



The State Bar *of California*

Title of Report: 2022 - 2024 Legal Services Trust Fund Commission Grant Awards Report
Statutory Citation: Business and Professions Code sections 6210.5(g)
Date of Report: May 31, 2025

The State Bar has submitted a report to the Legislature in accordance with Business and Professions Code section 6210.5(g), which requires the State Bar to ensure that grant awards made by the Legal Services Trust Fund Commission are consistent with statute, rules, and other governing authorities by conducting an audit of a representative sample of grant awards. This summary is provided pursuant to Government Code section 9795.

The State of California enacted legislation in 1981 to expand and improve free civil legal services for indigent persons. Under Business and Professions Code sections 6210-6228, the State Bar distributes interest on lawyers' client trust accounts (IOLTA) funds, allocating 85 percent to legal services projects and 15 percent to support centers. The Legal Services Trust Fund Commission (LSTFC) oversees the administration of all State Bar grants for legal aid organizations, including IOLTA, Equal Access Fund, and other grants.

This report includes the audits of grant awards for calendar years 2022, 2023, and 2024. In the report issued last year, the State Bar noted that it engaged Ernst & Young US LLP to develop a compliance protocol for calendar year 2022, to be completed in late 2024. On September 28, 2024, they issued a "white paper" which detailed the results of its work. In the report submitted on this date, the State Bar summarized the results in the 2022 Legal Services Trust Fund Commission Grant Awards Report. For calendar years 2023 and 2024, Macias Gini & O'Connell LLP (MGO) performed the audit of grant awards; those reports are included in the report submitted on this date. As provided in the 2023-2024 Legal Services Trust Fund Commission Grant Awards Report, for each grant type category MGO concluded "[n]o exceptions were found as a result of applying the procedure."

The full report and attachments are available for download on the State Bar website at <https://www.calbar.ca.gov/About-Us/Our-Mission/Protecting-the-Public/Reports>.

A printed copy may be obtained by calling 415-538-2200.



The State Bar *of California*

2022 Legal Services Trust Fund Commission Grant Awards Report

Pursuant to Business and Professions Code section 6210.5(g)

May 31, 2025

Summary of the 2022 Legal Services Trust Fund Commission Grants Audit

Background

On November 1, 2023, the State Bar engaged Ernst & Young US LLP (EY) to assist with the design and implementation of a compliance protocol for grants managed under the State Bar's Legal Services Trust Fund Commission (LSTFC) per the requirements outlined in California Business & Professions Code 6210.5(g):

At the conclusion of each fiscal year, the Legal Services Trust Fund Commission shall include a report of receipts of funds under this article, expenditures for administrative costs, and disbursements of the funds on a county-by-county basis, in the annual report of the State Bar's receipts and expenditures required pursuant to Section 6145. To ensure that awards made by the Legal Services Trust Fund Commission are consistent with statute, rules, and other governing authority, the State Bar shall develop a program to audit a representative sample of grant awards each year. The results of the most recent audit shall be included with the report of receipt of funds described in this subdivision.

Per the terms of the contract with EY, upon conclusion of the work, EY provided the State Bar with a "white paper" which described the process that was developed and the results of the review. This document summarizes the process and results based on the "white paper."

Process

EY assisted with developing a three-phase approach that leveraged the State Bar's existing compliance processes: (1) a risk assessment phase, (2) a monitoring of subrecipients phase, and (3) subrecipient selection process.

Phase 1 – Risk Assessment

EY was contracted to assist with developing a protocol to assess a representative sample of grant awards to monitor compliance of the eight grant types awarded by LSTFC with applicable statutes, rules and other governing authorities. Tasks for this phase included the following:

- Develop the calendar of monitoring procedures
- Communications planning
- Risk-assessment development
- Monitoring protocol development

After the planning stage was agreed upon, a risk assessment was disseminated to existing State Bar grant subrecipients to evaluate their current policies and procedures.

Phase 2 – Subrecipient Monitoring

Of the 110 organizations that participated in the risk assessment, a representative sample of subrecipients was selected for the monitoring phase. This selection was based on the total risk score for each subrecipient, the risk ranking, materiality, and the State Bar's existing calendar of self-monitoring subrecipients.

Based on the number of grants and the time considerations it takes to monitor each grant, and the State Bar's internal monitoring schedule, EY selected 22 organizations to evaluate the grant making process.

The selected organizations were subsequently notified of additional monitoring requirements and were provided with a request for further documentation to be submitted. The additional grant information included the grant agreement, grant application, submitted reports, and ledger of expenditures. From this initial collection of the documents, additional supporting documentation from the ledger of expenditures was requested to further sample. Upon receipt of supporting documentation, EY evaluated the following areas:

- Submission compliance
- Grant applicant eligibility and alignment
- Implementation and management
- Monitoring and evaluation
- Expenditures and activities
- Project budget
- Reporting
- Sub-granting
- Miscellaneous grant-specific

Phase 3 – Subrecipient Selection Process

The organizations selected in Phase 2 of the monitoring process underwent further evaluation in Phase 3, where the eligibility of each organization for subrecipient grant funding was evaluated. This phase involved a comprehensive analysis of the grant applications, grant agreements, and other relevant supporting documents to assess the LSTFC's level of adherence to grant approval criteria and funding procedures. Key aspects of this evaluation framework included verifying that the cumulative initial grant awards were within the allocated budget, confirming the eligibility of subrecipients, and validating that subrecipients self-certified their compliance with prior grant fund usage as per the grant agreement(s). Supporting documentation was required to verify this self-certification.

Moreover, it was assessed whether awards were made according to grant formulas and if applications were submitted timely. In cases of late submissions, proactive steps were taken to follow up with the subrecipients, maintaining the integrity of the process. Before finalizing the

awards, any outstanding issues were addressed and resolved, ensuring a transparent and accountable grant-funding process. The supporting documentation was utilized to evaluate the following:

- Submission compliance
- Grant applicant eligibility and alignment
- Expenditure reporting
- Grant scoring
- Unresolved issues

Summary

Based on the information included in the “white paper” the State Bar has concluded that the 2022 grant awards made by the LSTFC were consistent with statute, rules, and other governing authorities.



The State Bar *of California*

2023-2024 Legal Services Trust Fund Commission Grant Awards Report

Pursuant to Business and Professions Code sections 6210.5(g)

May 31, 2025

Independent Accountant's Report

To the Board of Trustees
State Bar of California

We have performed the procedures enumerated below on the 2023 and 2024 grant awards made by the Legal Services Trust Fund Commission ("Commission") of the State Bar of California ("State Bar"). The Commission is responsible for compliance with California Business and Professions Code §6210.5.

The State Bar has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of verifying compliance with California Business and Professions Code §6210.5 for the 2023 and 2024 grant awards. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures and the associated findings are included in attachment A.

We were engaged by the State Bar to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the AICPA. We were not engaged to and did not conduct an examination or review engagement, the objective of which would be the expression of an opinion or conclusion, respectively, on the Commission's compliance with California Business and Professions Code §6210.5 for the 2023 and 2024 grant awards. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the State Bar and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the State Bar, and is not intended to be, and should not be, used by anyone other than these specified parties.



Walnut Creek, California
January 9, 2025

**Attachment A –
Agreed-upon Procedures and Associated Findings**

For Interest on Lawyers' Trust Accounts (IOLTA) grants and IOLTA-Formula Equal Access Fund (EAF) grants:

1. For each grant year, obtain a list of the 2023 and 2024 grant applications and select a sample of 10 percent of the grant applications¹ to confirm eligibility or ineligibility by verifying whether:
 - a. The grant application was submitted by the due date;
 - b. The grant applicant met the primary purpose of a qualified legal services projects (QLSP) or support center (SC) as specified in the respective eligibility guidelines;
 - c. The grant applicant submitted financial audits by May 1 of the application year to confirm qualified expenditures in the prior year. Organizations with gross expenditures of less than \$500,000 may submit a financial review in lieu of an audit.
 - d. If ineligibility was recommended for reasons other than the above, review documentation to confirm the reason(s) for ineligibility was supported by the grant application.

Finding: The following table summarizes the number of samples selected for testing. Samples were selected randomly. No exceptions were found as a result of applying the procedure.

Grants	Grant Year	Number of Applications	Number of Samples
1. 2023 EAF-IOLTA	2023	103	11
2. 2023 IOLTA	2023	103	11
3. 2024 EAF-IOLTA	2024	110	11
4. 2024 IOLTA	2024	110	11

2. For each grant year, obtain the calculation of the recommended award allocations and:
 - a. Verify the accuracy of the information used against the grant applications;
 - b. Determine mathematical accuracy of the calculation; and
 - c. Match the calculated amounts to the recommendation to the Commission.

Finding: No exceptions were found as a result of applying the procedure.

3. Verify that recommendations for grant awards were presented to the Commission for review and final determination by reviewing the Commission meeting minutes or other approval documents.

Finding: No exceptions were found as a result of applying the procedure.

For the pro bono allocation of IOLTA grants and IOLTA-Formula Equal Access Fund grants:

1. Obtain the list of grantees for the 2023 and 2024 audit cycles.

Finding: The following table summarizes the number of samples selected for testing. Samples were selected randomly. No exceptions were found as a result of applying the procedure.

Grants	Grant Year	Number of Applications	Number of Samples
1. Pro bono allocation	2023	18	2
2. Pro bono allocation	2024	18	2

¹ IOLTA and EAF grant funds utilize the same applications.

**Attachment A –
Agreed-upon Procedures and Associated Findings**

2. For a sample of 10 percent of the grantees, determine the grantees meet the Legal Services Projects Eligibility Guidelines by reviewing documentation to determine:
 - a. The grantee met guideline 2.6.3.1 to have recruited substantial numbers of attorneys in private practice who served without compensation.
 - b. The grantee met guideline 2.9.2 to have utilized private attorneys as its principal means of providing legal services.

Finding: No exceptions were found as a result of applying the procedure.

3. For grantees who demonstrated compliance with guideline 2.9.2 using the third method (narrative explanation), verify approval was obtained from the Commission.

Finding: No exceptions were found as a result of applying the procedure.

For grants awarded based on competitive proposals,

1. For each competitive grant, obtain a list of grants in the 2023 and 2024 audit periods and select a sample of 10 percent² of grant proposals to confirm eligibility by verifying whether:
 - a. The grant request for proposals (RFP) specified the eligibility and scoring criteria.
 - b. The grant proposal was submitted by the due date;
 - c. The grant proposer met the primary purpose of a qualified legal services projects (QLSP) or support center (SC) as specified in the respective eligibility guidelines;
 - d. Review the RFP of the grant to verify grant proposal met the specific eligibility requirements for the grant.
 - e. For the same samples selected in step 3, review the Commission's scoring documents to verify grant proposals were evaluated using the scoring criteria specified in the grant request for proposals.
 - f. Verify that recommendations for grant awards were presented to the Commission for review and final determination by reviewing the Commission meeting minutes or other approval documents.

Finding: The following table summarizes the numbers of grantees and samples selected for each grant. No exceptions were found as a result of applying the procedure.

Competitive Grants	Grant Year(s)	Commission Audit Year	Number of Grantees	Number of Samples
1. Homelessness Prevention 2 Formula (Reallocation)	2023	2023	32	3
2. 2023 Partnership	2023	2023	31	3
3. CARE Court Cohort 1	2023-2024	2023	11	2
4. CARE Court Planning Grants	2023	2023	18	2
5. Consumer Debt	2023-2025	2023	20	2
6. Homelessness Prevention 4	2023-2024	2023	46	5

² At least one sample was selected for each competitive grant.

**Attachment A –
Agreed-upon Procedures and Associated Findings**

Competitive Grants	Grant Year(s)	Commission Audit Year	Number of Grantees	Number of Samples
7. Homelessness Prevention 4 Supplemental	2023-2024	2023	17	2
8. Law School Summer Fellowships	2023	2023	38	4
9. 2024 Partnership	2024	2024	37	4
10. Bank Grants	2024-2025	2024	10	1
11. California Housing Finance Agency (CalHFA) Reallocation #1	2024-2025	2024	4	1
12. Homelessness Prevention 3 Formula (Reallocation)	2024	2024	46	5
13. Homelessness Prevention 3 RFP (Reallocation)	2024	2024	11	1
14. Legal Aid Leaders Fellowship	2024	2024	34	4