



The State Bar of California

OFFICE OF ACCESS & INCLUSION

Date: February 4, 2022

To: Susan Townsend, Directing Attorney, Yuba Sutter Legal Center for Seniors

CC: Brad Enos, Board Secretary, Yuba Sutter Legal Center for Seniors
Bonnie Hough, Managing Attorney, Judicial Council of California

From: Office of Access & Inclusion

Subject: 2021 Monitoring Visit Report for Yuba Sutter Legal Center for Seniors

On December 8 and 21, 2021, the Office of Access & Inclusion of the State Bar of California conducted a monitoring visit to Yuba Sutter Legal Center for Seniors (YSLCS). The objective of our visit was to determine whether YSLCS is in compliance with the requirements of the Trust Fund statute, State Bar rules, grant provisions, 2006 American Bar Association *Standards for the Provision of Civil Legal Aid* (Standards)¹, *Standards for Financial Management Systems and Audits* (Financial Standards), and your grant agreements with the State Bar. The monitoring team included Deborah McReynolds for review of program activities and David Greco for review of fiscal protocols.

The monitoring included interviews with YSLCS staff and Board representatives. YSLCS's policies and procedures were also reviewed, including but not limited to, the following documents: board roster, bylaws, board meeting minutes, client eligibility guidelines and intake forms, retainer agreements, and conflicts check procedures. The fiscal review consisted principally of inquiries of management, evaluation of internal control structure, analytical procedures applied to financial data, and such other procedures as considered necessary to the circumstances.

¹ The Standards are the State Bar's quality control guidelines per State Bar Rule 3.661(C).

With regard to program and fiscal operations, our interviews, document review and financial testing revealed cause for concern regarding YSLCS's compliance with the requirements of State Bar rules and policies. The following two program and four fiscal findings were identified during the course of our monitoring visit.

PROGRAM FINDING

1. Finding—Overall Functions and Responsibilities of the Board: Review of program materials and interviews indicated difficulties with reaching quorum at some board meetings, as well as key staff roles remaining open for long periods of time (e.g. challenges in filling an attorney position, as well as scouting a replacement for the directing attorney who intends to retire later in 2022). Commentary to Standard 1.1 of the Standards for the Provision of Civil Legal Aid states, "Each provider should have a governing body ... that assumes overall responsibility for the success of the organization. The governing body should carry out its responsibilities in a manner that maximizes the provider's capacity to serve low income persons effectively."

Recommendation: Encouraging active and consistent participation from board members is vital to the health of the organization; the board helps set organizational policies and provides support and feedback for organizational performance, but it cannot offer clear and controlling guidance without being able to take action through votes on business items. The board should ensure that it is working proactively to anticipate and address any changes that may affect the viability of the organization or the level of services it offers. At a minimum, with the anticipated retirement of the organization's current director, the board should engage in an aggressive recruitment effort and develop a succession plan to ensure smooth program operations until a permanent replacement is hired.

2. Finding – Fiscal Matters (Repeat): At the time of the visit, YSLCS did not have a board treasurer or chief financial officer. The Standards, at Standard 1.1-3, describe the board's duty to oversee the financial integrity of the organization and comply with legal requirements. While the Standards provide some details of how this might be implemented, the basic legal duty is laid out in the California Corporations Code §5213, which specifies that a corporation shall have a treasurer or a chief financial officer, or both. This is a repeat finding from the prior 2018 monitoring visit.

Recommendation: It is important to have rigorous oversight of fiscal matters, where resources are limited. We therefore recommend that YSLCS' board identify a treasurer for the

organization and take steps to ensure that person has the training and orientation needed to perform that function effectively.

FISCAL FINDINGS

Many of YSLCS's processes and controls are heavily manual and inefficient. YSLCS should look at updating its internal controls and accounting processes to ensure that senior leadership has the ability to access and provide necessary financial reports and documentation in a timely manner as required by grantmakers, funders or other financial reviewers. Specific findings follow:

1. Finding—General Ledger: YSLCS was unable to provide a copy of the General Ledger for the Fiscal Monitoring Visit. As required by the Legal Services Trust Fund Program's Standards for Financial Management Systems and Audits, Section 100.60, a general ledger is a necessary part of the "accounting records considered necessary for the adequate recording of financial transactions."

Requirement: Given the organization uses QuickBooks for its bookkeeping and accounting, the Executive Director should have access to and be able to provide a copy of the general ledger in a timely manner.

2. Finding—Cash Receipts: Cash receipts log does not include all cash receipts or checks. Currently the organization only receipts for cash or checks received from individuals. Checks/grants from funders such as the State Bar are not recorded. YSLCS was not able to provide deposit records for the State Bar's EAF funding for Q3 or Q4 of 2020.

Requirement: As required by Standards for Financial Management Systems and Audits, section 100.62 and section 110.30, the cash receipts journal is a book of original entry in which **all cash receipts** (i.e., cash, checks, and money orders) are recorded in chronological sequence when received. Bank deposit slips must contain sufficient information so that all deposits can be identified with their source.

3. Finding—Qualified Expenditures: YSLCS was not able to provide worksheets or procedures to determine qualified expenditures or expenditures by county. While leadership was able to describe their processes and procedures, the organization does not have formal policies or procedures to determine allocation of expenses.

Recommendation: Recognizing that many of the organization's clients are seniors and therefore meet the eligibility requirements, YSLCS should still have a system of accounting that segregates expenses that are not for free legal services in civil matters for indigent persons in California, so that State Bar grant funds are not used to support such services. It should also have a written procedure for tracking expenditures by county to ensure accurate reporting when applying for State Bar grants.

4. Finding—Reconciliation Report (Repeat): As of reconciliation statements date October 14, 2020, YSLCS still had uncleared transactions from 2017 and 2019 as well as other uncleared payments that were more than 6 months old. The same finding was made during the 2018 visit when the June 2017 bank reconciliation report included two outstanding payments that were dated in 2013.

Recommendation: All items outstanding for 6 months (180 days) or more should be investigated on a monthly basis. Payments should be voided and cleared; and either replaced (if lost) or cancelled along with invoice (if duplicate or erroneous payment). A journal entry may be necessary to write-off the amounts in order to reconcile the account.

Reply within 60 days (**April 5, 2022**) by uploading your responses concerning the program and fiscal findings to SmartSimple. Please note that these findings will be shared with the Legal Services Trust Fund Commission's Eligibility & Budget Review Committee at its March 4, 2022, meeting. Depending on the committee's assessment of the organization's compliance with State Bar rules and policies, as well as the response received from YSLCS regarding these initial findings, staff may recommend a follow-up visit with the organization later in 2022.

Thank you for the time and courtesy you extended to the State Bar during the monitoring visit. Please do not hesitate to contact us should you have any questions or concerns.



The State Bar of California

OFFICE OF ACCESS & INCLUSION

Date: February 15, 2022

To: Gautam Jagannath, Executive Director, Social Justice Collaborative

CC: Angie Wootton, Board Member, Social Justice Collaborative
Bonnie Hough, Managing Attorney, Judicial Council of California

From: Danielle MacRae, Senior Program Analyst
David Greco, Fiscal Monitoring Consultant

Subject: 2021 Monitoring Visit Report for Social Justice Collaborative

On November 22, 2021, and December 17, 2021, the Office of Access & Inclusion of the State Bar of California conducted a remote monitoring visit to Social Justice Collaborative (SJC). The objective of our visit was to determine whether SJC is in compliance with the requirements of the Trust Fund statute, State Bar rules, grant provisions, 2006 American Bar Association *Standards for the Provision of Civil Legal Aid* (Standards)¹, *Standards for Financial Management Systems and Audits* (Financial Standards), and your grant agreements with the State Bar. The monitoring team included Danielle MacRae for review of program activities and David Greco for review of fiscal protocols.

The monitoring included interviews with a cross section of SJC staff and Board representatives, including upper management, a staff attorney, and other advocates. SJC's policies and procedures were also reviewed, including but not limited to, the following documents: board roster, bylaws, board meeting minutes, client eligibility guidelines and intake forms, retainer agreements, and conflicts check procedures. The fiscal review consisted principally of inquiries

¹ The Standards are the State Bar's quality control guidelines per State Bar Rule 3.661(C).

of management, evaluation of internal control structure, analytical procedures applied to financial data, and such other procedures as considered necessary under the circumstances.

With regard to program and fiscal operations, our interviews and document review revealed cause for concern regarding SJC's compliance with the requirements of certain State Bar rules and policies. The following three program findings were identified during the course of our monitoring visit. No fiscal findings were identified.

PROGRAM FINDINGS

FINDING – USE OF BOARD COMMITTEES

SJC's board does not have a standing finance or audit committee. The commentary to Standard 1.2 of the Standards states that, "The governing body should appoint committees, when necessary, to consider issues in depth prior to meetings and to make appropriate recommendations for action by the full governing body. It should also have permanent committees that oversee key aspects of the provider's operations, such as audit and finance, personnel, resource development and planning." Commentary to Standard 1.1-3 ("The governing body should assure the financial integrity and viability of the provider") also discusses the benefits of having a standing audit committee. Trust Fund Program grantees typically find that having standing finance and audit committees is necessary to meet the board's fiduciary duty of care in safeguarding the organization's financial health. A best—and predominate—practice among legal aid providers in California is to have at least a finance committee or an audit committee; larger organizations often have both.

Recommendation

SJC's board should create and maintain, at minimum, a standing finance committee to promote strong oversight of SJC's fiscal matters. A copy of the Standards can be accessed through the SmartSimple home page; Standards 1.2 and 1.1-3 may provide additional guidance regarding standing committees' role in overseeing a provider's financial health. State Bar staff also note that charitable organizations subject to the Supervision of Trustees and Fundraisers for Charitable Purposes Act with gross revenues of \$2 million or more, excluding government grants, must also have an audit committee.² This requirement may not apply to SJC at this time but may be relevant as the organization grows.

² Government Code section 12586(e)(1).

FINDING – PRACTITIONER SUPPORT AND GUIDANCE

At the time of the site visit, SJC employed just one staff attorney and at least seven paralegals and legal assistants. Both the executive director and legal director are attorneys, but the legal director was on leave at the time of the visit. At the time of the visit, the sole staff attorney had been a licensed attorney for about two years. From interviews during the site visit and SJC's organizational chart, State Bar staff found that the executive director was the only source of supervision from an experienced attorney during the time of the legal director's leave. Due to reasonable competing demands on the executive director's time, SJC staff reported that structured supervision and guidance (e.g., regular review of all open cases) has been infrequent.

Standard 6.4 of the Standards states "A provider should review representation provided to clients to assure that they receive high quality assistance and to identify areas in which the provider should offer training and support to its practitioners." State Bar staff did not find any evidence that SJC's clients are not receiving high quality assistance; however, new attorneys, paralegals, and legal assistants require regular and close oversight from, and access to, a supervising attorney to ensure they receive appropriate training and support.³ SJC's executive director is unlikely to have sufficient bandwidth to closely supervise SJC's at least eight-member legal team while overseeing the organization's administration. While this issue might be temporary and be corrected once the legal director returns from leave, the State Bar staff review team wants to emphasize the importance of building a strong legal supervision structure, particularly as SJC continues to grow its legal team.

Recommendation

SJC should ensure legal practitioners, particularly newer attorneys and non-attorney practitioners, have easy and frequent access to experienced attorney supervisors. Commentary to Standard 6.4 lists several methods of practitioner supervision that providers can implement including case review, regular team meetings, and supervisor attendance and observation at hearings and trials.

FINDING – DIFFICULTY SCHEDULING VISIT

State Bar staff note significant difficulties in scheduling SJC's 2021 monitoring visit. State Bar staff first contacted SJC staff to identify a monitoring visit date on September 24, 2021, but were unable to confirm a date for the visit until October 22, 2021, after at least four attempts to contact SJC staff (on September 24, October 4, October 14, and October 22).

³ Similarly, Standard 6.3 of the Standards states, "A provider is responsible for the conduct of representation undertaken by its practitioners and should supervise the work to assure that each client is competently represented."

Both the program and fiscal components of the site visit were scheduled for November 22, 2021. On the morning of the visit, after the fiscal interview was scheduled to start, State Bar staff were notified that SJC's fiscal contact was unavailable. A supervisor who was scheduled to participate in one of the six program interviews also did not appear for the visit.

During the program monitoring visit, State Bar staff communicated that the fiscal review would need to be completed by the end of the calendar year. After contacting SJC staff on December 9, 2021, and December 15, 2021, State Bar staff were able to re-schedule the fiscal review for December 17, 2021.

Requirement

State Bar Rule 3.661(B) states "The Commission must monitor and evaluate a recipient's compliance with Trust Fund Requirements and grant terms. The evaluation may be based on... (2) reasonable site visits scheduled upon adequate notice." Similarly, State Bar Rule 3.681 states "The recipient of a Trust Fund Program grant must... (E) cooperate regarding any reasonable site visit[.]"

State Bar staff typically aim to schedule monitoring visits at least two months in advance to provide adequate notice to programs; State Bar staff acknowledge the time between confirming the visit date and the visit date itself (October 22 to November 22) was shorter than preferred and likely created strain on SJC's ability to prepare for the visit; however, the short timeline was primarily caused by delays in SJC's response to State Bar staff's initial request in September. SJC's unresponsiveness to emails and absence at the initial fiscal visit created significant difficulties in completing SJC's visit before the end of the calendar year in accordance with LSTFC program requirements. SJC should undertake to respond promptly to future State Bar inquiries to enable a complete and mutually beneficial review process consistent with State Bar Rule 3.661(B) and State Bar Rule 3.681(E).

Please reply within 60 days (April 15) by uploading your responses concerning the program findings to SmartSimple. Please note that these findings will be shared with the Legal Services Trust Fund Commission's Eligibility & Budget Review Committee at its March 4, 2022, meeting. Depending on the committee's assessment of the organization's compliance with State Bar rules and policies, as well as the response received from SJC regarding these initial findings, staff may recommend a follow-up visit with the organization later in 2022. Please do not hesitate to contact us should you have any questions or concerns.