

Attorney Services Fund Annual Report  
2008



THE SUPREME COURT *of* OHIO





ANNUAL REPORT OF  
**THE SUPREME COURT *of* OHIO**  
ATTORNEY SERVICES FUND

Summary of Activity for Fiscal Year 2008  
And Report on Allocations for Fiscal Year 2009

OCTOBER 2008



PRESENTED TO:

**THOMAS J. MOYER**

CHIEF JUSTICE

**PAUL E. PFEIFER**

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**MAUREEN O'CONNOR**

**TERRENCE O'DONNELL**

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JUSTICES

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ATTORNEY SERVICES COORDINATOR

**SHEILA WOODS**  
ATTORNEY SERVICES SPECIALIST

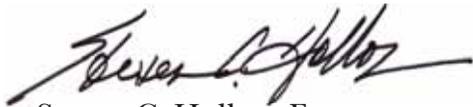
# THE SUPREME COURT *of* OHIO

To: Chief Justice Thomas J. Moyer and Justices  
Members of the Ohio Bar  
Members of the Public

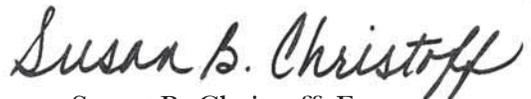
This Annual Report on the Attorney Services Fund provides a summary of the activity of the Attorney Services Fund for Fiscal Year 2008 (July 1, 2007 – June 30, 2008), and sets out budget allocations from the Fund as approved by the Court for Fiscal Year 2009 (July 1, 2008 – June 30, 2009).

The report includes a review of the Fund's balance and projections, audit information, and investment policy. This information is provided for informational purposes only and is not to be considered a final or complete audit or financial statement of Fund activity during the period covered in the report. The Auditor of State conducts an audit of the Fund as part of the regular biennial audit of the Supreme Court of Ohio.

Respectfully submitted,



Steven C. Hollon, Esq.  
Administrative Director



Susan B. Christoff, Esq.  
Director of Attorney Services



## **I. ATTORNEY SERVICES FUND; REGISTRATION REQUIREMENTS AND FEES**

Article IV of the Ohio Constitution vests plenary authority with the Supreme Court of Ohio to regulate all aspects of the practice of law in Ohio, including the discipline of persons admitted to the practice of law. In furtherance of this responsibility and in order to maintain an independent and self-funded regulatory system, the Supreme Court assesses and collects various fees and other moneys pursuant to the Supreme Court Rules for the Government of the Bar of Ohio. All moneys collected pursuant to those rules, other than those related to the bar admissions process, are deposited in the Attorney Services Fund (“Fund”).

### **BIENNIAL REGISTRATION REQUIREMENTS AND FEES**

Rule VI of the Supreme Court Rules for the Government of the Bar of Ohio (Gov. Bar R. VI) imposes a biennial registration requirement on each attorney practicing law in the state of Ohio. Each attorney licensed to practice law in the state, except for attorneys who are on inactive or retired status, and each non-Ohio attorney registered for corporate status must register with the Court on or before the first day of September in each odd-numbered year. Each active attorney and each non-Ohio attorney registered for corporate status is required to pay a \$350 registration fee at the time of his or her biennial registration. Registration fees are reduced or waived for attorneys who are admitted to practice in the second year of the registration biennium.

The Supreme Court imposes monetary sanctions on attorneys who fail to register timely with the Court. Gov. Bar R. VI imposes a late registration fee of \$50 on any attorney who fails to register with the Court prior to or within 90 days of the due date for the registration. An attorney who remains unregistered more than 90 days after the due date is summarily suspended from the practice of law and must register, pay all outstanding registration fees, and pay a \$300 reinstatement fee in order to be reinstated to the practice of law.

### **ATTORNEY SERVICES FUND**

All registration, late registration, and reinstatement fees are paid into the Fund. The Fund also receives revenue from a variety of other sources pursuant to the Rules for the Government of the Bar, including cost reimbursements from disciplined attorneys, civil penalties and costs assessed against persons who are found to have engaged in the unauthorized practice of law, and income from the investment of moneys deposited in the Fund. Pursuant to Gov. Bar R. VI, Section 7(A), the moneys in the Fund are used for the following purposes: (1) to fund the disciplinary process; (2) to support the activities of the Clients’ Security Fund, the Commission on Continuing Legal Education, and the Board on the Unauthorized Practice of Law; (3) to fund any activity considered necessary by the Supreme Court for the government of the bar and the judiciary of Ohio; and (4) to fund any activities related to the administration of justice.

Schedule 1 of this Report contains a summary of Fund expenditures for Fiscal Years 2007 and 2008 and allocations for Fiscal Year 2009.<sup>1</sup>

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<sup>1</sup> Schedule 1 includes figures for Fiscal Year 2008 allocations that are adjusted from those contained in the 2007 Attorney Registration Fund Annual Report. The adjustments reflect budget reallocations that were made during Fiscal Year 2008.

## **II. SUMMARY OF FUND ACTIVITY IN FISCAL YEAR 2008**

In Fiscal Year 2008, \$7,444,441 was expended from the Attorney Services Fund.

### **DISCIPLINARY-RELATED EXPENSES**

In Fiscal Year 2008, \$4,777,953 (64.18%) of total Fund expenditures was used to fund the disciplinary process established by the Court in Gov. Bar R. V. Of this amount, \$2,287,741 was expended by the Office of Disciplinary Counsel, which accounts for the entire operational budget of that office. A total of \$816,717 was expended by the Board of Commissioners on Grievances and Discipline to fund the operation of the Board. An additional \$1,639,159 was expended by the Board to reimburse local bar association certified grievance committees for disciplinary-related activities. The Supreme Court Reporter of Decisions expended \$34,336 to publish legal notices in newspapers of general circulation upon the Court's issuance of a disciplinary order, as required by Gov. Bar R. V, Section 8(D)(2).

### **CLIENTS' SECURITY FUND**

Since 1985, the Supreme Court has allocated moneys from the Attorney Services Fund to compensate clients who are victims of theft, embezzlement, or misappropriation by dishonest attorneys. The Clients' Security Fund is established in Gov. Bar R. VIII and is administered by an independent Board of Commissioners appointed by the Court. By rule, the Board may award a client up to \$75,000 to reimburse the client for financial losses incurred as a result of the misconduct of the client's attorney. In Fiscal Year 2008, \$328,236 was expended by the Board of Commissioners of the Clients' Security Fund for its operation. In addition, the Supreme Court allocated \$750,000 to the Clients' Security Fund Trust Fund to replenish that fund. Together, these amounts represent 14.48% of Attorney Services Fund expenditures.

In Fiscal Year 2008, the Board expended a total of \$743,931 from the Trust Fund to reimburse 117 eligible claimants. As of June 30, 2008 there were 301 claims pending representing a potential liability to the Fund of \$3,693,867. For more information regarding claims against the Clients' Security Fund, see the most recent annual report prepared by the Board of Commissioners of the Clients' Security Fund available on the Supreme Court's Web site at: [www.sconet.state.oh.us/client\\_security/default.asp](http://www.sconet.state.oh.us/client_security/default.asp).

### **ATTORNEY SERVICES ADMINISTRATION**

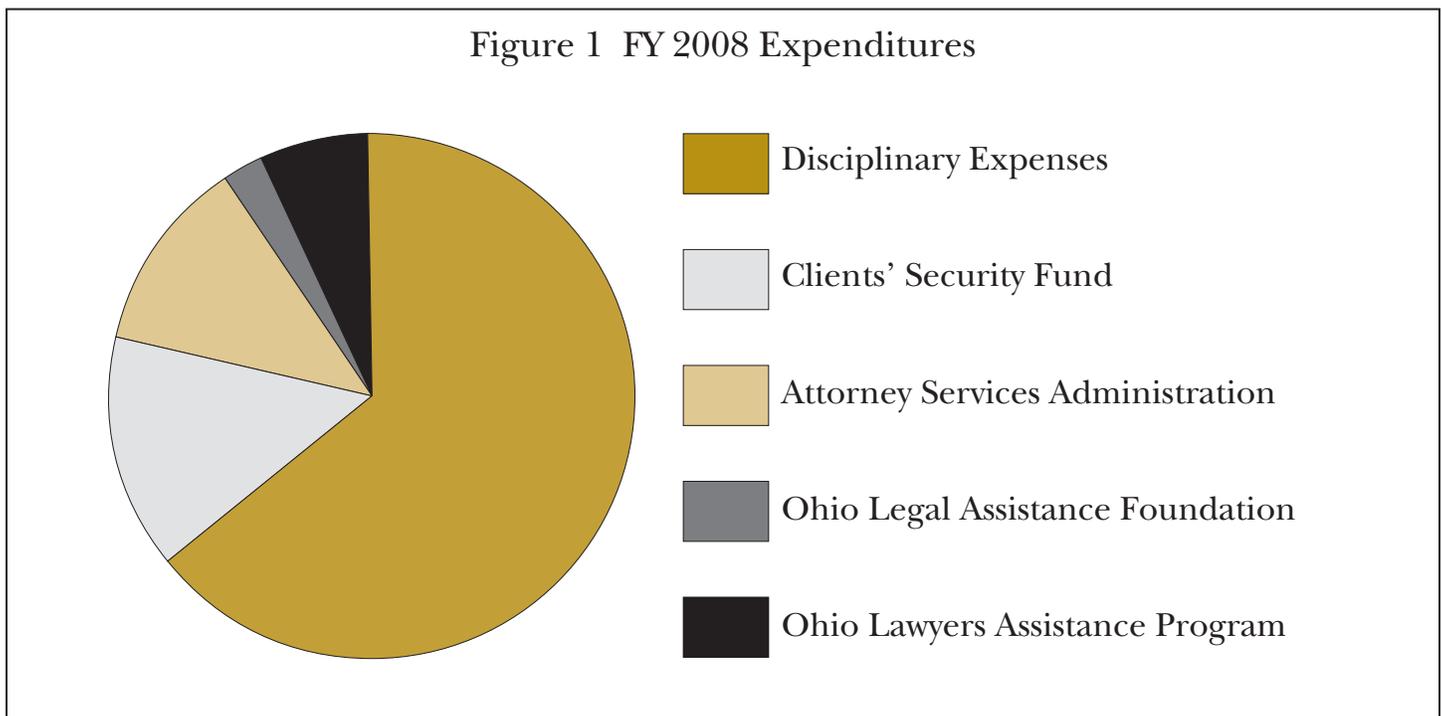
The Attorney Services Division of the Supreme Court is responsible for delivering services to Ohio attorneys and assisting the Court in the exercise of its constitutional responsibility to regulate the practice of law in Ohio. A total of \$888,252 was expended for the Attorney Services Division in Fiscal Year 2008. These moneys, which represent 11.93% of total Fund expenditures, supported the Office of Attorney Services (\$727,527), the Commission on Certification of Attorneys as Specialists (\$10,972), the Commission on Professionalism (\$67,772), and the Board on the Unauthorized Practice of Law (\$81,981).

## DISCRETIONARY GRANTS

The remaining \$700,000 in expenditures from the Fund represented grants to two nonprofit organizations that assist the Supreme Court in providing oversight of the Ohio bench and bar and in the administration of justice. In fiscal year 2008, the Court awarded grants of \$200,000 to the Ohio Legal Assistance Foundation and \$500,000 to the Ohio Lawyers Assistance Program. These grants represent 2.69% and 6.72%, respectively, of the expenditures from the Fund.

The Ohio Legal Assistance Foundation (“Foundation”) is established pursuant to statutory authority and has, as its primary responsibility, the duty of administering and allocating various funds for Ohio’s legal aid programs. These programs provide direct civil legal assistance to low income Ohioans who qualify for services. The moneys contributed from the Fund to the Foundation are used for pro bono development and enhancement, technology enhancement and support, and performance assessments of legal aid programs.

The Ohio Lawyers Assistance Program (“Program”) provides intervention and monitoring assistance to Ohio lawyers, judges, and law students who are suffering from alcoholism, substance abuse, or mental illness. In addition to moneys allocated from the Fund, the Program receives contributions from the Ohio State Bar Association, the Ohio Bar Liability Insurance Company, and other entities.



## **FUND INCOME AND BALANCE**

The Fund realized income of \$16,399,658 in Fiscal Year 2008 from the following sources: (1) biennial registration fees, including late fees and reinstatement fees, and fees collected pursuant to Gov. Bar R. XIV (“Certification of Attorneys as Specialists”) (\$15,184,175); (2) reimbursement of costs (\$186,128); (3) investment income (\$174,129); and (4) other sources, including transfer of CLE cash balance and CLE revenue (\$855,226)<sup>2</sup>. The Fund had an estimated average monthly cash and investment balance of \$12,577,973.

## **III. REPORT ON ALLOCATIONS FOR FISCAL YEAR 2009**

The Supreme Court allocated \$7,656,268 from the Fund for the fiscal year beginning July 1, 2008. The allocations are made to 10 entities representing 13 separate funds or activities.

### **DISCIPLINARY-RELATED EXPENSES**

The Court allocated \$5,084,838 (66.41% of total Fund allocations) to support the operation of the disciplinary process. This figure includes separate allocations of \$2,495,181 to fund the Office of Disciplinary Counsel, \$938,657 to fund the operation of the Board of Commissioners on Grievances and Discipline, \$1,620,000 to reimburse certified local grievance committees for their work in investigating and prosecuting disciplinary matters, and \$31,000 to the Reporter of Decisions for publication of disciplinary orders issued by the Supreme Court.

### **CLIENTS’ SECURITY FUND**

The operation of the Clients’ Security Fund is funded by an allocation of \$357,281. An additional \$250,000 is allocated to replenish that entity’s Trust Fund and ensure a sufficient fund balance. These allocations represent 7.93% of the total Fund allocations.

### **ATTORNEY SERVICES ADMINISTRATION**

A total of \$1,109,149 (14.49% of total Fund allocations) was allocated to fund the activities of the Attorney Services Division of the Supreme Court. This allocation includes: (1) \$702,251 to the Office of Attorney Services<sup>3</sup>; (2) \$288,841 to the Board on the Unauthorized Practice of Law to reimburse bar associations for costs incurred in investigating and prosecuting allegations of the unauthorized practice of law and \$26,500 to support the operation of the Board; (3) \$62,700 to support the activities of the Commission on Professionalism; and (4) \$28,857 to support the activities of the Commission on Certification of Attorneys as Specialists.

### **DISCRETIONARY GRANTS**

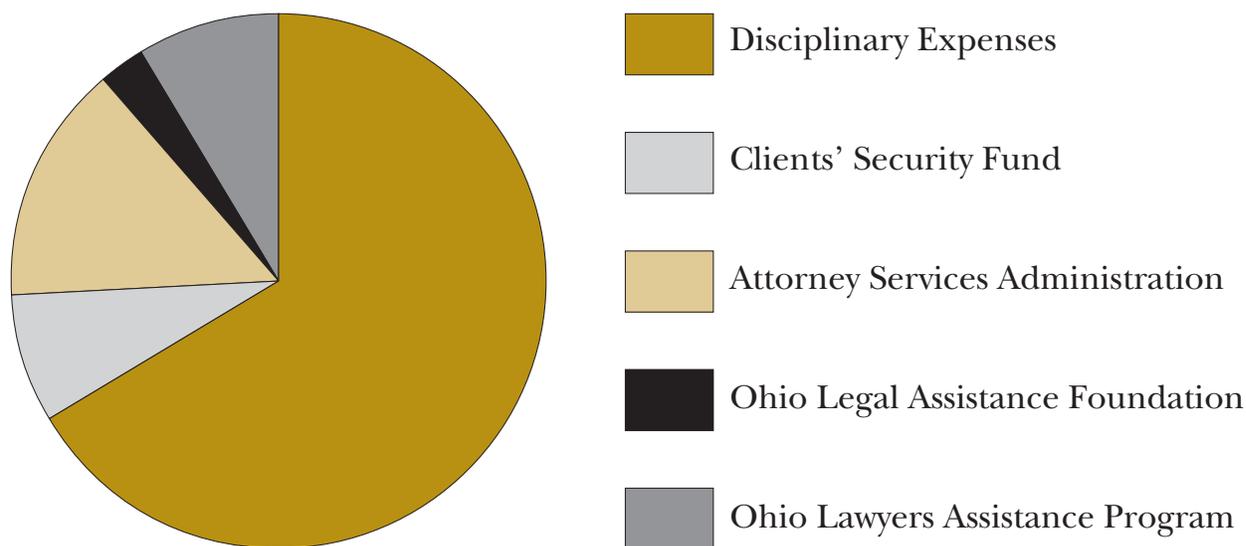
The Court approved a grant of \$200,000 to the Ohio Legal Assistance Foundation for its work in supporting the delivery of civil legal services to indigent persons. The Court also awarded a grant of \$655,000 to the Ohio Lawyers Assistance Program for alcohol, substance abuse, and mental health intervention programs. Together, these grants represent 2.61% and 8.56%, respectively, of the Fund allocations for Fiscal Year 2009.

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<sup>2</sup> \$476,233 was a cash transfer of ending CLE cash balance when CLE was merged into the Fund.

<sup>3</sup> The figure includes the allocation for attorney registration and continuing legal education operations. The figure excludes allocations from the Fund to other offices in the Office of Attorney Services, such as the Board on the Unauthorized Practice of Law, the Commission on Professionalism, and the Commission on Certification of Attorneys as Specialists, which are given separate allocations.

Figure 2 FY 2009 Allocations



#### IV. FUND BALANCE AND PROJECTIONS

On June 30, 2008, the Fund had a balance of \$11,622,572. In Fiscal Year 2009, the Fund is projected to realize income of \$610,260 (including fees, reimbursements, and interest income) and expend an estimated \$7,656,268. On June 30, 2009, the Fund will have an estimated balance of \$4,576,564.

#### V. AUDIT

As noted previously, the Auditor of State conducts a complete audit of the Fund on a biennial basis. The audit of the Fund occurs at the same time as the audit of other funds that are appropriated to, or collected by, the Supreme Court. The most recent audit of the Court was for the two years ending June 30, 2008. No material noncompliance or weakness in internal controls was reported involving any funds of the Court, including the Fund.

The next audit of the Fund will cover the two years from July 1, 2008 through June 30, 2010. The Auditor of State has not scheduled the audit as of the date of this report.

#### VI. INVESTMENT POLICY

Attorney registration fees are deposited directly into a bank lockbox maintained by U.S. Bank where they are invested in financial instruments. U.S. Bank was selected to maintain the Fund's lockbox through a competitive bid process for moneys deposited and collected in FY 2008 and 2009.

The Fund's moneys are managed in a conservative, risk-adverse manner through investments made in compliance with the Uniform Depository Act, as set forth in Ohio Revised Code Chapter 135, and amended by the Investment Reform Act of 1996. These and other state and federal laws require that the Fund's moneys not be placed at risk in the marketplace through investments in derivatives, reverse purchase agreements, or any method of leveraging. The Fund's investments primarily are in federal money market accounts and other United States government obligations, such as treasury bills, notes, and bonds.

## **VII. SUMMARY**

The Attorney Services Fund allows the Supreme Court to maintain an effective and efficient system for regulating all post-admission aspects of the practice of law, consistent with its responsibility under the Ohio Constitution. The Fund also provides important financial resources to organizations that aid in the provision of legal services to the poor and assist lawyers who are suffering from alcoholism, substance abuse, or mental illness. All activities supported by the Fund are invaluable in ensuring the public's continued trust and confidence in Ohio's legal system.

The Fund is in a solid financial position and it is expected to maintain that position throughout Fiscal Year 2009.

## **VIII. COMMENTS AND INQUIRIES**

Any comments and inquiries regarding this report or the Fund may be directed to Steven C. Hollon, Administrative Director, or Susan B. Christoff, Director of Attorney Services, Supreme Court of Ohio, 65 South Front Street, Columbus, Ohio 43215-3431.

**SCHEDULE 1**

	FY 2007 Expenditures	FY 2008 Allocations	FY 2008 Expenditures	% of FY 2008 Allocations Expended	FY 2009 Allocations	% of Total FY 2009 Allocations
<b>Office, Board, Commission</b>						
<b>Office of Disciplinary Counsel</b>						
-Operations Budget (Total)	\$2,126,118	\$2,335,697	\$2,287,741	97.95%	\$2,495,181	32.59%
<b>Board of Commissioners on Grievances and Discipline</b>						
-Operations Budget (Total)	\$778,426	\$915,306	\$816,717	89.23%	\$938,657	12.26%
-Reimbursement of Certified Local Grievance Committees	\$1,596,102	\$1,639,160	\$1,639,159	100.00%	\$1,620,000	21.16%
<b>Clients Security Fund</b>						
-Operations Budget (Total)	\$316,688	\$371,011	\$328,236	88.47%	\$357,281	4.67%
-Trust Fund	\$1,200,000	\$750,000	\$750,000	100.00%	\$250,000	3.27%
<b>Office of Reporter of Decisions</b>						
-Publication of Legal Notice in Discipline Cases	\$28,984	\$34,336	\$34,336	100.00%	\$31,000	0.40%
<b>Office of Attorney Services</b>						
-Operations Budget (Total)	\$241,622	\$941,614	\$727,527	77.26%	\$702,251	9.17%
<b>Board on the Unauthorized Practice of Law</b>						
-Operations Budget (Total)*	\$99,336	\$0	\$9,112	n/a	\$26,500	0.35%
-Reimbursement of Expenses	\$104,050	\$160,000	\$72,869	45.54%	\$288,841	3.77%
<b>Commission on Professionalism</b>						
-Operations Budget (Total)	\$80,743	\$122,046	\$67,772	55.53%	\$62,700	0.82%
<b>Commission on Certification of Attorneys as Specialists</b>						
-Operations Budget	\$11,604	\$28,016	\$10,972	39.16%	\$28,857	0.38%
<b>Ohio Legal Assistance Foundation</b>						
-Grant	\$400,000	\$200,000	\$200,000	100.00%	\$200,000	2.61%
<b>Ohio Lawyers Assistance Program</b>						
-Grant	\$500,000	\$500,000	\$500,000	100.00%	\$655,000	8.56%
<b>TOTAL</b>	<b>\$7,483,673</b>	<b>\$7,997,186</b>	<b>\$7,444,441</b>	<b>93.09%</b>	<b>\$7,656,268</b>	<b>100%</b>

\*The inclusion of \$9,112 in operating expenses reflects the transfer of these expenses from the General Revenue Fund to the Attorney Services Fund.



# THE SUPREME COURT *of* OHIO

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65 South Front Street Columbus, Ohio 43215-3431