635 (Timekeeping requirement); 45 CFR Part 1636 (Client identity and statement of facts); 45 CFR Part 1637 (Representation of prisoners); 45 CFR Part 1638 (Restriction on solicitation); 45 CFR Part 1642 (Attorneys’ fees); 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing); and Section 1007(b)(8) – (10) of the LSC Act, 42 USC §§ 2996f(b)(8) – (10) (Abortion, school desegregation litigation, Military Selective Service Act or desertion).

The OCE team interviewed members of MALS’s management, staff attorneys and support staff. MALS’s case intake, case acceptance, case management, and case closure 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, 2008 through February 15, 2011. Case file review relied upon randomly selected files as well as targeted files identified to test for compliance with LSC requirements, including eligibility, potential duplication, timely closing, and proper application of case closure categories. In the course of the on-site review, the OCE team reviewed approximately 318 case files which included 74 targeted files.

MALS is an LSC recipient that operates two (2) offices in a four (4) county region of western Tennessee. The main office is located in Memphis and a branch office is in Covington. In 2010, MALS reported 4,032 closed cases; in 2009, MALS reported 3,827 closed cases; and in 2008, it reported closing 3,394 cases. In its submission to OCE, MALS had 1,272 open staff

cases and 674 open PAI cases for a total of 1,946 open cases or a ratio of open to closed (2010 cases of 48% (1,946 to 4,032).

For calendar year 2009, the MALS self-inspection reported 10 exceptions out of 155 cases reviewed for the self-inspection. Of these, four (4) were cases missing the citizenship attestation or alien eligibility documentation; five (5) were cases missing evidence of legal assistance; one (1) was untimely closed (CSR Handbook 3.3(a)).

By letter dated February 3, 2011, OCE requested that MALS provide a list of all cases reported to LSC in its 2008 CSR data submission ("closed 2008 cases"), a list of all cases reported in its 2009 CSR data submission ("closed 2009 cases"), a list of all cases reported in its 2010 CSR data submission ("closed 2010 cases") a list of all cases closed between January 1, 2011 and February 15, 2011 ("closed 2011 cases"), and a list of all cases which remained open as of February 28, 2011 ("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 closing category assigned to the case and the funding code assigned to the case. OCE requested that two (2) sets of lists be compiled – one (1) for cases handled by MALS staff and the other for cases handled through MALS's PAI component. MALS 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). MALS 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 which the team would review during the on-site visit. The sample was created proportionately among 2008, 2009, 2010, and 2011 closed and 2011 open cases, as well as a proportionate distribution of cases from MALS's office. 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 closing categories, duplicate reporting, etc.

During the visit, access to case-related information was provided through staff intermediaries. Pursuant to the OCE and MALS agreement of April 1, 2011, MALS 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.<sup>1</sup> MALS's management and staff cooperated fully in the course of the review process. As discussed more fully below, MALS was made aware of any compliance issues during the on-site visit. This was accomplished by informing intermediaries of any compliance issues during case review as well as Managing Attorneys in the branch offices and the Executive Director in the main office.

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<sup>1</sup> 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.

At the conclusion of the visit on April 14, 2011, OCE conducted an exit conference during which MALS was made aware of the areas in which a pattern of non-compliance was found. No distinction between 2008, 2009, 2010, and 2011 case were found. OCE cited instances of non-compliance in the areas of intake, case management, execution of citizenship attestations, execution of retainer agreements, documentation of legal advice, application of closing codes, and allocation of PAI time and PAI oversight. MALS 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. Afterwards, a Final Report would be issued that would include MALS's comments.

MALS was provided a Draft Report ("DR") on May 31, 2011 and given an opportunity to comment. MALS's comments were received on July 20, 2011. The comments have been incorporated into this Final Report, where appropriate, and are affixed as an exhibit.

### III. FINDINGS

**Finding 1: MALS’s automated case management system (“ACMS”) is 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 (2001 Ed.), ¶ 3.1 and CSR Handbook (2008 Ed.), § 3.1.

MALS’s “Practice Standards” requires case handlers to keep contemporaneous time records in the program’s Kemp’s Prime™ (MALS’s ACMS) time keeping system. These standards require that some work be performed in every active file no less than every 90 days and time be inputted into the computerized system. Each entry is required to describe the time and work accomplished on the file on the date and time of the entry.

Interviews with the managing attorney in Covington and the litigation director in Memphis and file reviews indicate that the date of intake, date of case acceptance, date of case closure, closing codes, and funding sources are all contained in the ACMS so that any supervising attorney can access the number of open and closed files by case handler and office. The litigation director in the main office at Memphis and the managing attorney in Covington were able to obtain pertinent information concerning the files being reviewed from the ACMS from laptop computers linked to the ACMS.

The review of cases sample evidenced no systemic problem with the ACMS used by MALS. During the review, six (6) errors were noted; however each of these was a coding error and was not evidence of a larger problem.<sup>2</sup>

There are no recommendations or corrective actions required.

**Finding 2: MALS’s intake procedures and case management system support the program’s compliance related requirements.**

MALS intake procedures were assessed by interviewing the intake staff responsible for conducting intake at both MALS offices. The interviews revealed that intake procedures performed by intake staff support the program’s compliance related requirements with respect to obtaining written citizenship attestations for walk-in clients, performing conflict and duplicate checks during the intake process, inquiring as to the applicant’s income prospects and

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<sup>2</sup> In response to the Draft Report, MALS has indicated it will redouble efforts to ensure accuracy; LSC is confident that its efforts will be successful.

considering all authorized exceptions and factors when screening an applicant for income eligibility.

Intake is conducted by both telephone screening and in-person interviews when an applicant walks into the office. Office hours and walk-in intake hours for MALS's main office are from 8:30 am until 5:00 pm Monday through Friday. Memphis office phone intake lines are open from 9:00 am until 4:00 pm Monday through Thursday and from 9:00 am until 12:30 pm on Fridays. The walk-in and telephone hours are similar for the Covington office (although the phone lines may stay open until 4:00 pm on Friday). Intake hours for the Memphis Fair Housing Center in the Memphis office are from 9:00 am to 4:00 pm Monday through Friday.

The intake procedure is the same for both telephone and walk-in applicants and for both the main and the branch office. First, the intake coordinator verifies that the applicant has a legal problem that is within the broad program priorities (i.e., this is just a quick verification that it is the type of case which MALS can handle, ensuring it is not a criminal case or a medical malpractice matter, etc.) and then a quick check of citizenship. After ensuring minimal qualification, the interviewer checks for conflicts and duplicates. Then, the intake staff person obtains all of the information necessary to complete the screening and records the information straight into the ACMS, using the prompts on the screen. It is at this time that the applicant's income/asset eligibility, citizenship status and legal issue(s) are verified and input into Kemp's Prime™ and creates a case file with the corresponding ACMS case number. It should be noted that in the main office, intake is done by one (1) of several specialized intake workers in Family, Senior Citizens, Consumer and Housing, Income Maintenance, and Health; whereas in Covington, there is one (1) person who does all intake screening.

There are no defaults in the ACMS.

Following this detailed screening, the applicant is advised that they will be informed within two (2) business days as to whether their case has been accepted. At that point, the file is given to the managing attorney who makes the case acceptance decision and assignment to staff.

When the intake staff or attorney initially meets with the applicant/client, the client confirms their citizenship status with the program attorney by either signing a citizenship attestation, or providing documentation required pursuant to the MALS's Alien Eligibility Form. In addition, a Program Retainer Agreement is completed and signed by the client, detailing the scope and subject matter of the program's representation of the client. At that time, a written statement of facts, outlining the particular circumstances of the client's case, is also completed and signed.

When the program attorney concludes the work on the case, the attorney closes the case, with the managing attorney or the litigation director reviewing and approving the closure. Attorneys closed their own cases. After the managing attorney approves the closure, the file is given to the unit assistant and entered into the ACMS to close the case.

*Reasonable Income Prospects Screening:* During intake, the intake staff interviewed reported that proper inquiry is made into the reasonable income prospects of applicants. Although there is not a specific question for reasonable income prospects screening in the ACMS system, intake staff indicated that they obtain this information and include it in the ACMS "notes" portion of

the file. There is not a set space on the manual intake form, however intake workers indicate the information is recorded if it represents a significant factor. As such, MALS consistently screens for reasonable income prospects as required by 45 CFR § 1611.5(a)(4)(i), which mandates that MALS inquire into every applicant's reasonable income prospects during intake.

*Citizenship and Eligible Alien Status Screening:* Intake staff demonstrated familiarity with the alien eligibility requirements of 45 CFR Part 1626. However, there are limited occasions to determine eligible alien status because of the demographics of the area. Intake staff reported they verify citizenship status during the intake screening and, when necessary, require documentation of eligible alien status pursuant to the MALS Alien Eligibility Form before completing an intake. Once the applicant provides this information, the intake staff person determines if the applicant is an eligible alien pursuant to 45 CFR Part 1626.

The intake staff interviewed demonstrated an understanding of the applicability of 45 CFR § 1626.4 and Program Letter 06-2, Violence Against Women Act 2006 Amendments, with respect to removal of the requirement to obtain a signed citizenship attestation or alien eligibility documentation from an otherwise ineligible alien.

Those interviewed reported that written citizenship attestations are obtained for those applicants who walk into the office. This is in compliance with 45 CFR § 1626.6(a) and CSR Handbook (2008 Ed.), § 5.5, which requires Recipients to obtain written citizenship attestations whenever program staff has in-person contact with the applicant.

*Income Screenings:* The intake interview revealed that intake staff is fully aware of the income ceilings set by MALS. The intake staff expressed understanding that an applicant will be considered eligible if their income is under 125% of the Federal Poverty Guidelines ("FPG"). If the applicant's income is between 125% and 200% of the FPG, then the intake staff inquires as to the existence of authorized exceptions (medical expenses, child care expenses, etc.). If the applicant has these types of authorized exceptions, the intake staff will record these expenses; however, the program does not apply them in a "spend down" fashion. Additionally, intake staff is aware of the process of having the income eligibility requirement waived, pursuant to MALS internal policies, for those applicants whose income is between 125% and 200% of the FPG.<sup>3</sup> The economic factors, authorized exceptions and waiver procedure enumerated in 45

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<sup>3</sup> By way of clarification, a waiver by the Executive Director, or the Litigation Director or the Managing Attorney is not required by the LSC regulation, but is required by MALS program policies. Only the exception to the asset policy and the exception to the 200% for medical expenses need to be "waived." The regulations do require the Recipient to document the "basis for the financial eligibility determination." See 45 CFR § 1611.5(b):

(b) In the event that a recipient determines that an applicant is financially eligible pursuant to this section and is provided legal assistance, the recipient shall document the basis for the financial eligibility determination. The recipient shall keep such records as may be necessary to inform the Corporation of the specific facts and factors relied on to make such determination.

This is clarified/supplemented in the CSR Handbook:

For cases in which a program chooses to apply financial exceptions to applicants with household gross income exceeding 125% of the federal poverty guidelines in effect at the time of case acceptance, the  
*(This footnote is continued on the next page)*

CFR §§ 1611.4 and 1611.5 have been adopted by the MALS Board of Directors and are included in MALS's financial eligibility guidelines.

*Asset Screenings:* Interviews revealed that intake staff is familiar with the categories of assets that could be excluded by MALS during financial eligibility screenings, as well the asset ceiling amounts.

*Group Eligibility:* MALS provides representation to a number of group clients as is permitted if the program document that the group lacks and has no practical means of obtaining funds to retain private counsel, and either (1) the majority of members are financially eligible for LSC assistance or (2) the group principal activity is to delivery services to those in the community who are financially eligible for LSC funds. *See* 45 CFR § 1611.6. A review of the files indicates that MALS has applied the regulatory requirements on a constant and uniform basis. MALS has developed a separate form for screening groups seeking legal assistance; this form captures the required information.

*Outreach:* Both the main and branch office conduct limited outreach intake. In Memphis, this is primarily at the senior citizens centers and in Fayette County the attorney goes to the Senior Center operated by the Commission on Aging every Thursday from 1- 4 pm. When intake is done at these outreach events, it is done using the manual intake to determine applicant eligibility. This information is then input into the ACMS upon return to the office. No deficiencies were noted.

While there are no corrective actions required; LSC recommended in the Draft Report that both the ACMS and the manual intake form be modified to include a dedicated means for recording that prospective income is questioned. In response, MALS agreed with this recommendation and has modified its case management system and manual client application forms to include a more formal manner of recording the screening of applicants for prospective income.

**Finding 3: MALS maintains the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2001 Ed.), ¶ 5.3, CSR Handbook (2008 Ed.), § 5.3, and applicable LSC instructions for clients whose income does not exceed 125% of the Federal Poverty Guidelines.**

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).

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*(footnote continued from prior page)*

documentation of eligibility shall also indicate the specific facts and factors relied on to make such a determination as required by 45 CFR § 1611.5. Additionally, the program's automated case management system must save the applicant's gross income as a separate and identifiable field in order to preserve a record that the applicant initially exceeded the basic income level but was served pursuant to over-income exceptions allowed under 45 CFR § 1611.5. It is critical that calculations involving exceptions to income ceilings are not applied in a manner that changes the gross income recorded in the file.

5.3, footnote omitted.

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.<sup>4</sup> See 45 CFR § 1611.3(c)(1), CSR Handbook (2001 Ed.), ¶ 5.3, and CSR Handbook (2008 Ed.), ¶ 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 (2001 Ed.), ¶ 5.2 and CSR Handbook (2008 Ed.), ¶ 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), CSR Handbook (2001 Ed.), ¶ 5.3, and CSR Handbook (2008 Ed.), § 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 (2001 Ed.), ¶ 4.3(a) and CSR Handbook (2008 Ed.), § 4.3.

None of the files reviewed were missing any recordation of income; all contained properly documented incomes and all files reviewed in the offices were under the 125% FPG threshold or were under 200% and had proper recordation of the factors and a waiver.<sup>5</sup>

There are no recommendations or corrective actions required.

**Finding 4: MALS maintains asset eligibility documentation as required by 45 CFR §§ 1611.3(c) and (d), CSR Handbook (2001 Ed.), ¶ 5.4, and CSR Handbook (2008 Ed.), § 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.<sup>6</sup> See CSR Handbook (2001 Ed.), ¶ 5.4 and CSR Handbook (2008 Ed.), § 5.4.

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<sup>4</sup> A numerical amount must be recorded, even if it is zero. See CSR Handbook (2001 Ed.), ¶ 5.3 and CSR Handbook (2008 Ed.), ¶ 5.3.

<sup>5</sup> See also the discussion above regarding the use of a waiver on income.

<sup>6</sup> A numerical total value must be recorded, even if it is zero or below the recipient's guidelines. See CSR Handbook (2001 Ed.), ¶ 5.4 and CSR Handbook (2008 Ed.), § 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.

MALS has set the asset ceiling at a flat \$10,000 per household, combining liquid and non-liquid assets. Excluded from this are the following: (1) Equity in principal residence; (2) Equity in vehicles regularly used for transportation; (3) Personal and household effects; (4) Trusts for education and medicals; (5) Farm land essential to self-employment; (6) Equipment essential to employment; (7) Retirement or Pension Funds not accessible without penalty; and (8) Any and all assets owned in part by the adverse party in a domestic violence matter.

As previously noted, exempt assets are not recorded in the calculative portion of the assets fields on the MALS ACMS, but are maintained in the notes. None of the files reviewed were missing the recordation of assets, even if there were no assets, a "0" was recorded (and there were no defaults).

There are no recommendations or corrective actions required.

**Finding 5: With one (1) exception, MALS is in compliance with 45 CFR § 1626.6 (Verification of citizenship). With respect to clients represented by *Guardians ad Litem* ("GAL"), it should be noted that the issue of whether PAI GALs can attest to the client's citizenship is being considered by the Office of Legal Affairs ("OLA").**

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 (2001 Ed.), ¶ 5.5 and CSR Handbook (2008 Ed.), § 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 (2001 Ed.), ¶ 5.5 and CSR Handbook (2008 Ed.), § 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.<sup>7</sup> 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.

MALS is in non-compliance with 45 CFR § 1626.6, as there was one (1) case lacking written citizenship attestation or non-citizen documentation.<sup>8</sup> Nevertheless, with the possible exception of a class of cases, discussed below, the remainder of the files reviewed were in compliance with 45 CFR § 1626.6, as all files reviewed which required written citizenship attestations had those attestations present and were timely executed.<sup>9</sup> In addition, files reviewed which required alien eligibility determinations had proper documentation and recordation.

One (1) concern which arose during the review and should be mentioned specifically concerned the attestation of minor children or persons under a disability. Currently, when the program staff or a PAI attorney is appointed as GAL, the guardian attests to the citizenship of the client. Absent some other factor, this is inconsistent with the regulations. The regulations at 45 CFR § 1626.6, requires recipients to "require all applicants for legal assistance who claim to be citizens to attest in writing ... that they are citizens" There is no exception to the rule for minors or other legally incompetent persons. Rather, for such persons, the preamble to the April 21, 1997 final

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<sup>7</sup> *See* Kennedy Amendment at 45 CFR § 1626.4.

<sup>8</sup> *See* Memphis Case No. 09E-1069213.

<sup>9</sup> In two (2) closed cases the citizenship attestation was not dated. *See* Covington Case No. 09E-5066734; Memphis Case No. 08E-1056107. In addition to the two undated attestations there was one (1) 2010 closed file reviewed at the main office in Memphis in which the attestation was not done until the work was done. *See* Memphis Case No. 10E-1078868. As will be discussed more fully below, MALS's pro bono attorneys routinely represent clients as their court appointed *guardian-ad-litem*. In these cases the attorney signs the citizenship attestation for their ward. In one (1) 2010 closed case, the pro bono coordinator was court appointed emergency *guardian-ad-litem*. This case was not opened until after the pro bono coordinator had completed all services under her court appointment including filing her *guardian-ad-litem* report with the court. The regulations, at 45 CFR § 1626.8, provide for representation in emergency situations, however, it is not clear that the necessary qualifications were met in this case. In large part, this is due to the fact that the regulations do not permit the program staff to attest for citizenship on behalf of their clients.

Finally, there was one (1) file reviewed which contained no evidence of an attestation, however, this was a file which should have been deselected and never reported to LSC because the PAI attorney transferred firms and dropped the case without notifying MALS. This was a file opened in 2004 and was mistakenly reported on the 2008 closed file list. In fact, no legal work was done and the program was not able to locate the client. *See* Case No. 04-1-31866.

rule notes that "an attestation of citizenship may be done, for example, by a parent, legal guardian, *guardian ad litem*, or other legal representative of the child" other than the recipient. 62 Fed. Reg. 19412. The preamble to the rule does not expressly address situations in which a parent is unavailable to provide the attestation. However, just as the plain language of the attestation requirement does not indicate that inability of the applicant to provide an attestation creates an exception to the rule, the plain language of the rule does not indicate that the unavailability of a parent or guardian to provide an attestation provides a basis for a complete failure on the part of a recipient to obtain some verification of citizenship. Rather, the regulation indicates that where the attestation requirement cannot be complied with, a recipient should verify citizenship in another manner. *See* 45 CFR § 1626.6(b). Although the text of the regulation dealing with alternate methods of verifying citizenship explicitly contemplates the use of such methods in situations in which the program has "good cause" to doubt the veracity of a citizenship attestation, the preamble states that the alternate methods should be used also when citizenship cannot be verified through attestation.

In discussing this issue with the program during the review, MALS differentiates between cases which are handled by program attorneys and those which are handled by private attorneys. Senior staff of MALS pointed out that "on Legal Clinic cases, neither the student attorney nor the supervising attorney (who is a law school professor) is 'the recipient.'" As noted above, Section 1626.6 puts the onus on "recipients"<sup>10</sup> to "require all applicants for legal assistance who claim to be citizens to attest in writing."<sup>11</sup> Accordingly, MALS argues that when the GAL is appointed, s/he is not acting as a "recipient" and may attest to citizenship, which then transforms the represented party into an eligible client. The OCE has asked the LSC Office of Legal Affairs ("OLA"), which provides the official agency interpretation of the application of the regulations, for an advisory opinion on this issue. In order to not delay the issuance of this report, this issue is being handled separately..

Nevertheless, as indicated above and restated for emphasis, if MALS has any of the documentation listed at § 1626.6(b), such as a passport, a birth certificate, a naturalization certificate etc., that is sufficient. Moreover, the VAWA exceptions also apply and an attestation is not needed in a VAWA qualifying case. In addition, if the judge were to put in the order "N.N., a citizen of the United States..." or "...who was born in Shelby County on January 1,

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<sup>10</sup> The regulations define recipient as follows:

*Recipient* means any grantee or contractor receiving financial assistance from the Corporation under section 1006(a)(1)(A) of the Act.

45 CFR § 1600.1.

<sup>11</sup> *See also*, 45 CFR § 1626.1 Purpose, which provides:

This part is designed to ensure that *recipients* provide legal assistance only to citizens of the United States and eligible aliens. It is also designed to assist recipients in determining the eligibility and immigration status of persons who seek legal assistance.

Emphasis added.

2005..." or some words conveying that the person is a U.S. Citizen, that would also be in compliance.

Accordingly, it is possible, depending on the advisory opinion, that on this last point, MALS may need to take prospective corrective action to ensure future compliance.

In response to the Draft Report, the program stated:

Regarding the GAL issue, which is discussed in the DR, MALS acknowledges and appreciates the request made by the OCE to the Office of Legal Affairs (OLA) for an advisory opinion on the question of whether a PAI attorney who is appointed as GAL can sign the attestation or whether they are considered "the recipient." It is the position of MALS that a PAI attorney who is appointed as GAL is not "the recipient" and, can therefore, sign the citizenship attestation, as GAL, in accordance with the language, quoted in the DR, from the preamble to the April 21, 1997 rule. Additional support may be found in the definition of "recipient" on page 14 of the DR, footnote 10, which states, "[r]ecipient means any grantee or contractor receiving financial assistance from the Corporation under section 1006(a)(1)(A) of the [LSC] Act."

Further concerning the GAL issue, the DR is correct in recognizing that MALS takes the position that legal clinic cases raise an additional option for the signing of the citizenship attestation. In those cases, the student attorney is licensed to practice law under the Tennessee limited practice provisions and the student's supervising attorney (a member of the University of Memphis Law School Clinical Faculty and not a member of the MALS staff) is also licensed to practice law. So, even if a PAI attorney was to be considered "the recipient" (although MALS strongly disagrees), that would disqualify only one, but not both, of those attorneys from signing the citizenship attestation.

MALS also appreciates the suggestions in the DR concerning alternative methods for establishing eligibility, such as the documentation listed in §1626.6(b), application of VAWA exceptions, and recognition of citizenship in the Court's order.

Corrective Action 1:

MALS will ensure that GALs who are program staff attorneys will not attest to the citizenship on behalf of their clients. MALS will await the resolution of the remainder of this issue by the OLA.

This Office reiterates the forthrightness of the program on this issue and is confident that the program has been operating in good faith and will take any corrective actions which may be necessary.

**Finding 6: MALS is in 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 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.<sup>12</sup> Cases without a retainer, if otherwise eligible and properly documented, should be reported to LSC.

Sampled case files indicate that MALS complies with the requirements of 45 CFR § 1611.9 with one (1) exception in the Memphis office in a case closed in 2009 under CSR Category K.<sup>13</sup> Three (3) cases in the Covington office did not contain the scope of services to be rendered to the client.<sup>14</sup> In response to the Draft Report, MALS indicated that it will provide refresher training to the staff.

There are no recommendations or corrective actions required.

**Finding 7: MALS is in 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).

Case files reviewed indicated that MALS is in compliance with the requirements of 45 CFR Part 1636. A statement of fact or a verified complaint was included in all files when required.

There are no recommendations or corrective actions required.

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<sup>12</sup> 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.

<sup>13</sup> *See* Memphis Case No. 09E-1068536.

<sup>14</sup> *See* Covington Case Nos. 10E-5075448, 07E-1047124, and 09E-5066910.

**Finding 8: Sampled cases 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.

Prior to the visit, MALS provided LSC with a document setting forth its priorities, which include Family and Children Issues; Housing and Real Property; Health; Consumer/Utilities and Individual and Civil Rights; Income Maintenance.<sup>15</sup>

MALS is in compliance with 45 CFR Part 1620. The sampled files reviewed demonstrated that the program takes cases pursuant to the MALS's priorities.

There are no recommendations or corrective actions required.

**Finding 9: MALS is in compliance with CSR Handbook (2001 Ed.), ¶ 5.1 and CSR Handbook (2008 Ed.), § 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 (2001 Ed.), ¶ 7.2 and CSR Handbook (2008 Ed.), § 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 (2001 Ed.), ¶ 5.1(c) and CSR Handbook (2008 Ed.), § 5.6.

The case review evidenced two (2) files closed without legal documentation.<sup>16</sup> MALS attorneys and other case handlers make detailed notes of each meeting and each act taken on behalf of the client which is downloaded into the client's computer file.

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<sup>15</sup> These may be found in Item E of the submissions by MALS to LSC in advance of the review.

There are no recommendations or corrective actions required.

**Finding 10: MALS's application of the CSR case closure categories is generally consistent with the CSR Handbook (2008 Ed.) § 6.1; nevertheless, some coding errors were noted.**

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 (2001 Ed.), ¶ 6.1 and CSR Handbook (2008 Ed.), § 6.1.

Files reviewed demonstrated that MALS's application of the CSR case closing categories is substantially consistent with Section VIII, CSR Handbook (2001 Ed.) and Chapters VIII and IX, CSR Handbook (2008 Ed.) with exceptions. Eight (8) cases in the Memphis office were closed under a CSR Category that denotes a significantly greater or different level of service than was rendered to the client. These cases were closed under CSR Categories H – Administrative Agency Decision; F—Negotiated Settlement without Litigation; G – Negotiated Settlement with Litigation and L – Extended Service which are not supported by either the scope or type of legal services rendered in the file. Three (3) cases were closed under Category F – Negotiated Settlement without Litigation in which the level of legal services rendered only justified a case closure under Category A – counsel and advise or B – brief service.<sup>17</sup> These cases were closed by the same staff attorney. One (1) file was closed under Category H – Administrative Decision in which there is neither an administrative decision nor hearing.<sup>18</sup> Another file was closed under Category G – Negotiated Settlement With Litigation in which there was no litigation.<sup>19</sup> LSC, in the Draft Report, initially identified three (3) cases closed under Closing Category L – Extensive Service which it indicated should have been closed under Category B – Limited Assistance; after considering MALS's response, LSC agrees with the program and retracts that earlier determination.<sup>20</sup>

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*(footnote continued from prior page)*

<sup>16</sup> *See* Memphis Case No. 09E-1069213; this file is also a non-LSC funded open, dormant file which should not be included in MALS CSR reports to LSC. *See also* Closed 2008 PAI Case No. 04-1-31866. As discussed above, this PAI file contained no evidence legal work, however, this was a file which should have been deselected and never reported to LSC because the PAI attorney transferred firms and dropped the case without notifying MALS. This was a file opened in 2004 and was mistakenly reported on the 2008 closed file list.

In addition, one (1) case on the open case list had been properly reviewed and rejected after submission of the cases lists to LSC. *See* Case No. 09E-1063038, rejected and closed on April 11, 2011.

<sup>17</sup> *See* Memphis Case Nos. 09E-1065459, 09E-1064384, and 09E-1066361.

<sup>18</sup> *See* Memphis Case No. 08E-1060983.

<sup>19</sup> *See* Memphis Case No. 08E-1062217.

<sup>20</sup> As noted in the text, this footnote has been deleted. MALS's full response is available as an appendix to the Final Report.

One (1) PAI file was closed as a Category K – Other which should have been closed under Category B – Limited Assistance.<sup>21</sup> Also, one (1) PAI file should have been closed as a G, but was closed on the ACMS as a K.<sup>22</sup>

One (1) Memphis file was closed under Closing Category A – Counsel and Advice which should have been closed under Category L – Extensive Service.<sup>23</sup>

MALS listed seven (7) matters in its open LSC case list. None of these matters are funded with LSC funds. In all matters the *Memphis Fair Housing Center* is listed as the client. The *Memphis Fair Housing Center* is in fact part of MALS funded by Memphis and HUD. MALS investigates violations of the Memphis Fair Housing Ordinance. The actual case, however, is prosecuted by Memphis and decided by the municipal courts. None of these files are cases and they should not be reported in any form as an LSC reportable case.<sup>24</sup> In response to the Draft Report, MALS assured LSC that it will not include these in the future as reportable cases and LSC concurs noting that MALS has sufficient screening to prevent this from occurring.

There are no corrective actions required; however, MALS needs to take care to ensure that any matters it maintains on its open case list are not reported to LSC as closed cases.

**Finding 11: MALS is in compliance with the requirements of CSR Handbook (2001 Ed.), ¶ 3.3 and CSR Handbook (2008 Ed.), § 3.3. (Timely closure)**

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, brief service, or a referred after legal assessment (CSR Categories, A, B, and C), should be reported as having been closed in the year in which the counsel and advice, brief service, or referral was provided. *See* CSR Handbook (2001 Ed.), ¶ 3.3(a).<sup>25</sup> There is, however, an exception for cases opened after September 30, and those cases containing a determination to hold the file open because further assistance is likely. *See* CSR Handbook (2001 Ed.), ¶ 3.3(a) and CSR Handbook (2008 Ed.), § 3.3(a). All other cases (CSR Categories D through K, 2001 CSR Handbook and F through L, 2008 CSR Handbook) should be reported as having been closed in the 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 (2001 Ed.), ¶ 3.3(b) and CSR Handbook (2008 Ed.), § 3.3(b).

<sup>21</sup> *See* PAI Case No. 09E-1071439.

<sup>22</sup> *See* PAI Case No. 07E-1046610.

<sup>23</sup> *See* Memphis Case No. 08E-1055931.

<sup>24</sup> *See* Memphis Case No. 10E-21077670, 10E-21077671, 10E-21077672, 10E-21077674, 10E-21077675, 10E-2107767, and 10E-21077677.

<sup>25</sup> 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.), § 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 CSR Closure Category L- Extensive Service.

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).

The sample case files evidenced that MALS is in compliance regarding the requirements of CSR Handbook (2001 Ed.), ¶ 3.3 and CSR Handbook (2008 Ed.), § 3.3(a) with five (5) exceptions.

One (1) Covington file opened in 2006 was closed under Category A – Counsel and Advice in a 2008 closing letter to the client sent long after the completion of the legal advice. This was an LSC funded case that should not have been closed and reported to LSC in 2008.<sup>26</sup> One (1) Memphis file was closed in the file in 2009 as an administrative decision (category H) but remains listed as an open non-LSC funded case. This case cannot be reported as an LSC eligible case and should be closed under MALS Title III funding to which this file is attributed.<sup>27</sup> One (1) Memphis case reported to LSC as an open case is not timely closed. The file is open but an administrative decision was entered in April 2009. There is no explanation in the file justifying its open status. This case is non-LSC funded and when closed should not be reported as an LSC eligible case.<sup>28</sup>

One (1) open Memphis case was found to be dormant; an LSC funded case which was opened in January 2009 with no legal services rendered to the client at the time of the file review.<sup>29</sup>

Finally, there was one (1) case, previously discussed, which was a coding error.<sup>30</sup>

There are no recommendations or corrective actions required.<sup>31</sup>

**Finding 12: Sample cases evidenced compliance with the requirements of CSR Handbook (2001 Ed.), ¶ 3.2 and CSR Handbook (2008 Ed.), § 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 (2001 Ed.), ¶ 3.2 and CSR Handbook (2008 Ed.), § 3.2.

When a recipient provides more than one 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

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<sup>26</sup> *See* Covington Case No. 06E-1045833.

<sup>27</sup> *See* Memphis Case No. 08E-1058255.

<sup>28</sup> *See* Memphis Case No. 08E-1054806.

<sup>29</sup> *See* Memphis Case No. 08E-21060745.

<sup>30</sup> As discussed above, there was one (1) file reviewed which should have been deselected and never reported to LSC because the PAI attorney transferred firms and dropped the case without notifying MALS. This was a file opened in 2004 and mistakenly reported on the 2008 closed file list. *See* Case No. 04-1-31866.

<sup>31</sup> Based on discussions with the MALS staff, the reviewers believe that the periodic review of cases conducted by the management staff will be more efficacious in evaluating these concerns.

level of legal assistance provided. *See* CSR Handbook (2001 Ed.), ¶ 6.2 and CSR Handbook (2008 Ed.), § 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 (2001 Ed.), ¶ 6.3 and CSR Handbook (2008 Ed.), § 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 (2001 Ed.), ¶ 6.4 and CSR Handbook (2008 Ed.), § 6.4.

MALS is in compliance with the requirements of CSR Handbook (2001 Ed.), ¶ 3.2 and CSR Handbook (2008 Ed.), § 3.2 regarding duplicate cases. The case sample included targeted files to test possible duplicate files. The sample case disclosed no duplicate files.

There are no recommendations or corrective actions required.

**Finding 13: Review of the recipient’s policies and the list of attorneys who have engaged in the outside practice of law, revealed that MALS is in compliance with 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 this part, 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.

The current MALS policy on the Outside Practice of Law went into effect on March 5, 2011 and tracks the most recent revisions to the regulations. According to the list provided by MALS in advance of the review, there have been five instances of outside practice during the scope of review. Three (3) of these were for friends, one (1) was for a fellow member of the staff and one (1) was for a family member. These instances of outside practice were all approved by the Executive Director pursuant to the prior policy on the outside practice of the law.

Based on the review of the recipient’s policies and the provided list of attorneys who have engaged in the outside practice of law MALS appears to be in compliance with the requirements of 45 CFR Part 1604.

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

LSC regulations prohibit recipients from expending grants 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.

Based on the limited review of accounting records and documentation for the period January 1, 2008 through February 28, 2011, it was determined that MALS has not been expending LSC grant funds, personnel or equipment in prohibited political activities in violation of 45 CFR § 1608.3(b).

MALS communicates its policies to employees with a form that they are requested to sign, indicating that they have received and read program policies and will abide by them. When changes are made to the regulations and program policies are updated, employees are sent the changes and are asked to sign a certification of receipt in the same manner. In addition, MALS provide its staff a copy of all the program policies relating to LSC's regulations.

Sampled files reviewed, and interviews with the Executive Director, the Chief Financial Officer/Human Resources, and staff do not indicate, that MALS is involved in such activity.

There are no recommendations or corrective actions required.

**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 private attorneys; neither the referral service nor two 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).

None of the sampled files reviewed involved legal assistance with respect to a fee-generating case. MALS represents clients in Federal civil RICO actions against predatory lenders that are potentially fee-generating if successful. The Deputy Director and General Counsel stated that

MALS has been advised by the local bar association that no lawyer in MALS service area would represent clients in these cases. None of these cases are funded with LSC funds.<sup>32</sup>

There are no recommendations or corrective actions required.

**Finding 16: A review of MALS's accounting and financial records to determine compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity) determined two instances of non-compliance. First, it used LSC funds to provide representation in certain cases which should have been funded by a state contract. Second, it failed to provide notification to funders who made contributions of \$250 or more with a written notification of the prohibitions and conditions which apply to the funds.**

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).

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<sup>32</sup> *See* Memphis Case Nos. 99-1007193, 99-1007192, 99-1007288, and 99-1011526.

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).

Based on a limited review of MALS's accounting and financial records, observation of the Memphis office, and from interviews with management, it appears that MALS may have engaged in restricted activity which would present 45 CFR Part 1610 compliance issues.

1. Representation in TDCS cases without an attestation.

MALS is part of the Tennessee Alliance Legal Services ("TALS") which has a contract with Tennessee's Department of Child Services ("TDCS") to represent children in state custody who were denied TennCare or Medicaid services. In fulfilling this contractual agreement MALS has entered into several PAI contract agreements between January 1, 2008 and December 2010, with attorneys to work on these type cases.

During the course of the review, LSC initially determined that some PAI attorneys were paid with LSC funds rather than TALS; in response to the Draft Report, MALS persuasively demonstrated this was not correct, as discussed below. LSC preserves some of the language of the Draft Report to reemphasize this point and to note MALS's response.

MALS can use LSC funds to pay these PAI attorneys if the cases are LSC eligible including meeting LSC's citizenship attestation eligibility requirements. A review of samples of cash receipts and disbursement journals for the review period identified transfers of LSC funds to PAI attorney's for paralegal costs, consultant fees, litigation, travel, and office supply expenses (45 CFR § 1610.7). MALS must demonstrate that these child custody cases meet LSC's eligibility requirements and that TALS does not make referrals for cases involving restricted activity such as legal representation to aliens. In response to the Draft Report, MALS indicated that it "agrees that the cases under the TALS contract must meet citizenship attestation requirements. MALS

will seek to amend the TALS contract to provide that only children who meet the requirements of Part 1626 will be referred to MALS.”

2. Failure to provide notification to funders who made contributions of \$250 or more with a written notification of the prohibitions and conditions which apply to the funds.

The LSC regulations, at 45 CFR § 1610.5, provide that no recipient may accept funds from any source other than the Corporation, unless the recipient provides to the source of the funds written notification of the prohibitions and conditions which apply to the funds.

From the limited review of accounting records and documentation for the period January 1, 2008 through February 28, 2011, MALS received funding from both federal and state governmental agencies, foundations, law firms, and individuals. MALS failed to provide written notification for fiscal years 2008 - 2011 to all funders who contributed \$250 or more of the prohibitions and conditions which apply to the funds. MALS should provide all funders who make contributions of \$250 or more written notification of the prohibitions and conditions which apply to donor funds. In response to the Draft Report, MALS agreed with this and noted that “following discussion with the OCE team, MALS immediately began to communicate this requirement by notifying all current donors and will do so with all future donors.”

3. Other notes

MALS uses MIP Sage Accounting Software which has the capability of providing fund based accounting. The Program’s Chart of Accounts has been developed so that funds received by the recipient from sources other than the Corporation are accounted for as separate and distinct receipts and disbursements in a manner directed by 45 CFR § 1610.9.

MALS’s Board of Directors have certified compliance with 45 CFR § 1610.8(b) with the execution of the program integrity certification.

MALS transfers and has transferred a portion of its non-LSC funding to various organizations. MALS provided LSC a detailed listing of these organizations. No compliance concerns were noted.

MALS needs to take the following corrective actions. First, it must provide all funders who make contributions of \$250 or more written notification of the prohibitions and conditions which apply to donor funds. Second, depending on the resolution of the GAL issue, MALS must impose a strict accounting wall to ensure that LSC funds are not used for ineligible TALS cases.

**Finding 17: MALS is in compliance with 45 CFR § 1614.3(d)(3) which requires oversight and follow-up of the PAI cases. Costs expended, with the possible exception of the aforementioned GAL cases, are also in compliance with the regulations.**

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.

The PAI program is well functioning; no systemic problems were noted in intake, referral, oversight or closing of cases. Before providing some specific findings a brief overview of the PAI program will be set forth.<sup>33</sup>

MALS has an experienced attorney PAI coordinator who has provided legal assistance to clients for over 20 years. She reviews all intake applications, which go through the normal intake process, to make determinations which of the many varied components of the PAI delivery system might be best for the applicant. In some instances, the coordinator, or another member of the MALS PAI staff may make telephone calls to a local attorney to try to place a case. Another method which MALS has developed is the "Atticus Referral Network" ("ARN"). The ARN is made up of about 10 larger Memphis law firms which have a dedicated in-house attorney who receives semimonthly email from the PAI unit setting forth a dozen or more cases. This point-of-contact attorney then distributes the information to members of the firm based on case type and other factors to attempt to make a referral. Similarly, the program maintains a panel of attorneys who will take on certain cases in select subject matters, such as Advance Directives, Family Law, or Bankruptcy, and sends out a list of cases to the relevant email distribution list.

In addition to the aforementioned, MALS teams up with the Memphis Bar Association's ("MBA") Access to Justice Committee to conduct a weekly Attorney of the Day Advice and Counsel Clinic at the Shelby County Courthouse. For this, the MALS staff conducts intake screening and insures that the application paperwork is complete – including the relevant citizenship or alien eligibility information and refers the applicant to a volunteer attorney, who provides assistance. In addition to this, there is a monthly outreach clinic every second Saturday. This takes place from 9:30 am-12:30 pm at the Memphis Public Library & Information Center; again the applicant is screened and then referred to a volunteer attorney, who provides assistance. All applications are reviewed after the clinic by the Director of the PAI program for possible extended service and may be so referred.

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<sup>33</sup> It should be noted and emphasized that this is brief because MALS does offer a wide array of differing methods to involve private attorneys – a full description would subsume this report.

MALS has also worked with the Alliance for Nonprofit Excellence which refers eligible nonprofit Alliance members to MALS for placement with a business lawyer. Areas include governance, dissolution, contracts and employment issues.

MALS is also able to refer cases to third year law students who have been designated as “provisional attorneys at law” pursuant to the local court rules. These students handle cases under the supervision of their law professors, which are members of the state bar. While on-site, the reviewers raised the issue as to whether cases which are referred to law students may be counted as PAI cases consistent with the regulations due to an OLA opinion on the use of law students.<sup>34</sup> What distinguishes the situation here from that instance is that here the law students are recognized by the Court as a provisional attorney at law. In addition, in providing this representation, the provisional attorney is filling a role which can only be handled by an attorney. Finally, they are supervised by members of the state bar. Accordingly, this appears to be permissible.

As noted previously, there is an issue as to whether GALs acting on behalf of clients to satisfy the PAI requirement may attest to the citizenship of their clients.

A review of MALS contracts for private attorneys indicates compliance with the requirements of 45 CFR § 1614.3(e)(1)(ii) that requires that programs maintain contracts on file which set forth payment systems, hourly rates, and maximum allowable fees. Further examination of the PAI contracts revealed that the contract rates were well under market value in accordance with this requirement. However, the review of the PAI contracts also disclosed that some private attorneys had worked on child custody cases and may have provided legal representation to ineligible clients because they failed to obtain a citizenship attestation bringing MALS into partial compliance (*See* 1614.3(e)(1)(iii)).

A review of MALS general ledger balances for PAI, and direct and indirect cost calculation revealed that the program met its 12.5% PAI requirement from 2008– 2010, even though it appears they may have included invalid expenditures in their calculations. The program does not need to re-calculate its 2008-2010 PAI requirement amount because the difference is below the de minimis amount of \$1,000. However, MALS should have their Independent Public Accountants include and report the non-LSC PAI expenditures as part of the total 12.5% PAI requirement, if the costs associated with these expenditures are permissible and meet LSC’s eligibility requirements. Both LSC and non-LSC PAI funds can be counted towards the total 12.5% PAI effort.

The program is doing a very good job at involving a large number of attorneys in a variety of delivery efforts, including direct pro bono representation, contract attorneys, qualified law students, and provides much needed legal assistance to large numbers of persons at its periodic clinics.

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<sup>34</sup> That opinion can be found on-line at: <http://lsc.gov/laws/pdfs/olao/EX-2005-1001.pdf>

With the exception of the issue of attestation, which is addressed above at Finding 5, there are no additional recommendations or corrective actions required.

**Finding 18: MALS 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 and 45 CFR § 1627.2(b)(1) which requires LSC approval of payments made to attorneys in excess of \$25,000.00.**

LSC regulation 45 CFR § 1627.4(a) requires that:

- a) LSC funds may not be used to pay membership fees or dues to any private or nonprofit organization, whether on behalf of a recipient or an individual.
- 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.

It appears that MALS did not use LSC funds to pay for non-mandatory membership fees and dues during the review period of January 1, 2008 through February 28, 2011. An analysis of the general ledger for these years showed no payments being made using LSC funds for membership fees and dues. Accordingly, MALS is in compliance with 45 CFR § 1627.4(a) which precludes using LSC funds to pay for membership fees or dues to any private nonprofit organization.

There are no recommendations or corrective actions required.

**Finding 19: While MALS is in compliance with 45 CFR Part 1635 (Timekeeping requirement) it is recommended that it improve its controls and procedures.**

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 ( $\frac{1}{4}$ ) 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.

MALS utilizes Kemps Caseworks for contemporaneous case and time management. Time spent by case handlers from January 1, 2008 through February 28, 2011, was documented by daily time records that were manually maintained in a written format (on paper and/or on a case handler's calendar) which recorded the amount of time spent on each case, matter, or supporting activity, and was maintained by the case handler. Prior to the recipient's bi-weekly payroll processing period, the case handlers entered their manual time records electronically into the Kemp's system. A sampling of the Recipient's time records revealed that one (1) case handler does not always enter their time into Kemps. The program should ensure that time reported by case handlers are entered into Kemps and comprise all of the efforts or time they are compensated.

In addition, this sampling revealed that the Kemps system has the capability of allowing the case handler to include a description of the activity performed by case handlers. For cases, each record of time spent contains a unique client name or case number and for matters and supporting activities, an identification of the category of action on which the time was spent is recorded. The Kemps system is capable of aggregating time record information on both closed and pending cases by legal problem type.

MALS should implement the necessary controls, and procedures to verify that the time reported on case handlers time records account for time worked or leave taken. MALS currently utilizes the Kemps time keeping system to capture all time reported and worked (actual hours worked, and leave time) for all employees.

A review of MALS's staff listing revealed that the program has no case handlers listed as part-time. According to management, no case handlers are employed by any other organization that engages in restricted activity. Therefore, the requirement for quarterly certifications for part-time attorneys and paralegals does not apply.

There are no corrective actions required. It is recommended that MALS implement the necessary controls and procedures to verify that the time reported on case handlers time records account for time worked or leave taken. In response to the Draft Report, MALS indicated it concurs with this recommendation and has implemented the suggestions made.

**Finding 20: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1642 (Attorneys' fees). There was one (1) instance of fees being received; however it was not correctly attributed to the proper account.**

Prior to December 16, 2009, except as otherwise provided by LSC regulations, recipients could not claim, or collect and retain attorneys' fees in any case undertaken on behalf of a client of the recipient. *See* 45 CFR § 1642.3.<sup>35</sup> However, with the enactment of LSC's FY 2010 consolidated appropriation, the statutory restriction on claiming, collecting or retaining attorneys' fees was lifted. Thereafter, at its January 23, 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.<sup>36</sup>

None of the sampled files reviewed contained a prayer for attorneys' fees.

Based on a limited review of the financial records, and interviews with staff from January 1, 2008 through February 28, 2011, it was determined that the program is in compliance with 45 CFR Part 1642. MALS did not request nor collect attorneys' fees on cases that were open prior to December 17, 2009. However, attorneys' fees were claimed, collected, and retained for one (1) case serviced directly by MALS after December 17, 2009. An examination of the cash receipts journal and general ledger showed \$2,500 in attorneys' fees being collected in February 2011 for a case that was opened in January 2011. These were recorded to miscellaneous income rather than attorneys' fees. In the Draft Report, LSC recommended that MALS make an adjusting entry to move this amount from miscellaneous income to attorneys' fees on its 2011 financial statements, which the program has done. Additionally, it was recommended that MALS should revise their chart of accounts and setup an account entitled "Attorneys' Fees" to capture all future collections of attorneys' fees; this has also been done.

**Finding 21: Sampled cases reviewed and documents reviewed evidenced compliance with the requirements of 45 CFR Part 1612 (Restrictions on lobbying and certain other activities). However, the Executive Director's salary for 2009 and 2010 was not properly recorded.**

The purpose of this part is to ensure that LSC recipients and their employees do not engage in certain prohibited activities, including representation before legislative bodies or other direct

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<sup>35</sup> The regulations define "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).

<sup>36</sup> 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 Letter 10-1 (February 18, 2010).

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.

None of the sampled files and documents reviewed, including the program's legislative activity reports, evidenced any lobbying or other prohibited activities.

The fiscal review disclosed that MALS provided the necessary supporting documentation showing expenditures of non-LSC funds for related costs associated with legislative and rulemaking activities with the exception of the Executive Director's salary for 2009 and 2010. Pursuant to 45 CFR § 1612.10(b),<sup>37</sup> MALS is required to maintain separate documentation of all funds, including salary, related to legislative and rulemaking activities permitted by Section 1612.6. In conducting the review, it was discovered that MALS did not maintain separate documentation for these activities which took place during 2009 and 2010. In addition, MALS did not provide the Executive Director's salary pertaining to his appearance at a Congressional hearing in 2009.<sup>38</sup>

The DR directed MALS to take corrective action to maintain separate records in the future and to make the proper adjustments for the Executive Director's salary for 2009.

In response to the Draft Report, pursuant to 45 CFR § 1612.10(b), MALS stated that it will maintain separate documentation of all funds, including salary, related to legislative and rulemaking activities permitted by Section 1612.6. Additionally, the program provided copies of records which demonstrate MALS's compliance with the regulations.

**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.

There are no recommendations or corrective actions required.

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<sup>37</sup> This provides "(b) Recipients shall maintain separate records documenting the expenditure of non-LSC funds for legislative and rulemaking activities permitted by § 1612.6."

<sup>38</sup> In comments submitted to the Draft Report's statement that the Executive Director's salary was not broken down for 2010, MALS explained that there had been no involvement by the Executive Director in such activities for 2010.

**Finding 23: Sampled cases 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).<sup>39</sup>

MALS appears to be in compliance with 45 CFR Part 1617. None of the sampled files reviewed involved initiation or participation in a class action.

There are no recommendations or corrective actions required.

**Finding 24: Sampled cases 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.

MALS appears to be in compliance with 45 CFR Part 1632. None of the sampled files reviewed revealed participation in litigation related to redistricting.

There are no recommendations or corrective actions required.

**Finding 25: Sampled cases 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.

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<sup>39</sup> 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).

MALS appears to be in compliance with 45 CFR Part 1633. None of the sampled files reviewed involved defense of any such eviction proceeding.

There are no recommendations or corrective actions required.

**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.

MALS appears to be in compliance with 45 CFR Part 1637. None of the sampled files reviewed involved participation in civil litigation, or administrative proceedings, on behalf of an incarcerated person.

There are no recommendations or corrective actions required.

**Finding 27: Sampled cases evidenced 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.<sup>40</sup> This restriction has been contained in all subsequent appropriations acts.<sup>41</sup> This new 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."

MALS appears to be in compliance with 45 CFR Part 1638. None of the sampled files, including documentation, such as community education materials and program literature indicated program involvement in such activity.

There are no recommendations or corrective actions required.

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<sup>40</sup> *See* Section 504(a)(18).

<sup>41</sup> *See* Pub. L. 108-7, 117 Stat. 11 (2003) (FY 2003), Pub. L. 108-199, 118 Stat. 3 (2004) (FY 2004), Pub. L. 108-447, 118 Stat. 2809 (2005) (FY 2005), and Pub. L. 109-108, 119 Stat. 2290 (2006) (FY 2006). Most recently the current appropriation carries forth the prior restrictions and prohibitions except as noted elsewhere in this report. *See* Pub. L. 111-117 (2010) (FY 2010).

**Finding 28: Sampled cases 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.

MALS appears to be in compliance with 45 CFR Part 1643. None of the sampled files reviewed involved such activity.

There are no recommendations or corrective actions required.

**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. Interviews conducted further evidenced and confirmed that MALS 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.

There are no recommendations or corrective actions required.

**Finding 30: A review of MALS's Internal Controls revealed a weakness in the processing of cash receipts.**

MALS bank deposits appear to be made in a timely manner. In the Draft Report, LSC initially determined that there seemed to be a delay in the processing of mail and/or the preparation of daily cash receipts. Between January 2008 and January 2011, a review of the cash receipts log for each year, showed numerous checks that were dated throughout the month of December being deposited in January. This delay in processing cash receipts may be attributed to MALS operations being closed in the last week of December during the traditional holiday season. However sample of bank deposits made in February 2011 showed the same results. MALS should assess the effectiveness of the processing of their mail and/or preparation of daily cash receipts.

In response to the Draft Report, MALS strongly disagreed with this finding and responded:

Although the office was officially closed during the holiday season, Finance Department staff came in to review mail for contributions and processed all that were received prior to the close of the year. It is an unfair inference made in this finding that contributions were not timely deposited during this time. Any checks deposited in January of the year, although dated in December, were actually received in January. In the future, as an extra indicator, MALS's Finance Department is retaining the envelopes stamped with dates of receipt so as to avoid any question about timely deposits of funds received by MALS in the future.

**Finding 31: An examination of MALS's credit card statements showed LSC funds were used to purchase certain assets, that appears to have been posted to the wrong general ledger account.**

A review of MALS credit card statements revealed two (2) laptop computers and one (1) printer was purchased using LSC's funds, and recorded to the program's expense account rather than being capitalized to an asset account. This misclassification in recording understated LSC's reversionary rights in MALS assets. However, upon further review, it was determined that MALS auditors did capitalize these costs at year end. MALS indicated that it will more promptly capitalize purchases to an asset account in the future.

There are no recommendations or corrective actions required.

**Finding 32: An examination of MALS's sunshine club fund from January 1, 2008 through February 28, 2011, disclosed that: (1) this is a voluntary fund, (2) LSC funds are not used to subsidize the fund, and (3) it's been carrying a positive cash balance. However, on two (2) occasions LSC funds were mistakenly used to match the employees' contribution. MALS should reimburse the LSC fund balance by either writing a check or by making an inter-fund transfer between LSC and non-LSC funds.**

MALS has established a fund entitled the "Sunshine Club Fund." This is a voluntary fund whereby MALS uses non-LSC funds to match employee contributions. Employees have the option to voluntarily contribute two dollars or more each pay period by way of payroll deductions to support the fund. Employees who are enrolling in the club receive an orientation and are provided an enrollment form to complete to authorize the payroll deduction. At any given time employees have the option to cease their participation and have their payroll deductions stopped. The purpose of this fund is to allow MALS employees to participate in various activities that are not allowable using LSC funds. Some of the activities supported by these funds are Thanksgiving baskets, Angel Tree for Christmas, and gifts for baby showers. MALS accounting department provides an accounting of all transactions related to these funds and they are reported and captured in their accounting system, plus they are maintained and reconciled on an excel spreadsheet.

During the review it was determined that on three (3) separate occasions between January 2008 and February 2011, MALS mistakenly recorded these transactions to the wrong fund balance. On two (2) of the occasions these transactions were charged to LSC's fund balance. It appears that MALS is not using LSC funds to subsidize the Sunshine Club Fund but simply made a mistake in recording these transactions. However, this mistake did result in deficit spending but never during the time where LSC funds were mistakenly used. The total amount of LSC funds mistakenly used was \$156 in June 2008 and \$172 in April 2009. The Draft Report directed MALS to make a correction and the program agreed that a coding error was made and has provided evidence showing this has been corrected.

**Finding 33: Discussions with MALS regarding time and attendance revealed that, non-exempt employees are required to enter their arrival and departure time by signing in and out.**

Based on discussions with the Chief Financial Officer/Human Resources, and observations of the MALS office, in particular activity on the second floor, it appears that MALS has systems in place to monitor the start and end time of their non-exempt employees. Employees have flex schedules and their arrival and departure times vary. Based on limited observation, no findings can be made as of this review period.

There are no recommendations or corrective actions required.

#### IV. RECOMMENDATIONS<sup>42</sup>

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

1. It is recommended that both the ACMS and the manual intake form include a dedicated means for recording that prospective income is questioned.

In response to the Draft Report, MALS stated that it has made these changes.

2. MALS should implement the necessary controls and procedures to verify that the time reported on case handlers time records accounts for time worked and leave taken.

In response to the Draft Report, MALS stated that it has made these changes.

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<sup>42</sup> 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, MALS is required to make the following corrective actions:

- 1) It must ensure that GALs who are program staff attorneys do not attest to the citizenship on behalf of their clients; the attestation must be made from another authority prior to the appointment or the program must have other supporting documentation as set forth in the regulations. Pending the resolution of this issue by the LSC OLA, this may be extended to the PAI cases as well.

In response to the Draft Report, MALS indicated it will take the required corrective action consistent with the determination of OLA.

- 2) It must demonstrate why LSC funds were used to pay for invalid expenditures (consulting fees, litigation, travel, etc.) relating to PAI attorneys who worked on child custody cases, and provide proof of LSC eligibility.

In response to the Draft Report, MALS demonstrated that LSC funds were not used to pay for invalid expenditures relating to PAI attorneys who worked on cases under the TALS contract.

- 3) It must provide donors who contribute \$250 or more with written notification, informing them of LSC's restrictions on donor funds in accordance with 45 CFR § 1610.5.

In response to the Draft Report, MALS stated that it has provided donors with this written notification and will continue to do so.

- 4) It must demonstrate that they maintain mandatory recordkeeping by providing documentation showing all expenditures of non-LSC funds relating to legislative and rulemaking activities.

In response to the Draft Report, MALS reported that it had created and will maintain these separate records.

- 5) It must reimburse the LSC fund balance \$1,520.82 if they cannot demonstrate why LSC funds were used to pay for potentially invalid expenditures related to the custody cases discussed in Finding 17.

In response to the Draft Report, MALS has taken the necessary steps to complete this corrective action.

- 6) It must have its Independent Public Accountants include and report the non-LSC PAI expenditures as part of the total 12.5% PAI requirement, if the costs associated with these expenditures are permissible.

In response to the Draft Report, MALS indicated that it has made this adjustment and will continue to report these expenditures in the future.

- 7) It must make an adjusting entry to move \$2,500 from miscellaneous income to attorneys' fees on its 2011 financial statements.

In response to the Draft Report, MALS provided evidence of this adjusting entry.

- 8) It must revise their chart of accounts to setup an account entitled "Attorneys' Fees" to capture all collections of attorneys' fees.

In response to the Draft Report, MALS provided a revised chart of accounts which is in accordance with this directive.

- 9) It must reimburse the LSC fund balance for \$330, by either writing a check or by making an inter-fund transfer between LSC and non-LSC funds from the sunshine fund.

In response to the Draft Report, MALS provided a copy of the adjusted journal entry.

Based on the response to the Draft Report, MALS has satisfactorily completed all required corrective actions. Any additional action taken in response to the GAL issue will be handled separately from this report.

**COMMENTS TO LSC DRAFT REPORT OF THE LEGAL SERVICES  
CORPORATION OFFICE OF COMPLIANCE AND ENFORCEMENT CSR/CMS  
REVIEW OF  
MEMPHIS AREA LEGAL SERVICES, INC. ON  
APRIL 11-14, 2011**

Memphis Area Legal Services, Inc. (MALS) submits the following response to the OCE findings contained in the Draft Report (DR):

**Finding 1:**

MALS agrees with Finding 1, but clarifies that MALS' intake is only initially completed manually in instances where the case management system is not conveniently accessible, such as during screenings for walk-ins, groups or at outreach sites or during system failure or malfunction. Regarding the coding errors, refresher training will be provided.

**Finding 2:**

MALS agrees with Finding 2, but clarifies that intake hours for the Memphis Fair Housing Center in the Memphis office are from 9:00am to 4:00pm Monday through Friday.

**Recommendation 1:**

Following the recommendation of the Office of Compliance and Enforcement (OCE) Team, MALS modified its case management system and manual client application forms to include a more formal manner of recording the screening of applicants for prospective income.

**Finding 3:**

MALS agrees with Finding 3.

**Finding 4:**

MALS agrees with Finding 4.

**Finding 5:**

Putting aside the Guardian-ad-Litem (GAL) issue, discussed below, MALS agrees that, with the exception of Memphis No. 09E-1069213, all files reviewed which required citizenship attestations had those attestations present and timely executed. Memphis No. 09E-1069213 was de-selected by MALS immediately after discussion with the OCE team and will not be reported to LSC as an open or closed case.

MALS agrees that the preamble to the April 21, 1997 rule states the recipient is excluded from those who can sign an attestation of citizenship.

Regarding the GAL issue, which is discussed in the DR, MALS acknowledges and appreciates the request made by the OCE to the Office of Legal Affairs (OLA) for an advisory opinion on the question of whether a PAI attorney who is appointed as GAL can sign the attestation or whether they are considered “the recipient.” It is the position of MALS that a PAI attorney who is appointed as GAL is not “the recipient” and, can therefore, sign the citizenship attestation, as GAL, in accordance with the language, quoted in the DR, from the preamble to the April 21, 1997 rule. Additional support may be found in the definition of “recipient” on page 14 of the DR, footnote 10, which states, “[r]ecipient means any grantee or contractor receiving financial assistance from the Corporation under section 1006(a)(1)(A) of the [LSC] Act.”

Further concerning the GAL issue, the DR is correct in recognizing that MALS takes the position that legal clinic cases raise an additional option for the signing of the citizenship attestation. In those cases, the student attorney is licensed to practice law under the Tennessee limited practice provisions and the student’s supervising attorney (a member of the University of Memphis Law School Clinical Faculty and not a member of the MALS staff) is also licensed to practice law. So, even if a PAI attorney were to be considered “the recipient” (although MALS strongly disagrees), that would disqualify only one, but not both, of those attorneys from signing the citizenship attestation.

MALS also appreciates the suggestions in the DR concerning alternative methods for establishing eligibility, such as the documentation listed in §1626.6(b), application of VAWA exceptions, and recognition of citizenship in the Court’s order.

**Corrective Action 1:**

MALS will ensure that GALs who are program staff attorneys will not attest to the citizenship on behalf of their clients. MALS will await the resolution of the remainder of this issue by the OLA.

**Finding 6:**

MALS agrees with Finding 6 and plans refresher training to ensure that staff is reminded of the issues raised.

**Finding 7:**

MALS agrees with Finding 7.

**Finding 8:**

MALS agrees with Finding 8.

**Finding 9:**

MALS agrees with Finding 9.

**Finding 10:**

MALS agrees with Finding 10, with the exception of the closing category for the three cases listed in footnote 20 (Memphis Nos. 10E-1082964, 10E-1082962, and 09E-1068543). These cases were closed under Closing Category L, Extensive Service and, according to the DR should have been closed under Closing Category B, Limited Assistance. MALS respectfully disagrees. As the CSR Handbook recognizes, at times the choice in Closing Category will be between B and L, with B as the correct choice, where “not so complex or extended as to meet the requirements for CSR Category L.” See CSR Handbook, discussion of Closing Code B, at page 21 and see footnote 25 in the DR. The types of work done under the two categories, such as document preparation, can be similar, with the distinction being based on the amount and complexity of the work. In each of the three cases at issue, MALS management made the judgment that the actions were more extensive than they were limited and/or were more complex than they were simple. MALS asks that its managers be permitted the discretion to make those judgments.

As suggested in Finding 10, MALS has taken care to ensure that the seven non-LSC funded files in the name of “Memphis Fair Housing Center” will not be reported in the future as LSC reportable cases and, when closed, will not be reported to LSC as closed cases.

**Finding 11:**

MALS agrees with Finding 11, with the exception of the status of Memphis No. 09E-21070191, which is, as noted in the DR, a non-LSC funded case. The file is not dormant, in that it could still be timely closed under the CSR Handbook. While the DR relies upon MALS’ internal 90 day work rule, that internal rule is more restrictive than the CSR Handbook requirements. Because considerable work was performed on the case in 2010, as documented in the case management system, this case can be timely closed in 2011, pursuant to CSR Handbook §3.3(b). Provided that the case meets the requirements of §3.3(b), when it is closed, MALS contends that it should be reportable as an LSC eligible case.

**Findings 12-15:**

MALS agrees with Findings 12-15.

**Finding 16:**

MALS’ comments to Finding 16 will be broken down in the same sections and order as the DR.

**1. Representation in TDCS cases without attestation.**

MALS agrees that the cases under the TALS contract must meet citizenship attestation requirements. MALS will seek to amend the TALS contract to provide that only children who meet the requirements of Part 1626 will be referred to MALS.

Concerning the payment of PAI attorneys per the TALS contract, see MALS comments to Finding 17 below.

**2. Failure to provide notification to funders ....**

MALS acknowledges it should communicate to all donors who contribute \$250 or more as required by 45 CFR 1610.5, not just the donors to its annual fundraising campaign. Following discussion with the OCE team, MALS immediately began to communicate this requirement by notifying all current donors and will do so with all future donors.

**Corrective Action 2:**

MALS agrees that cases paid for with LSC funds must meet LSC eligibility requirements. As explained in comments to Finding 17 below, MALS submits that LSC funds were not used to pay for invalid expenditures relating to PAI attorneys who worked on cases under the TALS contract.

**Corrective Action 3:**

MALS has already taken action to ensure that all donors who contribute \$250 or more will be provided written notification as required by Part 1610.5

**Finding 17**

LSC funds were initially used to pay for travel expenses incidental to a contractor who was handling GRIER cases from the Tennessee Department of Children's Services, under the TALS contract. However, MALS was actually reimbursed the expenses because the amount paid by the state contract is more than that which was paid to the contractor for case work. The expenses will be paid from the current fund balance showing under GRIER and deducted from LSC funds if it is determined the expenses are not allowed in the amount of \$1,520.82. The fund balance shown on the audit report for December 31, 2010 is \$4,886.00 in GRIER funds that have not been expensed.

**Corrective Action 5:**

As stated in the comments to this Finding above, MALS submits that the LSC account has been reimbursed from fund balance within the GRIER account. As such, MALS further submits that there were no invalid expenditures.

**Corrective Action 6:**

MALS has spoken to its auditing firm and requested that total expenses for PAI be referenced in the report regardless of the amount exceeding the required 12.5% of funding. In fact, please note the 2010 audit report submitted for the period ending December 31, 2010 does reflect an excess amount and future reporting will be followed in the same manner.

**Finding 18:**

MALS agrees with Finding 18.

**Finding 19:**

MALS agrees with the findings and has implemented necessary controls and procedures to verify that the time reported on case handlers' time records accounts for time worked or leave taken. Staff has been instructed to do the same.

**Recommendation 2:**

MALS has implemented the necessary controls and procedures to verify that the time reported on case handlers' time records accounts for time worked and leave taken.

**Finding 20:**

MALS acknowledges these funds were coded incorrectly. A journal entry has been made to make the change and attorney fees have been added to the chart of accounts. See attached copy of journal entry and chart of accounts listing.

**Corrective Action 7:**

MALS has made the adjusting entry.

**Corrective Action 8:**

MALS has updated its chart of accounts to include "Attorney Fees."

**Finding 21:**

Pursuant to 45 CFR § 1612.10(b), MALS agrees to maintain separate documentation of all funds, including salary, related to legislative and rulemaking activities permitted by Section 1612.6. The records being provided in response to Corrective Action 4 below include the Executive Director's salary pertaining to his appearance at a Congressional hearing in 2009.

**Corrective Action 4:**

MALS assures that it has created a separate record documenting the expenses for the 2009 Congressional appearance and attached hereto is a copy of that record. In addition, MALS will maintain separate recordkeeping of all expenditures relating to legislative and rulemaking activities.

**Findings 22, 23, 24, 25, 26, 27, 28, 29:**

MALS agrees with Findings 22-29.

**Finding 30:**

MALS disputes the finding that cash receipts were not timely deposited. Although the office was officially closed during the holiday season, Finance Department staff came in to review mail for contributions and processed all that were received prior to the close of the year. It is an unfair inference made in this finding that contributions were not timely deposited during this time. Any checks deposited in January of the year, although dated in December, were actually

received in January. In the future, as an extra indicator, MALS' Finance Department is retaining the envelopes stamped with dates of receipt so as to avoid any question about timely deposits of funds received by MALS in the future.

**Finding 31:**

MALS will explore methods to more promptly capitalize purchases to an asset account.

**Finding 32:**

MALS acknowledges there was an error in coding made for the Sunshine Club.

**Corrective Action 9:**

MALS has made a journal entry to correct this error. See attached copy of journal entry.

**Finding 33**

MALS agrees with Finding 33.

**Recommendations:**

For responses to Recommendations, please see comments under Findings 2 and 19.

**Required Corrective Actions**

For responses to Corrective Actions, please see comments under Findings as follows:

**Corrective Action 1:**

Please see comments in Finding 5.

**Corrective Action 2:**

Please see comments in Finding 16.

**Corrective Action 3:**

Please see comments in Finding 16.

**Corrective Action 4:**

Please see comments in Finding 21.

**Corrective Action 5:**

Please see comments in Finding 17

**Corrective Action 6:**

Please see comments in Finding 17.

**Corrective Action 7:**

Please see comments in Finding 20.

**Corrective Action 8:**

Please see comments in Finding 20.

**Corrective Action 9:**

Please see comments in Finding 32.

**MEMPHIS AREA LEGAL SERVICES, INC.  
SEMI-ANNUAL REPORT ON  
LEGISLATIVE AND RULEMAKING ACTIVITIES**

**COMPONENT: Memphis Area Legal Services - Administration**

**For the Period of: July 1, 2009 to December 31, 2009**

Advocate	Type of Activity	Section of 1612.6	Date	Description
Harrison D. McIver, III	Testimony before House Judiciary Subcommittee on Administrative Law	1612.6(1)	10/25-10/27/09	Mr. McIver testified regarding the MALS' history, service to clients and funding challenges and support needed.

**Signatures for Staff with No Activity to Report:**

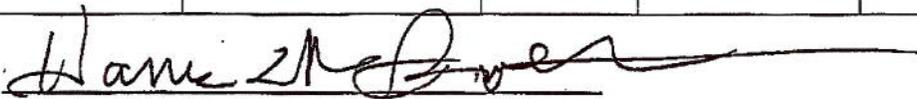
Advocate	Date
<i>Kenneth D. Stall</i>	<i>2/12/10</i>
<i>Janese Perry</i>	<i>2/17/10</i>
<i>Sharon Askew</i>	<i>2/16/10</i>

**MEMPHIS AREA LEGAL SERVICES, INC.  
SEMI-ANNUAL REPORT ON  
LEGISLATIVE AND RULEMAKING ACTIVITIES**

**COMPONENT: Administration – Office of the Executive Director**

**For the Period of: July 1, 2010 to December 31, 2010**

Advocate	Type of Activity	Section of 1612.6	Date	Description
Harrison McIver	Legislative Advocacy		8/13-8/25/10	Advocate for County Commission funds for Legal Needs Study



Harrison D. McIver, III  
Executive Director/CEO

**Signatures for Staff with No Activity to Report:**

**Advocate**

**Date**

_____	_____
_____	_____
_____	_____

# Time by Day and Funds

30-Jun-11

Funds	Date	Staff	Case number	Last Name	Problem	Time Spent	Hours	How Spent
1	8/13/2010	1	Sup. Activity	SGO	General Office	SGO	0.25	review/respond to voicemail messages; op
1			Sup. Activity	SGO	General Office	SGO	0.50	review/respond to e-mail messages
1			Sup. Activity	SSS	Staff Supervision/Personnel	SSS	1.00	post-appraisal meeting with Janese
1			Sup. Activity	SSS	Staff Supervision/Personnel	SSS	1.50	lunch meeting with Rita Gibson
1			Sup. Activity	SSS	Staff Supervision/Personnel	SSS	0.25	HPP meeting
1			Sup. Activity	SGO	General Office	SGO	3.00	general office
1			Sup. Activity	STK	Timekeeping	STK	0.25	timekeeping
<b>Daily Total within Funding: 8/13/2010</b>							<b>6.75</b>	<b>Hours</b>

1	8/16/2010	1	Sup. Activity	SGO	General Office	SGO	0.50	review/respond to e-mail messages
1			Sup. Activity	SGO	General Office	SGO	1.50	general office
1			Sup. Activity	MBF	ar Functions/Other PR Even	MBF	0.50	40th Anniversary
1			Sup. Activity	SPD	Program Development	SPD	1.00	lunch meeting
1			Sup. Activity	SPD	Program Development	SPD	0.25	meeting with Karen
1			Sup. Activity	SGO	General Office	SGO	0.25	review/respond to voicemail messages; op
1			Sup. Activity	STK	Timekeeping	STK	0.25	timekeeping
1			Sup. Activity	SSS	Staff Supervision/Personnel	SSS	0.75	orientation of new staff
<b>Daily Total within Funding: 8/16/2010</b>							<b>5.00</b>	<b>Hours</b>

1	8/17/2010	1	Sup. Activity	SPD	Program Development	SPD	0.50	Conferred with Karen
1			Sup. Activity	SGO	General Office	SGO	0.25	review/respond to voicemail messages; op
1			Sup. Activity	SGO	General Office	SGO	2.00	General office
1			Sup. Activity	SSS	Staff Supervision/Personnel	SSS	0.50	meeting with Frank and Janese
1			Sup. Activity	SSS	Staff Supervision/Personnel	SSS	0.25	meeting with Janese
1			Sup. Activity	MOT	Other Matters	MOT	1.50	lunch at Rotary
1			Sup. Activity	SPD	Program Development	SPD	1.00	meeting at Alliance with Nancy McGee
1			Sup. Activity	SGO	General Office	SGO	0.50	review/respond to e-mail messages
1			Sup. Activity	STK	Timekeeping	STK	0.25	timekeeping
1			Sup. Activity	SPD	Program Development	SPD	2.00	peer meeting
<b>Daily Total within Funding: 8/17/2010</b>							<b>8.75</b>	<b>Hours</b>

1	8/18/2010	1	Sup. Activity	SGO	General Office	SGO	2.00	general office
1			Sup. Activity	MBF	ar Functions/Other PR Even	MBF	0.50	40th Anniversary
1			Sup. Activity	STK	Timekeeping	STK	0.25	timekeeping
1			Sup. Activity	SGO	General Office	SGO	0.25	review/respond to voicemail messages; op
1			Sup. Activity	SGO	General Office	SGO	0.50	review/respond to e-mail messages

Funds	Date	Staff	Case number	Last Name	Problem	Time Spent	Hours	How Spent
1	8/18/2010	1	Sup. Activity		SGO	General Office	0.25	lunch
1			Sup. Activity		MOT	Other Matters	1.00	Press conference regarding Foreclosure S
1			Sup. Activity		MBF	ar Functions/Other PR Even	0.50	meeting regarding photos for TALS
1			Sup. Activity		SFR	Fundraising Activities	0.50	meeting regarding Community Foundation
<b>Daily Total within Funding: 8/18/2010</b>							<b>5.75</b>	<b>Hours</b>

1	8/19/2010	1	Sup. Activity		MOT	Other Matters	2.00	Access to Justice Commission Pro Pro Com
1			Sup. Activity		SGO	General Office	2.00	general office
1			Sup. Activity		SPD	Program Development	0.25	meeting with Karen
1			Sup. Activity		SGO	General Office	1.00	lunch
1			Sup. Activity		MLT	Legal Training	0.50	Equal Justice University planning
1			Sup. Activity		SSS	Staff Supervision/Personnel	0.50	meeting with Janese and Frank
1			Sup. Activity		STK	Timekeeping	0.25	timekeeping
1			Sup. Activity		SGO	General Office	0.25	review/respond to voicemail messages: op
1			Sup. Activity		SGO	General Office	0.50	review/respond to e-mail messages
<b>Daily Total within Funding: 8/19/2010</b>							<b>7.25</b>	<b>Hours</b>

1	8/20/2010	1	Sup. Activity		STK	Timekeeping	0.25	timekeeping
1			Sup. Activity		SGO	General Office	0.25	review/respond to voicemail messages: op
1			Sup. Activity		SGO	General Office	0.50	review/respond to e-mail messages
1			Sup. Activity		SGO	General Office	1.00	lunch
<b>Daily Total within Funding: 8/20/2010</b>							<b>2.00</b>	<b>Hours</b>

1	8/23/2010	1	Sup. Activity		SGO	General Office	0.50	general office
1			Sup. Activity		SGO	General Office	0.50	returned phone calls
1			Sup. Activity		MBF	ar Functions/Other PR Even	0.25	meeting with Karen re: 40th
1			Sup. Activity		STK	Timekeeping	0.25	timekeeping
1			Sup. Activity		SGO	General Office	1.00	review/respond to e-mail messages
1			Sup. Activity		SGO	General Office	0.25	review/respond to voicemail messages: op
1			Sup. Activity		SGO	General Office	0.50	lunch
<b>Daily Total within Funding: 8/23/2010</b>							<b>3.25</b>	<b>Hours</b>

1	8/24/2010	1	Sup. Activity		SPD	Program Development	0.50	joint meeting with Janese and Frank
1			Sup. Activity		SGO	General Office	0.50	review/respond to e-mail messages
1			Sup. Activity		SGO	General Office	0.25	review/respond to voicemail messages: op
1			Sup. Activity		STK	Timekeeping	0.25	timekeeping
1			Sup. Activity		SGO	General Office	3.00	general office
<b>Daily Total within Funding: 8/24/2010</b>							<b>4.50</b>	<b>Hours</b>
<b>Total Time Spent for Funding: 1</b>							<b>43.25</b>	<b>Hours</b>

Funds	Date	Staff	Case number	Last Name	Problem	Time Spent	Hours	How Spent
7	8/13/2010	1	Sup. Activity		SFR	Fundraising Activities	3.00	resolution for presentation to County Com
Daily Total within Funding: 8/13/2010							3.00	Hours
7	8/16/2010	1	Sup. Activity		SGO	General Office	1.00	Meeting with group regarding data
7			Sup. Activity		SFR	Fundraising Activities	1.00	meeting at Amy Amundsen's office regardi
7			Sup. Activity		SGO	General Office	2.00	work on proposal
7			Sup. Activity		SGO	General Office	1.00	campaign work
Daily Total within Funding: 8/16/2010							5.00	Hours
7	8/17/2010	1	Sup. Activity		SFR	Fundraising Activities	3.00	preparation for presentation to County Co
7			Sup. Activity		SFR	Fundraising Activities	1.00	meeting with Frank, Brook, and Sapna
Daily Total within Funding: 8/17/2010							4.00	Hours
7	8/18/2010	1	Sup. Activity		SFR	Fundraising Activities	1.00	preparation for County Commissioner mee
7			Sup. Activity		SFR	Fundraising Activities	1.00	follow up to County Commissioner request
7			Sup. Activity		SFR	Fundraising Activities	2.00	County Commissioner meeting
7			Sup. Activity		SFR	Fundraising Activities	1.00	Campaign Committee work
Daily Total within Funding: 8/18/2010							5.00	Hours
7	8/19/2010	1	Sup. Activity		SFR	Fundraising Activities	1.00	work on issue before County Commission
Daily Total within Funding: 8/19/2010							1.00	Hours
7	8/20/2010	1	Sup. Activity		SFR	Fundraising Activities	3.00	preparation for presentation to County Co
7			Sup. Activity		SFR	Fundraising Activities	0.50	meeting with Linda Re: Baker presentation
7			Sup. Activity		SFR	Fundraising Activities	1.50	attended Walrus event
Daily Total within Funding: 8/20/2010							5.00	Hours
7	8/22/2010	1	Sup. Activity		SFR	Fundraising Activities	4.00	preparation for County Commission prese
Daily Total within Funding: 8/22/2010							4.00	Hours
7	8/23/2010	1	Sup. Activity		SFR	Fundraising Activities	3.50	presentation to Commission re: MALS Fun
7			Sup. Activity		SFR	Fundraising Activities	0.25	post-mortem on fundraiser
7			Sup. Activity		SFR	Fundraising Activities	3.50	prep for commission presentation re: MAL
Daily Total within Funding: 8/23/2010							7.25	Hours
7	8/24/2010	1	Sup. Activity		MBF	ar Functions/Other PR Even	0.25	greeted and presented to U of Law Studen
7			Sup. Activity		SFR	Fundraising Activities	1.50	presentation to Baker firm
7			Sup. Activity		SFR	Fundraising Activities	1.00	follow up to approval of \$15K for legal nee
7			Sup. Activity		SFR	Fundraising Activities	0.50	conference with Rita Gibson
7			Sup. Activity		SGO	General Office	2.00	preparation for Baker presentation
Daily Total within Funding: 8/24/2010							5.25	Hours







MALS  
Chart Of Accounts List  
1 - Fund

<u>Account Code</u>	<u>Account Title</u>	<u>Account Type</u>
00	Unrestricted	
10	Temporarily Restricted	
20	Permanently Restricted	
90	Property Fund	

**MALS**  
 Chart Of Accounts List  
 2 - GL

Account Code	Account Title	Account Type
1005	CHECKING-OPERATIONS	CSH
1010	CHECKING-PAYROLL	CSH
1015	CASH-FIRST TENNESSEE	CSH
1020	CASH-CHECKING TRI-STATE BANK	CSH
1021	CASH-BANKTENNESSEE	CSH
1025	CLIENT TRUST DEPOSITS	CSH
1028	CLIENT TRUST-COVINGTON	CSH
1030	SHORT TERM INVESTMENTS	CSH
1090	PETTY CASH	CSH
1105	GRANTS RECEIVABLE	ARO
1110	TRAVEL ADVANCES	ARO
1115	PLEDGES RECEIVABLE	PLO
1130	ACCTS REC.-ACCRUED INTEREST	ARO
1135	ACCTS REC - OTHER	ARO
1205	PREPAID INSURANCE	OA
1215	PREPAID RENT	OA
1220	DEPOSITS	OA
1225	OTHER PREPAID EXPENSES	OA
1230	PREPAID SERVICE CONTRACTS	OA
1235	PREPAID COPIER SUPPLIES	OA
1805	EQUIPMENT	FAO
1810	COMPUTER EQUIPMENT	FAO
1815	SOFTWARE	FAO
1820	FURNITURE	FAO
1825	LEASEHOLD IMPROVEMENTS	FAO
1830	LIBRARY	FAO
1905	ACCUMULATED DEPRECIATED -EQUIPMENT	FAO
1910	ACCUMULATED DEPRECIATED- COMPUTER EQUIPMENT	FAO
1915	ACCUMULATED DEPRECIATION-SOFTWARE	FAO
1920	ACCUMULATED DEPRECIATION-FURNITURE	FAO
1925	ACCUMULATED DEPRECIATION- LEASEHOLD IMPROVEMENT	FAO
1930	ACCUMULATED DEPRECIATION-LIBRARY	FAO
1999	INTERFUND RECEIVABLE/PAYABLE	IFR
2005	ACCOUNTS PAYABLE-VENDOR	AP
2010	ACCOUNTS PAYABLE-OTHER	APO
2105	FIT PAYABLE	APO
2110	FICA ER PAYABLE	APO
2115	MEDICARE-ER PAYABLE	APO
2120	FICA-EE PAYABLE	APO
2125	MEDICARE-EE PAYABLE	APO
2130	UNEMPLOYMENT	APO
2135	MEDICAL PREMIUM PAYABLE	APO
2140	GARNISHMENTS PAYABLE	APO
2145	SUNSHINE CLUB PAYABLE	APO
2150	AMERICAN FEDERAL CU PAYABLE	APO
2155	TSA PAYABLE	APO
2160	UNITED WAY PAYABLE	APO
2165	CAFETERIA PLAN PAYABLE	APO

**MALS**  
 Chart Of Accounts List  
 2 - GL

Account Code	Account Title	Account Type
2170	PARKING PAYABLE	APO
2175	401K RETIREMENT PAYABLE	APO
2180	OTHER PAYROLL EXPENSES PAYABLE	APO
2190	LAV GRANT PAYMENT DUE	APO
2205	ACCRUED SALARIES	OL
2210	ACCRUED LEAVE	OL
2215	OTHER ACCRUED EXPENSES	OL
2220	ACCRUED FICA	OL
2305	CAPITAL LEASE - SHORT TERM	OL
2405	CLIENT TRUST PAYABLE	OL
2410	CLIENT TRUST PAYABLE-COVINGTON	OL
2600	UNEARNED SUPPORT	OL
2905	CAPITAL LEASE - LONG TERM	OL
3005	NET ASSETS	NAE
3900	PROPERTY FUND	NAE
4005	GRANT REVENUE	REV
4010	CONTRACT REVENUE	REV
4105	ATTORNEY FEES	REV
4110	DONATED SERVICES	REV
4115	DONATED MATERIALS	REV
4120	INTEREST INCOME	REV
4125	CONTRIBUTIONS	REV
4805	OTHER INCOME	REV
5005	ATTORNEY SALARIES	EXP
5010	PARALEGAL SALARIES	EXP
5015	CLERICAL SALARIES	EXP
5020	ADMINISTRATIVE SALARIES	EXP
5025	OTHER SALARIES	EXP
5030	OVERTIME/COMPENSATORY SALARIES	EXP
5035	DONATED SERVICES	EXP
5040	INCENTIVE PAY	EXP
5105	PAYROLL TAXES	EXP
5110	GROUP INSURANCE	EXP
5115	UNEMPLOYMENT INSURANCE	EXP
5120	WORKER'S COMPENSATION	EXP
5125	INSURANCE PREMIUM EXPENSE	EXP
5130	401K RETIREMENT MATCH	EXP
5135	FRINGE BENEFITS - PARKING	EXP
5205	RENT - BUILDING	EXP
5210	RENT - STORAGE	EXP
5215	UTILITIES	EXP
5220	OTHER SPACE COSTS	EXP
5305	EQUIPMENT RENT	EXP
5310	EQUIPMENT INTEREST EXPENSE	EXP
5315	REPAIRS & MAINT - EQUIPMENT	EXP
5320	MAINTENANCE CONTRACTS-EQUIPMENT	EXP
5325	COPIER EQUIPMENT EXPENSE	EXP
5405	OFFICE SUPPLIES	EXP
5406	OFFICE SUPPLIES-BOARD	EXP
5410	SMALL EQUIP/FURN < \$1,000	EXP

**MALS**  
Chart Of Accounts List  
2 - GL

Account Code	Account Title	Account Type
5415	PRINTING & DUPLICATION	EXP
5420	POSTAGE	EXP
5425	DELIVERY	EXP
5430	DONATED MATERIALS	EXP
5490	PURCHASE DISCOUNTS	OA
5505	TELEPHONE	EXP
5510	TELEPHONE-LONG DISTANCE	EXP
5605	LOCAL TRAVEL - STAFF	EXP
5610	LOCAL TRAVEL - BOARD	EXP
5615	OUT OF TOWN TRAVEL - LITIGATION	EXP
5620	OUT OF TOWN TRAVEL - STAFF	EXP
5625	OUT OF TOWN TRAVEL - ADMIN	EXP
5630	OUT OF TOWN TRAVEL - BOARD	EXP
5705	LOCAL TRAINING - STAFF	EXP
5710	LOCAL TRAINING - BOARD	EXP
5715	OUT OF TOWN TRAINING - STAFF	EXP
5720	OUT OF TOWN TRAINING - BOARD	EXP
5750	REGISTRATION FEES	EXP
5805	LIBRARY MAINTENANCE/RENEWALS	EXP
5905	GENERAL INSURANCE	EXP
5910	PROFESSIONAL LIABILITY INSURANCE	EXP
6005	PROFESSIONAL FEES-AUDIT	EXP
6010	PROFESSIONAL FEES - ACCOUNTING	EXP
6015	TEMPORARY HELP	EXP
6020	CONTRACT SERVICES-PROGRAM	EXP
6030	CONTRACT SERVICES-CLIENT	EXP
6105	LITIGATION	EXP
6210	DUES & FEES	EXP
6215	ADVERTISING	EXP
6220	BANK CHARGES	EXP
6230	BOARD EXPENSE	EXP
6235	MEETING EXPENSE	EXP
6240	MARKETING/PR	EXP
6245	FUNDRAISING/RESOURCE DEVELOPMENT	EXP
6290	MISCELLANEOUS EXPENSE	EXP
6905	EQUIPMENT > \$1,000	EXP
6910	COMPUTER EQUIPMENT > \$1,000	EXP
6915	SOFTWARE > \$1,000	EXP
6920	FURNITURE > \$1,000	EXP
6925	CAPITAL LEASE PAYMENT	EXP
6930	LEASEHOLD IMPROVEMENTS > \$1,000	EXP
6935	LIBRARY > \$1,000	EXP
6940	INTEREST EXPENSE	EXP
6950	GAIN (LOSS) ON SALE OF PROPERTY	EXP
7005	DEPRECIATION EXPENSE	EXP

**MALS**  
 Chart Of Accounts List  
 3 - Grant

<u>Account Code</u>	<u>Account Title</u>	<u>Account Type</u>
000	UNRESTRICTED	
110	LEGAL SERVICES CORPORATION	
115	LSC-PAI	
120	INTEREST ON LAWYER'S TRUST ACCOUNT	
125	IOLTA-PAI	
130	HUD FHIP-ACCESSIBILITY STUDY GRANT	
135	SEEDCO-FORECLOSURE MITIGATION COUNSELING	
140	HUD-HOUSING COUNSELING GRANT	
145	CITY FAIR HOUSING ORDINANCE	
150	TITLE III	
155	LOW INCOME TAX CLINIC	
160	CDBG-EDUCATION AND OUTREACH	
170	THDA-FORECLOSURE MITIGATION COUNSELING	
180	SCRIF - CITY OF MEMPHIS	
200	TN FILING FEE/BAIL BONDS	
205	ASSISI TECHNOLOGY GRANT	
215	LAV GRANT	
220	UM LEGAL CLINIC	
245	EARNED BENEFITS/SEEDCO	
247	HOUSING COUNSELING/SEEDCO	
255	SHELBY COUNTY LEGAL NEEDS SURVEY	
260	ARREST GRANT/CITY OF MEMPHIS	
262	ARREST GRANT/SHELBY COUNTY	
265	TN TAXPAYER PROJECT	
275	WOMEN'S FOUNDATION	
285	MEMPHIS & SHELBY COUNTY BAR GRANT	
295	GRIER CASES	
300	WOMEN'S FOUNDATION/KATRINA	
305	COMMUNITY FOUNDATION CAPACITY BUILDING	
310	AUTOZONE USED CAR PROJECT	
320	MEMPHIS BAR TECHNOLOGY GRANT	
325	CLE BLUE RIBBON GRANT/TALS	
330	THDA HARDEST HIT FUND PROJECT	
335	QUALIFYING INCOME TRUSTS	
340	UT CAMPUS GRANT	
345	BANKRUPTCY GRANT	
350	HW DURHAM FOUNDATION GRANT	
355	MEMPHIS BAR FOUNDATION PRO BONO PROJECT	

**MALS**  
Chart Of Accounts List  
4 - Dept

<u>Account Code</u>	<u>Account Title</u>	<u>Account Type</u>
00	FUNDRAISING	
01	Administration	
02	Housing Law Unit	
03	Consumer Law Unit	
04	Family Law Unit	
05	Pub Benefits/Income Maint	
06	Covington Law Unit	
07	Senior Law Unit	
08	PAI/Pro Bono Law Unit	
09	Legal Clinic	
10	MEMPHIS	
50	COVINGTON	



**MALS**  
Standard General Ledger  
10 - Temporarily Restricted  
From 1/1/2011 Through 5/31/2011

Account Code	Account Title	Session ID	Document Number	Transaction Description	Name	Debit	Credit
4805	OTHER INCO...						
110	LEGAL SERVICES CORPORA...			Opening Balance		0.00	
		FEB110	02-0005	TO RECORD CASH RECEIPTS FOR FEBRUARY 2011			2,500.00
				Transaction Total		0.00	2,500.00
Balance 110	LEGAL SERVICES CORPORATI...						2,500.00
Balance 4805	OTHER INCO...						2,500.00
Report Opening/Current Balance						0.00	0.00
Report Transaction Totals						0.00	2,500.00
Report Current Balances						0.00	2,500.00
Report Difference							2,500.00

Report Time: 10:04:18  
 Report Date: 04/13/11

MEMPHIS AREA LEGAL SERVICES, INC.  
 General Ledger  
 For January, 2008 Through December, 2008

*Adjusted*  
 Adjustments to  
 SFF

Account Code	Account Title / Description	FY	PD	Batch Number	Document Number	Date	Debit	Credit
6290	MISCELLANEOUS EXPENSE							
200	TN FILING FEE/BAIL BONDS							
	Opening Balance						0.00	
	MEMPHIS BAR ASSOCIATION, INC.	08	01	010108	SONJA	010808	125.00	
	TO RECORD SUNSHINE FUND MATCH	08	01	JAN080	01-0009	013108	<del>125.00</del>	
	TO RECORD ANNUAL FEE FOR ML	08	02	FEB080	02-0008	022908	<del>146.00</del>	
	TO CORRECT CODING OF CK#46912	08	02	FEB081	02-0001	022908	200.00	
	TO CORRECT CODING CK#46735&465	08	02	FEB081	02-0003	022908	204.00	
	JILL MALLORY	08	03	031908	GIFT CA	031908	58.00	
	LINDA SEELY	08	03	031908	SEL	031908	32.78	
	TO RECORD S/F MATCH FOR 3/08	08	03	MAR080	03-0007	033108	<del>140.00</del>	
	MID-AMERICA AWARDS	08	04	040408	37461	040408	366.84	
	JILL MALLORY	08	04	042208	LAW STU	042208	28.95	
	TO RECORD SUNSHINE CLUB MATCH	08	04	APR080	04-0009	043008	<del>154.00</del>	
	TO CORRECT CODING OF CK#47076	08	04	APR081	04-0001	043008		366.84
	TO RECORD SUNSHINE MATCH MAY08	08	05	MAY080	05-0008	053108	<del>156.00</del>	
	STATE OF TENNESSEE	08	06	061908	RENEW	061908	300.00	
	TO CORRECT CODING OF CHECK	08	06	JUN080	06-0008	063008		300.00
	CARDLYN MILLS-PETTY CASHIER	08	07	070908	PETY	071008	5.37	
	TO RECORD SUNSHINE MATCH	08	07	JUL081	07-0001	073108	<del>152.00</del>	
	MEMPHIS URBAN LEAGUE, INC.	08	08	082708	URBAN	082708	100.00	
	SHACKELFORD'S FLORIST	08	09	090508	1912	090508	64.00	
	TRI STATE BANK	08	09	091808	CHECKS	091808	37.09	
	TO RECORD SUNSHINE FUND MATCH	08	09	SEP080	09-0009	093008	<del>152.00</del>	
	TO RECORD SUNSHINE CLUB MATCH	08	10	OCT080	10-0009	103108	<del>152.00</del>	
	TO RECORD SUNSHINE MATCH	08	11	NOV080	11-0009	113008	<del>152.00</del>	
	MID-AMERICA AWARDS	08	12	121708	37828	121708	210.00	
	CARDMEMBER SERVICES	08	12	122108	CREDIT	122108	38.60	
	TO ALLOCATE MISCELLANEOUS EXP	08	12	AE0905	12-0001	123108	894.71	
	TO RECORD SUNSHINE FUND MATCH	08	12	DEC081	12-0008	123108	<del>300.00</del>	
	TO CORRECT BATCH #DEC081,12008	08	12	DEC083	12-0001	123108	475.00	
	Transaction Totals						4,800.34	666.84
	Current Balance						4,133.50	
	Report Opening Balance						0.00	0.00
	Report Transaction Totals						4,800.34	666.84
	Total						4,800.34	666.84
	Report Difference						4,133.50	

*08*  
 June - \$156.00 = LSC

MEMPHIS AREA LEGAL SERVICES, INC.

General Ledger

For January, 2009 Through August, 2009

Report Time: 10:04:57

Report Date: 04/13/11

Page: 1

Account Code	Account Title / Description	FY	PD	Batch Number	Document Number	Date	Debit	Credit
5290	MISCELLANEOUS EXPENSE							
200	TN FILING FEE/BAIL BONDS							
	Opening Balance						0.00	
	TO RECORD SUNSHINE MATCH JAN	09	01	JAN090	01-0009	013109	<del>150.00</del>	
	TO RECORD SUNSHINE FUND MATCH	09	02	FEB090	02-0008	022809	<del>160.00</del>	
	TO RECORD SUNSHINE FUND MATCH	09	03	MAR090	03-0008	033109	<del>160.00</del>	
	BRENDA FORD	09	04	042309	FORD	042409	12.84	
	CAROLYN MILLS	09	04	042309	MILS	042409	12.84	
	TO RECORD SUNSHINE FUND MATCH	09	06	JUN090	06-0009	063009	<del>160.00</del>	
	COTTON BOLL CATERING	09	07	071109	11506	071009	282.50	
	TO RECORD SUNSHINE CLUB MATCH	09	07	JUL090	07-0010	073109	<del>170.00</del>	
	STATE OF TENNESSEE	09	08	080409	STATE	080409	300.00	
	CARDMEMBER SERVICES	09	08	082009	CARD	082009	27.00	
	TO RECORD S/C MATCH-AUGUST 09	09	08	AUG090	08-0009	083109	<del>160.00</del>	
	Transaction Totals						1,627.18	0.00
	Current Balance						1,627.18	
	Report Opening Balance						0.00	0.00
	Report Transaction Totals						1,627.18	0.00
	Total						1,627.18	0.00
	Report Difference						1,627.18	

09

MAY

Apr

8

- 168.00 - Unrestricted

#

- 174.00 - LSC

**MALS**  
Standard General Ledger  
10 - Temporarily Restricted  
From 9/1/2009 Through 12/31/2009

Account Code	Account Title	Session ID	Document Number	Name	Debit	Credit
6290	MISCELLANE...					
200	TN FILING FEE/BAIL BONDS					
				Opening Balance	0.00	
		AP12/1...	50399	OAK COURT MALL	11,216.00	
		AP12/1...	50433	TRI STATE TROPHY	210.00	
		DEC09B	12-0001		12.52	
		DEC09E	12-0002		816.75	
		DECO091	122-0003		176.00	
		NOV091	09-0002		168.00	
		NOV092	11-0009		172.00	
		Oct091	10-0003		170.00	
				Transaction Total	12,941.27	0.00
Balance 200	TN FILING FEE/BAIL BONDS				12,941.27	
Balance 6290	MISCELLANE...				12,941.27	
Report Opening/Current Balance					0.00	0.00
Report Transaction Totals					12,941.27	0.00
Report Current Balances					12,941.27	0.00
Report Difference					12,941.27	