SUGGESTED REPORT FORMAT

(Independent CPA letterhead)

(Date)

Secretary, Lawyers' Fund for Client Protection
820 N. French Street, 11th Floor
Wilmington, DE 19801

Re: (Name of Attorney or Firm)
        (Address)

Dear Secretary:

We have performed an audit of our client, noted above, for the specific purpose of determining their (his/her) compliance with Rule 1.15 of the Delaware Lawyers' Rules of Professional Conduct. The audit procedures used were those contained in the Audit Program of the Lawyers' Fund for Client Protection and this report relates only to those items.

Based on our audit, there were no findings/exceptions, and in our opinion (attorney/firm name) is in compliance with Rule 1.15 of the Delaware Lawyers' Rules of Professional Conduct.

or

Based on our audit, (attorney/firm name) is not in compliance with Rule 1.15 of the Delaware Lawyers' Rules of Professional Conduct. We found the following exceptions:
        1)
        2)
        3)

These exceptions will be resolved as follows:

(Attorney/firm name) understands that our audit and submission of this report does not preclude an audit performed by the auditor of the Lawyers' Fund for Client Protection.

Enclosed is a copy of a completed Audit Program with appropriate workpapers.

Very truly yours,

(CPA firm signature)

LAWYERS' FUND FOR CLIENT PROTECTION

Audit Program to Determine Compliance with Rule 1.15 and Rule 1.5(f)
of the Delaware Lawyers' Rules of Professional Conduct

This completed audit program must be attached to your report.

Attorney _____ Audit Date _____

Audited by (Firm Name) _____

AUDIT OBJECTIVES

GENERAL

I Attorney is in compliance with Rule 1.15 and Rule 1.5(f) and has properly answered all of the statements on the CERTIFICATE OF COMPLIANCE.

SPECIFIC

A. NON-FIDUCIARY FUNDS

1. Attorney maintains financial control over law practice.

2. Proper records are maintained.

3. Reconciliations are performed each month.

B. FIDUCIARY FUNDS

1. Client funds are safeguarded.

2. Proper records are maintained.

3. Reconciliations are performed each month.

4. There is no commingling of attorney funds and client funds.

5. Interest earned on client funds is either credited and/or paid to the client or the interest is credited and paid to IOLTA.

LAWYERS' FUND FOR CLIENT PROTECTION
AUDIT PROGRAM

Audit Objective	AUDIT PROCEDURES	Performed by or N/A	Finding/ Exception	Work-paper Index
	GENERAL			
I	**1.** Obtain a copy of the latest ANNUAL REGISTRATION STATEMENT and the latest CERTIFICATE OF COMPLIANCE filed with the Supreme Court. (These forms are due by January 31 of each year.) **a**. If these forms were not filed when due, attach an explanation from the attorney indicating the date they will be filed. **b.** Verify that all questions are answered properly. **c.** A "NO" answer to any of the items on the CERTIFICATE OF COMPLIANCE indicates non-compliance. If there is a "NO" answer to any item, attach a letter from the attorney explaining the reason for non-compliance and a statement indicating when the attorney will be in compliance.			
I	**2.** Verify that all bank accounts (both fiduciary and non-fiduciary) are listed on the ANNUAL REGISTRATION STATEMENT. **a.** If any bank accounts which the attorney or a member of the law firm has power to control, draw on or deposit in, is not listed, note here the omitted bank account information requested on the ANNUAL REGISTRATION STATEMENT. BANK NAME ACCOUNT NAME ACCOUNT NO. **b.** If a bank account, maintained in connection with the law practice, is located outside the state of Delaware, note here and indicate purpose.			
I	**3.** Verify that all books and records which establish compliance are retained for a minimum period of five years after the completion of the year to which they relate. Fiduciary records must be retained for at least five years following the completion of the fiduciary obligation.			
	4. Indicate form of practice: ( ) Sole proprietorship ( ) Professional corporation ( ) Partnership ( ) Other:			
	5. If firm name implies partnership or association form of practice, determine that records are maintained and tax returns are filed accordingly, i.e., as a firm and not as individual practitioners.			
A1	**6.** Inquire whether all federal, state, and city income and gross receipts tax returns have been filed and paid on a timely basis.			

Audit Objective	AUDIT PROCEDURES	Performed by or N/A	Finding/ Exception	Work- paper Index
	NON-FIDUCIARY FUNDS			
	The period of review of records of non-fiduciary funds transactions should be, at a minimum, the latest six months. Use separate audit program page for each account.			
	ACCOUNT NAME _____			
	BANK _____			
	BANK ACCOUNT NO. _____			
	REVIEW PERIOD: From _____ to _____			
A2	1. Inquire whether the minimum required records are maintained for at least five years following the completion of the year to which they relate. These records are: **a.** Bank statements, deposit tickets, and cancelled checks **b.** Cash receipts and cash disbursements journals **c.** Monthly cash reconciliations			
A1	2. Obtain bank statements and review for NSF checks or overdraft balances other than those caused by deposits of client payments which were covered by the client or the attorney without undue delay. Attach detailed listing, if any, with the attorney's explanation.			
A2	3. Obtain cash receipts journal. **a.** Determine that entries identify source and date. **b.** Ascertain that journal has monthly totals. **c.** Determine that cash receipts entries can be proved to deposit totals.			
A2	4. For each bank account, obtain cash disbursements journal. **a.** Determine that entries show date, payee, and expense type. **b.** Ascertain that journal has monthly totals.			
A3	5. Audit monthly cash and bank reconciliations. **a.** Manual system: + beginning cash balance + cash receipts (-) cash disbursements = ending cash balance/checkbook balance = adjusted bank balance -or- general ledger balance = adjusted bank balance **b.** Computer system: Check register (or general ledger) balance = adjusted bank balance			

Audit Objective	AUDIT PROCEDURES	Performed by or N/A	Finding/ Exception	Work-paper Index
	FIDUCIARY FUNDS			
	The period of review of records of fiduciary funds transactions should be, at a minimum, the latest six months. Use separate audit program page for each account.			
	ACCOUNT NAME _____			
	BANK _____			
	BANK ACCOUNT NO. _____			
	REVIEW PERIOD: From _____ to _____			
B2	1. Inquire whether the minimum required records are maintained for at least five years following the completion of the fiduciary obligation. These records are: **a.** Bank statements, deposit tickets, and cancelled checks **b.** Cash receipts and cash disbursements journals **c.** Client subsidiary ledgers **d.** Monthly trial balances of subsidiary ledger **e.** Monthly cash reconciliations			
B1	2. Obtain bank statements and review for NSF checks or overdraft balances. If any, attach detailed listing with attorney's explanation. (Disbursements from fiduciary accounts must be made from "good" funds.)			
B5	3. Determine if IOLTA account. If not, and an interest-earning account, make certain that interest is credited to clients. *NOTE: Interest earned on client funds CANNOT be retained by the attorney.*			
B2	4. Obtain cash receipts journal. **a.** Determine that entries identify source and date. **b.** Ascertain that journal has monthly totals. **c.** Determine that cash receipts entries can be proved to deposit totals.			
B2	5. Obtain cash disbursements journal. **a.** Determine that entries show date, payee, and client name. **b.** Ascertain that journal has monthly totals.			
B3	6. Audit monthly bank reconciliations and review list of outstanding checks for those more than six months old. Inquire whether a good faith effort has been made to determine why these checks have not cleared the bank. Prepare listing of checks more than six months old and note reasons why they are still outstanding. *NOTE: See Supreme Court Rule73 for disposition of old, undeliverable fiduciary account outstanding checks.*			

Audit Objective	AUDIT PROCEDURES	Performed by or N/A	Finding/ Exception	Work- paper Index
	FIDUCIARY FUNDS (CONTINUED)			
B2	**7.** Review client subsidiary ledger. *NOTE: If a separate bank account has been set up for a specific client, transactions for that client must be recorded in a separate ledger account.* **a.** Determine that a separate account is maintained for each client for whom monies or other property have been received in trust. **b.** Ascertain that all fiduciary transactions for cash receipts and cash disbursements (showing date, source/payee, and amount) are entered in the subsidiary ledger. **c.** Verify that a listing is prepared each month from the subsidiary ledger. The listing must show: Client name, client balance, and the grand total of all client balances.			
B4	**8.** Determine if any attorney funds are in the fiduciary account. *NOTE: The attorney may maintain funds sufficient to pay bank service charges; however, such amount may not exceed $500 and must be separately stated and accounted for on the monthly listing.*			
B2	**9.** Inquire whether the attorney has received any property for safekeeping from a client, other than cash. If so, verify whether a subsidiary ledger account has been set up showing date of receipt or disbursement, description of property received or disbursed, and the amount or value.			
B3	**10.** Verify that the reconciled end-of-month cash balance (see fiduciary audit procedure no. 6) agrees with the total of all client funds being held (see fiduciary audit procedure no. 7c).			
B1	**11.** Examine monthly listing of client balances for the following: **a.** Determine if any negative client balances (monies disbursed for client in excess of monies received for client). If any, attach details with attorney's explanation. *NOTE: A negative client balance indicates that other client funds are being used to fund the negative balance. A check should be drawn immediately from the operating account and deposited in the fiduciary account to cover the negative balance.* **b.** Determine age of client balances. If old balance, request reasons why funds have not been disbursed. Review documentation in client files, if necessary, to determine if good faith effort has been made to locate client and disburse funds. *NOTE: See Supreme Court rule for disposition of old, unclaimed client balances and old fiduciary account undeliverable, outstanding checks.*			
B1, B4	**c.** Ascertain that no client balance represents fees earned by the attorney. *NOTE: The failure to remove earned fees from the fiduciary account on a timely basis represents commingling of client funds and attorney funds.*			

Audit Objective	AUDIT PROCEDURES	Performed by or N/A	Finding/ Exception	Work-paper Index
	FIDUCIARY FUNDS (CONTINUED)			
B5	**12.** If any client funds are of significant amount and are held for a significant period of time, verify that a separate interest-earning bank account has been set up and the client was credited with the interest earned.			
B1	**13.** To test the timely deposit of client funds, select five deposits from bank statements or deposit tickets and trace to supporting documentation in client files. *NOTE: Attach workpaper, documenting test, to completed audit program.*			
B1	**14.** Perform the following to test the proper disbursement of client funds: **a.** Select five cases from the client subsidiary ledger or monthly listing. **b.** Review documentation in client files that support financial transactions. **c.** Examine cancelled checks to verify disbursements. *NOTE: Attach workpaper, documenting test, to completed audit program.*			
A1	**15.** Review federal, state, and city payroll tax returns and tax depositories to verify the timely filing and payment of payroll taxes.			
	RETAINERS (Rule 1.5(f) and Comment)			
I	**16.** Inquire whether the attorney accepts retainers (payments in advance of a service being performed and prior to fee being earned).			
B4	**17.** Ascertain that retainers are being deposited in the escrow account. **a.** On a sample basis, trace deposits of large amount in operating account to transfer checks issued as earned fees from the escrow account. *NOTE: (1) In some situations (see Comment section of Rule 1.5(f)), retainers less than $2,500 may be deposited in the operating account.* *(2) Attach workpaper, documenting test, to completed audit program.*			
B2	**18.** Obtain copy of retainer agreement and determine that the agreement states: **a.** The fee is refundable if not earned. **b.** The basis under which the fee shall be considered to be earned.			
B1	**19.** Make certain that, when earned fees are withdrawn from the escrow account, a statement is provided to the client showing the amount withdrawn and the remaining balance of the unearned retainer.			

INQUIRIES ANSWERED BY:

      <u>NAME</u>   <u>POSITION</u>

LAWYERS' FUND FOR CLIENT PROTECTION
AUDIT PROGRAM

Audit Objective	AUDIT PROCEDURES	Performed by or N/A	Finding/ Exception	Work-paper Index
	REAL ESTATE FUNDS NOTE: (1) A real estate bank account is a fiduciary account. 　　　　(2) This audit program page is only necessary if a separate bank account is used exclusively for real estate settlement transactions. 　　　　(3) Cash receipts and disbursements journals are not required for an account used exclusively for real estate settlement transactions. ACCOUNT NAME　 BANK　 BANK ACCOUNT NO.　 REVIEW PERIOD:　　From　　　　　　to			
B2	**1.**　Inquire whether the minimum required records are maintained for at least five years following the completion of the real estate transaction. These records are: 　**a.** Bank statements, deposit tickets, and cancelled checks 　**b.** Settlement sheets 　**c.** Other related documents			
B1	**2.**　Obtain bank statements and review for NSF checks or overdraft balances. If any, attach detailed listing with attorney's explanation. (Disbursements from fiduciary accounts must be made from "good" funds.)			
B5	**3.**　Determine if IOLTA account. If not, and interest-earning account, make certain that interest is credited to clients. 　　*NOTE: Interest earned on client funds CANNOT be retained by the attorney.*			
B3	**4.**　Audit monthly bank reconciliations and review list of outstanding checks for those more than six months old. Inquire whether a good faith effort has been made to determine why these checks have not cleared the bank. Prepare listing of checks more than six months old and note reasons why they are still outstanding. 　　*NOTE: See Supreme Court Rule73 for disposition of old, undeliverable fiduciary account outstanding checks.*			
B3	**5.**　If the adjusted bank balance is a positive number, verify that it is in agreement with the total of the listing, by client, of funds being held. 　　*NOTE: This is a required monthly procedure.*			
B1	**6.**　Perform the following to test whether deposits and disbursements are timely and proper. 　**a.** Select five real estate settlements. 　**b**. Vouch deposits to supporting documentation. 　**c.** Examine cancelled checks and compare to documentation. 　　*NOTE: Attach workpaper, documenting test, to completed audit program.*			