

MCILS

**March 29, 2022
Commissioner's Meeting
Packet**

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

MARCH 29, 2022
COMMISSION MEETING
AGENDA

- 1) Approval of the February 28 and March 4, 2022 Commission Meeting Minutes
- 2) Report of the Executive Director
 - a. Operations Report
 - b. Audit management program proposal
 - c. Caseload limits rule proposal
 - d. Case management system update
 - e. Staffing update
- 3) Budget initiatives update
- 4) Legislative update
 - a. LD 1824 (Pilot program for early representation in PC cases)
 - b. LD 1905 (DA/pro se defendant communications)
 - c. LD 1924 (Law School Clinic in Aroostook County)
 - d. LD 1926 (Chapter 301 major substantive rule approval)
 - e. LD 1946 (attorney-client phone recordings)
 - f. LD 1950 (Probate Courts into Judicial Branch)
 - g. LD 2008 (Involuntary substance use disorder treatment)
- 5) Set Date, Time and Location of Next Regular Meeting of the Commission
- 6) Public Comment
- 7) Executive Session

Maine Commission on Indigent Legal Services – Commissioners Meeting
February 28, 2022
Zoom

Minutes

Commissioners Present: Donald Alexander, Meegan Burbank, Michael Carey, Robert Cummins, Matthew Morgan, Ronald Schneider, Joshua Tardy

MCILS Staff Present: Justin Andrus, Ellie Maciag

Agenda Item	Discussion/Outcome
Declaration of Emergency	Chair Tardy cited the increase in COVID infection rates as the emergency requiring remote participation for the meeting.
Approval of the January 25, 2022 Commission Meeting Minutes	No discussion. Commissioner Carey moved to approve. Commissioner Cummins seconded. All voted in favor. Approved.
Executive Session	Commission Carey moved to go into executive session pursuant to 1 MRS section 405(6)(e) to discuss the Commission’s legal rights and duties with counsel concerning pending or contemplated litigation. Commissioner Alexander seconded. No votes were taken.
Report of the Executive Director	Director Andrus relayed that the case numbers have been consistent with last year’s numbers, which were some of the highest numbers seen to date. The surge in cases last summer and early fall and the predicted increase in the overall case count has not materialized. Voucher costs have not fully shifted to the \$80/hr rate so it is anticipated that the Commission will continue to see a rise in average voucher costs. Director Andrus reported that he expects the ACLU to bring an action against the Commission imminently but has not yet seen the pleading. Director Andrus provided a working document to update the Commission on the supervision and training division’s work to date on developing a supervision and evaluation program. Director Andrus solicited feedback on the proposal from both Commissioners

Agenda Item	Discussion/Outcome
	<p>and rostered attorneys and suggested holding a workshop to discuss the proposals in depth. Director Andrus gave a brief update on the hiring efforts for several positions, including the hiring of both the paralegal position and the financial screener position in Bangor. Director Andrus reported that the Judicial Branch informed him that it will no longer submit the Commission's tax offset spreadsheet for delinquent counsel fee payments to the Maine Revenue Service. Director Andrus anticipates the Judicial Branch will also change its procedures regarding bail to be set off only for the case in which bail was posted or for a previous case in which the person was found to be partially indigent and has an outstanding account balance. Director Andrus relayed that staff has received approval from OIT to move forward with a sole source contract for the updated case management system with Justice Works. Director Andrus reported that the centralized LOD program is moving forward and that a standalone phone number has been established for unrepresented defendants to call and that number has been distributed to DA offices and courts throughout the state. It is anticipated that the centralized LOD program will be shifted from current staff to either an internal attorney position or to a contracted attorney once the program is finalized. Director Andrus alerted the Commission that staff had received a request to pay for retained appellate counsel services in a criminal State's appeal pursuant to 15 MRSA 2115-A(3) and noted that such payment would be in conflict with the Commission's enabling statute. Commissioner Carey and Chair Tardy suggested requesting the Legislature remove that language from the State's Appeals provision, possibly through an errors and omissions bill.</p>
<p>Chair Tardy Motion/Resolve regarding Executive Director Authority</p>	<p>Chair Tardy proposed that the Commission grant authority to the Executive Director to represent the Commission before legislative panels, subject to the statutory mission of the Commission and consistent with the specific votes of the Commission on policy determinations. A discussion ensued which ultimately resulted in no consensus by the group. Director Andrus indicated that he would continue his practice of participating in legislative hearings by presenting the staff's position and not the Commission's position unless previously authorized.</p>
<p>Budget Initiatives</p>	<p>Director Andrus outlined staff budget initiatives for Commission consideration, including a 5-attorney flying squad to be dispatched to places in need of counsel such as Aroostook or Washington counties; an increase to the training budget to provide for high quality training at no cost for assigned counsel; funding for contracts to provide specialized services including mitigation/diversion, appellate</p>

Agenda Item	Discussion/Outcome
	casework and resource development, training/mentorship for new associates, and field supervision. Commissioner Carey moved to authorize the executive director to advocate for alternative budget initiatives, including Commission employed defenders, a training budget, funds for online legal research for attorneys and further funds for supervisory and mentorship programs and respond to legislative requests accordingly. Commissioner Alexander seconded. All voted in favor.
Legislative Update	Director Andrus gave a brief update on the pending bills in the Legislature relating to indigent legal services. Director Andrus sought Commission support for LD 1946, the bill to ensure constitutionally adequate contact with counsel, a bill that Director Andrus drafted. Commissioner Alexander moved for the Commission to support the executive director in his efforts to ensure the constitutional right to counsel and access to counsel. Commissioner Carey seconded. All voted in favor.
Public Comment	<p><u>Cory McKenna, Esq.</u> Attorney McKenna requested Commission meetings not be held during court time so rostered attorneys have more availability to attend. Attorney McKenna suggested the Commission solicit feedback from rostered attorneys on any proposed changes to the supervision plan before implementation. Attorney McKenna raised a concern about client confidences and disclosing trial strategy that might be required in the proposed supervision changes.</p> <p><u>Seth Berner, Esq.</u> Attorney Berner reiterated Attorney McKenna’s request for a later meeting time to accommodate rostered attorney schedules. Attorney Berner contended that experienced attorneys do not need the level of supervision suggested in the proposal.</p> <p><u>Andrew Edwards, Esq.</u> Attorney Edwards expressed concerns about the supervision proposal and believes that is it overly intrusive for experienced attorneys.</p> <p><u>Neil Prendergast, Esq.</u> Attorney Prendergast questioned whether the supervision proposal could be workable in Aroostook County due to the lack of attorneys in the area that could serve in the supervisory role. Attorney Prendergast cautioned that it would draw down on the attorneys available to do trial work in that area.</p>

Agenda Item	Discussion/Outcome
	<p data-bbox="520 269 1766 339"><u>John Tebbetts, Esq.</u> Attorney Tebbetts expressed concerns about the supervision proposal and the possible impact on attorney-client relationships and confidences.</p> <p data-bbox="520 380 1829 485"><u>Erin O'Reilly-Jakan, Esq.</u> Attorney O'Reilly-Jakan suggested the Commission consider other types of PC hearings to count towards specialized panel requirements, and not only Jeopardy and Termination hearings.</p> <p data-bbox="520 526 1835 667"><u>Jeff Davidson, Esq.</u> Attorney Davidson believes that the proposed supervision structure will create and employer-employee relationship for tax purposes. Attorney Davidson cautioned the Commission from adopting the proposed supervision structure since many experienced practitioners will not participate in the program any longer if such a proposal is adopted.</p> <p data-bbox="520 708 1709 777"><u>Darrick Banda, Esq.</u> Attorney Banda agreed with Attorney Davidson's comments, urging the Commission to not move forward with any of the supervision proposals.</p> <p data-bbox="520 818 1801 924"><u>Robert Ruffner, Esq.</u> Attorney Ruffner urged the Commission to express to the Legislature what an accurate reflection of the probate numbers and cost. Attorney Ruffner also urged the Commission to adopt a supervision structure that is not needlessly difficult to transition to that system.</p> <p data-bbox="520 964 1818 1070"><u>Jeffrey Wilson, Esq.</u> Attorney Wilson echoed the concerns of previous commenters and added that he has concerns particularly with subsection C in the supervision and evaluation proposal. Attorney Wilson also questioned how the evaluation materials will be used.</p> <p data-bbox="520 1110 1803 1252"><u>Taylor Kilgore, Esq.</u> Attorney Kilgore cautioned that it will be difficult for busy practitioners to find time to meet with supervising counsel under the draft proposal. Attorney Kilgore suggested making the Commission meetings more convenient to attend to increase the ability of the Commission to receive valuable input from rostered counsel about reform efforts.</p>
Adjournment of meeting	The next meeting will be held on Tuesday, March 29 at 1 pm via Zoom.

**Maine Commission on Indigent Legal Services – Commissioners Meeting
March 4, 2022
Zoom**

Minutes

Commissioners Present: Donald Alexander, Michael Carey, Robert Cummins, Roger Katz, Matthew Morgan, Ronald Schneider, Joshua Tardy

MCILS Staff Present: Justin Andrus, Ellie Maciag

Agenda Item	Discussion/Outcome
Declaration of Emergency	Chair Tardy cited the increase in COVID infection rates as the emergency requiring remote participation for the meeting.
Executive Session	Commission Carey moved to go into executive session pursuant to 1 MRS section 405(6)(e) for consultation with legal counsel. Commissioner Alexander seconded. No votes were taken.
Adjournment of meeting	The next meeting will be held on Tuesday, March 29 at 1:00 pm via Zoom.

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

TO: MCILS COMMISSIONERS

FROM: JUSTIN ANDRUS, EXECUTIVE DIRECTOR

SUBJECT: OPERATIONS REPORTS

DATE: March 25, 2022

Attached you will find the February 2022, Operations Reports for your review and our discussion at the Commission meeting on March 29, 2022. A summary of the operations reports follows:

- 3,379 new cases were opened in the DefenderData system in February. This was a 1,005 case increase from January. Year to date, new cases are up by approximately 8.5% from 18,650 at this time last year to 20,238 this year.
- The number of vouchers submitted electronically in February was 2,930, an increase of 55 vouchers from January, totaling \$1,634,544, a decrease of \$61,021 from January. Year to date, the number of submitted vouchers is up by approximately 8.7%, from 19,762 at this time last year to 21,487 this year, with the total amount for submitted vouchers up approximately 32.8%, from \$8,933,176 at this time last year to \$11,866,180 this year.
- In February, we paid 2,698 electronic vouchers totaling \$1,599,049, representing an increase of 19 vouchers and an increase of \$69,070 compared to January. Year to date, the number of paid vouchers is up approximately 6.0%, from 19,169 at this time last year to 20,347 this year, and the total amount paid is up approximately 30.4%, from \$8,648,299 this time last year to \$11,283,154 this year.
- We paid no paper vouchers in February.
- The average price per voucher in February was \$592.68 up \$21.58 per voucher from January. Year to date, the average price per voucher is up approximately 22.9%, from \$451.16 at this time last year to \$554.54 this year.
- Post-Conviction Review and Appeal cases had the highest average voucher in February. There were 13 vouchers exceeding \$5,000 paid in February. See attached addendum for details.
- In February, we issued 68 authorizations to expend funds: 29 for private investigators, 28 for experts, and 11 for miscellaneous services such as interpreters and transcriptionists. In February, we paid \$50,899 for experts and investigators, etc. No requests for funds were denied.
- In February, we opened 4 attorney investigations and there was 1 attorney suspension.

- In our All Other Account, the total expenses for the month of February were \$1,669,756. During February, approximately \$19,807 was devoted to the Commission's operating expenses.
- In the Personal Services Accounts, we had \$95,006 in expenses for the month of February.
- In the Revenue Account, the transfer from the Judicial Branch for February reflecting January's collections, totaled \$81,368.
- Exceptional results:
 - Attorney Seth Harrow, jury trial, not guilty verdict on an OUI
 - Attorney Seth Levy, jury trial, not guilty verdict on an OUI
 - Attorney Jeffrey Toothaker, jury trial, not guilty verdict, DV Assault
 - Attorney Jeffrey Wilson, two jury trials resulting in not guilty verdicts – Class B aggravated assault and Class B tampering with a victim

Vouchers over \$5,000

Comment	Voucher Total	Case Total
Murder	\$ 62,587.71	\$ 62,587.71
Gross Sexual Assault	\$ 17,048.00	\$ 18,260.00
Murder	\$ 15,563.65	\$ 15,563.65
Murder	\$ 8,320.42	\$ 8,320.42
Attempted Murder	\$ 7,695.76	\$ 7,695.76
Termination of Parental Rights	\$ 7,368.56	\$ 7,368.56
Arson	\$ 6,188.00	\$ 6,188.00
Aggravated Trafficking	\$ 6,168.00	\$ 6,168.00
Operate after Habitual Offender Revocation	\$ 5,767.59	\$ 5,767.59
Gross Sexual Assault	\$ 5,358.00	\$ 5,358.00
Termination of Parental Rights	\$ 5,224.00	\$ 20,894.00
Murder	\$ 5,202.00	\$ 5,202.00
Reckless Conduct/Elluding an Officer	\$ 5,034.00	\$ 5,034.00

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

FY22 FUND ACCOUNTING

AS OF 02/28/2022

Account 010 95F Z112 01 (All Other)	Mo.	Q1	Mo.	Q2	Mo.	Q3	Mo.	Q4	FY22 Total
FY22 Professional Services Allotment		\$ 5,153,983.00		\$ 4,940,737.00		\$ 4,940,737.00		\$ 423,013.00	
FY22 General Operations Allotment		\$ 48,000.00		\$ 48,000.00		\$ 48,000.00		\$ 48,000.00	
FY21 Encumbered Balance Forward		\$ 128,745.00		\$ -		\$ -		\$ -	
Budget Order Adjustment		\$ (398,351.00)		\$ 398,351.00		\$ -		\$ -	
Supplemental Budget Allotment		\$ -		\$ -		\$ -		\$ -	
Financial Order Unencumbered Balance Fwd		\$ -		\$ (1,321,857.00)		\$ 1,321,857.00		\$ -	
FY21 Unobligated Carry Forward		\$ 495,733.30		\$ -		\$ -		\$ -	\$ 495,733.30
Total Budget Allotments		\$ 4,803,632.00		\$ 4,065,231.00		\$ 6,310,594.00		\$ 471,013.00	\$ 16,146,203.30
Total Expenses	1	\$ (1,188,459.32)	4	\$ (1,531,646.43)	7	\$ (1,621,155.51)	10	\$ -	
	2	\$ (1,479,685.13)	5	\$ (1,537,062.18)	8	\$ (1,669,756.90)	11	\$ -	
	3	\$ (1,282,898.64)	6	\$ (1,194,029.95)	9	\$ -	12	\$ -	
Encumbrances (Justice Works)		\$ (70,052.50)		\$ 16,885.00		\$ 5,640.00		\$ -	\$ (47,527.50)
Encumbrances (B Taylor)		\$ (13,260.00)		\$ (13,260.00)		\$ 8,840.00		\$ -	\$ (17,680.00)
Encumbrances (CTB for non attorney expenses)		\$ (676,875.82)		\$ 193,882.84		\$ 100,984.78		\$ -	\$ (382,008.20)
Encumbrances (business cards & address stamps)		\$ -		\$ -		\$ (52.00)		\$ -	\$ (52.00)
Encumbrance (Jamesa Drake training contract)		\$ (92,400.00)		\$ -		\$ -		\$ -	\$ (92,400.00)
TOTAL REMAINING		\$ 0.59		\$ 0.28		\$ 3,135,094.37		\$ 471,013.00	\$ 4,101,841.54

Q3 Month 8

INDIGENT LEGAL SERVICES

Counsel Payments	\$ (1,599,049.43)
Interpreters	\$ (1,551.80)
Private Investigators	\$ (9,863.82)
Mental Health Expert	\$ (14,300.00)
Misc Prof Fees & Serv	\$ -
Transcripts	\$ (16,479.32)
Other Expert	\$ (8,140.00)
Process Servers	\$ (533.56)
Subpoena Witness Fees	\$ (31.44)
Out of State Witness Travel	\$ -
SUB-TOTAL ILS	\$ (1,649,949.37)

OPERATING EXPENSES

Service Center	\$ -
DefenderData	\$ -
CLE Registration Fees	\$ (100.00)
Mileage/Tolls/Parking	\$ (608.40)
Mailing/Postage/Freight	\$ (220.87)
West Publishing Corp	\$ (226.80)
Office Equipment Rental	\$ (105.71)
Office Supplies/Equip.	\$ (1,480.40)
Cellular Phones	\$ (178.19)
OIT/TELCO	\$ (5,822.16)
Website Maintenance	\$ (2,225.00)
Barbara Taylor monthly fees	\$ (8,840.00)
Survey Monkey fees	\$ -
Legal Ads	\$ -
AAG Legal Srvcs Quarterly Paym	\$ -
SUB-TOTAL OE	\$ (19,807.53)

TOTAL \$ (1,669,756.90)

INDIGENT LEGAL SERVICES

Q3 Allotment	\$ 6,310,594.00
Q3 Encumbrances for Justice Works contract	\$ 5,640.00
Barbara Taylor Contract	\$ 8,840.00
CTB Encumbrance for non attorney expenses	\$ 100,984.78
Q3 Jamesa Drake training contract	\$ -
Q3 Encumbrances for business cards. rubber stamps, ink	\$ (52.00)
Q3 Expenses to date	\$ (3,290,912.41)
Remaining Q3 Allotment	\$ 3,135,094.37

Non-Counsel Indigent Legal Services

Monthly Total	\$ (50,899.94)
Total Q1	\$ 223,124.18
Total Q2	\$ 193,882.84
Total Q3	\$ 100,984.78
Total Q4	\$ -
Fiscal Year Total	\$ 517,991.80

Conference Account Transactions

NSF Charges	\$ -
Training Facilities & Meals	\$ -
Printing/Binding	\$ -
Overseers of the Bar CLE fee	\$ -
Collected Registration Fees	\$ -
Current Month Total	\$ -

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

FY22 FUND ACCOUNTING

AS OF 02/28/2022

Account 010 95F Z112 01 (Personal Services)	Mo.	Q1	Mo.	Q2	Mo.	Q3	Mo.	Q4	FY20 Total
FY22 Allotment		\$ 285,846.00		\$ 223,990.00		\$ 254,914.00		\$ 162,917.00	\$ 927,667.00
Financial Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Financial Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Budget Order Adjustments		\$ (52,078.00)		\$ 52,078.00		\$ -		\$ -	
Total Budget Allotments		\$ 233,768.00		\$ 276,068.00		\$ 254,914.00		\$ 162,917.00	\$ 927,667.00
Total Expenses	1	\$ (74,728.63)	4	\$ (55,619.74)	7	\$ (76,653.64)	10	\$ -	
	2	\$ (103,991.70)	5	\$ (85,735.69)	8	\$ (57,369.23)	11	\$ -	
	3	\$ (55,046.83)	6	\$ (64,196.13)	9	\$ -	12	\$ -	
TOTAL REMAINING		\$ 0.84		\$ 70,516.44		\$ 120,891.13		\$ 162,917.00	\$ 354,325.41

Q3 Month 8	
Per Diem	\$ -
Salary	\$ (28,410.21)
Vacation Pay	\$ (471.03)
Holiday Pay	\$ (1,707.12)
Sick Pay	\$ (1,070.00)
Empl Hlth SVS/Worker Comp	\$ -
Health Insurance	\$ (7,563.78)
Dental Insurance	\$ (204.40)
Employer Retiree Health	\$ (3,182.38)
Employer Retirement	\$ (2,222.24)
Employer Group Life	\$ (280.56)
Employer Medicare	\$ (478.11)
Retiree Unfunded Liability	\$ (6,319.24)
Longevity Pay	\$ (112.00)
Perm Part Time Full Ben	\$ (2,570.24)
Retro Pay Contract	\$ (707.92)
Unemployment Costs	\$ (2,070.00)
TOTAL	\$ (57,369.23)

MAINE COMMISSION ON INDIGENT LEGAL SERVICES
FY22 FUND ACCOUNTING
AS OF 02/28/2022

Account 014 95F Z112 01 (OSR Personal Services Revenue)	Mo.	Q1	Mo.	Q2	Mo.	Q3	Mo.	Q4	FY20 Total
FY22 Allotment		\$ 127,406.00		\$ 209,674.00		\$ 211,155.00		\$ 160,423.00	\$ 708,658.00
Financial Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Financial Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Budget Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Total Budget Allotments		\$ 127,406.00		\$ 209,674.00		\$ 211,155.00		\$ 160,423.00	\$ 708,658.00
Total Expenses	1	\$ -	4	\$ -	7	\$ (37,604.51)	10	\$ -	
	2	\$ -	5	\$ (28,405.03)	8	\$ (37,636.99)	11	\$ -	
	3	\$ -	6	\$ (35,981.80)	9	\$ -	12	\$ -	
TOTAL REMAINING		\$ 127,406.00		\$ 145,287.17		\$ 135,913.50		\$ 160,423.00	\$ 569,029.67

Q3 Month 8	
Per Diem	\$ -
Salary	\$ (21,780.44)
Vacation Pay	\$ -
Holiday Pay	\$ (1,188.32)
Sick Pay	\$ (797.64)
Empl Hlth SVS/Worker Comp	\$ -
Health Insurance	\$ (4,658.82)
Dental Insurance	\$ (87.60)
Employer Retiree Health	\$ (2,158.00)
Employer Retirement	\$ (2,110.48)
Employer Group Life	\$ (249.48)
Employer Medicare	\$ (321.13)
Retiree Unfunded Liability	\$ (4,285.08)
Longevity Pay	\$ -
Perm Part Time Full Ben	\$ -
Retro Pay Contract	\$ -
Retro Lump Sum Pymt	\$ -
TOTAL	\$ (37,636.99)

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

FY22 FUND ACCOUNTING

As of 02/28/2022

Account 014 95F Z112 01 (Revenue)	Mo.	Q1	Mo.	Q2	Mo.	Q3	Mo.	Q4	FY22 Total
Original Total Budget Allotments		\$ 275,000.00		\$ 275,000.00		\$ 275,000.00		\$ 275,000.00	\$ 1,100,000.00
Financial Order Adjustment		\$ 5,294,080.00		\$ 3,276,305.00		\$ 7,324.00		\$ 7,324.00	\$ 8,585,033.00
Financial Order Adjustment	1	\$ (5,106,953.00)	4	\$ (3,550,675.00)	7	\$ 8,657,628.00	10	\$ -	
Budget Order Adjustment	2	\$ -	5	\$ -	8	\$ -	11	\$ -	
Budget Order Adjustment		\$ -	6	\$ -	9	\$ -	12	\$ -	
Budget Order Adjustment	3	\$ -		\$ -		\$ -		\$ -	
Total Budget Allotments		\$ 462,127.00		\$ 630.00		\$ 8,939,952.00		\$ 282,324.00	\$ 9,685,033.00
Cash Carryover from Prior Quarter		\$ 884,522.69		\$ -		\$ -		\$ -	
Collected Revenue from JB	1	\$ 100,206.73	4	\$ 106,420.57	7	\$ 65,419.07	10	\$ -	
Collected from McIntosh Law		\$ 6,000.00		\$ -		\$ -		\$ -	
Collected for reimbursement of counsel fees		\$ 2,167.00		\$ 195.00	8	\$ 81,368.52		\$ -	
Asset Forfeiture		\$ 3,334.00		\$ -		\$ -		\$ -	
Victim Services Restitution		\$ 1,020.00		\$ -		\$ -		\$ -	
Collected Revenue from JB	2	\$ -	5	\$ 108,667.18		\$ -	11	\$ -	
Collected from McIntosh Law		\$ -		\$ -		\$ -		\$ -	
Collected Revenue from JB	3	\$ 149,539.64	6	\$ 87,445.18	9	\$ -	12	\$ -	
Collected from McIntosh Law		\$ 2,142.00		\$ -		\$ -		\$ -	
Collected for reimbursement of counsel fees		\$ 286.00		\$ 426.00		\$ -		\$ -	
Collected from ME Ctr Public Int Reporting		\$ -		\$ -		\$ -		\$ -	
Returned Checks-stopped payments		\$ -		\$ -		\$ -		\$ -	
TOTAL CASH PLUS REVENUE COLLECTED		\$ 1,149,218.06		\$ 303,153.93		\$ 146,787.59		\$ -	\$ 1,599,159.58
Counsel Payments	1	\$ -	4	\$ -	7	\$ -	10	\$ -	
Other Expenses		\$ -		\$ -		\$ -	***	\$ -	
Counsel Payments	2	\$ (457,655.45)	5	\$ -	8	\$ -	11	\$ -	
Other Expenses		\$ -		\$ -		\$ -		\$ -	\$ 106,740.17
Counsel Payments	3	\$ -	6	\$ -	9	\$ -	12	\$ -	
State Cap for period 2	*	\$ (4,471.29)	**	\$ (277.54)	***	\$ -		\$ -	
State Cap for period 3	*	\$ -	**	\$ (351.55)	***	\$ (367.40)		\$ -	
REMAINING ALLOTMENT		\$ 0.26		\$ 0.91		\$ 8,939,584.60		\$ 282,324.00	\$ 9,221,909.77
Overpayment Reimbursements	1	\$ -	4	\$ -	7	\$ -	10	\$ -	
	2	\$ -	5	\$ -	8	\$ -	11	\$ -	
	3	\$ -	6	\$ -	9	\$ -	12	\$ -	
REMAINING CASH Year to Date		\$ 687,091.32		\$ 302,524.84		\$ 146,420.19		\$ -	\$ 1,136,036.35

** NO COLLECTED REVENUE IN AUGUST

Collections versus Allotment	
Monthly Total	\$ 81,368.52
Total Q1	\$ 264,695.37
Total Q2	\$ 303,153.93
Total Q3	\$ 146,787.59
Total Q4	\$ -
Expenses to Date	\$ (463,123.23)
Cash Carryover from Prior Year	\$ 884,522.69
Fiscal Year Total	\$ 1,136,036.35

MAINE COMMISSION ON INDIGENT LEGAL SERVICES
FY22 FUND ACCOUNTING
AS OF 02/28/2022

Account 014 95F Z112 02 (Conference Account)	Mo.	Q1	Mo.	Q2	Mo.	Q3	Mo.	Q4	FY20 Total
FY22 Allotment		\$ 16,000.00		\$ 41,000.00		\$ -		\$ -	\$ 57,000.00
Carry Forward		\$ 16,232.70		\$ -		\$ -		\$ -	
Financial Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Budget Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Total Budget Allotments		\$ 16,000.00		\$ 41,000.00		\$ -		\$ -	\$ 57,000.00
Total Expenses	1	\$ -	4	\$ -	7	\$ -	10	\$ -	
	2	\$ -	5	\$ -	8	\$ -	11	\$ -	
	3	\$ -	6	\$ -	9	\$ -	12	\$ -	
TOTAL REMAINING		\$ 16,000.00		\$ 41,000.00		\$ -		\$ -	\$ 57,000.00

Q3 Month 8	
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
TOTAL	\$ -

MAINE COMMISSION ON INDIGENT LEGAL SERVICES
FY22 FUND ACCOUNTING
AS OF 02/28/2022

Account 023 95F Z112 02 (ARA)	Mo.	Q1	Mo.	Q2	Mo.	Q3	Mo.	Q4	FY20 Total
FY22 Allotment		\$ -		\$ -		\$ 4,000,000.00		\$ -	\$ 4,000,000.00
Financial Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Financial Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Budget Order Adjustments		\$ -		\$ -		\$ -		\$ -	
Total Budget Allotments		\$ -		\$ -		\$ 4,000,000.00		\$ -	\$ 4,000,000.00
Total Expenses	1	\$ -	4	\$ -	7	\$ -	10	\$ -	
	2	\$ -	5	\$ -	8	\$ -	11	\$ -	
	3	\$ -	6	\$ -	9	\$ -	12	\$ -	
TOTAL REMAINING		\$ -		\$ -		\$ 4,000,000.00		\$ -	\$ 4,000,000.00

Q3 Month 8	
	\$ -
	\$ -
	\$ -
	\$ -
	\$ -
TOTAL	\$ -

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

Activity Report by Case Type

2/28/2022

DefenderData Case Type	Feb-22						Fiscal Year 2022			
	New Cases	Vouchers Submitted	Submitted Amount	Vouchers Paid	Approved Amount	Average Amount	Cases Opened	Vouchers Paid	Amount Paid	Average Amount
Appeal	11	9	\$ 28,040.02	7	\$ 15,337.76	\$ 2,191.11	106	107	\$ 175,432.64	\$ 1,639.56
Child Protection Petition	211	476	\$ 302,654.76	436	\$ 287,936.14	\$ 660.40	1,643	3,024	\$ 2,069,187.08	\$ 684.25
Drug Court	1	9	\$ 12,004.70	9	\$ 13,844.70	\$ 1,538.30	9	66	\$ 111,050.70	\$ 1,682.59
Emancipation	10	10	\$ 2,670.00	7	\$ 2,424.00	\$ 346.29	62	46	\$ 17,025.20	\$ 370.11
Felony	851	658	\$ 544,478.62	593	\$ 578,095.43	\$ 974.87	4,897	4,379	\$ 3,566,168.98	\$ 814.38
Involuntary Civil Commitment	82	72	\$ 26,101.00	64	\$ 22,399.16	\$ 349.99	657	667	\$ 177,252.02	\$ 265.75
Juvenile	135	33	\$ 16,860.55	27	\$ 17,931.90	\$ 664.14	495	370	\$ 210,081.53	\$ 567.79
Lawyer of the Day - Custody	207	197	\$ 64,324.30	220	\$ 70,263.90	\$ 319.38	1,779	1,649	\$ 496,123.14	\$ 300.86
Lawyer of the Day - Juvenile	31	29	\$ 7,550.65	34	\$ 10,832.64	\$ 318.61	202	179	\$ 47,934.34	\$ 267.79
Lawyer of the Day - Walk-in	161	133	\$ 43,462.38	157	\$ 49,711.93	\$ 316.64	1,224	1,142	\$ 366,227.49	\$ 320.69
Misdemeanor	1,430	933	\$ 328,063.76	796	\$ 286,711.94	\$ 360.19	7,501	5,937	\$ 2,268,367.32	\$ 382.07
Petition, Modified Release Treatment	2	9	\$ 4,062.70	10	\$ 4,174.70	\$ 417.47	7	36	\$ 18,153.85	\$ 504.27
Petition, Release or Discharge	1	2	\$ 428.15	2	\$ 428.15	\$ 214.08	2	8	\$ 4,456.23	\$ 557.03
Petition, Termination of Parental Rights	33	79	\$ 79,408.66	57	\$ 70,224.26	\$ 1,232.00	242	472	\$ 409,069.55	\$ 866.67
Post Conviction Review	8	8	\$ 12,529.89	9	\$ 15,679.81	\$ 1,742.20	57	52	\$ 128,148.03	\$ 2,464.39
Probate	7	2	\$ 168.00	4	\$ 4,080.00	\$ 1,020.00	35	23	\$ 18,800.00	\$ 817.39
Probation Violation	129	104	\$ 52,710.00	94	\$ 49,278.70	\$ 524.24	877	847	\$ 392,518.24	\$ 463.42
Represent Witness on 5th Amendment	0	1	\$ 312.00	1	\$ 312.00	\$ 312.00	12	14	\$ 6,340.12	\$ 452.87
Resource Counsel Criminal	1	1	\$ 320.00	1	\$ 192.00	\$ 192.00	1	14	\$ 2,912.00	\$ 208.00
Resource Counsel Juvenile	0	1	\$ 2,278.00	0			1	2	\$ 106.00	\$ 53.00
Resource Counsel Protective Custody	0	0		0			0	3	\$ 262.00	\$ 87.33
Review of Child Protection Order	68	164	\$ 106,116.76	170	\$ 99,190.31	\$ 583.47	422	1,307	\$ 797,077.50	\$ 609.85
Revocation of Administrative Release	0	0		0			7	3	\$ 460.96	\$ 153.65
DefenderData Sub-Total	3,379	2,930	\$ 1,634,544.90	2,698	\$ 1,599,049.43	\$ 592.68	20,238	20,347	\$ 11,283,154.92	\$ 554.54
Paper Voucher Sub-Total										
TOTAL	3,379	2,930	\$1,634,544.90	2,698	\$1,599,049.43	\$ 592.68	20,238	20,347	\$ 11,283,154.92	\$ 554.54

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

Activity Report by Court

2/28/2022

Court	Feb-22						Fiscal Year 2022			
	New Cases	Vouchers Submitted	Submitted Amount	Vouchers Paid	Approved Amount	Average Amount	Cases Opened	Vouchers Paid	Amount Paid	Average Amount
ALFSC	1	3	\$ 828.00	3	\$ 868.00	\$ 289.33	42	45	\$ 23,294.70	\$517.66
AUBSC	1	0		0			8	11	\$ 5,367.20	\$487.93
AUGDC	43	41	\$ 29,082.03	51	\$ 33,715.48	\$ 661.09	320	439	\$ 293,755.85	\$669.15
AUGSC	2	13	\$ 5,663.85	14	\$ 8,030.77	\$ 573.63	23	57	\$ 37,115.75	\$651.15
BANDC	62	134	\$ 60,396.00	91	\$ 43,704.50	\$ 480.27	422	740	\$ 292,371.33	\$395.10
BANSC	1	2	\$ 688.80	1	\$ 552.80	\$ 552.80	5	5	\$ 2,450.80	\$490.16
BATSC	0	0		0			0	2	\$ 1,532.00	\$766.00
BELDC	10	32	\$ 19,442.27	21	\$ 14,358.43	\$ 683.73	120	178	\$ 111,451.51	\$626.13
BELSC	1	1	\$ 120.00	1	\$ 120.00	\$ 120.00	2	3	\$ 2,129.00	\$709.67
BIDDC	55	73	\$ 48,704.55	57	\$ 40,797.00	\$ 715.74	355	519	\$ 315,218.25	\$607.36
BRIDC	16	15	\$ 7,663.65	15	\$ 6,896.43	\$ 459.76	102	115	\$ 57,887.98	\$503.37
CALDC	6	5	\$ 1,208.00	4	\$ 2,202.00	\$ 550.50	26	50	\$ 28,081.50	\$561.63
CARDC	2	11	\$ 6,034.10	12	\$ 4,085.00	\$ 340.42	42	169	\$ 96,630.36	\$571.78
CARSC	1	0		0			4	3	\$ 2,636.00	\$878.67
DOVDC	4	4	\$ 2,482.00	7	\$ 5,001.00	\$ 714.43	36	84	\$ 50,735.50	\$603.99
DOVSC	0	0		0			1	1	\$ 474.00	\$474.00
ELLDC	12	43	\$ 33,225.49	36	\$ 31,209.49	\$ 866.93	106	243	\$ 203,537.00	\$837.60
ELLSC	0	0		0			1	0		
FARDC	7	16	\$ 8,212.85	16	\$ 11,101.04	\$ 693.82	61	90	\$ 62,269.14	\$691.88
FARSC	0	1	\$ 732.00	1	\$ 732.00	\$ 732.00	0	2	\$ 944.00	\$472.00
FORDC	3	11	\$ 11,142.02	8	\$ 9,862.02	\$ 1,232.75	43	97	\$ 71,929.89	\$741.55
HOUDC	19	11	\$ 8,172.00	18	\$ 12,792.70	\$ 710.71	69	131	\$ 99,619.85	\$760.46
HOUSC	4	1	\$ 1,479.60	1	\$ 1,479.60	\$ 1,479.60	11	8	\$ 11,570.60	\$1,446.33
LEWDC	69	93	\$ 64,027.29	126	\$ 82,242.83	\$ 652.72	459	703	\$ 417,389.11	\$593.73
LINDC	17	13	\$ 5,609.80	13	\$ 5,635.30	\$ 433.48	87	113	\$ 50,299.55	\$445.13
MACDC	1	6	\$ 3,938.50	6	\$ 3,688.00	\$ 614.67	19	37	\$ 38,361.62	\$1,036.80
MACSC	0	0		0			1	1	\$ 896.00	\$896.00
MADDc	2	2	\$ 1,037.40	4	\$ 1,639.40	\$ 409.85	9	9	\$ 3,499.00	\$388.78
MILDC	4	5	\$ 1,912.00	7	\$ 2,742.80	\$ 391.83	31	56	\$ 16,600.56	\$296.44
NEWDC	9	31	\$ 16,211.65	23	\$ 12,364.90	\$ 537.60	88	166	\$ 73,659.96	\$443.73
PORDC	90	106	\$ 67,802.68	98	\$ 69,937.32	\$ 713.65	578	773	\$ 488,828.24	\$632.38
PORSC	1	5	\$ 1,619.00	3	\$ 931.00	\$ 310.33	27	35	\$ 14,909.00	\$425.97
PREDc	8	17	\$ 17,887.88	15	\$ 12,750.00	\$ 850.00	80	124	\$ 70,236.59	\$566.42
RODC	18	26	\$ 13,345.84	16	\$ 7,964.16	\$ 497.76	109	137	\$ 81,576.07	\$595.45
ROSC	0	2	\$ 376.00	5	\$ 2,730.18	\$ 546.04	12	10	\$ 4,542.74	\$454.27
RUMDC	20	16	\$ 16,039.40	23	\$ 18,203.00	\$ 791.43	93	170	\$ 144,220.89	\$848.36
SKODC	33	56	\$ 37,725.25	50	\$ 30,822.23	\$ 616.44	215	364	\$ 216,129.98	\$593.76
SKOSC	0	1	\$ 64.00	1	\$ 64.00	\$ 64.00	5	9	\$ 28,755.96	\$3,195.11
SOUDC	10	18	\$ 14,231.80	16	\$ 8,981.80	\$ 561.36	90	156	\$ 141,254.11	\$905.48
SOUSC	0	0		0			0	3	\$ 884.00	\$294.67
SPRDC	35	45	\$ 26,976.37	38	\$ 26,076.37	\$ 686.22	168	242	\$ 172,944.36	\$714.65
Law Ct	8	8	\$ 26,840.02	5	\$ 11,836.15	\$ 2,367.23	75	78	\$ 133,515.58	\$1,711.74
YORCD	512	315	\$ 193,808.70	307	\$ 171,166.52	\$ 557.55	2,659	2,158	\$ 1,152,342.12	\$533.99
AROCD	139	121	\$ 62,729.46	118	\$ 62,341.41	\$ 528.32	1,062	929	\$ 470,845.37	\$506.83
ANDCD	228	131	\$ 70,988.18	113	\$ 54,395.75	\$ 481.38	1,389	1,071	\$ 579,741.64	\$541.31
KENCD	219	215	\$ 94,000.81	160	\$ 96,166.97	\$ 601.04	1,434	1,150	\$ 611,849.78	\$532.04
PENCD	458	316	\$ 135,163.91	299	\$ 142,599.14	\$ 476.92	2,361	2,030	\$ 945,591.67	\$465.81
SAGCD	57	39	\$ 17,485.50	38	\$ 15,263.40	\$ 401.67	299	225	\$ 91,597.22	\$407.10
WALCD	58	100	\$ 65,437.85	87	\$ 60,797.45	\$ 698.82	449	457	\$ 227,099.23	\$496.93
PISCD	28	30	\$ 18,667.01	30	\$ 20,784.79	\$ 692.83	125	126	\$ 80,304.09	\$637.33
HANCD	52	39	\$ 17,554.00	52	\$ 21,389.60	\$ 411.34	393	360	\$ 185,579.38	\$515.50
FRACD	42	47	\$ 28,570.23	32	\$ 20,096.04	\$ 628.00	225	231	\$ 143,251.30	\$620.14
WASCD	55	37	\$ 17,684.13	46	\$ 21,724.83	\$ 472.28	296	292	\$ 116,754.28	\$399.84
CUMCD	538	358	\$ 205,802.60	310	\$ 181,866.00	\$ 586.66	3,204	2,775	\$ 1,556,846.63	\$561.03
KNOCD	83	53	\$ 30,775.23	46	\$ 28,700.80	\$ 623.93	530	517	\$ 247,312.03	\$478.36
SOMCD	156	77	\$ 25,887.31	79	\$ 26,135.57	\$ 330.83	597	600	\$ 256,230.72	\$427.05
OXFCD	78	67	\$ 33,406.82	65	\$ 99,617.72	\$ 1,532.58	555	455	\$ 331,116.20	\$727.73
LINCD	40	31	\$ 15,491.08	30	\$ 13,921.50	\$ 464.05	286	232	\$ 118,762.49	\$511.91
WATDC	28	43	\$ 20,544.09	44	\$ 20,962.09	\$ 476.41	197	319	\$ 182,055.86	\$570.71
WESDC	22	24	\$ 12,071.70	19	\$ 7,315.95	\$ 385.05	121	118	\$ 50,363.23	\$426.81
WISDC	3	9	\$ 4,034.20	5	\$ 2,072.20	\$ 414.44	43	59	\$ 30,965.53	\$524.84
WISSC	0	1	\$ 328.00	1	\$ 328.00	\$ 328.00	2	1	\$ 328.00	\$328.00
YORDC	8	10	\$ 3,192.00	11	\$ 5,286.00	\$ 480.55	66	64	\$ 34,712.62	\$542.38
TOTAL	3,379	2,930	\$ 1,634,544.90	2,698	\$ 1,599,049.43	\$ 592.68	20,238	20,347	\$11,283,154.92	\$554.54

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

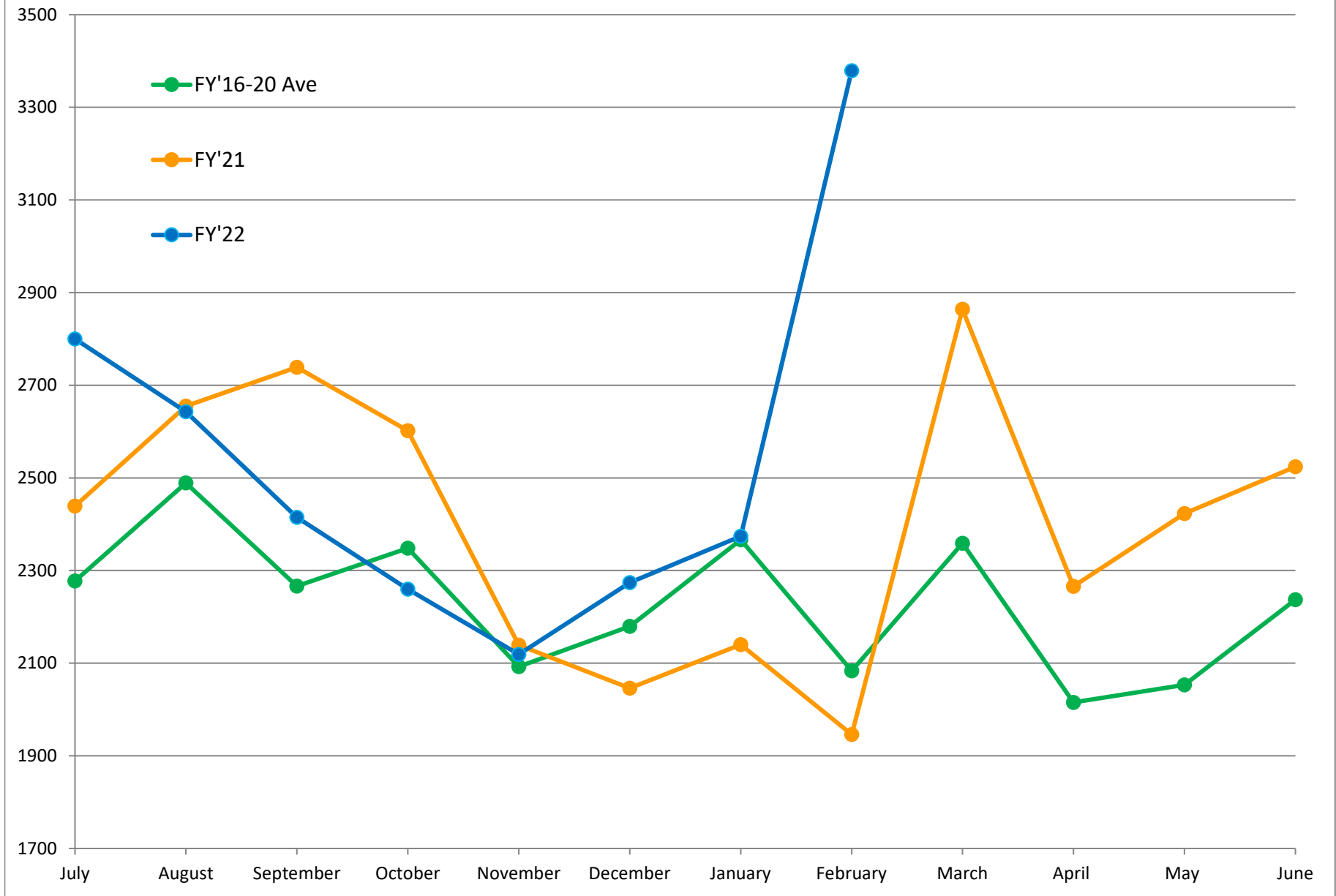
Number of Attorneys Rostered by Court

02/01/22

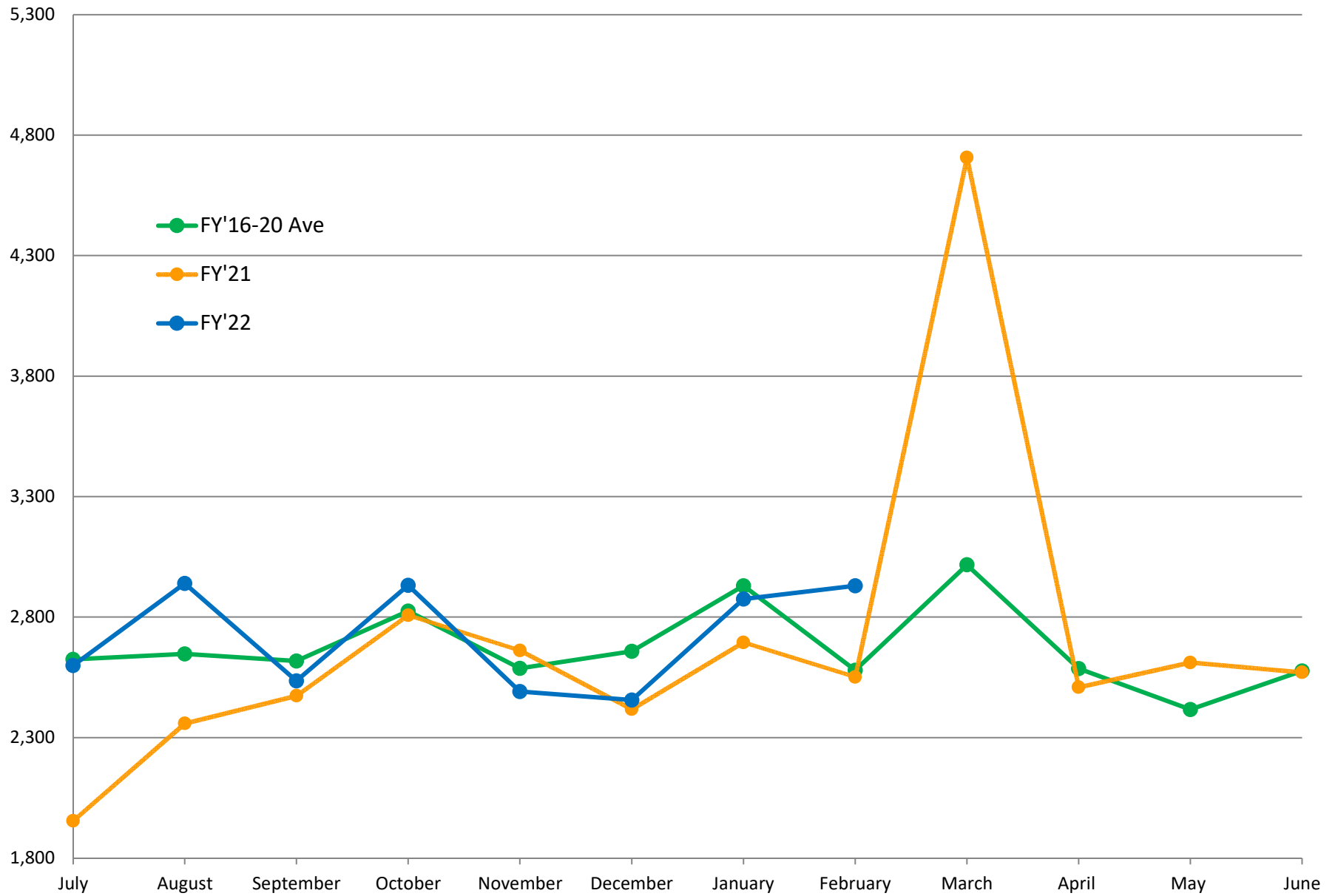
Court	Rostered Attorneys
Augusta District Court	77
Bangor District Court	40
Belfast District Court	40
Biddeford District Court	110
Bridgton District Court	69
Calais District Court	9
Caribou District Court	15
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Ellsworth District Court	29
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West Bath District Court	90
Wiscasset District Court	54
York District Court	87

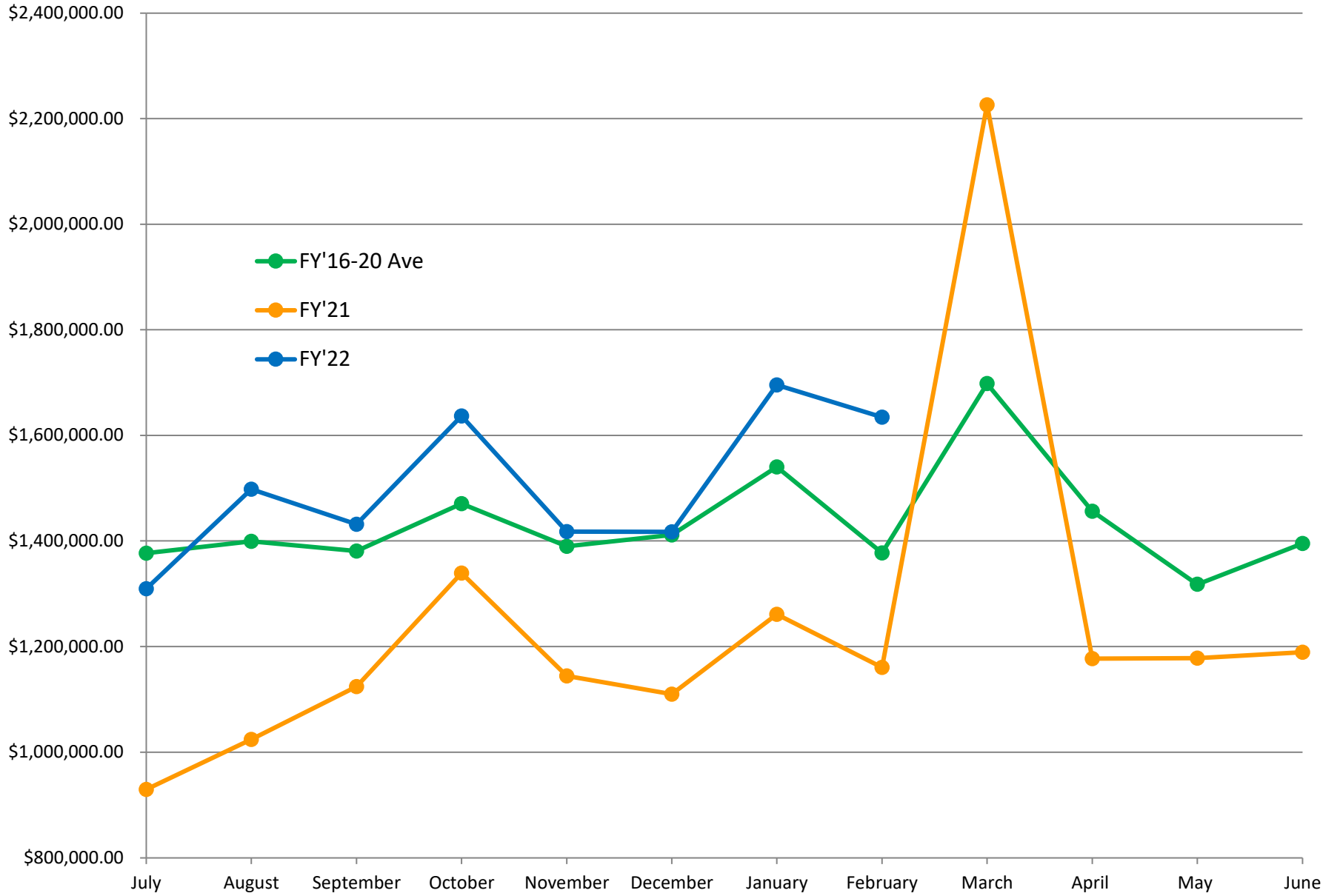
NEW CASES



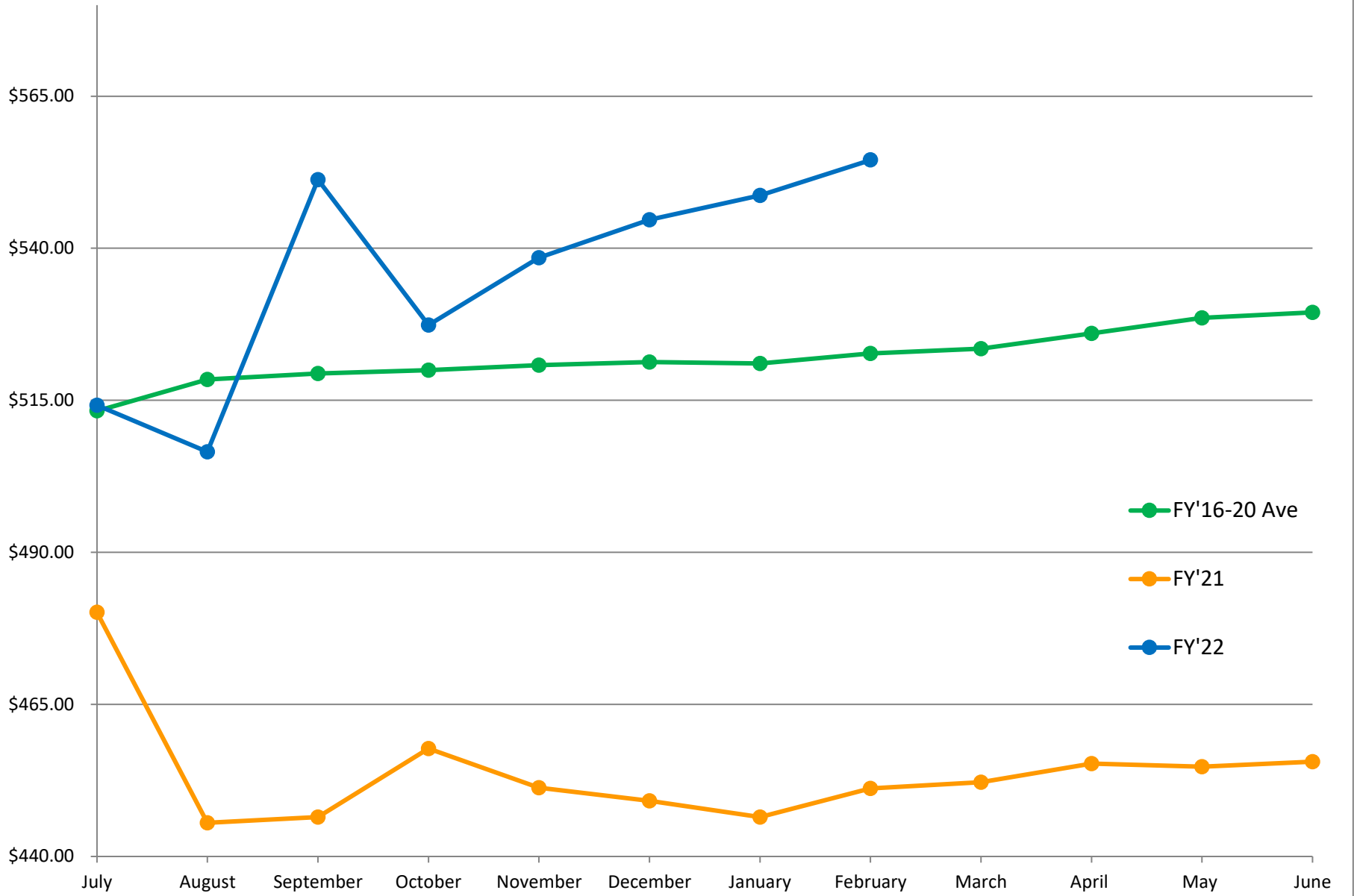
Submitted Vouchers



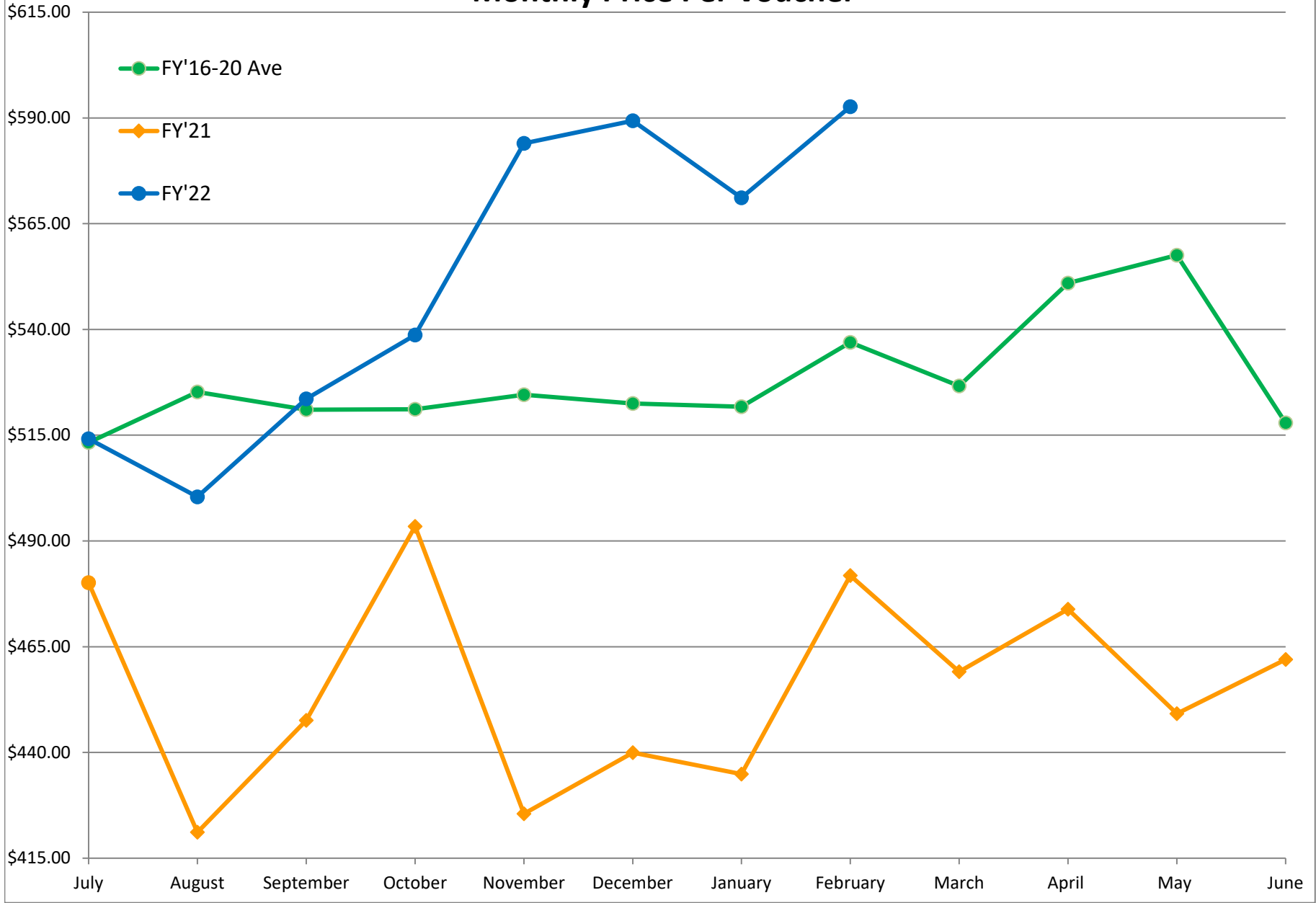
Submitted Voucher Amount



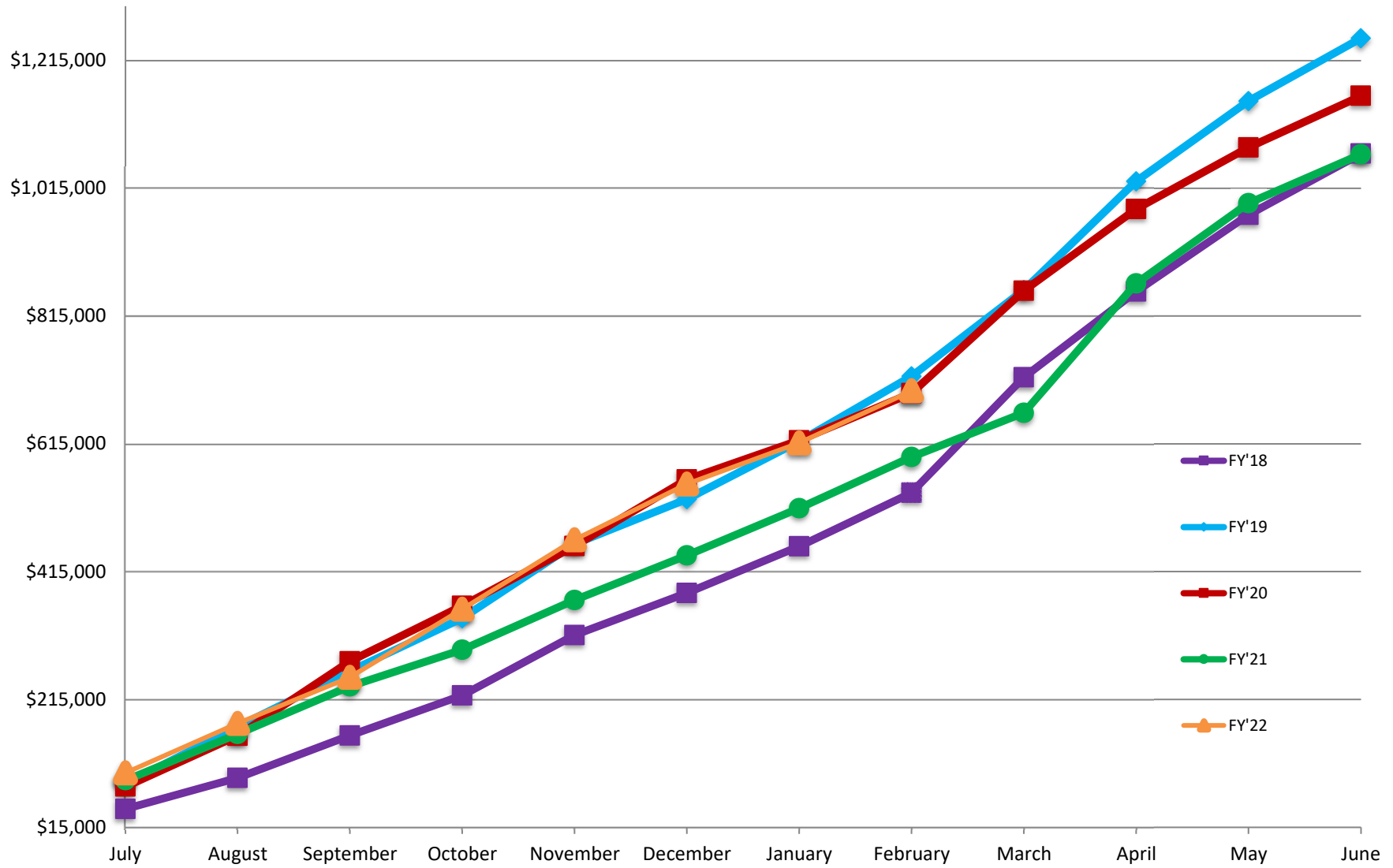
Average Voucher Price Fiscal Year to Date



Monthly Price Per Voucher



COLLECTION TOTALS FY'18 to FY'22



County UCD	Panel	1/8/2019	3/16/2022	% Change
Alfred	homicide	16	8	-50%
	Sex Offense	30	8	-73%
	SVF	50	18	-64%
	Other Felony	113	39	-65%
	Drug offense	116	38	-67%
	DV	71	28	-61%
	OUI	65	32	-51%
	Other Misd	112	36	-68%
	LOD IC	60	21	-65%
	LOD Walk in	69	29	-58%
	total	118	46	-61%
Aroostook	homicide	4	3	-25%
	Sex Offense	7	5	-29%
	SVF	9	10	11%
	Other Felony	20	19	-5%
	Drug offense	17	16	-6%
	DV	10	11	10%
	OUI	9	9	0%
	Other Misd	19	20	5%
	LOD IC	11	10	-9%
	LOD Walk in	15	14	-7%
	total	22	21	-5%
Auburn	homicide	19	9	-53%
	Sex Offense	29	8	-72%
	SVF	52	18	-65%
	Other Felony	86	25	-71%
	Drug offense	87	25	-71%
	DV	58	20	-66%
	OUI	56	16	-71%
	Other Misd	84	29	-65%
	LOD IC	58	24	-59%
	LOD Walk in	62	27	-56%
	total	93	35	-62%
Augusta	homicide	14	6	-57%
	Sex Offense	22	5	-77%
	SVF	36	8	-78%
	Other Felony	69	19	-72%
	Drug offense	68	19	-72%
	DV	45	10	-78%
	OUI	45	11	-76%
	Other Misd	68	17	-75%
	LOD IC	30	16	-47%
	LOD Walk in	34	16	-53%
	total	75	26	-65%

Bangor	homicide	7	5	-29%
	Sex Offense	8	6	-25%
	SVF	19	10	-47%
	Other Felony	34	14	-59%
	Drug offense	34	13	-62%
	DV	21	12	-43%
	OUI	21	10	-52%
	Other Misd	31	12	-61%
	LOD IC	20	11	-45%
	LOD Walk in	22	10	-55%
	total	41	19	-54%
Bath	homicide	16	8	-50%
	Sex Offense	24	9	-63%
	SVF	44	12	-73%
	Other Felony	78	25	-68%
	Drug offense	77	27	-65%
	DV	53	21	-60%
	OUI	51	20	-61%
	Other Misd	78	27	-65%
	LOD IC	39	20	-49%
	LOD Walk in	47	24	-49%
	total	84	34	-60%
Belfast	homicide	12	5	-58%
	Sex Offense	13	4	-69%
	SVF	21	5	-76%
	Other Felony	32	8	-75%
	Drug offense	31	8	-74%
	DV	21	6	-71%
	OUI	20	7	-65%
	Other Misd	30	10	-67%
	LOD IC	20	11	-45%
	LOD Walk in	24	10	-58%
	total	40	15	-63%
Dover-Foxcroft	homicide	4	5	25%
	Sex Offense	3	3	0%
	SVF	6	6	0%
	Other Felony	15	10	-33%
	Drug offense	15	10	-33%
	DV	10	9	-10%
	OUI	9	7	-22%
	Other Misd	15	11	-27%
	LOD IC	10	7	-30%
	LOD Walk in	14	9	-36%
	total	21	15	-29%

Ellesworth	homicide	8	5	-38%
	Sex Offense	10	5	-50%
	SVF	19	11	-42%
	Other Felony	29	17	-41%
	Drug offense	29	16	-45%
	DV	18	13	-28%
	OUI	17	13	-24%
	Other Misd	30	18	-40%
	LOD IC	24	15	-38%
	LOD Walk in	27	14	-48%
	total	34	14	-59%
Farmington	homicide	7	7	0%
	Sex Offense	10	8	-20%
	SVF	15	12	-20%
	Other Felony	28	15	-46%
	Drug offense	27	14	-48%
	DV	16	13	-19%
	OUI	17	11	-35%
	Other Misd	28	14	-50%
	LOD IC	16	13	-19%
	LOD Walk in	17	12	-29%
	total	32	19	-41%
Machias	homicide	5	4	-20%
	Sex Offense	8	4	-50%
	SVF	10	3	-70%
	Other Felony	15	6	-60%
	Drug offense	14	6	-57%
	DV	10	3	-70%
	OUI	9	4	-56%
	Other Misd	15	6	-60%
	LOD IC	13	9	-31%
	LOD Walk in	14	9	-36%
	total	17	8	-53%
Portland	homicide	28	12	-57%
	Sex Offense	44	16	-64%
	SVF	71	24	-66%
	Other Felony	138	44	-68%
	Drug offense	138	44	-68%
	DV	88	36	-59%
	OUI	82	37	-55%
	Other Misd	136	45	-67%
	LOD IC	78	25	-68%
	LOD Walk in	87	32	-63%
	total	146	53	-64%

Rockland	homicide	7	3	-57%
	Sex Offense	11	4	-64%
	SVF	12	6	-50%
	Other Felony	20	10	-50%
	Drug offense	19	10	-47%
	DV	13	8	-38%
	OUI	14	7	-50%
	Other Misd	20	10	-50%
	LOD IC	14	10	-29%
	LOD Walk in	17	12	-29%
	total	26	13	-50%
Skowhegan	homicide	3	6	100%
	Sex Offense	5	5	0%
	SVF	5	4	-20%
	Other Felony	15	5	-67%
	Drug offense	14	5	-64%
	DV	4	4	0%
	OUI	4	4	0%
	Other Misd	16	6	-63%
	LOD IC	6	2	-67%
	LOD Walk in	9	2	-78%
	total	17	12	-29%
South Paris	homicide	13	10	-23%
	Sex Offense	15	9	-40%
	SVF	22	14	-36%
	Other Felony	37	20	-46%
	Drug offense	36	18	-50%
	DV	23	17	-26%
	OUI	21	13	-38%
	Other Misd	36	18	-50%
	LOD IC	26	18	-31%
	LOD Walk in	26	15	-42%
	total	39	24	-38%
Wiscasset	homicide	10	4	-60%
	Sex Offense	15	7	-53%
	SVF	24	13	-46%
	Other Felony	42	22	-48%
	Drug offense	41	22	-46%
	DV	32	17	-47%
	OUI	34	17	-50%
	Other Misd	39	21	-46%
	LOD IC	26	19	-27%
	LOD Walk in	31	23	-26%
	total	47	25	-47%
			Total change	-46%

Audit Management Program

MAINE COMMISSION ON INDIGENT LEGAL SERVICES

Version 2022.1

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Executive Summary

MCILS (the agency) is responsible for providing appointed counsel fairly, consistently, and in a fiscally responsible manner to people who are constitutionally and statutorily entitled to appointed counsel. In meeting that requirement, the agency is responsible for establishing a system to audit financial requests and payments. This audit management program (audit program) establishes that audit system.

The audit program itself outlines the overall objectives set by the audit team and establishes the policies and procedures audit team members will follow when planning and conducting audit engagements and monitoring activities. Further, it provides a risk-based framework and guidance regarding how audits are planned, conducted, documented, and reviewed by agency audit staff. This audit program further establishes an annual audit procedure designed to provide the agency with reasonable assurance regarding whether the financial records submitted by contract counsel are materially misstated whether due to fraud or error using statistical random sampling. Additionally, the program provides an avenue for initiating targeted audit engagements where, in the audit team leader's professional judgment, an audit is warranted based on information provided to or discovered by audit team staff.

This audit program is primarily designed using the guidance and considerations found in ISO 19011:2018(E) *Guidelines for Auditing Management Systems* and the Generally Accepted Auditing Standards (GAAS) as defined by the *AICPA Clarified Statements on Auditing Standards*. However, these standards do not form the complete basis for this program. Rather, it was designed after conducting careful research to identify relevant audit methodologies, practices, procedures, and overall program strategies. Moreover, because this audit program incorporates concepts from the AICPA Standards, audit staff are expected to be familiar with those standards and refer to them as necessary when planning and conducting audit engagements.

To ensure that the audit program remains properly scaled and designed, and to ensure that audit team staff maintain competence, this program establishes quality control procedures, training and competence requirements, and program monitoring procedures. To that end, a portion of all audit engagements will be reviewed according to those quality control procedures, as established in Section Q.1. Further, auditors and audit team staff are required to maintain a minimum level of competence and engage in continuing education to maintain that competence. Finally, the monitoring procedures ensure that the program itself is performing well and remains properly resourced and scaled through regular review and revision accounting for new information, auditee feedback, variations in resources and scale, and other relevant agency changes.

A. Audit Objectives

This audit program is designed to achieve three overarching objectives, each with its own subordinate objectives. First, the procedures in this program are designed and intended to provide auditors and relevant stakeholders with reasonable assurance regarding whether attorney and vendor billing records are free from material misstatement, whether due to fraud or error. Second, this program is designed to provide limited assurance as to whether the attorneys appointed to represent indigent persons are complying with the performance standards established by the agency. Finally, this program will provide both MCILS internal stakeholders and persons engaging in external oversight with reasonable assurance about whether the policies, procedures, and controls developed and implemented by the MCILS are effective.

The broad objectives above are stated generally as they form the framework for this audit program and are intended to remain consistent over time. The subordinate objectives, however, are designed and intended to be updated and adjusted regularly according to the monitoring and revision schedules outlined below in Section Q.2. Those discrete objectives are outlined here for reference.

- i. **Material Misstatement**
 - Identify occurrences and frequency of material misstatements in financial documents submitted by attorneys and vendors;
 - Develop internal and public confidence in records submitted to the MCILS;
 - Identify instances and frequency of fraudulent billing practices among attorney records;
 - Influence, encourage, or require certain record keeping practices among rostered attorneys;
 - Encourage self-auditing and good practice management techniques.
- ii. **Compliance with Billing and Performance Standards**
 - Determine level of compliance with attorney performance standards across population of rostered attorneys;
 - Identify performance trends among attorneys;
 - Identify areas where resources should be rearranged to improve or develop training programs and opportunities; and
 - Identify areas where performance standards require revision.
- iii. **System Performance**
 - Determine level of efficiency and effectiveness in internal and systems controls;
 - Obtain confidence in viability of implemented policies;
 - Identify risks, weaknesses, and opportunities in the audit program and implement changes necessary to respond to the inefficiencies present;
 - Develop and improve criteria and procedures for identifying material misstatements in audited records;
 - Establish objective criteria to guide attorney performance and audit efforts; and
 - Determine efficacy and practical limits of particular programs.

iv. Systems Performance Goals

To maximize audit program effectiveness, the Audit Division Director (audit team leader), will develop and establish measurable performance goals for the audit program. These goals should be designed to improve key performance areas and should be regularly monitored by audit team members. The purpose of these key performance indicators (KPIs) is to drive effective program development and revision. When developing KPIs, the audit team leader should consider the following factors:

- Agency goals and objectives;
- Audit team goals and objectives;
- Audit team performance trends;
- Audit program goals and objectives;
- Attorney performance trends;
- Available data for tracking and measuring KPIs; and
- Available resources.

All KPIs developed should be adequately documented and periodically updated. Because each KPI will be distinct, relatively unique, and updated frequently it is not appropriate to define them in this audit program. As a result, although KPIs should be considered during program monitoring, the audit team is free to adjust KPIs as necessary or appropriate independent of any formal program monitoring. Consequently, audit program KPIs should be maintained independent of the audit program and not incorporated herein.

B. Program Scope

This audit management program encompasses all audit operations including program management activities, individual audit engagements, and audit team training. More specifically, it serves as the formal documentation of the MCILS Audit Division auditing procedures used by auditors when planning and conducting audit operations including audit engagements. It is intended to provide guidance to audit team members and to provide potential auditees with some understanding regarding the audit processes used by the audit team.

Further, this document either describes or provides the policies, tools, and infrastructure that the audit team uses in the course of its work. Inevitably there will be documents, forms, and other practice aids such as checklists which will be developed and used by audit team members which are not specifically defined in this document either because those items were developed after publishing or because there is an operational purpose for the omission. Consequently, the agency reserves the right to use processes, policies, tools, and criteria which is not specifically defined in this document when conducting audit activities.

C. Audit Team and Responsibilities

The responsibility descriptions in this document do not necessarily encompass all the responsibilities assigned to audit team members and only considers those responsibilities which are implicated by this audit management program. Additionally, the responsibilities laid out here

do not encompass all the responsibilities assumed by audit team members and do not immediately reflect institutional changes and demands that occur in the time between revisions.

There are certain responsibilities that all audit team members will assume. Where a responsibility is shared by audit team members, all members are expected to coordinate the handling of those responsibilities to ensure that audit team duties are not neglected. Audit team members are expected to be proactive and assume shared responsibilities as they are presented. Shared responsibilities relevant to the audit management program include the following.

First, all audit team members are responsible for engaging in the planning, monitoring, and revision of this audit program. Each audit team member is responsible for collaborating with other team members in conducting those activities, however the audit team leader is ultimately responsible for all monitoring activities including facilitating team collaboration. Moreover, audit team members will be expected to provide their insights and experiences during the risk assessment phase. They will also perform various functions relevant to revising the audit program as determined by the audit team leader who delegate and allocate monitoring activities; though each team member is expected to provide some minimum contribution according to their role as described below.

Second, all audit team members are expected to maintain the integrity and security of audit division records including audit documentation. Each audit team member will bear some responsibility in records management, but those members will have different operational responsibilities according to their role within the team. For example, the audit team leader is ultimately responsible for all audit team operations and is therefore ultimately responsible for maintaining the records and record keeping system established by the audit team. Audit team support staff on the other hand are responsible for generally maintaining the filing systems and conducting limited quality control reviews on audit documentation while auditors are responsible for securely and accurately recording and reporting audit documentation.

Audit team members may experience some additional overlap in job responsibilities. This overlap is intentional and was created with the assumption that the audit team works collaboratively in both maintaining the audit system and conducting individual audit engagements. The responsibilities specific to each audit team role are identified below.

i. Audit Team Leader

The role of audit team leader is assigned to the MCILS Audit Division Director. This person is generally responsible for overseeing and managing all audit team operations including audit program management and audit engagements. Additionally, the audit team leader is responsible for determining the audit division's strategic direction. Further, the audit team leader sets team goals and implements solutions consistent with that strategic direction as well as the directives established by executive staff. As a result, the audit team leader will collaborate with executive staff in managing overall audit operations.

In addition to the audit team leader's high level management responsibilities, they are also responsible for all audit program management including designing, implementing, and

monitoring this program. Because program management is iterative, these three phases will be repeated during formal monitoring as established in Section Q.2 below. Further, the audit team leader will be responsible for identifying and proposing any rule or policy changes necessary to implement the audit program both at initial implementation and during the monitoring phase. Finally, the audit team leader is responsible for establishing effective and efficient policies and procedures for securely collecting and storing audit documentation.

In addition to the audit program oversight responsibilities stated above, the audit team leader is responsible for managing audit team personnel. The audit team leader will collaborate with other audit team members in conducting audit operations and is responsible for allocating individual responsibilities across the audit team. Additionally, the audit team leader is responsible for designing, conducting, and updating the team training program intended to maintain team competence in both the legal and audit field.

Although the audit team leader is a supervisory position, they are also expected to assume the duties and responsibilities assigned to auditors.

ii. Audit Team Auditors

The auditor roles contemplated by this program are generally staffed with attorneys referred to as audit counsel. Auditors are primarily responsible for conducting the audit operations, including audit engagements, consistent with the requirements established by this program. Because each engagement has its own unique characteristics, the auditor is responsible for applying their professional judgment in planning each audit engagement and conducting those engagements according to the procedures established by this audit program. Part of that responsibility includes communicating and collaborating with auditee to make an audit plan on a schedule that is least disruptive to both the auditee and agency operations. During and after audit engagements, auditors are responsible for collecting audit evidence and creating audit documentation upon which the auditor will make the conclusions and opinions stated in the audit report. Finally, auditors are responsible for conducting quality control reviews on audits performed by other audit team auditors.

Although auditors are primarily responsible for planning and conducting audit engagements but are also expected to assist the audit team leader in managing the audit program. In managing this audit program, it is necessary for the audit team leader to enlist the rest of the audit team to help in that effort in various ways including by reviewing program effectiveness, participating in the risk assessment, and making recommendations regarding necessary changes to the program. Audit team auditors may also participate in the drafting and editing of this document as well as the various other form documents created to support this program. Although audit team auditors are expected to assist as needed, the audit team leader is ultimately responsible for managing the audit program.

Lastly, auditors are responsible for maintaining audit and legal competence such that they may effectively audit the attorneys and non-counsel vendors seeking compensation from the MCILS. At a minimum, auditors will participate in the training program designed by the audit team leader and are required to maintain a minimum level of competence to allow them to

conduct audits effectively and reliably. To that end, auditors should maintain familiarity with AICPA auditing standards, ISO 19011:2018, audit methodologies, relevant state law, and agency rules and policies. Additionally, because auditors frequently interact with data when conducting audit engagements, auditors are encouraged to acquire and maintain relevant computer and data processing skills.

iii. Audit Team Support Staff

Audit team support staff members including audit division paralegals, are responsible for assisting other audit team members in conducting audit operations. These team members will assist in managing the program, maintaining the integrity of audit documentation, and planning and conducting audit engagements. The level of assistance required may vary according to operational needs as determined by the audit team leader; however, audit support staff are at least responsible for providing the assistance described here.

During the monitoring phase of this audit program all audit team members will have some responsibility relevant to reviewing and revising the audit program as determined or required by the audit team leader. Audit team staff are minimally expected to provide insights and recommendations regarding identified inefficiencies and proposed changes to this program. Team staff may also be required to edit and draft form documents as required by any identified and implemented changes to the audit program.

When assisting audit team members in conducting audit engagements, team staff responsibilities will vary according to the unique needs of the engagement. However, team staff will typically be required to coordinate audit planning and scheduling between auditors and auditees, assist in conducting audit field work and audit evidence collection, assist in drafting and organizing audit documentation as required, and follow-up with auditees as may be necessary while drawing conclusions from the audit evidence acquired.

Team staff are also required to maintain the integrity and security of audit division records including audit documentation. Accordingly, team staff will be expected assist with quality control reviews of audit documentation to check for completeness, accuracy, and other errors which may be present in audit documentation. Additionally, team staff will regularly interact with both the physical and electronic filing systems implemented by the audit team to maintain audit information. Consequently, team staff will be operationally responsible for maintaining the physical and electronic filing systems.

Finally, audit team support staff are expected to maintain familiarity with applicable law, rules, regulations, and internal policies and procedures. To the extent required to assist auditors the audit team support staff may be responsible for maintaining familiarity with the AICPA standards and other audit principles and methodologies. To maintain the required level of competence, audit team staff are required to participate in the training program developed by the audit team leader.

iv. Assigning and Allocating Work

Generally, investigative and audit work will be assigned by the audit team leader to individual auditors according to operational need, taking into account current workloads and auditor skill. Additionally, auditors will be assigned to specific audits and investigations where they may maintain their professional independence as described below in Section Q.1.ii. Further, where an auditor is prevented from conducting an audit because their professional independence would be compromised, that auditor is considered in conflict for purposes of quality control review procedures. Quality control review is further discussed below in Section Q.1.viii.

D. Audit Types, Scope and Schedule

The audit team as a whole is responsible for auditing attorney and non-attorney invoices across the MCILS's billing system to provide assurance that attorneys are maintaining and submitting complete and accurate billing records consistent with established MCILS policies and standards.

i. Audit Types

To meet this goal the audit team will conduct the audit procedures summarized and defined below in a manner consistent with the general audit procedure described throughout this audit program. These audit procedures are summarized in the table on the following two pages.

Although the audit types are summarized here and described in greater detail in Appendices 1-3, each individual engagement must be tailored to the unique risks and circumstances applicable to each individual auditee. Accordingly, auditors should apply the general audit procedure established below which apply to every engagement conducted by the audit team.

Audit Type	Description	Objectives	Scope	Criteria	Schedule
Annual Financial Statement Audit	The annual financial statement audit procedure is intended and designed to identify the presence and determine the prevalence of material misstatements, whether due to fraud or error, within the indigent legal defense system's billing records. It uses a random sampling method to identify persons and sampling units to be audited such that the audit team can extrapolate the results of this audit procedure against the entire relevant population.	(1) identify material misstatements, whether due to fraud or error, within the MCILS billing system; and (2) determine the prevalence and impact of such material misstatements.	The annual financial statement audit procedure encompasses a random sample of vouchers/invoices submitted by attorneys and either rejected or paid by MCILS during the previous calendar year.	Billing Standards Criteria; Statistical Analysis; System Billing Information; Auditee Internal Records	Calendar Year; Actual timing of field audits will vary based on operational and auditee needs and scheduling.
Targeted Auditing	Targeted audits will be initiated and conducted on a case-by-case basis according to the audit team leader's professional judgment. Targeted audits will generally be responsive to continuous auditing efforts, complaints submitted to the MCILS, or information obtained while conducting regular agency operations such as voucher review. All targeted audits will be planned and tailored according to the unique needs and risks posed by the auditee and its environment.	The objectives of targeted audits vary but may include fraud detection, performance analysis, and standards compliance enforcement. The individual audit plan will state the objectives of that targeted audit in conformance with general audit process guidance established by this document in Section E.	The scope of any targeted audit should be carefully calculated and broad enough to address the objectives of the audit and be narrow enough to avoid mission creep and inefficiency.	Variable	Case-by-Case
Standards Compliance	Standards compliance audits are designed and intended to identify instances of non-compliance with established MCILS performance and billing standards. This audit procedure will employ both manual and continuous auditing methodologies to identify possible instances of non-compliance. The data obtained while conducting standards compliance auditing efforts will be used by MCILS team members to focus efforts on the initiatives that will have the greatest impact for clients and attorneys. For example, the data collected will most often be used to, among other things, develop training material, CLEs, and other useful resources for attorneys. Moreover, the majority of auditing efforts conducted pursuant to this procedure will not be visible to the auditees impacted unless an issue is detected, resulting in no more administrative costs to auditees than experienced under the traditional approach to verifying compliance.	(1) identify instances of non-compliance; (2) determine prevalence of non-compliance in system; (3) identify trends in non-compliance across the system; (4) collect data necessary to develop initiatives to correct trends in non-compliance; (5) collect data necessary to address discrete instances of non-compliance; and (6) designate audit team priorities.	Standards compliance auditing will be largely automated, allowing for a broad scope encompassing all data entered into the MCILS billing system. Audit team auditors will also perform some manual sampling techniques to identify instances of non-compliance.	Performance Standards; Established Billing Standards and Guidance; Internally Developed Time Criteria;	Continuous

Audit Type	Description	Objectives	Scope	Criteria	Schedule
Program Monitoring	Program monitoring is the internal effort to analyze audit team and audit program efficiency and effectiveness, as detailed below in Section Q.2. As stated in that section, program monitoring is a continuous and periodic effort to improve audit system performance by conducting quality control reviews after audit engagements and regular program-level reviews.	(1) determine the effectiveness of the auditing program and system; (2) develop controls, processes, and infrastructure to address system deficiencies; (3) determine level of audit team compliance with auditing program; (4) evaluate adequacy of audit management program given the unique nature of the indigent defense system.	Systems monitoring will be conducted remotely and in-person. It will focus on the audit team and audit program policies and process.	Audit Team KPI's; Previous Monitoring Notes; Previous Program Versions; Auditee Input; Audit Team Input; QCR Documentation; AICPA Auditing Standards; ISO 19011:2018; Other Relevant Sources	Some systems monitoring efforts are continuous and are conducted regularly between formal review periods and some monitoring efforts are conducted periodically according to the schedule detailed above.

ii. Auditing Methods

The following general auditing methods are fungible tools that the audit team may use in any given audit. Although auditors may use these tools in any audit, they need not use every tool in any particular audit. The use of specific methods in any particular engagement ultimately within the auditor's professional judgement. Accordingly, the auditor responsible for the audit engagement should detail the intended audit methods during the planning stage. However, the auditor is not then bound to only employ those methods once the engagement begins. Instead, auditors may use any audit method appropriate in the circumstances but should document method used in further audit procedures which are not detailed in the original engagement plan for reporting and documentation retention purposes. Further, when designing and performing audit procedures for a given engagement, auditors must consider the relevance and reliability of the audit evidence expected given the audit methods chosen. Finally, the methods described here are merely intended to guide auditors and auditors should feel free to develop auditing methods as required to properly conduct an audit engagement.

There are eight (8) general auditing methods contemplated by this audit program: (1) inspection; (2) inquiry; (3) external confirmation; (4) recalculation; (5) reperformance; (6) observation; (7) analytical procedures; (8) post-audit review. Each audit method is described in greater detail below and some examples of each are provided in the table following these descriptions.

Inspection is an audit method which primarily applies to document and records reviews but also includes other media and physical assets as well. Moreover, inspection contemplates that the relevant material inspected may exist physically or electronically as well as internally or externally to the auditee. Because records and other documents have varying degrees of reliability, inspection alone may be insufficient and should be combined with another auditing method where appropriate. Additionally, inspecting one type or set of records may be insufficient to obtain audit evidence relevant to every audit objective in a given audit. Consequently, the actual inspection methods employed in any engagement should be specifically tailored to address the risks identified during the planning stage of the audit and should incorporate other audit methods as may be appropriate under the circumstances.

An inquiry as contemplated by this program includes interviews of various people with institutional knowledge relevant to the auditee. Such people include the auditee's current and former employees, the auditee themselves, the auditee's colleagues, and other professionals with whom the auditee conducts business or maintains a professional relationship. Auditors should generally feel free to interview anyone suspected to have information or knowledge relevant to the audit regardless of whether those people are internal or external to the auditee. Indeed, it may be valuable to interview people not employed by the auditee to verify information provided by the auditee, thereby establishing that information's reliability. However, where an auditor determines they will interview external persons, the auditor should focus the scope of the inquiry given the available resources. Further, and importantly, auditors should **NOT** interview auditee clients as part of an engagement. Although there may be some benefit to interviewing a client regarding the work done in a given case, the financial and reputational risks to the auditee

substantially outweigh the benefits of such an interview. This does not apply, however, where the client independently makes a complaint against the auditee.

External confirmation is similar to the third-party inquiries described above. However, the main difference between these two methods is that external confirmation contemplates receiving a written response directly from the third-party. The written response could take many forms including, without limitation, emails, physical letters, or a production of documents. Often external confirmation methods may be used to verify assertions made in a record and to confirm the absence of a condition. To that end, audit evidence obtained through external confirmation can be combined with recalculation efforts to verify the auditee's records at the assertion level.

Recalculation and reperformance are simple concepts which involve repeating steps to verify the accuracy of other audit evidence obtained during the audit. Recalculation involves checking the mathematical accuracy of documents and records obtained over the course of an audit. Recalculation like most other audit methods may be conducted either electronically or manually. Similarly, an auditor conducts reperformance by independently executing the procedures or controls that were implemented by the auditee. Auditors should use caution when conducting reperformance as many factors may influence why and how a particular process is conducted. Accordingly, to avoid generating erroneous or inappropriate audit findings, auditors should only use reperformance in situations where the auditor determines there is a substantial benefit to doing so. The auditor will use their professional judgment when making this determination.

Likewise, observations are used by auditors to collect audit evidence regarding a control or procedure by observing the control or process in action. For example, an auditor may observe an auditee recording time as they go about their business or shadow the auditee over a pre-defined period. Observation methods, however, are limited to the period in which the observation occurs. Therefore, when observation efforts are employed, other audit methods should be used to substantiate audit evidence obtained from any observation (or vice versa). Additionally, observations should be designed and used to minimize unnecessary disruption of auditee operations. To that end, observations should be tailored to meet the needs of the particular engagement being conducted, given the auditee risk profile, audit plan, and audit evidence collected.

Analytical procedures involve evaluating financial information by analyzing plausible relationships between both financial and non-financial information. Additionally, analytical procedures include the investigative actions necessary to address identified fluctuations and relationships that are inconsistent with expected values. Most analytical procedures involve statistical and other mathematical processes, though they need not necessarily do so.

Post-audit review is included as a method to account for the possibility that additional audit evidence is obtained or identified after planned audit procedures are completed. This is generally expected to happen, if at all, during the quality control phase of an audit as explained in Section Q.1.viii of this program. This review will primarily consist of reviewing the audit evidence collected, the documentation generated, and the findings made by the auditor that conducted the audit. The auditor conducting the quality control review may also use other audit methods;

however, effort should be made to avoid duplicating the audit that was conducted. Because conclusions and reports will not be finalized until after the quality control process is complete, considering audit evidence obtained post-audit will help prevent errors in audit conclusions and improve confidence in audit and system records.

General Audit Methods		
Evaluation Method	Example	Objective(s)
Inspection	Review billing records submitted to the agency through the agency's case management software	Develop initial understanding of possible auditee billing practices; develop audit plan; establish auditee specific baseline criteria to be used during the audit and in conjunction with other audit methods
	Review auditee internal time or billing records	Develop understanding of auditee processes for recording time; identify misstatements in billing records submitted; obtain second set of criteria to be used in conjunction with other audit methods
	Review third-party or public records	Obtain additional criteria sets which may be used in conjunction with other audit methods; verify the reliability of auditee records including both substantive and financial records
	Review auditee internal substantive case records	Verify accuracy and reliability of auditee internal time records and billing records submitted to the agency through the case management system
	Review the agency's case management system alerts	Identify misstatements in billing data submitted through the agency's case management system; develop and understanding of auditee's risk profile to develop audit plan; identify unintentional misstatements early and immediately to reduce the need for additional audit engagements
	Review previous audit documentation or investigative efforts	Develop understanding of auditee risk for audit planning purposes; focus audit efforts to maximize economy and efficiency for auditors and auditees

	Review prior communications with auditee	Develop an understanding of auditee risk for engagement planning purposes; develop an understanding of auditee controls and procedures for capturing time spent working
	Review relevant data and information	Refresh understanding of relevant criteria; develop understanding of data trends across system to use as an additional set of criteria when conducting analytical procedures on audit evidence obtained during the audit
Inquiry	Interview auditee regarding controls and procedures implemented to capture and record time spent working	Identify relevant controls and procedures to be audited; adjust engagement plan as necessary to accommodate auditee unique methods for capturing time; evaluate risk of misstatement given established controls and procedures
	Interview auditee employees regarding controls and procedures implemented to capture and record time spent working	Identify inconsistencies in employee understanding of auditee procedures; evaluate risk of misstatement given employee understanding of auditee procedures
	Interview third-party regarding information relevant to the engagement given the auditee's risk profile and the individual audit plan	Identify inconsistencies in third-party information and auditee assertions that may indicate misstatement in those assertions
	Interview other auditors or individuals who have conducted some level of review regarding the auditee's practices or procedures	Reduce costs to auditee and auditor while collecting relevant and reliable audit evidence
	Interview auditee regarding work done in a particular case or for a particular client	Identify inconsistencies between inspected records and auditee description of work done in case; identify work not done in a matter

External Confirmation	Compare auditee records and information collected from auditee to third-party information	Identify inconsistency between auditee information and third-party information; identify absence of a condition or conditions; verify reliability of auditee information; verify particular assertion made by auditee
Recalculation	Recalculate values reflected in an invoice	Verify the accuracy of invoice totals; identify misstatements located in an invoice
	Recalculate values reflected in auditee internal time records	Verify the accuracy of auditee internal time records; evaluate the reliability of auditee internal records; identify inconsistencies with billing records submitted through the agency billing system
Reperformance	Conduct substantive procedures performed by auditee	Calculate reasonable time necessary to conduct substantive procedure; identify misstatement in auditee records
Observation	Observe auditee recording and entering time spent working in the normal course of business	Identify procedural deficiencies which may cause misstatements in auditee records and records submitted to MCILS
	Shadow auditee over a period of time	Evaluate time spent working on specific matters; verify reliability of certain records and other information
	Observe an auditee during the normal course of business and in public settings such as court	Reduce administrative costs and disruption to auditee while collecting relevant and reliable audit evidence
Analytical Procedures	Review agency systems and billing data for large or abnormal data entries	Identify auditee for targeted audits; identify misstatements in billing records; develop understanding of auditee risk profile when planning audit
	Conduct comparative analysis on agency systems, billing data, and auditee time record data	Develop understanding of auditee risk profile when planning audit; identify auditee for targeted audit; collect information on items not initially selected for testing.

	Conduct statistical analyses on the agency's systems and billing data	Collect information on items not initially selected for testing; select additional items for testing
	Conduct comparative analysis on agency billing data and auditee time record data	Identify inconsistencies between agency systems billing data and auditee time record data
	Conduct statistical or non-statistical sampling	Reduce administrative costs and disruption to auditee while collecting relevant and reliable audit evidence; provide reasonable assurance on conclusions drawn from audit while conducting less than 100% audit; extrapolate audit results to larger population
Post-Audit Review	Recalculate auditor calculations	Identify errors in audit documentation or audit evidence which affect the conclusions drawn from the audit
	Reperform statistical processes employed by auditor during the audit	Verify reliability of statistical analysis performed by auditor which is used as a basis for auditor's conclusions
	Review audit evidence and documentation	Identify errors in audit documentation or audit evidence which affect the conclusions drawn from the audit; verify reliability of audit evidence; verify completeness of audit documentation.
	Interview auditor regarding methods employed and audit evidence collected	Verify reliability and completeness of audit documentation and evidence; determine whether additional audit efforts are required in the particular audit.

iii. Audit Evidence Guidance and Sufficiency

As a general matter, audit evidence will vary depending on the type of audit being conducted as well as the unique circumstances of the individual engagement. However, in every audit, auditors will collect audit evidence which is relevant to the audit objectives established in the audit plan and reliable such that the auditor may draw reasonable conclusions from that evidence. Auditors must use their professional judgment when determining what evidence is

both relevant and reliable. Where evidence is determined relevant but unreliable, the auditor should collect the evidence and document the extent of its reliability along with the reasons supporting the auditor's finding of unreliability. Similarly, where the auditor determines evidence is reliable for some purposes but not for others, the auditor should document that fact along with the reasons for that finding and the extent to which the evidence is reliable.

The only time evidence should not be collected is when it is irrelevant, or any relevance is nominal such that it does not have reasonable bearing on the conclusions to be drawn from the audit. Likewise, irrelevant audit evidence need not be documented in most instances. In deciding whether to collect or document audit evidence, the auditor should consider whether the identified evidence provides some assurance as to the accuracy of the records and assertions being audited. Audit evidence provides assurance where the evidence either confirms or refutes the accuracy of a record or assertion. If the audit evidence provides no assurance, then it needs neither be collected nor documented. However, where audit evidence may provide a minimal amount of assurance, the auditor should use their professional judgment to determine to what extent the evidence should be collected and documented. When in doubt the auditor should err on the side of collection and documentation.

In some instances, there will be insufficient audit evidence upon which to base an opinion. In such circumstances, the auditor should document that fact and draft an appropriate report which concludes that there is insufficient evidence. When an audit is inconclusive due to the unavailability of records, the auditor should determine the cause of that unavailability and record it. If the auditee caused the records to be unavailable by simply not keeping records, then the auditor should, in the professional judgment, either suggest remedial measures to the auditee and schedule a targeted audit after a reasonable period of time, or recommend corrective action according to agency rules. Whatever the result, the auditor must document their decision in the audit report.

E. Audit Process

Generally, audit team auditors are responsible for planning and performing each engagement for which they are assigned. Although this program provides auditors with guidance, auditors must use their professional judgment when planning and conducting an engagement. In doing so, the auditor should follow the general procedures established below when developing the overall audit strategy and designing specific audit procedures to be used in the audit. The remainder of the section provides the general procedures applicable to every audit given the audit lifecycle contemplated by ISO 19011:2018.

E.1 Initiating an Audit

When initiating an audit there are several issues which must be addressed by the auditor who will conduct the audit. As a preliminary matter, audits should only be conducted when the necessary preconditions exist for an engagement and where there is a common understanding between the auditor and auditee regarding the terms of the engagement. Because the agency specifies the reporting framework used by auditees, it is presumptively adequate for purposes of

determining whether the preconditions for an engagement exist. Moreover, auditors need not receive consent to audit from the auditee.

However, they should seek and receive an agreement from the auditee that the auditee understands their responsibilities relevant to the audit. The auditee is generally responsible for the preparation and fair presentation of the statements subject to audit as well as designing and implementing the internal controls necessary to prepare and present the statements. The auditee should also agree or acknowledge their responsibility to provide the auditor with access to all relevant information, any additional information requested by the auditor for purposes of the audit, and unrestricted access to the auditee's employees and personnel. The auditor should obtain this agreement upon initial contact and in no event later than the opening meeting.

i. Initial Contact with Auditee

Once an audit has been initiated, the auditor should promptly notify the auditee within a timeframe reasonably calculated to meet the objectives of the audit. The timing and substance of the notification will differ depending on the type and purpose of the audit. At a minimum, the initial notification should:

- Alert the auditee to the fact that they are being audited;
- Provide a statement regarding the limitations of the initial letter if separate from an engagement letter;
- Provide the general reason that the auditee has been selected for the audit;
- Provide a statement regarding the auditee's responsibilities;
- Describe the anticipated scope of the audit;
- Describe confidentiality of information as relevant to the auditee and any impacted clients;
- Describe or cite the law or rules providing the authority to audit;
- Describe or cite the law or rules providing the auditee's right to appeal any agency decision or action that results from the engagement; and
- Invite the auditee to contact the audit team to make arrangements regarding the engagement.

If the initial letter will also serve as the engagement letter, which contains the terms of the engagement, then it should state that fact and contain the following additional information:

- The objectives and scope of the audit;
- Statement regarding the inherent limitations of auditing and the residual risk that some material misstatement will be missed as a product of sampling;
- Identification of the applicable reporting framework;
- Reference to the expected form and content of any reports to be issued by the auditor;
- A disclosure regarding the audit team document collection and retention schedule;

- Statement that circumstances may require a resulting report to differ from its anticipated form and content; and
- Any other information the auditor deems necessary to include taking into consideration the form and content suggestions enumerated in AICPA Standards AU-C § 210.A24.

Although the auditor may use the initial and engagement letter templates when drafting the relevant correspondence in an audit, they need not do so. To that end, auditors should use their professional judgment to ensure that the initial letter content is appropriate given the unique qualities of the individual audit. Note that auditor's should, to the extent possible, arrange scheduling for the audit as early as possible in the process.

ii. Audit Procedures Overview

Once the auditee has received the initial notification or engagement letter, the auditor should begin conducting the engagement. The sections that follow outline the general audit process that will be followed in every audit. The audit procedures and methods will differ from audit to audit, given the nature of the engagement. As a result, auditors must use their professional judgement when designing and implementing the audit procedures and methods to be used in a given engagement using the guidance below. However, auditors should not view this guidance in a vacuum and should feel free to reference other standards and materials to guide their work.

To the extent that planning and other pre-audit activities are already complete, the auditor conducting the engagement should start by performing the necessary pre-audit engagement activities and planning the audit. When planning is complete, an appropriate description of that plan should be communicated to the auditee so that both parties understand the relevant details of the audit process. This may be done at or before the opening meeting. Next, the auditor will begin their substantive work by conducting an opening meeting as necessary to review any initial considerations, set the tone for the audit, communicate the engagement plan as appropriate, and gather the necessary information and material from the auditee. The auditor will then perform the individual audit procedures and methods designed for that specific audit to collect relevant and reliable audit evidence. In doing so, the auditor will generate audit documentation and findings that will be used to generate the auditor's report when the engagement is over. When all planned and further audit procedures are completed, the auditor should conduct a closing meeting with the auditee or provide a closing letter to the auditee as may be appropriate in the circumstances. Finally, the auditor will prepare the audit report and finalize it as necessary through the internal quality control process established below. The report will then be recorded and filed with the audit documentation and evidence collected by the auditor during the audit and sent to the auditee in a follow-up correspondence.

It is important to note that audit planning is a continuous process and will occur at every stage of the audit. Moreover, auditors will often find that the unique characteristics of the auditee require a change in the auditor's plan. Consequently, auditors should plan the audit to account

for those changes and remain flexible. The following section provides guidance regarding how auditors should approach audit planning to maintain the necessary flexibility.

E.2 Engagement Planning

Moreover, auditors will begin every engagement with audit planning before performing substantive procedures, other than risk assessment procedures. Additionally, although audit planning is conducted at the outset and completed before conducting substantive procedures, planning is a continuous and iterative process. Therefore, auditors should expect to adjust their plans during an engagement. During planning, the auditor should consider the following purposes of audit planning:

- identify and devote adequate attention to important areas of the audit;
- identify and resolve potential problems on a timely basis;
- organize and manage the audit engagement so that it is performed effectively and efficiently;
- select the right engagement team members given capabilities and competencies required to address the auditee's anticipated risks; and
- facilitate the direction and supervision of engagement team members and review of their work.

Doing so will help the auditor properly organize and manage the engagement so that it is performed effectively and efficiently. When developing that plan, the auditor should keep in mind that audit planning is an iterative process that occurs throughout the audit. To that end, the auditor should document their audit plan such that it may be edited as the engagement develops. During the initial planning stage, the auditor must:

- develop an audit strategy;
- develop an understanding of the auditee and its environment;
- assess the risks of material misstatement;
- document the audit plan; and
- communicate plan generally to auditee.

Because each engagement presents its own risks, the auditor must use their professional judgment to determine the nature, timing, and extent of each of these activities in each engagement. When planning is completed the auditor should notify the auditee of the general audit plan but need not share every detail with the auditee. The auditor must use their professional judgment when deciding how much information to disclose to the auditee. However, in doing so, the auditor should consider the extent to which the planned audit procedures will disrupt the auditee's practice as well as the potential consequences of oversharing the audit plan.

i. Developing the Audit Strategy

The first step in planning an audit is developing an audit strategy. That strategy will set the overall scope, timing, and direction of the audit and will guide the development and

implementation of the audit plan. As with most other aspects of auditing, the auditor must use their professional judgment when developing the audit strategy; in so doing, the auditor should minimally consider the following:

- (1) engagement characteristics.
- (2) reporting objectives of the engagement to plan audit timing.
- (3) factors significant in directing engagement efforts.
- (4) results of preliminary engagement activities. And
- (5) nature, timing, and extent of resources necessary to perform the engagement.

These basic considerations are more thoroughly described in AU-C § 300. Appendix. Further, the auditor should use working papers, checklists, and other practice aids as necessary to adequately develop an audit strategy. Additionally, the auditor should consider the nature and circumstances of the auditee when determining the audit scale. For example, where the auditee is relatively simple, the audit strategy should be similarly simple to account for the nature and circumstances of the auditee.

Once the audit strategy is developed, the auditor should document that strategy and refer to it as necessary throughout the remainder of the planning stage. After documenting the audit strategy, the auditor should develop an understanding of the auditee and assess the risk of material misstatement.

ii. Understanding the Auditee and Assessing the Risk of Material Misstatement

Auditors must understand the auditee to adequately design and perform audit procedures. Without a thorough understanding of the auditee and their unique risk profile, the auditor cannot properly plan and conduct the audit. In developing an understanding of the auditee, the auditor should design and perform risk assessment procedures to obtain audit evidence that provides an appropriate basis for identifying the risk of material misstatement and designing further audit procedures.

Like planning, generally, this risk assessment process is iterative and takes place continuously throughout the audit. Additionally, any risk assessment procedures used should be designed and performed on a scale appropriate to the auditee and in a manner that is not biased towards obtaining only corroborative audit evidence or excluding audit evidence that may be contrary. At a minimum, the risk assessment procedures should include inquiries, analytical procedures, observation, and inspection. Specifically, the auditor should obtain an understanding of aspects of the entity and its environment, including:

- the organization's structure, business model, IT infrastructure, industry and regulatory factors, control environment, and the internal measures used to assess performance;
- the applicable financial reporting framework;
- the entity's accounting policies;
- the appropriateness of the entity's accounting policies given the financial reporting framework; and

- how inherent risk factors affect the susceptibility of assertions to misstatement.

Further, the auditor should develop an understanding of the entity's system of internal control including the:

- control environment;
- entity's risk assessment process (if any);
- process for monitoring the internal control system;
- information systems and communication; and
- control activities.

Note that while auditors must perform a thorough search for audit evidence when developing an understanding of the entity, they need not perform an exhaustive search to locate every piece of audit evidence that is possibly available. Indeed, the auditor should tailor that search to the nature and circumstances of the entity such that the risk assessment procedures are scaled appropriately.

Once the auditor has developed a sufficient understanding of the entity and its environment, they should assess the risk of material misstatement at both the financial statement and assertion levels. When assessing the risks at the financial statement level, the auditor should also determine whether those risks affect the assessment of risks at the assertion level and evaluate the nature and extent of their pervasive effect on the financial statements as a whole. At the assertion level, the auditor should assess both the inherent risk and control risk present. Inherent risk is the susceptibility of an assertion to material misstatement before considering any related controls. Control risk is the risk that material misstatements will not be prevented or detected and corrected on a timely basis by the entity's system of internal control.

When assessing inherent risk, the auditor should start by assessing the likelihood and magnitude of misstatement. In doing so, the auditor should consider how, and to what extent inherent risk factors and the risks of material misstatement at the financial statement level affect the assessment of inherent risk at the assertion level. Examples of inherent risk factors that may be present include without limitation:

- susceptibility to fraud;
- auditee's knowledge and experience;
- size and volume of statements or transactions;
- data processing; and
- use of estimates.

Further, the auditor should evaluate the materiality of each risk to determine whether any of those risks are significant. When evaluating control risks, the auditor should apply their understanding of the entity's controls and the plan to test the entity's controls. If the auditor will not test the effectiveness of controls, control risk should be assessed at the same level as inherent risk. Where risk is high, more substantive work must be done by the auditor to obtain reasonable assurance that the financial statements are free from material misstatement whether due to fraud

or error. The auditor is responsible for using their professional judgment in determining the nature and extent of substantive audit procedures necessary and appropriate to address the applicable level or risk.

Moreover, during the risk assessment, the auditor should collect audit evidence and maintain appropriate documentation. The documentation generated and maintained should generally record the auditor's evaluations and assessment procedures. To the extent that dual purpose testing is conducted, the auditor should document the evidence collected and its applicability to the risk assessment as well as its substantive applicability. That audit evidence and documentation will be retained and stored in the engagement file. The documentation generated should minimally contain:

- (1) any discussions among the audit team regarding the audit engagement;
- (2) key elements of the auditor's understanding of the entity, its IT infrastructure, and its internal control system;
- (3) sources of information from which the auditor's understanding was obtained;
- (4) description of the risk assessment procedures performed;
- (5) any evaluation of identified controls; and
- (6) The identified and assessed risks at both the financial statement and assertion level.

Once the auditor has developed a sufficient understanding of the entity, they should gather the documentation generated and audit evidence collected to draft the audit plan.

iii. Design Audit Procedures

In general, the auditor will design and implement audit procedures at the assertion level to address the risks identified during the risk assessment. However, substantive procedures should be designed and performed for all relevant material assertions regardless of the assessed risk. In a given audit, the auditor will likely design and implement two types of procedures, substantive procedures and tests of controls. As stated above, substantive procedures must be designed for every relevant material assertion. However, tests of controls need only be designed and implemented if certain criteria are met: (1) the auditor's risk assessment includes an expectation at the relevant assertion level that the controls are operating effectively; or (2) substantive procedures alone cannot provide sufficient appropriate audit evidence at the relevant assertion level.

The nature, timing, and extent of both substantive procedures and tests of controls should be responsive to the risks identified during the risk assessment. Additionally, substantive procedures and tests of controls should be designed to obtain more persuasive audit evidence the higher the risks identified during the risk assessment. Further, where the auditor places more reliance on the effectiveness of controls, the more persuasive the audit evidence must be with respect to those controls.

Many of the audit procedure design principles apply to both substantive procedure design and test of controls design. However, the design considerations for both procedures vary slightly.

In practice, although the general design principles that follow apply to both procedures, each has its own unique attributes and the specific further procedures that are designed should reflect those differences.

iv. Financial Statement Adequacy

In every engagement, the auditor must assess the adequacy of the financial statements prepared and presented by the auditee. In doing so, the auditor should consider the terminology used in the statements and the applicable financial reporting framework, the level of detail provided in the statements, the aggregation and disaggregation of amounts, and the bases of the amounts in those financial statements. The sufficiency, or adequacy, of the auditee's financial statements will have a significant impact on the effectiveness of an engagement. In some instances, an auditee's financial statements may be so insufficient as to prevent meaningful audit of those statements. Where this is the case, auditors should be careful to craft audit procedures responsive to the inadequacy of those financial statements. Where that is not possible, the auditor should initiate a formal investigation into the auditee's practices, to the extent that an investigation has not already begun. Alternatively, the auditor may note the issues identified, report that the financial statements are inadequate, recommend changes to the auditee's controls and processes, and schedule a targeted audit within a reasonable time.

v. Nature, Timing, and Extent of Audit Procedures

Defining the nature, timing, and extent of the audit procedures provides those procedures with meaning and direction. First, the nature of an audit procedure refers to its purpose (test of controls or substantive procedures) and type (inquiry, observation, inspection, etc.). Next, audit procedure timing refers to when the procedure is performed or the date to which the audit evidence applies. Finally, the extent of an audit procedure refers to its depth or the quantity to be performed. In each audit, the auditor must tailor the nature, timing, and extent of all audit procedures so that they are based on, and responsive to, the assessed risk of material misstatement at the relevant assertion level.

vi. Nature

With regard to the nature of an audit procedure, the risks identified during the risk assessment affect both the purpose and type of an audit procedure. As a result, the assessed risks not only inform but direct the nature of audit procedures. For example, where the risk of misstatement in a given assertion is relatively low without considering any applicable controls, then a test of controls may be unnecessary for that assertion. Conversely, where the assessed risk is low only because of internal controls, then the auditor should test the relevant control in addition to applying a substantive procedure to the underlying assertion.

Similarly, the assessed risks are relevant when determining the type of procedure. Where risk of misstatement is high, the auditor should design and perform additional procedures for any given assertion. For example, if the assessed risk for a particular financial statement is high, the auditor should develop additional further audit procedures to obtain reasonable assurance.

Conversely, the auditor may find that, given the relatively low assessed risks, that less substantial substantive procedures are necessary.

vii. Timing

Although audit procedure timing refers to both when the procedure is performed and the date to which the financial statement or assertion relates, the timing of actual audit procedures is generally predictable. According to this audit program, auditors will conduct many audits at pre-determined intervals. These pre-determined audits will consume much of the audit team's audit efforts. However, some audits will be conducted which do not follow a pre-defined schedule. In those instances, the auditor should carefully consider when audit procedures are performed. This is particularly true when conducting an audit in response to an assessed risk of fraud after some initial investigation, such as in a targeted audit. For example, where a targeted audit is initiated in those circumstances, the auditor should begin conducting audit procedures as soon as possible to reduce the risk of tampering. Ultimately, the timing of any give audit procedure, however, is within the auditor's professional judgment and the auditor should carefully consider when to perform those procedures.

Further, where the audit is conducted according to a pre-defined schedule, the relevant date to which the financial statement or assertions relate is also predictable. However, as with the timing of procedures, the auditor must use their professional judgment in selecting the relevant period. In annual audits as well as any other pre-defined audits, the auditor should expand the timing of audit procedures given the assessed risk; however, they auditor should not reduce that timing. In targeted audits, on the other hand, the auditor should carefully consider the relevant period(s) when determining timing.

In all circumstances, when deciding the timing of a procedure the auditor should consider, among other things: (1) the effectiveness of the control environment; (2) when relevant information is available; (3) the nature of the risk; (4) the period date to which the audit evidence relates; and (5) the timing of the preparation of financial statements.

Finally, auditors should be cautious about using audit evidence from previous audits in the current engagement. If the auditor intends to use audit evidence from a previous engagement, that auditor should determine whether and to what extent that evidence is relevant to the current engagement. Auditors should generally only use evidence from a previous audit where the control has not changed since that previous engagement.

viii. Extent

The extent of audit procedures should naturally increase as the risk of misstatement increases. The extent to which an audit procedure should be performed is a decision made after considering the materiality, assessed risk, and degree of assurance required. Where the assessed risks involve risks of material misstatement due to fraud, the auditor may consider increasing the sample size or performing more detailed substantive procedures. Where possible and appropriate, the auditor should use computer assisted audit techniques. Doing so may allow the auditor to increase the procedure's extent without consuming additional audit team resources. In

any case, the auditor should generally increase a procedure's extent as the risk of misstatement increases. Conversely, the auditor may reduce a procedure's extent as the risk of misstatement decreases. Whether to expand or reduce a procedure is in the auditor's professional judgment.

ix. Significant Risks

Auditor's will often find that some assessed risks are higher than others. Significant risks are those risks which are at the higher end of the inherent risk spectrum and require additional attention and further audit procedures to adequately respond to their higher level of risk. Ideally, where a significant risk is identified, any substantive procedures responsive to that risk should be accompanied by tests of controls. However, where only substantive procedures are used to address a significant risk, those procedures should include a test of details.

x. Considerations Specific to Tests of Controls

Tests of controls are generally performed on those controls that the are designed to prevent, or detect and correct, a material misstatement in a relevant assertion. Although testing the effectiveness of controls is different from evaluating the design and implementation of those controls, the same general audit procedures are used. As a result, the auditor may test both the effectiveness and design and implementation of relevant controls at the same time. Further, the risk assessment procedures performed earlier may have produced audit evidence regarding the effectiveness of those controls. Similarly, auditors should seek opportunities to conduct dual-purpose testing where appropriate.

In all cases, however, the tests of controls chosen should be responsive to the assessed risks. As a result, when designing any tests of controls, the auditor should consider the: (1) auditee's degree of reliance on the control; (2) frequency of the performance of the control during the relevant period; (3) expected rate of deviation; (4) relevance and reliability of the audit evidence to be obtained regarding the operating effectiveness of the control at the relevant assertion level; (5) extent to which audit evidence is obtained from tests of other controls related to the relevant assertion; and (6) extent to which the control is automated.

xi. Selecting Items as Audit Evidence

When designing audit procedures, auditors should keep in mind that the purpose of conducting those procedures is to collect sufficient appropriate audit evidence to draw reasonable conclusion on which to base their opinion. As a result, all procedures should be designed considering the relevance and reliability of the information being tested. Additionally, the auditor should consider the effectiveness (sufficiency) of the items selected for testing. In general, the auditor will select items for testing by conducting statistical or non-statistical sampling but may determine that 100 % testing is appropriate.

In those instances where the auditor determines it is appropriate to test 100% of the items within a given population or a stratum of that population, they should be careful to ensure the necessary resources are available for that breadth of testing. This practice is common when a test of details is required. However, in many instances testing every item within a population is

unrealistic or unnecessary given the available resources and assessed risk respectively. A selection of all items in a population may be appropriate when:

- The population constitutes a small number of large value items;
- A significant risk exists, and other means do not provide sufficient appropriate audit evidence; or
- The repetitive nature of a calculation or other process performed automatically by an information system makes a 100% examination cost effective.

Where an auditor determines that non-statistical sampling is appropriate, they will select specific items from the population based on pre-defined, non-statistical criteria. The set of criteria is chosen by the auditor using their professional judgment and understanding of the entity, the assessed risks of material misstatement, and the characteristics of the population being tested. When determining whether to use non-statistical sampling, the auditor should also consider the fact that the findings following non-statistical sample are subject to a level of risk. Additionally, those same findings cannot be extrapolated and applied to the rest of the population.

Finally, the auditor may decide that statistical sampling is the most appropriate selection method. This is particularly the case where the auditor intends to draw conclusions about the entire population. When drawing a sample, the auditor should be careful to consider the characteristics of the relevant population, the level of acceptable sampling risk, and the purpose of the audit procedure. Statistical sampling has two primary benefits. First, the sample results may be extrapolated and applied to the entire population. Second, the applying sampling will reduce overall resource usage in the engagement. As a result, auditors should employ sampling methods when a 100% selection is not possible or appropriate.

xii. Sufficiency and Appropriateness of Audit Evidence

What evidence constitutes sufficient appropriate audit evidence is a matter of professional judgment. In making that determination the auditor should consider the:

- (1) significance of the potential misstatement in the relevant assertion and the likelihood of its having a material effect on the financial statements, either individually, or when aggregated with other misstatements;
- (2) effectiveness of management's responses and controls to address the risks;
- (3) experience gained during previous audits with respect to similar potential misstatements;
- (4) results of audit procedures performed, including whether such audit procedures identified specific instances of fraud or error;
- (5) source and reliability of the available information;
- (6) persuasiveness of the audit evidence; and
- (7) understanding of the entity and its environment.

xiii. Iterative and Continuous Process

An audit is a cumulative and iterative process. As the auditor performs the planned audit procedures, they may determine that some procedures should be modified. As a result, the auditor should feel free to re-evaluate the planned audit procedures throughout the life of the engagement based on the revised consideration of assessed risks. Consequently, the auditor should design any audit procedures such that their nature and extent may be adjusted during the audit.

xiv. Documentation

The auditor should document the procedures designed during this step such that any other experienced auditor may quickly determine the nature, timing, and extent of all planned procedures. This documentation should also be sufficient to enable the auditor to perform the planned audit procedures and track their progress throughout the engagement. Doing so will increase auditor performance, ensure the engagement is thorough, allow for smooth engagement handoff where necessary, and enable an effective system of quality control.

Every audit should be accompanied by a written audit plan. That audit plan will be used internally by the auditor to guide, organize, and manage all audit efforts for that engagement. As a result, the plan should be drafted to with that purpose in mind. Additionally, the auditor should draft the plan to enable any other auditor not assigned to the engagement to understand the plan and quickly get up to speed on the engagement.

Further, while each audit plan will differ slightly from engagement to engagement, each audit plan will contain some common characteristics. Those characteristics generally include:

- (1) audit objectives;
- (2) audit scope;
- (3) audit criteria;
- (4) locations, dates, expected time, and expected duration of audit activities including meetings with auditee;
- (5) need for auditors to familiarize themselves with auditee's processes;
- (6) audit methods to be used including sampling methods;
- (7) roles and responsibilities of audit team members participating in the audit if more than one;
- (8) role of any required guides or interpreters;
- (9) allocation of appropriate resources based on the risks identified during the risk assessment
- (10) information confidentiality and security;
- (11) audit report topics;
- (12) logistics and communications arrangements;
- (13) specific audit procedures to be conducted and actions to be taken to address risks identified during the risk assessment;
- (14) coordination with other activities in the case of a joint audit; and
- (15) any anticipated follow-up activities.

When drafting the audit plan, the auditor should keep several things in mind, and craft the plan according to those considerations. First, the entire plan should be developed and drafted to address the audit objectives. Second, the plan should be directly responsive to the auditee circumstances as well as the risks identified during the risk assessment. To that end, all audit procedures specified in the audit plan should be responsive to the auditee's unique risk profile. Third, the auditor should draft the audit plan with the understanding that it is a living document and will likely require adjustment throughout the engagement. Finally, the auditor should consider what resources are available and carefully budget those resources to ensure the audit is conducted efficiently as well as effectively.

After the initial audit plan is drafted, reviewed, and finalized, the auditor should draft an engagement letter as described above and communicate the audit plan to the auditee. In communicating the audit plan, it may be necessary for the auditor to arrange for scheduling to the extent that that has not already happened.

xv. Communicate Plan to Auditee

After all initial audit planning is complete, the auditor should communicate the audit plan to the auditee. The content of that communication should be crafted to provide the auditee with sufficient understanding of the audit and planned procedures to allow the auditee to participate in the audit. However, the auditor should be careful to avoid disclosing more information about the audit procedures than is minimally necessary. To that end the auditor should minimally provide the auditee with the audit objectives, scope, scheduling, and descriptions of any audit methods which require auditee's participation, or which cause substantial disruption to auditee's business operations. The auditor must use their professional judgment in determining how much of the audit plan to disclose to the auditee.

E.3 Beginning the Engagement

i. Roles and Responsibilities

Generally, auditors are responsible for the audit engagements for which they are assigned. Where there is only one auditor assigned to conduct the audit, that auditor is responsible for all aspects of the audit. In the rare instances where more than one auditor is assigned to the same audit, one auditor should be designated as the engagement team leader and will assume ultimate responsibility for the audit. Consequently, the engagement team leader is responsible for directing the engagement team efforts including by assigning individual responsibilities to the auditors on the engagement team.

ii. Communication

Communication between the auditor and auditee should be reasonably recorded or documented to the extent possible. As a result, auditors should primarily communicate with auditees in writing either through physical mail or email. In certain circumstances, however, it is more appropriate to communicate with the auditee by phone or in person such as when coordinating scheduling or conducting an interview. In those instances, the auditor should either

record or document the content of that communication. Where the communication relates to scheduling issues, the auditor should follow-up with the auditee in writing.

At the outset, the auditor should communicate with the auditee to arrange scheduling. Specifically, the auditor should schedule the opening meeting with the auditee as well as arrange for access to the auditee's office and records. To the extent possible, the auditor should not wait until the opening meeting to schedule the planned audit activities.

iii. Opening Meeting

The auditor should conduct an opening meeting with the auditee in every audit engagement. The ultimate goal for the initial meeting is to set the tone for the audit while developing a common understanding of what to expect. There are three general purposes to that opening meeting: (1) introduce auditor and their role; (2) confirm mutual understanding of auditee responsibilities and audit plan; and (3) ensure that the planned audit activities can be performed. Additionally, the opening meeting should minimally include the identified auditee; however, there may be circumstances where additional people should be present at the opening meeting. These additional people may include the auditee entity's management, where different or distinct from identified auditee, or those people responsible for the functions that will be audited. The auditor must use their professional judgment when determining who should be at the initial meeting.

The auditor conducting the meeting is responsible for directing the dialogue and ensuring that the base purposes of the meeting are accomplished. Additionally, the auditor is free to use their professional judgment and expand these purposes to address the unique characteristics of the individual audit. Similarly, the auditor should determine which additional people should be present at the meeting and communicate that to the auditee in advance of the meeting so that the auditee can plan to have those people present.

The auditor should also prepare a plan, in an appropriate form, which will direct the content of the meeting including by documenting the topics to be covered and any interviews that will be conducted. The discussion at that meeting should at least include the:

- (1) engagement objectives;
- (2) engagement scope;
- (3) audit methods and planned audit procedures which disrupt or impact the auditee's operations;
- (4) plan for interim meetings (if applicable) and closing meeting;
- (5) method(s) for communicating with the auditee during and after the audit;
- (6) extent to which auditee will be kept informed of audit progress;
- (7) availability of auditee information, resources, and facilities;
- (8) confidentiality and information security;
- (9) reporting method; and
- (10) system for auditee feedback including making a complaint or appeal.

Most importantly, the auditor should determine when, where, and how to access the information relevant to the audit. Finally, the auditor should record or document the content of the meeting. That record or documentation should be retained along with all other engagement documentation.

iv. Auditee Access to Audit Documentation

The level of access an auditee has to engagement documentation will vary according to the engagement's purpose. Generally, however, the auditee will not have access to the audit evidence, documentation, or notes collected and prepared by the auditor until after the engagement is completed. As a result, the auditor should not provide that information to the auditee while the engagement is ongoing. This is particularly the case in targeted audits, and less of a concern in annual audits. In some circumstances, however, it may be appropriate to disclose some information or documentation to the auditee before the engagement is finished. The auditor must use their professional judgement and carefully consider the purpose of the engagement, the reason for early disclosure, and the impact early disclosure will have on the ongoing engagement.

Moreover, where the auditor decides to disclose audit documentation early in a targeted audit, that auditor must document the fact of early disclosure. The auditor should also document the audit evidence, documentation, or notes disclosed, the reason for early disclosure, the potential risk associated with early disclosure, and anything else considered by the auditor when deciding to disclose documentation early. The extent of the documentation should be appropriate given the purpose of the audit and the auditee's level of cooperation.

E.4 Collecting and Verifying Information

Auditor's will begin conducting the additional planned audit procedures once the opening meeting is finished. The purpose of audit procedures generally, is to collect sufficient appropriate audit evidence that is both relevant and reliable. The auditor must use their professional judgment when determining whether audit evidence is relevant and reliable. The auditor is also responsible for applying their professional judgment in determining whether they have collected sufficient appropriate audit evidence upon which they may base their findings, conclusions, and opinion. Finally, auditors must consistently apply professional skepticism when selecting and collecting audit evidence to avoid the application of biases.

i. Selecting Audit Evidence

In determining whether to collect a specific item of evidence, the auditor must consider the evidence's reliability and relevance to the audit purpose and objectives. When assessing reliability of potential audit evidence, the auditor should consider the following factors:

- (1) the extent to which the information selected is verifiable;
- (2) the relevant risk of auditee, source, or auditor bias;
- (3) the degree to which inference was used to develop the information;
- (4) the completeness of the information;
- (5) the authenticity of the information selected; and

(6) the accuracy of the information as determined using verification procedures.

Each of these factors weigh on the evidence's reliability and each should be considered; however, no one factor is conclusive, and auditors must use their professional judgment when evaluating evidence reliability.

Additionally, the reliability of audit evidence is influenced by its nature and source as well as the circumstances under which it was obtained. The nature of the evidence refers to its form; that is, how it exists when collected. For example, oral information is often less reliable due to its volatility and subjectivity. Conversely, electronic information or paper documents are generally more reliable because they are generally recorded closer in time to the relevant events and are not subject to the same volatility concerns as a result. Therefore, auditors should generally collect documentary evidence over oral information. Where neither documentary evidence nor oral information exist, the auditor should keep in mind that the absence of information may itself be audit evidence.

Auditor's must also consider the source of information when selecting evidence. Indeed, the information source may have a dramatic effect on the evidence's reliability. Where a source is unreliable, or has questionable reliability, the auditor should conduct additional audit procedures to verify any information provided from that source. For example, where an auditee has established themselves as an unreliable source, the auditor may collect information from external sources through external confirmation procedures. Alternatively, where the auditor determines that a source is irreconcilably unreliable, the auditor may choose not to collect any evidence from that source. However, the auditor should keep in mind that inconsistent or unreliable information collected from an auditee may itself be audit evidence. In any case, the auditor should document the assessed reliability of each information source.

Finally, the auditor should consider the circumstances under which the audit evidence was collected when determining its reliability. The auditor should be wary about assigning a high level of reliability to information obtained indirectly or by inference. Information obtained by inference is more susceptible to bias and may therefore possess a comparably low level of reliability. Conversely, information obtained directly by the auditor may be more reliable.

Where an auditor finds that an information source is unreliable, they should consider the relative importance of collecting audit evidence from that source against the potential cost of relying on unreliable information. If the auditor determines that it is necessary to collect evidence from an unreliable source, the auditor should seek to verify the veracity of the information through external confirmation. Where external confirmation is not possible, the auditor should verify the information given the resources available to them and document the assessed reliability of the source and the evidence collected. The auditor must also discuss discrepancies in evidence reliability in the audit report where unreliable evidence was used to form any basis of the auditor's findings, conclusions, or opinion.

The relevance of audit evidence relates to the logical connection with, or bearing upon, the auditor's purposes. The auditor must use their professional judgment when determining whether an item of audit evidence is relevant and should not collect irrelevant material as audit

evidence. Further, the auditor must consider all relevant audit evidence regardless of whether it appears to corroborate or contradict the assertions being tested. Collecting both corroborative and contradictory evidence is important to maintaining professional skepticism throughout the audit. Contradictory evidence should not be viewed in isolation and the auditor should view the persuasiveness of the audit evidence as a whole rather than focus on any individual piece of audit evidence.

Collecting relevant and reliable evidence alone is insufficient, however. The auditor must collect sufficient appropriate audit evidence to reduce audit risk to an acceptable level such that the auditor may use that evidence to form the basis for their opinion. Sufficiency refers to the amount of evidence while appropriateness refers to the evidence's persuasiveness. Sufficiency and appropriateness are interrelated concepts and as one increases, less of the other is required. For example, where the audit evidence is particularly persuasive as a whole, less evidence is required. Conversely, where the evidence is not very persuasive, more audit evidence may be required. There is no formula for determining when the audit evidence collected is both sufficient and appropriate. Therefore, the auditor must make that determination using their professional judgment.

ii. Collecting Audit Evidence

In every audit, the auditor is responsible for collecting the audit evidence selected as described above. Audit evidence varies greatly and may take the form of documents, oral descriptions, visual observations, and even inferences drawn from analytical procedures. Auditors should be sensitive to this fact by planning collection methods at the outset and bringing the necessary tools to implement those collection methods. Specifically, the auditor should plan to record observations and inferences either by electronic means, or by developing a contemporaneous written record of the observations or inferences. When developing a written record of observations or inferences, the auditor should provide sufficient detail such that another auditor may recreate the work performed and generally arrive at the same conclusion. The auditor should also collect all documentary audit evidence either electronically, or by copying the original document and retaining the copy.

Once an item of audit evidence has been collected, the auditor should record that evidence in a log. Each item of audit evidence logged should have a unique identifier, description of the evidence, collection date, collection method, short-term storage method, and long-term storage method. The short-term storage method should indicate how the evidence is being maintained during field work. Long-term storage, on the other hand, should indicate how the evidence is being maintained internally, once field work is complete. Auditors should store and maintain audit evidence electronically whenever necessary.

iii. Retention

Audit evidence collected during an audit must be retained according to the retention schedule established below in Section E.8.

E.5 Identifying and Evaluating Misstatements

The auditor must identify, accumulate, and evaluate all misstatements, other than those that are clearly trivial, while conducting audit procedures. Generally, auditors will consider the effect of misstatements on the audit strategy and plan, the aggregate effect of misstatements on materiality, communicating and correcting misstatements, and the effect of uncorrected misstatements.

i. Considering Identified Misstatements

As mentioned above, the auditor will consider the effect of identified misstatements on the audit strategy and plan. Specifically, the auditor should consider the nature and circumstances of identified misstatements as well as the accumulated amount of misstatements when determining whether and how to adjust the audit plan. Often misstatements are not isolated occurrences. This is particularly the case where there has been a breakdown in an internal control or where inappropriate assumptions, or estimation methods were widely applied by the auditee. In such cases, the auditor may find it appropriate to perform additional audit procedures responsive to the identified misstatements. In some instances, it may be appropriate to conclude the audit and schedule a follow-up audit after providing recommendations to the auditee regarding the auditee's processes and controls

Additionally, auditors should consider the quantity or accumulated amount of uncorrected misstatements identified in determining the extent of audit risk. Moreover, there is always a risk that undetected misstatements exist as a product of sampling and non-sampling risk. Therefore, the auditor should consider both the detected and undetected misstatements. It is possible that as the aggregate amount of uncorrected misstatements approach materiality, the possible undetected misstatements could exceed materiality thereby increasing the level of audit risk beyond an acceptably low level.

ii. Communication and Correction of Misstatements

Once the auditor has accumulated the misstatements, the auditor should communicate any misstatements to the auditee and request that they correct that misstatement within a reasonable time. The auditor's communication is within a reasonable time if it allows the auditee to whether the classes of transactions and disclosures are misstated, inform the auditor if they disagree, and correct the misstatements as necessary. The auditor should then conduct further audit or follow-up procedures to confirm that the misstatements were corrected. If the auditee is unwilling to correct some or all of those misstatements, then the auditor should develop an understanding as to why the auditee refuses to correct those misstatements. Further, the auditor should take that consideration into account when determining the materiality of the uncorrected misstatements.

iii. Evaluating Effect of Misstatements

Before evaluating the effect of uncorrected misstatements on the financial statements, the auditor must reassess materiality to determine whether it remains appropriate. Once the auditor has reassessed materiality, they should consider the size and nature of the misstatements both in

relation to particular classes of transactions, disclosures, and financial statements as a whole as well as the particular circumstances of their occurrence.

When reassessing materiality, the auditor must apply their understanding of user needs and expectations. Once materiality is reassessed according to user needs and expectations, the auditor must assess all misstatement according to that level of materiality. Further, misstatements are not all created equal and should be evaluated according to the type when determining whether they are material. Consequently, although not all misstatements may be added together as misstatements of amounts may be, the auditor must use their professional judgement in accumulating all misstatements.

Each individual misstatement of an amount must be considered to evaluate its effect on the relevant classes of transactions or disclosures, including whether the level of materiality has been exceeded. In some instances, a misstatement may be offset against another misstatement. For example, an overstatement and equivalent understatement in the same class of transactions may offset each other without becoming material. However, a material misstatement generally cannot be offset.

Qualitative disclosures must be evaluated for their effect on other relevant disclosures and on the financial statements as a whole. The auditor must use their professional judgment when determining whether a disclosure is materially misstated in the context of the financial reporting framework and specific circumstances. Material misstatements of qualitative disclosures could include the following:

- (1) Inaccurate or incomplete descriptions;
- (2) Omissions of information about events or circumstances; and
- (3) Incorrect or incomplete statements concerning accounting policies.

Classification misstatements, like qualitative disclosure misstatements require a qualitative evaluation and the application of the auditor's professional judgment to determine whether they are material. These misstatements are unique, however, in that there may be circumstances that allow the auditor to conclude the misstatements are not material to the financial statements as a whole even though they may exceed the materiality levels applied in evaluating the materiality of other misstatements. Conversely, there are some circumstances in which the auditor will find a misstatement material despite the fact that the misstatement falls below the level of materiality used to evaluate the financial statements as a whole. The auditor should use their professional judgment in determining whether those circumstances exists, but may consult the examples provided in the AICPA Standards AU-C § 450.A28.

Finally, in determining whether uncorrected misstatements are material by their nature, the auditor must consider uncorrected misstatements in both amounts and disclosures. Those misstatements may be considered material both individually and in combination with other identified misstatements. In so doing, the auditor should consider whether the identified misstatements are pervasive or whether the number of misstatements on the same matter will affect users' understanding of the matter.

E.6 Concluding an Audit

i. Generating Audit Findings

Audit findings are the result of evaluating the audit evidence collected and comparing that evidence against the audit criteria or financial reporting framework to determine conformity. Audit findings form the basis of the audit opinion provided in the resulting audit report. As a result, auditors should collect sufficient appropriate evidence to generate sufficient appropriate findings to support the audit opinion. Accordingly, as auditors evaluate the evidence collected, they should document their findings. The findings documentation should be sufficient to allow the auditee to understand how the findings were reached as well as the understand the logical connection between the findings and the ultimate audit opinion reached. Whether that documentation is sufficient is an objective test and the auditor must use their professional judgment in determining whether it has been met.

Audit findings will be communicated to the auditee through the audit report. The auditor will develop and distribute that audit report according to the requirements below in Section E.7.

ii. Closing Meeting

Occasionally, when conducting a field audit, the auditor may determine that a closing meeting with the auditee is appropriate before developing the final conclusions and opinion. In determining whether a closing meeting is appropriate, the auditor should consider the auditee's familiarity with the audit process, the extent of unresolved and diverging opinions between the auditor and auditee after audit procedures are completed, the presence and extent of material misstatements in the audited financial statements whether due to fraud or error. Where the auditor determines that a closing meeting is necessary or appropriate in the circumstances, they should at least address the following at that meeting:

- the fact that the evidence collected was based on a sample of the available information and may not fully represent the overall effectiveness of the auditee's processes, where sampling is employed;
- the method of reporting and the auditee's access and receipt of the completed report;
- presentation of the audit findings and conclusions in a way that is understandable;
- how the auditee should address the audit findings;
- possible consequences of not adequately addressing the audit findings; and
- any post-audit activities including the implementation and review of corrective actions, addressing audit complaints, and the appeals process.

Where the auditor determines that a closing meeting is unnecessary or not feasible, the auditor should communicate this same information to the auditee in writing. The auditor should also provide the auditee with an opportunity to have a virtual closing meeting. If the auditee chooses to have a virtual meeting, the auditor should record that meeting or document what was discussed and any agreements received from the auditee.

iii. Drawing Conclusions

Next, the auditor must analyze the findings generated after thorough review of all the audit evidence and documentation to develop the auditor's opinion regarding whether the financial statements were prepared in accordance with the requirements of the MCILS billing framework. In doing so, the auditor must consider:

- whether the financial statements are presented fairly in all material respects in accordance with the agency's billing requirements (including the financial reporting framework);
- whether the financial statements are free from material misstatement whether due to fraud or error;
- whether the financial statements are prepared in all material respects in accordance with the MCILS billing requirements;
- whether the financial statements appropriately disclose the significant accounting policies selected and applied;
- whether accounting policies selected and applied by the auditee are consistent with the financial reporting framework and are appropriate;
- whether any estimates made by the auditee are reasonable;
- whether the information presented in the financial statements is relevant, reliable, comparable, and understandable;
- whether the information is appropriately classified, aggregated or disaggregated, and presented;
- whether the financial statements provide adequate disclosures to enable the intended users to understand the effect of material transactions;
- whether the terminology used in the financial statements, including the title of the financial statement, is appropriate given the overall presentation, structure, and content of the financial statements; and
- whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

This evaluation should bring the auditor naturally to the ultimate issue of whether there is reasonable assurance that the financial statements are, in all material respects, free from material misstatement whether due to fraud or error.

E.7 Audit Reporting

Once the auditor has developed their opinion based on their conclusions, they must write the audit report. The resulting report must present both the ultimate opinion and the basis for that opinion. It must also be sufficiently detailed so that both the auditee and any auditor reviewing the report can understand its contents. The report should be thorough and reference the audit procedures conducted, the evidence collected, and the documentation generated as necessary. Although the auditor may add content to the audit report, there are certain minimum requirements regarding both the content and basic structure of the report. First, the report should minimally contain sections for: (1) the ultimate audit opinion; (2) the basis for the auditor's

opinion; (3) the auditee's responsibilities; (4) the auditor's responsibilities; (5) the auditor's signature; and (6) the report date. The report should generally follow that structure although the report date should minimally appear at both the beginning and end of the report.

i. Opinion Section

The audit report must begin with the opinion section and should be titled appropriately. This section must include:

- the identity of the auditee entity and the person that is the subject of the audit;
- a statement indicating that the audit conducted was an audit of financial statements;
- a statement identifying the financial statements audited;
- a statement covering any information that is not required by the agency's billing requirements (including the financial reporting framework) but is nevertheless presented as part of the basic financial statements;
- appropriate references to notes, evidence, or documentation;
- identification of deficiencies in the auditee's internal controls, billing practices, or records generally; and
- a statement specifying the dates or periods in which the financial statements cover.

Although the opinion section should be the first substantive section, the auditor may include optional introductory content before the opinion section as may be appropriate in the auditor's professional judgment.

ii. Basis for Opinion

The auditor's basis for their opinion must follow the opinion section. This section is self-explanatory. Here, the auditor should describe how they have arrived at their conclusion and provide descriptions of the evidence and documentation which either supports or refutes their opinion. This section should also include the following:

- a description of the audit scope;
- the dates and locations where the audit activities were conducted;
- a description of the audit criteria used;
- descriptions of the audit evidence collected and relied upon;
- appropriate references to the audit evidence collected and documentation prepared;
- the audit findings and conclusions;
- a statement on the degree to which the auditee has fulfilled the audit criteria;
- a statement regarding whether the audit evidence obtained is sufficient and appropriate to provide a basis for the auditor's opinion. If the auditor concludes that the audit evidence is insufficient to form the basis of an

opinion, then that should be reflected in both the “Opinion” section as well as this section;

- if applicable, the reason the auditor considers the evidence insufficient or inadequate;
- a reference to the section of the report that describes the auditor’s responsibilities;
- a statement regarding the auditor’s independence from the auditee; and
- a description of any unresolved diverging opinions between the auditor and auditee.

iii. Auditee Responsibilities

After the basis for the auditor’s opinion, the auditor should describe the auditee’s responsibilities as relevant to the audit. Specifically, this section should specify that the auditee is responsible for the preparation and fair presentation of the financial statements in accordance with the agency’s billing requirements. It should also provide a statement that the auditee is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

iv. Auditor’s Responsibility for the Audit

Finally, the auditor should describe their responsibility for the audit and audit procedures. This section should begin with a statement describing the auditor’s objectives which should minimally include obtaining reasonable assurance regarding whether the financial statements as a whole are free from material misstatement whether due to fraud or error and the issuance of the audit report.

The report should further clarify that, although reasonable assurance is a high level of assurance, it is not absolute and therefore is not a guarantee that an audit will always detect a material misstatement when it exists. Moreover, the report should state that the risk of not detecting a material misstatement due to fraud is higher. This is because fraud may involve collusion, forgery, intentional omissions, misrepresentations, the override of internal controls, or other methods for concealing fraudulent activity.

Next, the report should describe the auditor’s responsibility to identify and assess the risks of material misstatement, obtain an understanding of the relevant internal controls, and evaluate the appropriateness of the accounting policies used by the auditee. Additionally, where the auditor used or otherwise audited financial statements from a prior period, the report should describe the extent to which the auditor did so.

Finally, the report should describe the auditor’s professional and ethical responsibilities relevant to the audit. The report should start with the auditor’s ethical responsibilities and state that the auditor is required to exercise independent professional judgment and employ professional skepticism at all stages of the audit engagement. The report should also describe the

extent to which professional skepticism was maintained during the engagement along with the methods used to ensure professional skepticism.

v. Optional Contents

In addition to the required report contents described above, the auditor may choose to include additional content as may be necessary or appropriate in the circumstances. The auditor should use their professional judgment in determining whether and what additional content should be included in the audit report. Moreover, the auditor may choose to include, but is not limited to:

- the audit plan, timing, and schedule;
- summaries of the audit process including a summary of the audit conclusions, the main findings that support the conclusions, and any obstacles encountered that may affect conclusion reliability;
- confirmation that the audit objectives have been achieved;
- any areas within the audit scope not covered including any issues regarding the availability of evidence, resources, or confidentiality along with related justifications;
- description of the good practices or controls implemented by the auditee;
- any agreed, proposed, or required action-plan or follow-up, if applicable; and
- a statement regarding the confidential nature of the audit report and associated evidence and documentation.

The auditor may, but need not, include the above content and any other content which is appropriate in the circumstances. If optional content is included, however, the auditor should ensure that it does not confuse or distract from the required content. Consequently, any optional content should be carefully chosen to complement, clarify, or expand upon the required content.

vi. Distribution and Access

The auditor's report must be provided to the auditee once the report is completed and reviewed according to the established quality control procedure. That report and appropriate attachments should be sent to the auditee within 14 days of finalizing the report. The report and its attachments may be physically or electronically delivered to the auditee. After the first copy is sent to the auditee, the audit team should not provide the auditee with another physical copy. Any subsequent copies of the audit report and associated documents should be sent electronically to the auditee.

vii. Retention Schedule

The audit report, evidence, and documentation must be retained according to the retention schedule established below in Section E.8.v.

viii. Follow-up

In some instances, the outcome of an audit will identify deficiencies in the auditee's internal controls, billing practices, or records generally. Where this is the case, the auditor should recommend changes relevant to compliance with agency billing requirements in the opinion section of the report and then follow-up with the auditee to ensure that the deficiencies were addressed and corrected. When following-up with the auditee the auditor should confirm that the changes were actually made, and the effectiveness of the solutions implemented should be verified to the extent necessary. The auditor who conducted the audit is responsible for conducting any follow-up and must use their professional judgement in determining the extent of any follow up. However, another auditor may assume responsibility as necessary to meet operational needs.

Auditors following up with auditees should communicate with the auditee in writing to the extent possible. Where written communication is not feasible, the auditor should follow up any oral communication with a writing either through an email or a physical letter. Any correspondence or other documentation generated should be recorded and stored in the audit file according to the retention schedule.

E.8 Engagement Documentation

When conducting an audit engagement, the auditor must sufficiently document the audit and specific audit procedures to provide a sufficient and appropriate record for the basis of the auditor's report. Further, audit documentation will serve several purposes in conducting and reviewing audit engagements as well as in performing program monitoring. Moreover, preparing audit documentation regularly throughout an audit engagement enhances the quality of that engagement. As a result, the audit documentation developed by auditors must meet certain requirements.

i. Sufficiency of Audit Documentation

Generally, auditors must prepare sufficient appropriate audit documentation to allow an experienced auditor, with no connection to the audit, to understand:

- the nature, timing, and extent of the audit procedures performed;
- the results of those audit procedures;
- significant findings or issues that arise during the engagement;
- any conclusions drawn and any significant professional judgments made to read those conclusions during the engagement; and
- any departures from audit program requirements.

In documenting the nature, timing, and extent of audit procedures, the auditor must record the identifying characteristics of the specific items or matters tested, who performed the work and when that work was completed, and whether and to what extent the work was reviewed by another person.

ii. Form, Content, and Extent of Documentation

Auditors must use their professional judgment when determining the form, content, and extent of documentation necessary. In so doing, they should consider the following factors:

- (1) the size and complexity of the engagement;
- (2) the nature of the audit procedures;
- (3) the identified risk of material misstatement;
- (4) the significance of the audit evidence;
- (5) the need to document a conclusion or the basis for a conclusion not readily determinable from the documentation of the work performed or audit evidence obtained;
- (6) the audit methodology and tools used; and
- (7) the extent of judgment involved in performing the work and evaluating the results.

The audit documentation prepared, however, should be appropriately scaled and adequately detailed to achieve the purposes of audit documentation overall, while maintaining efficiency and economy in conducting audit operations. Additionally, all audit documentation must be stored at least electronically. If physical audit documentation is developed, that documentation should be scanned and stored in the appropriate audit file. Any audit documentation which, in the auditor's professional judgment, should be attached to the report and provided to the auditee must be maintained both physically and electronically in the appropriate audit file.

iii. Documentation Requirements

Audit documentation provides evidence that the engagement was conducted according to the audit program requirements and enhances audit quality. As a result, the auditor must prepare sufficient appropriate documentation to allow an experienced auditor to understand what happened in the engagement. However, the auditor conducting the engagement need not record every matter considered or every professional judgment made. It would be impractical to do so. Consequently, the auditor must use their professional judgment to determine what documentation is appropriate for the particular engagement given the requirements of this audit program.

First, there are some aspects of an audit engagement that must be documented. Generally, auditors must document actions at the planning stage, evidence collection and audit procedures, significant professional judgments made, and any resulting reports and quality control reviews. More specifically, auditors must document:

- the audit strategy;
- the audit plan, including any changes, and planned procedures;
- the risk assessment documents including identified risks;
- the assessed risk of material misstatement due to fraud and the auditor's overall response to the that assessed risk;

- the materiality figures including materiality of the financial statements as a whole, performance materiality, and materiality for particular classes of transactions;
- the engagement terms;
- any checklists or working papers generated or prepared;
- the evidence collection log;
- the results of the audit procedures;
- the extent to which unreliable evidence forms the basis for the audit opinion;
- the triviality amount, accumulated misstatements, and materiality of uncorrected misstatements
- any significant findings, issues, and conclusions;
- compliance with this audit program;
- any documentation resulting from independence threats or conflict of interest;
- the audit report; and
- any QCR documents.

Whether a matter is significant such that it requires documentation requires an objective analysis of the relevant facts and circumstances and is generally within the auditor's professional judgment. However, a matter is categorically significant when the result of audit procedures indicate that the financial statements could be materially misstated. Additionally, any circumstances that create substantial difficulty in applying the necessary audit procedures are significant such that they must be documented. Finally, any significant judgment and any matter that gives rise to a significant risk, as contemplated by AICPA Standards AU-C § 315 (SAS 145) must be documented.

Second, some documents need not be documented, and some actions do not constitute documentation as contemplated by this program. Documentation or report drafts, for instance, do not constitute documentation where those drafts are corrected for grammatical and typographical errors alone. Additionally, notes that do not represent complete thoughts are not documentation under this program. Similarly, oral descriptions or explanations by the auditor are not documentation. Those descriptions and explanations may be used to clarify information in the documentation; however, they are insufficient by themselves.

iv. Optional Documentation

The documentation requirements described above represent the minimum requirements for documentation. Auditors may provide additional documentation as necessary in the auditor's professional judgment. When preparing additional documentation, the auditor should consider the benefits against the costs of doing so. Additionally, where the engagement is particularly complex, the auditor may consider preparing a summary that describes the significant findings and issues as well as how they were addressed along with cross-references to other important documentation. This type of memoranda should be reserved for larger or higher risk audits to aid in documentation review and report preparation.

v. Retention Schedule

Where the agency has established a formal record retention schedule, all audit evidence and documentation, along with the audit report must be maintained according to that schedule. Similarly, where the agency's record retention schedule requires destruction of audit records, those records should be destroyed securely either through shredding or obliteration. However, in the absence of an agency record retention policy, the audit team must securely retain the audit evidence, documentation, and report for a minimum of 5 years. Additionally, in the absence of an agency retention schedule, the audit evidence, documentation, and report should be destroyed or otherwise securely disposed no later than 10 years after the report date.

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Q. Monitoring and Quality Control

Audit team staff will regularly conduct both quality control review and monitoring activities. The quality control and monitoring contemplated by this audit program are driven by the following objectives:

- improve audit quality and consistency;
- grow and modernize the audit program to reflect industry and agency changes;
- resolve differences of opinion between auditors;
- ensure independence and professional skepticism are maintained throughout the audit life cycle; and
- provide guidance and criteria for selecting audit staff for the audit team as well as for specific engagements.

Quality control in this context includes establishing internal policies regarding how audit engagements are conducted as well as periodically reviewing engagements to ensure that the engagements are being conducted appropriately and effectively. The quality control review (QCR) process involves the review of engagement material including the audit evidence, documentation, and audit report, but is neither designed nor intended to merely provide an opportunity to second guess the professional judgment of the auditor(s) that conducted the engagement. Rather, it is an opportunity for the person conducting the QCR to evaluate whether the proper policies and processes were followed in conducting the audit and whether the auditor's opinion is supported by the audit evidence and documentation.

Monitoring, in the context of maintaining this audit management program, is the process of evaluating the audit program and system of quality control to provide reasonable assurance that the system is designed appropriately and operating effectively. While quality control, as described above and below, is primarily focused on individual audit quality, monitoring is focused on the system's design and performance. Despite the differences between quality control review and monitoring, the two activities are intertwined and rely on one other to some degree. For example, to effectively conduct monitoring, audit team staff will review engagement material and quality control review material in addition to conducting risk assessments. Similarly, when conducting quality control reviews, audit team staff will consider the audit policies and processes and provide some commentary regarding the appropriateness of those audit policies and processes.

i. Scalability

Like all audit activities, both quality control reviews and monitoring are scalable. Therefore, the agency will scale these activities up or down depending on the scale of the audit or agency respectively. For example, a relatively simple targeted audit which quickly addresses the audit purpose should receive a similarly scaled QCR assuming that one is required according to the schedule outlined below. Similarly, the audit policies and processes established by this audit program may expand as operational needs or the agency itself expand. Consequently, audit team staff must consider the necessary scale when conducting both quality control reviews and monitoring activities.

ii. Leadership

The audit team leader is ultimately responsible for ensuring the quality of audit engagements conducted by the audit team. The audit team leader is additionally responsible for leading and conducting monitoring efforts and activities to provide reasonable assurance that the system is appropriately designed and operating effectively. The audit team leader is however not prohibited from delegating these duties. Indeed, it will be necessary to do so, particularly where the audit team leader's engagements are subject to quality control review.

Further, the audit team leader's ultimate responsibility for engagement quality and program monitoring does not relieve audit team staff of their individual responsibility for a particular engagement or quality control review. Audit team staff remain responsible for ensuring the quality of their own efforts throughout the audit life cycle, including the quality control and monitoring stages.

Q.1 Quality Control

As stated above, the quality control portion of the audit program involves both establishing policies and conducting engagement quality control reviews. This section establishes the remaining necessary policies not established elsewhere in this audit program. Additionally, this section outlines the frequency and process for conducting quality control reviews.

i. General Ethical Requirements

Audit team staff are required to adhere to the ethical requirements associated with their respective professional licenses. For example, audit team staff that are licensed to practice law must comply with the Maine Rules of Professional Conduct to the extent they are applicable. Similarly, an audit team staff member that is a certified public accountant must comply with the AICPA Code of Professional Conduct. Additionally, all audit team staff must adhere to all applicable statutes and rules including the MCILS's statutes and rules. Further, audit team staff must maintain independence and objectivity, professional skepticism, and sound professional judgment.

ii. Independence and Objectivity

Audit team staff must maintain independence and objectivity throughout an engagement. As a result, an auditor should be free from conflicts of interest including such that the auditor's work and opinion are not affected by any current or prior association with the auditee or relevant third-party. Independence requires that auditors may not have a relationship with an auditee which could impair that auditor's objectivity. The mere fact that the auditor has had any prior relationship with the auditee does not necessarily preclude the auditor from conducting the engagement. Such preclusion only occurs where objectivity is affected. Further, an auditor is not precluded from conducting an audit engagement merely because that auditor has audited the auditee in the past.

Before conducting engagement activities, including planning, the auditor should determine whether they may maintain independence and objectivity in the engagement. Auditors categorically may not maintain independence if there is a conflict of interest. A conflict of interest exists where the auditor:

- (1) previously represented a defendant whose matter is subject to the audit engagement;
- (2) is a close friend of the auditee;
- (3) is related to the auditee;
- (4) previously employed or was employed by the auditee in full-time work;
- (5) represented the auditee in any matter such that the auditor owes the auditee a continuing duty of loyalty under any law, regulation, or ethical rule;
- (6) is subject to any current conflict of interest under any relevant ethical rule applicable to the auditor; or
- (7) believes in their professional judgment that there are circumstances preventing them from exercising independence and objectivity in the engagement whether due to a conflict of interest or otherwise considering:
 1. any current or prior relationship with the auditee or auditee's staff; and
 2. any existing obligation or duty to the auditee, their staff, or any of the auditee's clients, including any obligation or duty of loyalty or confidentiality.

Where the auditor knows that they cannot maintain independence in an audit for any reason, that auditor should inform the audit team leader of the relevant circumstances and the fact that independence and objectivity cannot be maintained. Where the audit team leader is the person subject to the conflict of interest or the threat to independence, the audit team leader should inform appropriate audit team and executive staff. Another auditor must then be assigned to handle that engagement either by the audit team leader or the appropriate executive staff member. Where such circumstances become apparent only after the auditor has begun the engagement, the auditor should record the relevant circumstances, the date the issue was identified, and any affect it may have had on the engagement. The auditor should then relay this information to the audit team leader or appropriate executive staff member who will assign the engagement to another auditor.

Where the auditor is unsure of whether there is a conflict of interest, they should record the facts creating the possible conflict of interest and notify the audit team leader or appropriate executive staff member as soon as possible. The audit team leader or executive staff member will then determine whether a conflict of interest or threat to independence exists, record that determination, and reassign the engagement as necessary. If the auditor subject to the conflict of interest had already begun the engagement, the conflict should be documented and included in the audit documentation. Further, the audit team leader or executive staff member should assess the risk posed to the engagement from that conflict of interest, including whether to reconduct the engagement with another auditor.

iii. Professional Skepticism

Like the auditor's responsibility to maintain independence and objectivity by avoiding conflicts of interest, the auditor must maintain professional skepticism throughout the engagement. Professional skepticism is closely linked with the concept of objectivity but refers primarily to the auditor's attitude toward the audit evidence. Specifically, auditors are required to maintain a questioning mind and critically assess all audit evidence. Consequently, auditors should be conscious of potential biases and plan and perform further audit procedures to address that bias risk. Further, the auditor should not assume that the auditee and their staff are either honest or dishonest. Rather, the auditor should consider the appropriateness and sufficiency of the evidence when objectively evaluating that evidence with professional skepticism.

iv. Professional Judgment

Audit team staff are required to exercise their professional judgment in all aspects of their work including conducting audit engagements. To exercise professional judgment audit team staff will not only have to apply their experience, knowledge, and training in making informed decisions in the course of their work, but they are also required to expand their knowledge and training to improve their professional judgment. As a result, auditors are required to complete a minimum forty (40) hours of continuing professional education (CPE) annually in areas relevant to audit and assurance. Audit team staff other than auditors must take twenty (20) hours of CPE annually in areas relevant to audit and assurance. This requirement is explained below in Section Q.3.ii.

v. Complaint Process

Auditees may submit complaints to the MCILS in various ways including electronically, by oral communication, or by physically mailing a written complaint to the MCILS central office. When the audit division receives a complaint either directly from an auditee or indirectly through executive staff, that complaint should be referred to the audit team leader or appropriate executive staff member. Further, where the complaint specifically names an auditor as the subject of the complaint, the auditor named should also receive a copy of the complaint against them. The audit team leader or executive staff member should then evaluate the complaint and conduct any follow-up investigation as needed to determine the veracity of the complaint and what actions, if any, should be taken in response. The audit team leader should then document the investigative follow-up actions, any conclusions drawn, and the actions taken or proposed. The audit team leader should then communicate their solution to the appropriate executive staff for their review.

vi. Engagement Performance

Engagement performance requirements are generally described and outlined by earlier sections of this audit program. Engagement performance is also generally informed by the AICPA auditing standards. Accordingly, auditors and audit team staff should refer to both this document and the AICPA auditing standards for guidance on engagement performance

requirements. Audit team members will be assigned to audit engagements according to operational need and technical competence where appropriate.

vii. Differences of Opinion

Occasionally, there will be differences of opinion between audit team members. Primarily, differences of opinion will arise after a QCR is conducted on a completed engagement. That difference of opinion could be as to specific findings, the relevance of specific findings, or the ultimate audit opinion. In any case, the difference of opinion should be resolved before the report is finalized and communicated to the auditee. In resolving that disagreement, the audit staff involved should keep in mind that the purpose of the QCR process is not to second guess the auditor's work. Rather the purpose of that review is to ensure that the engagement was conducted correctly, according to this program's requirements, and that there is sufficient appropriate audit evidence to support the auditor's findings and opinion.

If the quality control reviewer finds that there was insufficient appropriate audit evidence to support the auditor's findings or opinion, then they should recommend further action or refer the matter to the audit team leader as necessary. Further, the auditor themselves may refer the disagreement to the audit team leader to resolve. If the disagreement is between a quality control reviewer reviewing an engagement conducted by the audit team leader, then the matter should be referred to the appropriate executive staff. Once referred to the audit team leader, they should resolve the matter using their independent professional judgment. The substance of the disagreement as well as the resolution should be documented and included in the audit file.

Where there is a difference of opinion regarding whether the auditor followed the engagement requirements established by this audit program, great deference should be given to the auditor that conducted an audit. Further, where the disagreement involves a matter left to the auditor's professional judgment, the difference of opinion should be resolved in the auditor's favor unless no other reasonable auditor would have made the same decision. Consequently, unless the auditor did not follow the requirements in this audit program or the evidence is largely insufficient or inappropriate, the difference of opinion should generally be decided in the auditor's favor, either by the audit team leader or appropriate executive staff as may be appropriate.

viii. Quality Control Review (QCR)

Until there is sufficient staff to appoint select people to serve as designated quality control reviewers, audit team staff will conduct QCRs of the engagements in which they did not take part. Further, auditors conducting QCR are subject to the same independence requirements as if they were the auditor that conducted the underlying engagement. The purpose of the QCR is not to second guess the findings and opinion of the auditor, but rather to ensure that the engagement was conducted according to the audit program requirements and that there is sufficient appropriate evidence to support the auditor's findings and opinion.

Criteria for Selecting Engagement for QCR

Not every engagement will be subject to quality control review, rather engagements will be selected for QCR according to substantive criteria and random selection methods. Additionally, the audit team must conduct QCR for at least 20% of the engagements conducted that year, whether randomly selected or selected as required for meeting the substantive criteria described below. First, all engagements which meet the following criteria must be subject to QCR:

- the audit report following the engagement contains an opinion stating that the financial statements subject to the audit were materially misstated whether due to fraud or error;
- there was a change in auditor for any reason including the identification of a conflict of interest or a threat to independence;
- the auditor reported a potential conflict of interest which, after review by the audit team leader or appropriate executive staff member, determined that the risk of threat to the auditor's independence was within acceptable limits; or
- the auditor that conducted the engagement requests a QCR for any reason.

As stated above, the QCRs conducted in response to substantive criteria are counted when determining whether the audit division has conducted the correct amount of QCRs. However, 15% of the annual audits should be randomly selected for QCR during the random selection process conducted at the beginning of the year. The remaining 5% of QCRs should be distributed among any targeted audits or annual audits assuming that the 20% requirement is not met by selecting engagements through applying the substantive criteria.

Conducting a QCR

QCR should generally be conducted after the relevant engagement is complete and the report is written, but before the report is released to the auditee. As stated above, the QCR's purpose is to provide reasonable assurance that the policies and requirements of this audit program were followed and that the audit opinion is supported by the audit evidence collected. As a result, the auditor conducting the QCR must conduct a sufficiently thorough review to accomplish that purpose. Further, the QCR activities must include the following:

- (1) a discussion of significant findings and issues with the auditor that conducted the engagement;
- (2) a review of the financial statements, audit evidence, and proposed report;
- (3) a review of engagement documentation relating to significant judgments made related to the conclusions reached;
- (4) an evaluation of the conclusions reached during the audit; and
- (5) consideration of whether the proposed report is appropriate.

When conducting the QCR, the reviewer must generate a report that addresses the purpose of the QCR, addresses the activities stated above, and provides statements that:

- (1) the quality control procedures and policies were followed;

- (2) the quality control review was completed before the report was released to the auditee; and
- (3) describe whether there are any unresolved matters that cause the reviewer believe that any significant judgments made or conclusions reached by the auditor were not appropriate.

Where the reviewer finds the auditor did not follow audit program procedures or policies, or that the audit evidence does not support the auditor's opinion, the QCR report should so indicate. Moreover, the report should be included in the audit engagement documentation and the matter escalated and resolved as necessary to settle any difference of opinion. The auditor should additionally conduct further audit procedures as necessary to bring the audit into compliance with the audit program requirements or collect additional evidence as necessary to correct any deficiency. Alternatively, the audit results may be determined inconclusive and that no action be taken on the audit report. Where no action is taken on the audit report, the reasons for that decision should be documented and recorded in the appropriate audit file.

Q.2 Monitoring

As stated above, audit program monitoring is conducted to assess the program's design and performance. Monitoring efforts involve both program review and revision.

The review component of monitoring occurs continuously through the quality control review process described above. Additionally, the audit program must be formally reviewed by audit team staff at least every two (2) years after all annual audits are completed for the year of revision. Ideally the review process should begin no later than December 1, consistent with operational needs. In the event of a delay, review should begin as soon as possible to allow audit team staff the time to make necessary revisions before the following year's annual audits begin.

Audit team staff may conduct additional interim formal review of the audit program as operational needs require or as necessary time sensitive substantive changes are identified. Revisions should be made only after thorough review of the program. Changes should be logged and included in an appendix to the revised version. Additionally, when the audit program is revised, the version number should also be revised to indicate the year of the revision and the revision number. For example, if the audit program is revised for the fifth time in 2025, the version number should read "Version 2025.5."

When reviewing and revising the audit program, the audit team should consider all relevant information including the following:

- audit engagement documentation;
- engagement QCRs;
- risks identified during previous risk assessments;
- risks identified during the risk assessment conducted during the current monitoring iteration;
- feedback from audit team staff;
- auditee feedback through the complaint process or otherwise;

- changes in auditing standards;
- changes in auditing capabilities and resources including an increase or decrease in audit infrastructure or staffing; and
- status of any pre-defined key-performance indicators designed to track audit program performance.

This list is not exclusive, and the audit team may consider any other relevant information.

i. Risk Assessment

The audit team must review and reevaluate the most recent prior risk assessment as well as the risk assessment conducted during the last regular formal monitoring, every time monitoring occurs, whether during the regularly scheduled monitoring or in interim monitoring. The purpose of this process is to identify the relevant risks and responsive mitigating controls. The assessment should address the criteria outlined in ISO 19011:2018(E) Section 5.3 taking into consideration the unique characteristics of the agency, its purpose and priorities, and the anticipated auditees' characteristics. At a minimum, the audit team members conducting the risk assessment should consider the following risk categories: (i) resources; (ii) planning; (iii) audit team; (iv) communication; (v) control of documented information; (vi) implementation; (vii) availability of auditee and audit evidence; and (viii) program monitoring.

While conducting the risk assessment, the audit team should consider, among other things, past risk assessments, changes to the program over time, resource changes, feedback from auditees, data gathered from QCRs, and any other relevant information. The audit team should feel free to review any information which may be relevant to the agency's unique position, purpose, and anticipated changes. The team should also consider how much residual risk is tolerable both with respect to the program overall and with respect to the individual risks identified. While conducting the risk assessment, the audit team should document the identified risks, the corresponding opportunities to mitigate the identified risks, the residual risk level, and any assumptions made which formed the basis for any risk or mitigation identification. Further, the audit team staff should continue to update that risk assessment as new information is discovered throughout the monitoring process regardless of when the risk assessment is conducted. (A copy of the risk assessment conducted in the creation of this program is attached as Appendix 4 for reference.)

After the risk assessment is complete, the audit team should consider whether the residual risk is acceptable and whether the risk mitigating controls identified during the assessment are cost-effective and adequate. If there are intolerable deficiencies, then the audit team should address those deficiencies in the risk assessment before acting. Once the risk assessment is complete, the audit team should plan, design, and recommend mitigating controls and changes to the audit program as described below.

ii. Develop Mitigating Controls and Changes to Audit Program

Where the audit team members conducting monitoring identify deficiencies during the review and risk assessment, they must evaluate those deficiencies to determine whether they are

indicative of program quality and whether they are systemic, repetitive, or otherwise require corrective action. Once the deficiencies have been identified and evaluated, the audit staff conducting the monitoring should develop recommendations to the audit team leader and executive staff regarding:

- remedial actions;
- training and professional development; and
- engagement and quality control policies and procedures.

The recommendations developed during this stage of monitoring may take any appropriate form including memoranda or draft revisions to the audit program itself. Moreover, audit staff conducting monitoring are encouraged to propose draft changes to the audit program when submitting recommendations to the audit team leader and such draft changes must be drafted before communicating with executive staff regarding the monitoring. Similarly, if appropriate given the material reviewed during monitoring, the relevant audit staff should make recommendations regarding training and professional development focus areas for the division overall.

Where the audit staff discover an insufficient engagement report or determine that procedures were omitted during an engagement, that information should be used to make changes to the audit program and develop an appropriate education plan for the relevant auditor. And, although the monitoring process is not designed or intended to be used to discipline auditors, the audit staff that discovered the deficiency should escalate it to the audit team leader. Consequently, the audit team leader will review the engagement material and appropriately address the issue. To end the monitoring process may be used to evaluate auditor performance and tailor training and professional development programs to each auditor, monitoring should not be used to discipline auditors. However, where the auditor intentionally disregarded the independence requirements, that fact should be considered when addressing the issue. Further, although monitoring should not be used to discipline auditors, information identified during monitoring efforts may be considered by the audit team leader or executive staff in evaluating personnel performance.

Draft revisions to the audit program must be finalized and proposed to the audit team leader for final revisions before being submitted to the MCILS executive staff for final review and approval. The draft should be accompanied by a written document which provides a description of the monitoring procedures performed, the conclusions drawn during monitoring, the systemic or repetitive deficiencies, and the anticipated or proposed changes that should be made in response to the identified deficiencies. Final revisions should be made after executive staff review is completed. Once all revisions are complete, the new program version is effective and the audit team should record the risk assessment, mitigation plan, procedure and practice changes, along with any other changes made to this program. Those records should be retained for future reference according to the agency's document retention policy

Q.3 Audit Team Competence

Competence as contemplated by this audit program is measured by the overall competence of the audit team taking into consideration the individual contributions of each team member. As a result, not all audit team members must possess the same competencies as the skills of some members will complement the skills of others. Moreover, it is desirable to have a diverse audit team with members possessing differing skill sets which provide a greater depth and breadth of knowledge and skills than would otherwise be possible. Nevertheless, each audit team member must possess a minimum level of relevant auditing and sector competence.

First, every audit team member must maintain a base level of competence with respect to the following:

- (1) familiarity with and understanding of AICPA auditing standards;
- (2) familiarity with and understanding of the audit program;
- (3) planning, organizing, prioritizing, and managing audits and other projects effectively and efficiently;
- (4) familiarity with and understanding of assessing risk in various contexts;
- (5) familiarity with responding to assessed risks including by designing and implementing responsive controls;
- (6) possess analytical skills;
- (7) possess investigative skills including the ability to evaluate the relevance and reliability of evidence or other information;
- (8) ability to maintain the privacy, security, and confidentiality of information collected or otherwise reviewed during audit engagements;
- (9) proficiency with written and oral communication;
- (10) familiarity with general business and business management concepts.

Although each audit team member must possess a minimum level of competence as to each audit specific area listed above, team members will have varying levels of competence. Additionally, audit team members will be provided a base level of training after joining the team which will establish many of the minimum audit competency requirements such as familiarity with this program. As a result, anticipated training should be considered when selecting a new team member.

Second, team members should generally possess industry specific competence. At a minimum, audit team staff must possess familiarity with the operations, organizational structure, billing practices, record-keeping practices, and staffing typical of a law office. Additionally, audit team staff should be familiar with fundamental legal terminology and the fundamentals of the practice of law. Moreover, auditors should possess a higher level of industry specific competence than other audit team staff such that they may effectively plan and conduct audit engagements.

As mentioned above, the audit team's overall competence should be considered when selecting audit team members and developing training priorities. To that end, the audit team leader should regularly evaluate the audit team's performance.

i. Audit Team Evaluations

Audit team evaluations should be conducted at least once a year by the audit team leader alone or with an executive staff member. The audit team leader may not delegate this responsibility to any other member of the audit team, although they may elicit input from other team members. Additionally, the level and scope of the team evaluation should be appropriately scaled to the team’s size and to the audit program’s scope. Further, like the quality control process, audit team evaluations are not intended nor designed to function as a disciplinary process. Rather, the evaluations are designed to provide actionable insights into the overall proficiency of the team as well as individual audit team members. These insights are intended to be used to allocate audit team resources more effectively including by tailoring team education.

When conducting these evaluations, the audit team leader should consider the following competency benchmarks which have either been adopted or adapted from the AICPA Competency Framework for Assurance Services.

	Audit Team Leader	Auditor	Audit Paralegal
Engagement Selection	Evaluates and concludes on the decision to initiate a specific engagement in accordance with firm policies and procedures and professional standards	Understands agency policies and procedures as well as professional standards related to the initiation and continuance of engagements and recognizes risk factors that may pose additional engagement risk for the agency	Understands agency responsibilities, policies, and procedures
	Addresses unique applicable independence and ethical requirements associated with an audit engagement and documents any actions taken	Understands applicable independence and other ethical requirements and applies them to specific engagements	Aware of independence and conflict of interest requirements
	Defines the scope of engagements that will minimize or avoid conflicts of interest	Evaluates potential conflicts of interest for assigned engagements	
	Evaluates and approves engagement proposals	Prepares engagement letters and proposals	
Auditee Environment		Understands environmental similarities and differences between the	

		auditee and other entities in the industry	
		Develops strategies for the engagement to address unique industry risks and issues	
Auditee Internal Environment		Analyzes complex transaction and evaluates appropriate and best application of policies, procedures, and standards	
		Understands organizational structures, business processes, operations and systems and how they interplay with one another in relation to the auditee	Understands and is familiar with the typical law firm organizational structure and records systems
	Analyzes relevant subservices and evaluates appropriate and best application of applicable policies, procedures, and standards	Understands relevant subservices and applies relevant requirements when appropriate for the engagement	
		Evaluates responsibilities of other professionals involved in the performance of processes and services affecting the auditee and considers the effect on the engagement	
		Understands and tests auditee's system of internal control as appropriate	
		Understands auditee technology, system components, and system boundaries	
		Analyzes and evaluates how auditee's recent or planned events and	

		strategies affect the engagement	
Auditee Risk	Identifies the implications of the auditee's overall risk, risk tolerance, and approach to managing risk	Understands risk management concepts and is aware of elements of risk faced by the auditee and relevant to the engagement	Understands risk management concepts and participates in conducting risk assessments
	Evaluates and prioritizes elements of risk faced by the auditee and relevant to the engagement	Analyzes the accounting and financial statements of the auditee and other relevant entities to determine the effect on the engagement	
Engagement Objectives and Scope	Evaluates standards, frameworks, and guidance to establish engagement scope parameters	Applies understanding of standards, frameworks, or guidance to identify engagement scope parameters	Aware of applicable standards, frameworks, or guidance
	Evaluates and resolves any issues associated with unique engagement requirements including as to engagement scope, deliverables, or objectives	Identified unique engagement scope, deliverable, or objective requirements based on engagement type	
	Evaluates and concludes on sufficiency of risk mitigation given risk profile and requirements	Defines risks specifically affecting the engagement	Aware of risks specifically affecting the engagement
		Plans and ensures the engagement is executed to meet engagement objectives	Aware of engagement objectives, scope, and plan
	Evaluates and establishes applicable auditee reporting requirements	Understands applicable reporting requirements	
Roles and Responsibilities	Approves engagement staffing based on agency responsibilities and required competencies and specialties	Recognizes technical competencies and specialties necessary to meet engagement objectives	Recognizes agency responsibilities
	Establish agency, auditee, and third-party responsibilities	Evaluates how agency, auditee, and third-parties execute their defined responsibilities	Understands agency, auditee, and third-party responsibilities

		and the effect on the engagement	
		Creates and manages communications with the auditee when planning the engagement	Understands when and what to communicate with the auditee when planning the engagement
		Evaluates and decides when to use the work of others in an engagement	Recognizes when the work of others is being used in the engagement
	Assigns appropriate staff for engagements based on staff competency, experience, and specialized training	Understands and recommends appropriate staffing for particular engagements based on competency, experience, and specialized training	
Engagement Risk	Approves strategies as necessary to mitigate engagement risk including unresolved compliance issues	Assesses and categorizes engagement risks, including unresolved compliance issues	Recognizes engagement risks and the implications of compliance issues
	Recommends and develops strategies to address engagement risk, including specific factors or aspects of engagement risks requiring additional scrutiny	Recognizes limitations of own knowledge and acts within those limitations when interacting with auditee	
		Identifies specific factors or aspects of engagement risks requiring additional scrutiny because of the nature or scope of the engagement	
	Establishes strategies to address the risk of material misstatement whether due to fraud or error	Assesses the risk of material misstatement whether due to fraud or error	Recognizes the risk of material misstatement whether due to fraud or error
	Establishes strategies to address the risk of controls that are not	Assesses the risk that controls may not be	

	designed or operating effectively	designed or operating effectively	
Information Identification and Collection	Designs agency policies, tools, and processes to improve information identification	Evaluates adequacy and appropriateness of engagement information in achieving engagement objectives	Understands information necessary for the engagement including how engagement scope affects the information required
	Designs new processes to facilitate automated receipt and analysis of information and evidence	Understands how to obtain or request information or evidence and appropriate processes for obtaining it	
	Recommends methods or sources to ensure information received is relevant, reliable, and useable	Applies understanding of systems and operations to validate information requests and relevant evidence requests	Follows procedures to obtain information or evidence in appropriate formats
Information Validation	Evaluates multiples sources of information, identifies conflicts, and determines which information is most reliable, accurate, usable, and complete	Considers and weighs information and sources of information to determine reliability, accuracy, usability, and completeness	
		Understands data integrity concepts that relate to maintaining and assuring data consistency	
Internal Control Evaluation		Identifies which controls to evaluate to achieve engagement objectives	Understands concept and principles of internal control
	Evaluates sufficiency of controls testing when appropriate	Evaluates design and implementation of controls	
		Evaluates operating effectiveness of relevant controls	Understands different approaches to testing operating effectiveness

Sampling	Establishes the templates and strategies for sampling in different situations when appropriate for the engagement	Applies sampling concepts and documents sampling strategy where appropriate	Recognizes sampling concepts
	Develops guidance on evaluating sampling results	Executes sampling procedures, documents results, and extrapolates findings	Performs basic sampling procedures
Analysis and Testing Strategy	Evaluates the effects of trends, expectations, benchmarks, assumptions, and the relationships between information	Applies knowledge of trends, expectations, benchmarks, assumptions, and the relationships between information and develops expected outcomes and relationships between information	Understands characteristics of the information being analyzed and the relationships between information
	Evaluates and approves plan or testing strategy for analytical procedures, control testing and substantive testing	Applies understanding of relevant standards, analytical requirements, and testing to develop a testing strategy	Understands purpose and limitations of analytical testing and substantive testing
		Applies understanding of engagement risk to identify high risk-testing areas	Understands testing approaches
		Analyzes results of testing to determine if results confirm engagement expectations	
		Analyzes and interprets data from an undefined set of inputs	Interprets and analyzes large amounts of complex information
	Identifies gaps in process information or methodologies in engagements and resolves gaps	Evaluates sufficiency of analysis and conclusions	
		Understands factors that complicate analysis or	Recognizes that factors exist that

		testing and the strategies to address those factors	complicate analysis and testing
		Identifies opportunities to use analytical capabilities to achieve engagement objectives	Recognizes analytical concepts tools, and methodologies
		Evaluates how data, evidence, or documentation supports engagement conclusions	
		Where the work of others is used, evaluates sufficiency of procedures performed by others	
Results Analysis		Evaluates deviation impact on engagement at an aggregate level	Understands deviations and the documentation required to support them
	Conducts quality control reviews and monitoring efforts as necessary	Prepares for and responds to quality control reviews	
	Evaluates and challenges results of analysis or testing	Understands how analysis results compare to expectations and affect analysis or testing conditions	Articulates how results of analysis or testing compare to expectations
		Understands the factors that make evidence or information more or less reliable	
	Synthesizes results of all engagements conducted by the audit team to draw conclusions against the population tested	Evaluate results of engagement procedures and the effect on engagement deliverables	
	Suggests modifications to deliverables as necessary or requested by the responsible auditor	Develops engagement deliverables as required by the audit program including the audit report and documentation	
	Approves report recalls and reissues	Understands the factors that would trigger report recall	

Engagement Approach Plan		Establishes and evaluates the engagement strategy and plan	Follows engagement strategy and plan
		Understands and manages the flow of information	
		Identifies and determines the requirements for limiting the scope of the engagement	
		Understands relationships between auditee transactions and goals and how they affect other aspects of the auditee and are applicable to the engagement	
	Evaluates documentation as part of the quality control review and monitoring processes	Documents engagement according to the audit program requirements and engagement objectives	Understands and follows documentation procedures required by the audit program
	Anticipates areas that require a higher level of critical thinking	Applies critical thinking to identify gaps and inconsistencies in information, processes or methodologies	Recognizes gaps in information
	Evaluates limits of audit team's knowledge and skills and develops solutions to fill those gaps	Aware of own knowledge or skill limitations and proposes solutions to the audit team leader where necessary	
		Establishes and evaluates position based on objective evaluation of the evidence	Understands and challenges the views of auditors and auditees

ii. Maintaining and Improving Competence

Auditors and other audit team staff are expected and required to maintain their competence. Auditors are required to complete a minimum of 40 hours of continuing professional education (CPE). All other audit team staff are required to complete a minimum of

20 hours of continuing professional education. To count toward the minimum CPE requirement, the underlying material must be relevant to auditing including audit basics, changes in auditing standards, data analytics and data science, risk assessments, and fraud detection. This list of topics is not exclusive and audit staff may pursue other substantive areas of education so long as they are related to auditing.

Generally, audit team members may choose their own CPEs subject to agency resource limitations. However, the audit team leader may assign certain CPE trainings to audit team members based on operational needs including needs identified during an auditor evaluation or audit program monitoring cycle. Further, the audit team leader, as stated above, is responsible for ensuring that all audit team staff complete the necessary hours of CPE each year.

Additionally, all audit team members are expected to maintain familiarity with and an understanding of the AICPA auditing standards and ISO 19011:2018 including by staying current with changes in those standards. The audit team leader must monitor changes in AICPA auditing standards and ensure that any changes are communicated to the audit team. Further, the audit team leader must conduct monitoring procedures as necessary to address any relevant changes in the auditing standards.

Audit Type: Annual Financial Statement Audit

Objectives:

1. Identify the presence of material misstatements in billing records submitted to MCILS for payment, whether due to fraud or error.
2. Determine the prevalence and impact of material misstatements in the MCILS billing system, whether due to fraud or error.
3. Increase confidence in the integrity of the data provided by contract attorneys as well as in the MCILS billing system as a whole.

Description:

Annual financial statement audits are conducted per calendar year and individual engagements are designated through statistical random sampling. The purpose of these audits is to provide reasonable assurance that the financial information submitted by attorneys is free from material misstatement due to fraud or error. Consequently, auditors will use risk-based techniques to plan and conduct individual audit engagements of a portion of the records submitted by the attorneys selected according to the random selection method described below to test for material misstatements.

Scope:

1. Functions:

The primary function of these annual financial statement audits is to identify the presence, prevalence, and impact of misstatements in the financial/billing statements submitted to MCILS. Ancillary to this function these audits will provide the basis needed to address any fraud present and detected in the system. These audits will also provide a reliable method for assessing the risk of fraud in the system and for developing methods to prevent fraud.

2. Locations:

Annual financial statement audits will be conducted according to the audit plan developed for each individual audit. Because every audit will be unique in some way, the individual engagements will require a tailored approach which may include the heavy use of technology to conduct entirely or partially virtual audits. Accordingly, auditors are able and encouraged to use technology as much as possible to reduce travel expenses as well as impact to the auditee. Auditors should keep in mind the need to evaluate and establish the reliability of information provided by or collected from the auditee.

3. Activities, Processes, and Materials to be tested:

As a general rule, all engagements will have slightly different substantive scopes as they will be based on the unique risk profile and environment of the auditee. Auditors are responsible for understanding the risk and environment relevant to the auditee. In developing

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that understanding the auditor should reference the AICPA AU-C Section 330 and Statement on Auditing Standards 145. Given this understanding, there are some activities, processes, and materials which could reasonably be expected to be present in most audits. Those activities, processes, and materials include the following:

Processes and Controls	Documents and Materials	Activities
Recording work and time	Vouchers and financial data	Court appearances
Recording and storing client information	Voucher notes	Client Contact
Notetaking controls	Calendaring and scheduling	Travel
Auditee tickler systems	Prior audit documentation	Time Reporting / Invoicing
Billing practices and controls	Prior communications with auditee	
Workflow processes	Independent billing records	
Staffing and staff use	Client file and case material	

This is not a complete list of all matters that should be tested. Rather it is provided as a starting point from which auditor's will build their audit plan and design audit procedures for annual engagements.

4. Time Period Covered:

Annual financial statement audits will be regularly conducted every year and will apply to financial statements from the prior calendar year. Although the actual audits will take place of the course of the year, the sampling procedure described below will be conducted in early January. Further, auditors should be careful to accommodate auditee schedules as much as possible when planning audit procedures for each individual engagement. Notwithstanding auditee scheduling conflicts, all annual audits should be conducted and completed by calendar year end.

5. Type of Test Performed:

In pursuing the objective stated above, annual financial statement audits will employ both compliance testing and substantive testing. Auditors should design compliance tests with a focus on compliance with the financial reporting framework and other MCILS billing policies, while still being responsive to the unique risk profile presented by the auditee. Similarly, substantive tests should largely be risk based and tailored to the unique characteristics of the auditee for each individual engagement. Substantive tests may be used to meet specific engagement goals such as quantifying the aggregate amount misstated in the financial statements subject to audit. The auditor is ultimately responsible for designing the specific substantive tests to be applied in the underlying engagements.

6. Deviation Conditions

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A deviation occurs when the auditor finds, given the evidence collected, that the sampling unit either contains one material misstatement or is materially misstated when taken as a whole, whether due to fraud or error. In this context a deviation does not occur merely because one entry was misstated, and the misstatement is negligible. Rather, a deviation only occurs when the misstatement is material as determined by its impact or size. Auditors are responsible for determining the appropriate level of materiality in an engagement. As a result, the auditor must use their professional judgment in determining whether a deviation has occurred in each sampling unit. However, a misstatement due to fraud is always material, and will therefore always result in a deviation.

7. Population

The relevant population includes all vouchers submitted to and either paid or rejected by MCILS through electronic or other means during the previous calendar year. Because this sampling procedure is chosen to test for all material misstatements within the system generally, it is appropriate to reduce stratification of the population as misstatements are as likely to exist within any strata likely to be defined. Further, not only does MCILS lack the data necessary to determine that stratification would yield more representative results, but stratification would result in reduced efficiency and increased costs to MCILS.

Additionally, the overall audit strategy employed by MCILS includes both automated and manual sampling procedures designed to identify, among other things, anomalous or fraudulent billing practices. For example, MCILS has designed continuous auditing controls and procedures which will be implemented once the underlying infrastructure is developed. These controls and procedures are designed to monitor MCILS's billing system to identify relevant anomalies.

MCILS also engages in manual sampling strategies designed to identify anomalous and possibly misstated time entries within the system. For instance, MCILS has developed a scheme which scans the system for conditions matching pre-defined criteria determined by audit staff. The criteria set is designed to, among other things, identify the conditions expected where fraud is present. Of course, this set of criteria is limited to data housed within the case management and billing system used by MCILS to manage attorney billing. But, while MCILS's manual methods for sampling will not initially determine the presence of fraud, they will allow audit staff to focus their efforts and initiate targeted audits where fraud may be present. This scheme will also be implemented when the underlying infrastructure is developed.

Therefore, because MCILS has implemented complimentary sampling and audit procedures, including some level of 100% audit through continuous auditing and monitoring, the appropriate population for this sampling procedure is the entire population of vouchers submitted and paid or rejected within the relevant time period.

8. Sample Size

Appendix 1

The sample size is determined using the Yamane formula which determines the appropriate sample size based on the overall population and desired confidence level. This sampling procedure is designed with a 95% confidence level and is based on the population of vouchers as described above in Section 4. Because the population size is variable, the sample size will not be known until the sample is drawn. However, the range of possible sample sizes is predictable given historical voucher data. Consequently, this sampling procedure assumes a sample size of 395. This size was determined by recording the number of vouchers submitted per year starting in 2016 and ending in 2021. The Yamane formula was then applied to each year to determine the appropriate sample size. Because the number of vouchers submitted per year were fairly consistent across the data set, each sample size was within .5 of 395. Therefore, although the sample size should be determined according to the actual characteristics of the population, this sampling procedure assumes a sample size of 395.

9. Selection Method

This auditing procedure uses random selection to choose both attorneys and records to be audited. To do so, this procedure employs two levels of randomization.

The first level of randomization designates the attorneys who will be audited. The number of attorneys selected is dependent on the sample size and the amount of vouchers submitted by the attorneys that are selected. As an initial step, the appropriate sample size for the population is designated as described above in Section 5. The system will then begin to randomly select attorneys from the roster. The selection system will be entirely handled by software and every attorney will have an equal chance of being chosen. When an attorney is selected, the software will determine how many vouchers were submitted by that attorney during the relevant period. The software will then calculate a percentage of those vouchers and reduce that number from the overall sample size. The attorney will then be removed from the master list and a new attorney will be selected. This process will continue until the population counter reaches zero. In the event that the last attorney is chosen where the amount of necessary records left in the counter is lower than the appropriate percentage of vouchers submitted by the attorney, that attorney should still be selected and the percentage control should be enforced. This will occasionally result in an actual sample size which is larger than the originally calculated sample size and may result in additional costs. However, the increased sample size will not reduce the confidence level or increase the error rate of the test. Once the attorneys and the appropriate amount of cases for each attorney have been selected, the system will then randomly select the cases submitted by that attorney for auditing.

Next, the second level of randomization will select the actual vouchers (sampling units) which will be the subject of the audit. This random process will also be automated and therefore handled by a software solution. Initially, the software will generate a list of voucher numbers submitted by the attorney within the relevant population described above in Section 4. The system will then randomly select a number from that list which will be included in the sample. The number selected is then removed from the population and another voucher is

Appendix 1

randomly chosen. This process will repeat until the appropriate number of vouchers have been randomly selected for each attorney. Once this process is complete a list of each attorney and the respective vouchers will be generated and output to audit staff for viability testing.

10. Test Sample Viability

Once the sample is selected it will be tested for viability. A sample will be determined viable if the average voucher amount across the selected sample is within a predefined range. This is done by first calculating the average voucher amount across the population. A 10% deviation in either direction from the average is then calculated and assigned as the upper and lower ends respectively. For example, if the average voucher amount for population is \$450 then the viability range will be \$405-\$495. If the average sample voucher amount is within that range, then the sample is considered representative of the population. However, if the average sample voucher amount is outside the permissive range then the sample is considered non-representative. Where a sample is considered non-representative, the sample will be discarded, and a new sample drawn using the process described above in Section 5.

11. Evaluate Sample Results

While the audit procedures are being conducted auditors must record their findings and periodically review their results and findings as outlined in the audit program. Where deviations are found, the sample size should either be increased, or the relevant record should be rejected as unreliable. Auditors will use their professional judgment when determining whether to reject a record or increase the sample size. If the record is rejected, a new record should be randomly selected from the respective attorney's voucher population. Once the substantive audit procedures have been conducted the results from that sample must be summarized and evaluated.

The substantive test results should be evaluated for the rate of deviations found. If there are 5 or more deviations, then the auditor must extrapolate the results of the sample to the population. Otherwise, the deviations should be detailed and recorded instead of extrapolated to the population. Where results are being extrapolated to the population, audit staff should calculate the percentage of error (POE). They should do so using the following formula:

$$\frac{\$ \text{Deviations (or sample results)}}{\$ \text{Total Sample}} (\$ \text{Population})$$

The numerator in the above formula should represent the subject of testing relevant to the sample. The numerator should not contain any non-recurring deviations which do not affect the rest of the population. Similarly, non-systematic errors should be evaluated to determine their cause. Once the cause is understood they should be investigated according to the auditor's professional judgment. The denominator should be the corresponding value represented by the sample. The population value should be the complete population as defined above in Section 4.

Appendix 1

Once the POE is calculated, it should be extrapolated to the population. This number will provide an estimate regarding the level of fraud present in the system. Where deviations were found, audit staff should also determine the next steps, in accordance with established policies and procedures. A report should then be drafted which describes the findings and overall result of the audit. The contents and structure of that report must meet the requirements established by the audit program. Once the report is finalized, it should be distributed to the appropriate MCILS internal personnel as well as the auditee.

DRAFT

Audit Type: Standards Compliance

Objectives:

4. Identify instances of non-compliance with performance standards and billing standards including the financial reporting framework.
5. Determine prevalence of and trends in non-compliance with performance standards or billing standards across the indigent defense system.
6. Evaluate adequacy of non-audit initiatives across the agency’s various programs based on data collected during compliance auditing.
7. Direct and focus MCILS efforts and priorities to maximize the efficiency and effect of MCILS initiatives.

Description:

Standards compliance as contemplated by the audit program refers to general compliance with MCILS policies, practices, rules, billing requirements and standards, and performance standards. MCILS is constantly working to improve its policies and practices and will use this audit type to improve its own policies and practices at least as much as monitor actual attorney compliance.

Additionally, because attorney compliance with performance standards is generally the responsibility of the Supervision and Training Division the audit team is primarily focused on billing matters. However, where audit team auditors identify instances of non-compliance with performance standards, they will coordinate with the supervision and training team to ensure that those issues are addressed according to MCILS policies. The audit team will also use this process to identify conditions that suggest the possible presence of fraudulent billing practices. Where such instances are identified the audit team will investigate the issue and initiate targeted audits as required.

Definitions:

- Auditee: any rostered attorney or non-counsel vendor who uses the case management software to manage client, case, or billing data related to any matter in which a rostered attorney is appointed.
- Rule: condition created for and used by the case management or other auditing software to verify compliance and which represents the quantification of the MCILS’s policies and standards.

Scope:

1. Functions

Standards compliance audits will be used to develop and implement the following things:

- a. Training Series and CLE Programs.
- b. General policy changes
- c. Billing guidance.
- d. Billing Policy Changes.

Appendix 2

- e. Audit Criteria.
- f. Attorney Resources (including written and audio-visual resources).
- g. Business and Legal Practice Resources.
- h. Compliance Assistance Efforts.
- i. Identify Auditees for Targeted Audits.

2. Frequency: Continuous

Standards compliance audits will largely be automated through continuous auditing controls built into the case management software used by MCILS to process payments or as otherwise acquired or developed. Although the audit team will use continuous auditing practices to track compliance, it will also employ manual auditing methods to identify instances of standards non-compliance. These efforts will also be perpetual as well as conducted in concert with other records review responsibilities assigned to the audit team.

3. Locations:

Standards compliance audits will not take place outside of MCILS internal records unless escalated to a targeted audit as a result of information obtained during the compliance audit. Where a compliance audit is escalated, the resulting audit will generally not be considered a standards compliance audit as contemplated by this specification. Rather, the individual audit will be defined according to the information giving rise to the escalation.

4. Materials to be tested:

- a. Automatically generated systems data and reports.
- b. Billing and time entry data provided by appointed counsel and non-counsel vendors.
- c. Compliance criteria developed and implemented by MCILS.

5. Time Period Covered:

Because most activities for this audit type are either automated or conducted regularly, part of these auditing efforts will be continuous and conducted in real time while other parts will be conducted regularly according to a schedule defined by the audit team. Below is a table which depicts the subject matter that will be tested along with the corresponding frequency.

	Daily	Weekly	Monthly	Quarterly	Yearly	Case End
Total Hours Worked	X	X	X	X	X	
Daily Hours Worked	X	X	X		X	
Hours Worked by Case			X	X	X	
Client Contact		X	X			X
Time b/w Appointment and Client Contact	X					
Motions Practice			X			X

Appendix 2

Discovery Requests			X			X
Discovery Review			X			X
Contested Hearings					X	X
Travel	X					
Expenses	X					
Case Load Limits			X		X	
Outlier Time Entries				X	X	
Non-Compliance Trends			X		X	
Time Entry Trends			X		X	
90-day Rule Compliance	X					

This table is not exhaustive and will be updated and expanded as organizational needs and priorities change. Additionally, as the audit team analyzes system data over the period in between program monitoring stages, audit team staff members will update the fields in the above table to address any identified deficiencies.

6. Type of Test Performed:

Standards compliance auditing is primarily concerned with compliance and thus employs primarily compliance testing to identify deviations. Those tests will be handled almost entirely by automated processes which accept criteria defined by the MCILS audit team. The results of the compliance tests designed for this audit type will either generate reports or notifications to auditees. Where substantive tests are used, such as to identify and analyze data trends, the audit team will conduct statistical analysis on that data either within the case management software or using other software developed or acquired after implementing the audit program.

7. Deviation Conditions:

A deviation occurs when data entered by an auditee violates a rule established by the MCILS audit team. Where a deviation is detected, the system will automatically send the auditee an alert/notification advising them of the specific deviation, asking for a response, and providing the auditee with an opportunity to correct any error that may have prompted the alert.

8. Selection Method:

As mentioned above, this audit type assumes 100% audit across all rostered attorneys and non-counsel vendors using the case management software. The MCILS audit team will specify the data points to be audited based on MCILS's established policies. However, the focus of these audit efforts will be the information provided when auditees enter billing and time information. Therefore, at a minimum, 100% of all time entries will be audited using continuous auditing. From there auditors will use their professional judgment in determining whether to run additional or different manual reports or analyses.

9. Results Evaluation:

Appendix 2

Because the primary purposes of this audit type are to monitor compliance trends to better inform MCILS's policies, practices, and initiatives, auditors will engage in a hybrid approach to auditing which will consist mostly of systems monitoring with some efforts being expended to address discrete instances of non-compliance.

Although not the primary purpose of this audit type, auditors should review systems generated information to determine: (1) where non-compliance remediation is still required and (2) if any particular attorney has adopted a trend of non-compliance. Where remediation is required auditors should take note of the relevant deviation(s) and the auditee's response(s) to any alert(s)/notification(s) generated because of the deviation(s). Next, the auditor must use their professional judgment to take steps necessary to remediate the immediate instance of non-compliance and assist the auditee in understanding how to avoid the issue in the future. Where the auditor determines the auditee has displayed a trend of non-compliance, they must use their professional judgment to determine whether the audit should be escalated for further investigation or whether the issue can be resolved through quick dialogue with the auditee. Where the auditor decides an issue should be escalated, they should record all the documents relied upon when making that decision, record the reason(s) the audit is required, and propose a targeted audit to the audit team leader.

When conducting standards compliance operations, the case management system generates alerts/notifications when deviations are detected. The deviations detected will also be included in automated reports which will be electronically generated and output to the audit team. The audit team is responsible for reviewing and analyzing those reports to identify trends. Once any existing trends are identified, auditors will evaluate the effectiveness of existing policies, practices, and initiatives by comparing the data obtained against relevant KPIs. The auditor may find it necessary to conduct further investigation to determine the underlying cause of the trends to better inform the conclusions and recommendations that the auditor will then develop to address any identified deficiencies and improve the relevant initiatives. Once the analysis following further investigation is complete, the auditor will prepare a report which conforms to the report drafting requirements established by the audit program.

Audit Type: Targeted Audit

Objectives:

8. Identify presence of material misstatements in financial and billing records submitted to the MCILS for payment.
9. Develop recommendations for executive staff regarding fraudulent billing.
10. Evaluate instances and prevalence of auditee non-compliance with MCILS standards.
11. Develop strategies and solutions responsive to auditee non-compliance.
12. Communicate audit report and developed solutions to auditee.

Description:

Targeted audits are designed, planned, and implemented in response to circumstances which alert the audit team to some need for the audit. Typically, these audits will be initiated in response to system alerts, other continuous auditing efforts, or complaints. Although a targeted audit may be initiated in response to suspected fraudulent activity, it need not be. Indeed, many targeted audits will be responsive to standards compliance concerns. Ultimately, auditors are responsible for using their professional judgment in determining whether a targeted audit is appropriate.

Scope:

12. Functions:

The function of any given targeted audit will vary given the unique circumstances of that audit. The intended function(s) of the targeted audit should be stated in the audit plan for the individual according to the general audit engagement requirements established by the audit program. Generally, however, targeted audits will primarily be used to verify compliance with MCILS standards and billing requirements as well as to provide reasonable assurance that the vouchers and other billing records submitted by the auditee are free from material misstatement whether due to fraud or error.

13. Locations:

Auditors are also responsible for designating the locations in which the audit will take place in the individual audit plan (e.g. virtual, field, systems only, etc.). This determination should be grounded in the auditor's professional judgment taking into consideration the following factors: (1) reliability of evidence collected; (2) physical distance between offices; (3) associated costs for auditor and auditee; (4) overall risk associated with the auditee; (5) audit purpose; (6) audit subject matter; (7) available technology; (8) technical sophistication of the auditor and auditee; (9) audit complexity; and (10) any other characteristics of the audit that, in the auditor's professional judgment, are significant in determining the appropriate location of the audit.

14. Activities, Processes, and Materials to tested:

The auditor responsible for a targeted audit is also responsible for choosing the activities, processes, and materials to be tested. Because each audit will be unique, the auditor should consider the risks that gave rise to the audit. Primarily, however, auditors should expect to conduct compliance and substantive testing involving the financial records submitted by the auditee to MCILS. Targeted audits will likely also involve tests of controls.

15. Sampling:

Auditors must use their professional judgment when selecting an appropriate records sample for the engagement. The auditor should be sensitive to both the record volume and relevant time period when conducting sampling in a targeted audit engagement. Moreover, auditors should consider the risks associated with the auditee, the objectives of the audit, and the likely reliability of the anticipated evidence.

16. Reporting:

Auditors must follow the audit program when conducting targeted audit engagements. As a result, all targeted audits must produce a report according to the requirements of the audit program.

Initiation:

When an audit team member is alerted to a compliance issue or discovers information which, in that person's professional judgment, suggests that a voucher or other financial statement may be misstated, the team member may escalate the matter by initiating a targeted audit. When initiating a targeted audit, the audit team member should conduct some preliminary investigation of the issue. If, after initial cursory investigation, the audit team member or auditor determines a targeted audit is appropriate, they should document the relevant facts and their concerns, and provide that to the audit team leader for their review. The audit team leader will then determine if a targeted audit is warranted. If the audit team leader determines that an audit is appropriate, they will assign the engagement to an auditor. In every targeted audit, the memo that serves as the basis for initiating the targeted audit should be recorded in the audit file as part of the documentation.

Risk Assessment: Audit Management Program (audit program)

Responsible Person: Art Washer

Date: December 22, 2021
March 14, 2022 (Revised)

Project Statement: This risk assessment identifies the risks faced by MCILS (the agency) with respect to implementing the audit management program established by the Audit Division (audit team). This assessment will also be used to plan and establish controls responsive to the risks faced by the agency.

Objectives: This risk assessment was conducted with the following objectives in mind:

1. Identify risks implicated in designing the audit program;
2. Identify the opportunities for mitigating the risks identified;
3. Identify controls necessary to implement mitigation strategies;
4. Analyze audit team personnel responsibilities and functions; and
5. Gather information relevant to the development of the audit program.

Assumptions: Due to the nature of performing a risk assessment and the unavailability of data, this risk assessment relies on certain assumptions made by audit team members when evaluating the risks and possible risk mitigation strategies relevant to the audit program development. The audit team member that conducted the risk assessment made the following assumptions:

1. The MCILS lacks substantial investigative authority and changes to existing legislation will be required to fully implement the audit management program.
2. The necessary statutory changes will not be made and signed into law until at least January 2023.
3. The MCILS will acquire new case management software in or around July 2022.
4. The new case management software will contain the mechanisms required to implement the continuous auditing procedures planned and outlined in the audit program.
5. Audit team members were selected based on competencies relevant and necessary for conducting audit operations consistent with the agency's strategic direction and goals.
6. The competencies considered at least include the following:
 - a. Investigative knowledge and experience;
 - b. Analytical ability;
 - c. Technical competence; and
 - d. Aptitude for audit competence.

Appendix 4

7. Some auditees will not cooperate with audit team efforts and will attempt to frustrate audit efforts.
8. Other operational needs will draw audit team attention away from audit program development and implementation.

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<u>Risk Assessment: List of Identified Risks</u>			
Area/ Objective/ Activity/ Process	Description of Risk Cause + problem + impact	Mitigation Opportunities / Comments	Residual Risk Level H / M / L
GR	Audit program cannot be implemented because the requisite authority does not exist and will not be granted by the legislature resulting in increased cost and project delays.	Audit program cannot be implemented without authority; statutory changes are required	H
GR	Audit program cannot be implemented because the MCILS is unable to acquire the technological tools required to implement the program resulting in increased cost, project delays, and operations disruption.	Audit program is administrable without advanced software tools but will require additional efforts or revisions to the audit program and overall division strategy.	M
GR	Audit program cannot be implemented because operational demands draw attention and effort away from development and deployment resulting in project delays.	Setting priorities and properly dividing work at the division level will alleviate some project delays	M
1. Resources			
1.1	Insufficient time, finances, and workforce assets to address all organization concerns causes audit team to reduce audit efforts or cut back other audit division projects to account for deficiencies.	Audit division projects will be planned, and work time budgeted every year by project and team member; audit program is appropriately scaled given risk and available resources.	L
1.2	The miscalculation of available resources causes the audit team to overextend or underuse the assets and resources available to them, resulting in reduced efficiency, surplusage, and/or missed opportunities.	Audit division personnel will coordinate with executive staff to determine available resources, overall priorities and the MCILS strategic direction to better inform the allocation of assets	L
1.3	Available resources are used inadequately causing waste among organizational resources which results in a reduced budget and an overall reduction in available resources from which activities may be conducted.	Audit division personnel will review the effectiveness and efficiency of the prior year's project strategy when prioritizing and budgeting projects every year	L
1.4	Free or low-cost resources are misused, under used, or ignored causing an overreliance on expensive proprietary tools and resources resulting in cost overruns and budgetary constraints.	Audit team will use free or open-source software whenever possible consistent with OIT policies.	L
1.5	Developing overambitious project goals across organizational projects will consume resources that may be required in other areas leading to project delays, increased costs, and inefficiency.	Audit team will develop practices to ensure that project goals are consistent with the MCILS's strategic goals and division scale and will budget time accordingly	L

Appendix 4

1.6	Because of a lack of legal authority to audit and investigate, the audit team and MCILS in general cannot compel or conduct investigations or effectively audit anyone.	Statutory changes will be drafted and passed before the audit program can be fully implemented.	H
1.7	A duplication of effort among the audit team caused by ineffective communication or poor planning results in diminished resources and project delays.	Audit team has developed policies and procedures to ensure effective communication about work being done on team projects	L
1.8	Insufficient resources available to support training for audit team competence prevent auditors from staying current, increasing competence, and conducting effective and efficient audit engagements.	Audit team leader will prioritize professional education areas to ensure that audit team remains current and that expenses remain in budget as part of audit program monitoring and evaluation	L
1.9	Insufficient equipment to support audit evidence and document collection during audit engagements may result in external IT solutions or reliance on outdated technology or auditee technology to collect evidence during an audit engagement.	The MCILS has limited information systems assets both in and out of office, therefore field engagements may require additional technology for document and evidence collection	H
1.10	Lack of information relating to audit program risk could negatively affect overall audit program because the program will be supported by assumptions that may not accurately reflect reality.	Not all information is available and reliable requiring team members to make assumption regarding the resources that will be available to the team	M
1.11	Overambitious auditing procedures or poor planning causes insufficient time to conduct all scheduled or desired audits resulting in audit results which are not representative of the population tested or which lack the requisite confidence as determined by MCILS.	Sample selection and auditing strategies have been and will be designed considering both organizational needs and agency resource limits	L
1.12	Due to insufficient finances auditors may not have the ability to physically travel to attorneys' offices to conduct audits, which will require additional planning, equipment, and auditee involvement.	Auditors will plan for remote evidence collection where appropriate given the circumstances and will mitigate risk by verifying evidence	L
2. Planning			
2.1	Failure to properly prioritize objectives and audit actions will reduce the available resources, cause confusion among the audit team, and cause project delays.	Audit program requirements are designed to be responsive to audit objectives as well as sensitive to agency resource limitations including time; Audit team has developed collaboration policies and procedures	L
2.2	Miscalculating resources necessary and available for the audit program as designed may cause the audit team to expend resources elsewhere resulting in a resource shortage for audit operations.	Audit team will plan for changes in resource availability and provide for changes over time when planning and budgeting yearly projects. Residual risk remains from uncertainty about	L

Appendix 4

		technological resources that will be available	
2.3	Setting overambitious time and substantive goals or objectives for the audit program will increase costs unnecessarily and will detract from the resources that would be otherwise available for other organizational projects.	Goals and objectives are set with resource limits in mind and are consistent with the MCILS's strategic goals and direction.	L
2.4	Program design is based on erroneous or misinformed assumptions about the tools and structure available to support the program leading to project delays, cost increases, and inefficiency.	Audit program will be gradually rolled out, minimizing the risk that initial assumptions will have a significant impact on audit implementation	L
2.5	Program does not adequately account for and react to uncooperative auditees resulting in inefficiency and non-compliance among auditees.	The agency and the Audit team will use the current rule regarding non-cooperation with agency investigation to respond to uncooperative auditees	L
2.6	Risk model is miscalculated causing team efforts to be allocated incorrectly among team projects leading to inefficiency and attorney alienation	Because of a lack of data assumptions are made regarding the risks presented by the system and auditee billing practices; there will always be a residual risk that the MCILS's risk model is inaccurate and that efforts will be unintentionally misdirected	M
2.7	Audit program does not account for long distance travel for field audits resulting in ad hoc resulting in improvised auditing procedures which rely on the auditee to provide all requested documentation.	Audit team will ascertain the extent of resources available for long distance travel and field audit and develop mechanisms for remotely conducting audits.	L
2.8	Increased administrative costs associated with new auditing procedures may push attorneys off the rosters and put more pressure on the system.	The audit program is responsive to the administrative costs faced by auditees	M
2.9	Lack of reimbursement for audit costs and hours spent with audit team may drive attorneys away from the rosters increasing long-term costs and putting additional stress on the system	Audit team will explore options and possibilities for compensating auditees for time spent engaging with the audit team during an audit through the rule-making process	M
3. Audit Team			
3.1	Team members lack sufficient auditing experience, training, and education resulting in increased training costs, work delays, and reduction in confidence in the audit team and audit program.	Audit team members are chosen for their experience and education; the audit team has developed and implemented a training program for audit team personnel to improve and maintain competence	L
3.2	Team members lack sufficient investigative training and experience to conduct investigations either during or after audits have been initiated.	Audit team members with interest and investigative knowledge are chosen to staff the audit team; a training program has been developed to improve and maintain competence.	L

Appendix 4

3.3	Team members lack necessary substantive knowledge to conduct relevant audits either because of a lack of education or experience resulting in erroneous or incomplete audit results and conclusions based on incomplete or irrelevant audit evidence.	Audit team members with legal experience and education are selected because they possess the baseline knowledge required	L
3.4	Budgetary constraints cause a lack sufficient training resources to remain current resulting in erroneous or incomplete conclusions based on incomplete or irrelevant audit evidence.	Audit team members will supplement proprietary training tools with self-study as necessary to maintain competence	L
3.5	Team members' skills are misallocated across projects and audits causing work delays, excessive communication, or inadequate audit practices resulting in increased costs or a loss of confidence in the audit team and program.	The audit team leader allocates duties among team members according to member skills and specialties	L
3.6	Team members' skills are unbalanced causing a gap in competence which requires additional time and training to correct before implementing the program.	The audit program will be completed well before full implementation providing substantial time for audit team members to correct any competence deficiencies.	L
3.7	Undefined roles and responsibilities create uncertainty within the audit team and encourage an ad hoc approach to all ongoing projects and project planning resulting in inconsistently applied procedures and policies.	Audit team member roles and responsibilities have been formally defined as have the necessary minimum competencies for each role.	L
3.8	Audit team members' personality traits are not properly matched with their roles requiring additional training to compensate for those personality differences.	Audit program will be complete in advance of implementation providing ample time to identify and correct any deficiencies	L
3.9	Audit team members are not familiar with the audit process before audit program is implemented resulting in operational delays, increased training costs, and reduced efficiency.	Audit staff have conducted substantial research and are familiar with the relevant auditing standards and processes; Audit program will be complete well in advance of full implementation because of the gradual program roll-out	L
3.10	Audit team lacks necessary independence to make objective findings in a particular audit or systemically reducing confidence in the results and conclusions of any audit engagement or investigation.	Pursuant to AICPA standards audit team members will maintain professional skepticism, judgment, and independence in all audit engagements and investigations notwithstanding any other directive outlined or established by either MCILS executive staff or the auditee.	L
3.11	Audit team lacks proficiency in identifying fraudulent practices either because of a lack of experience or training and is unable to identify fraudulent transactions as a result.	Analytical and investigative skills are required to be selected for the audit team. Audit team members will also engage in self-study and other training to improve and maintain their	L

Appendix 4

		competence investigating and detecting fraud.	
4. Communication			
4.1	Inconsistent communications between auditees and MCILS staff regarding the audit policies and procedures generally, as well as the particular audit engagement.	Audit policies will be posted publicly and communicated to each auditee through the initial form letter. Because audit procedures may differ from engagement to engagement, appropriate procedures will be communicated after the particular audit has been planned through the engagement letter.	L
4.2	Audit notice is sent to the wrong person.		L
4.3	Auditee and audit team do not share the same vocabulary causing miscommunication between auditee and auditor and resulting in reduced efficiency because of the need to correct any miscommunication.	Audit policies and general procedures will be publicly available to reduce the chance and impact of miscommunication; audit team plans to produce public facing audit content using the rule-making process	L
4.4	Miscommunication between audit team and auditees regarding the terms of the engagement result in improper planning and operational delays.	Terms of the engagement and general audit plan will be developed before conducting any audit procedures other than risk assessment procedures.	L
4.5	Incorrect audit preconditions and engagement terms are sent to the correct auditee causing confusion among the auditee and prompting unnecessary communication to clear up the confusion and reducing confidence audit team competence.	Audit preconditions are defined by policy, standards, and engagement terms developed the audit program. Documents will be clearly labeled such that the risk of sending the wrong form letter or document will be unlikely	L
4.6	Audit preconditions and engagement terms are poorly communicated to auditee when audit is initiated causing confusion among auditee and prompting unnecessary communication to clear up confusion.	Preconditions and engagement terms are defined and form documents will be developed and tailored to each engagement.	L
4.7	Inefficient communication and collaboration among audit team may cause missed opportunities to improve efficiency and capitalize on the scarce resources available to the MCILS.	Audit team has developed and implemented collaboration policies and procedures to mitigate the risk of miscommunication	L
4.8	Excessive communication between audit team and executives will waste scarce executive resources and slow audit team productivity.	Audit team sets its own priorities and strategic goals and presents those materials to executive staff for their rather than relying on executive staff to designate those things.	L
4.9	Inconsistencies between public facing policies and internal actions and procedures will create confusion among auditees and auditors and	Audit team members will familiarize themselves with audit program policies and procedures	L

Appendix 4

	will cause confrontation between those two groups of people.	and will act consistent with those directives.	
5. Control of Documented Information			
5.1	Due to a poorly designed and implemented evidence collection plan, evidence is collected ad hoc across audits results in insufficient evidence or inconsistent and ineffective evidence handling practices.	Auditors will develop evidence collection plans by audit engagement and will follow the evidence collection requirements established in the audit program; An evidence collection plan will be developed by the audit team and used as a template for developing more targeting evidence collection plan per engagement.	M
5.2	Documentation policies and procedures are incomplete, inefficient, implemented poorly, or fall short of GAAS requirements and reducing the defensibility of the audit as a result.	Audit policies and procedures are designed with the GAAS in mind but may not perfectly conform to GAAS requirements; however, policies and procedures will follow the GAAS as closely as possible to promote confidence in the program.	L
5.3	Insufficient guidance regarding documentation practices causes inconsistencies in the documentation across audits resulting in decreased efficiency, increased costs, and loss of confidence in the audit.	The audit program will address documentation practices by formalizing documentation and storage procedures.	L
5.4	Insufficient guidance regarding documentation practices are developed causing audit team members to implement their own documentation practices ad hoc which may make review of the audit documentation more difficult for the audit team as a whole.	Audit team members will follow documentation practices and procedures established in the audit program and will only diverge from those practices as is necessary to accommodate the peculiarities of a particular engagement. Documentation practices will be based on AICPA standards for documentation collection	L
5.5	Documentation practices are inadequate to enable effective peer review thereby reducing confidence in audit results and conclusions as well as the audit program itself.	Audit documentation practices will be designed with peer review and quality control in mind.	L
5.6	Filing system is inadequate or inconsistent leading to confusion, disorganization, and inefficiency which will cause delays in project and audit completion.	Filing and storage procedures will be implemented post audit program development but are specified in the program itself.	L
5.7	Documentation is not prepared on any schedule because of a lack of deadlines or requirements creating the tendency for late or untimely documentation.	A schedule for preparing, reviewing, and organizing audit documentation will be established by the audit program.	L
5.8	Because no one is designated as responsible for controlling documented audit information, filing and data storage procedures are not followed, documents are lost or cannot be	The audit team leader is responsible for controlling audit documentation including for	L

Appendix 4

	easily located, and resources are wasted locating documents.	designating infrastructure and access controls.	
5.9	There is no formal retention schedule for audit documentation causing in the indefinite storage of physical and electronic files and documents which results in storage inefficiencies and increased costs.	Audit program is designed with alternative retention schedules with the agency wide schedule superseding audit program schedule if it exists.	L
5.10	Documentation controls may not effectively employ or consider data security and confidentiality resulting in data leakage or auditee complaints.	Audit team members are responsible for the security and privacy of audit and investigation documentation as designated by statute. Security procedures will be established, and infrastructure designated to ensure adequate security.	L
6. Implementation			
6.1	Case management software does not implement the mechanisms necessary to conduct continuous auditing resulting in overall program deficiency and a reduction in overall confidence in the audit results and conclusions.	Audit program will require some revisions if the new case management software does not support the tools necessary to implement continuous auditing.	M
6.2	Developed criteria is insufficient or inaccurate because it does not reflect appropriate and acceptable practice conditions resulting in the misidentification of attorneys to be audited and therefore the identification of material misstatements or non-conformance with practice standards.	Audit team will develop a financial reporting framework and data models for analytical procedures and engagement selection	H
6.3	Audit preconditions are poorly defined or changed too frequently resulting in the inconsistent selection of audit engagements.	Auditors will use their professional judgment to propose engagements to the audit team leader using data models, continuous auditing, and manual review methods	L
6.4	Insufficient amount and quality of practice tools to conduct audit upon implementation either because of budgetary constraints or inability to acquire software solutions due to other obstacles or impediments delaying work and increasing costs.	Audit team will maximize use of existing tools and software to compensate for any inability to acquire or access desired practice tools	M
6.5	Delays in development of the audit program may prevent or substantially delay implementation of the audit program thereby causing cost increases and the delay of other planned projects.	An ambitious schedule for audit program completion has been developed. Should the audit team not complete the audit program for the 9 months following the designated completion date, there would still not be a delay in implementation.	L
6.6	Audit team efforts are poorly coordinated resulting in audit delays, scheduling conflicts, and loss of confidence in the audit team or program.	Audit team efforts will be planned and coordinated by audit team members. The audit team leader will be responsible for ensuring that audit	L

Appendix 4

		engagements and efforts are effectively coordinated.	
6.7	Incorrect evidence is collected during an audit resulting in erroneous conclusions and loss of confidence in the auditor's competence.	Audit team members will build their professional judgment through training and self-study to ensure that they are competent to identify relevant audit evidence during audit engagements.	M
6.8	Insufficient processes for requesting and obtaining documents and information from auditees leads to incomplete audit evidence and erroneous, inaccurate, or incomplete audit conclusions and opinions	Processes for obtaining documents and information from auditees will be established by rule or statute including through compelling the disclosure of documents or testimony	H
7. Availability of Auditee and Audit Evidence			
7.1	Audit evidence and records are not available or are insufficient to conduct the audit either because of an uncooperative auditee or because of intentional or inadvertent destruction or concealment preventing the ability to conduct the audit.	Audit team will develop policies which are responsive to the possibility that auditee records are not available and will design responses appropriate to the circumstances which make those records unavailable.	M
7.2	Auditee refuses to cooperate with the auditors preventing the audit team from conducting the audit at all, reducing the reliability of the results from the sample overall.	The agency and audit team will rely on the current rule and make necessary changes to that rule to allow for a more tailored and appropriate response to auditee non-cooperation	M
7.3	Scheduling conflicts between the auditee and audit team make conducting a field audit impossible or prohibitively expensive	Audit team members will coordinate with the auditee to establish an appropriate time frame for conducting the audit engagement and will use technology wherever possible to limit the impact on the auditee to a level appropriate for the engagement being conducted	L
7.4	There is no way to compel cooperation by the auditee which prevents the audit team from conducting any audits where fraud may be present thereby allow fraud to exist within the system.	Audit team will work with executive staff to determine next steps regarding the MCILS's lack of investigative power.	H
8. Monitoring			
8.1	Infrequent monitoring efforts prevent the audit team from making timely and relevant changes to the audit program such that the audit procedures reflect recent and relevant intelligence.	Monitoring schedule is established by the audit program which requires monitoring at regular intervals and allows monitoring and revisions during interim periods between regular monitoring sessions	L
8.2	Unplanned or ad hoc monitoring efforts cause poorly designed changes in the audit program resulting in system inefficiencies, increased costs, and the duplication of effort.	Monitoring efforts will be planned and conducted according to the schedule set forth in the audit program	L

Appendix 4

8.3	Unjustified assumptions are used to make changes to the audit program pursuant to the program monitoring efforts resulting in erroneous or unhelpful adjustments to the program and necessitating additional adjustments post deployment.	The audit team member responsible for designing the audit program based his assumptions on the information available at the time which may not be applicable or accurate upon implementation of the system	M
8.4	Resource shortages or limitations prevent the necessary or desirable changes identified in the program monitoring and revision phase, resulting in stale procedures which may not address system requirements.	Audit team will use free, low-cost, and existing sources as much as is reasonably feasible to reduce resource demands and maximize efficiency	M

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Job Description: Audit Division Director

Job Description

The Audit Division Director is primarily responsible for leading the audit team consisting of 2-3 staff and managing the audit program established by MCILS (the agency) for auditing counsel and non-counsel invoices. As a result, the right candidate should have exceptional leadership and project management skills, attention to detail, and excellent written and oral communication. Further, as a supervisor, the Audit Division Director, referred to internally as the audit team leader, is ultimately responsible for all audit team operations as outlined more fully below. Finally, as with all agency staff, the Audit Division Director assists in managing and designing various programs to meet agency goals.

The audit division director is responsible for:

- leading the team of auditors and audit staff to conduct efficient, effective, and appropriately scaled audit operations with limited agency resources;
- developing Audit Division strategic direction and plan with input from the audit team and communicating that strategic direction plan and direction to appropriate stakeholders including agency executive staff;
- managing various agency and division projects from start to finish using available resources;
- implementing, overseeing, and monitoring all audit operations including audits, investigations, rule-making efforts, audit program monitoring, and program development and management;
- ensuring continuing audit division competency through designing and implementing a training and education program for audit team staff;
- developing and implementing business administration and financial literacy training for attorneys and general publication using agency infrastructure;
- reviewing and processing both invoices and requests for funds submitted by contract attorneys and non-counsel vendors;
- participate in rule-making process as necessary or appropriate according to agency operational needs;
- maintaining auditing and industry-specific competence; and
- assigning, overseeing, and conducting audits and investigations of attorneys and non-counsel vendors.

Qualifications

The ideal candidate should have the following experience and education:

- 3-6 years of legal experience in criminal defense, child protection, emancipation, guardianship, involuntary commitment or other related areas of law;
- 3-5 years of experience leading people;
- experience analyzing and synthesizing large volumes of information or data;
- a law degree from an ABA accredited law school; and

- an accounting or business background.

Competencies

The ideal candidate should have the following competencies:

- Leadership
 - Proficient in managing interoffice relationships including by developing and maintaining collaborative working relationships among audit team members;
 - Capable of handling adversity and resolving differences of opinion among audit team members;
 - Possesses excellent written and oral communication skills;
 - Recognizes team member skills and proficiency areas and allocates resources accordingly;
 - Ability to exercise discretion and make decisions;
 - Delegates and assigns duties according to team members skill and capability; and
 - Advocates for the allocation of resources necessary to implement internal procedures or programs.
- Project Management
 - Develops and implements new policies and procedures;
 - Defines project scope, goals, and benchmarks;
 - Determines high-level project overview and necessary budget and resources for timely completion;
 - Develops project strategy and plan by selecting team members, outlining deliverables, and prioritizing tasks
 - Manages people and resources in developing various agency projects including the audit program;
 - Ability to solve complex problems and overcome obstacles to project completion;
 - Tracks and directs project development;
 - Delivers projects on time and within budget using allocated resources; and
 - Communicates project status to executive staff and other stakeholders as necessary.
- Auditing
 - Possesses familiarity with AICPA Statements on Auditing Standards and ISO 19011:2018;
 - Possesses understanding of law office billing and record-keeping practices;
 - Ability to exercise and evaluate professional judgment;
 - Maintains objectivity and professional skepticism at all stages of an audit or investigation;
 - Applies professional judgment where appropriate at all stages of an audit;
 - Evaluates and concludes on the decision to initiate a specific engagement including where provided with an engagement proposal prepared by an audit team member;

Appendix 5

- Addresses unique applicable independence and other ethical requirements associated with an audit engagement and documents any actions taken;
- Assesses risk to develop an effective engagement strategy;
- Evaluates standards, frameworks, and guidance to establish engagement scope parameters;
- Assigns appropriate staff for engagements based on agency responsibilities and required competencies and specialties;
- Designs and establishes audit team policies and procedures;
- Evaluates existing audit program by conducting established monitoring procedures and makes necessary changes to audit program according to those procedures;
- Evaluates multiple sources of information, identifies conflicts, and determines which information is most reliable, accurate, usable, and complete;
- Conducts analytical procedures during audit engagements;
- Conducts quality control reviews and monitoring efforts as necessary;
- Synthesizes results of all engagements conducted by the audit team to draw conclusions against the population tested where appropriate;
- Legal
 - Understands fundamental concepts relevant to the areas of law in which the agency provides services;
 - Understands law office billing and record-keeping practices;
 - Familiar with and understands agency practice standards for contract counsel; and
 - Familiar with the Rules of Civil Procedure, Rules of Criminal Procedure, and the Rules of Professional Responsibility.

Job Description: Audit Counsel

Job Description

Audit Counsel is primarily responsible for conducting audit engagements of assigned counsel and non-counsel vendors that receive payment from MCILS (the Agency). Additionally, Audit Counsel provide maintain the financial side of agency operations including by reviewing and processing invoices or vouchers, developing and communicating billing rules and guidance, assisting with counsel and non-counsel vendors with billing inquiries, and otherwise assisting the agency in meeting its operational needs. As a result, the right candidate should have exceptional attention to detail and analytical skills. Further, the ideal candidate will possess high technological proficiency, excellent written oral communication skills, and a curious mind.

Audit Counsel is responsible for:

- conducting efficient, effective, and appropriately scaled audit operations with limited agency resources;
- providing the Audit Division Director (audit team leader) with input regarding various division and agency projects including the audit program;
- contributing to various agency and division projects using available resources;
- conducting all audit operations including audits, investigations, rule-making efforts, audit program monitoring, and program and project development;
- maintaining auditing and industry-specific competence through participating in the audit division training and education program for audit team staff;
- developing and implementing business administration and financial literacy training for attorneys and general publication using agency infrastructure;
- reviewing and processing both invoices and requests for funds submitted by contract attorneys and non-counsel vendors;
- participate in rule-making process as necessary or appropriate according to agency operational needs; and
- proposing targeted engagements to the audit team leader.

Qualifications

The ideal candidate should have the following experience and education:

- 2-5 years of legal experience in criminal defense, child protection, emancipation, guardianship, involuntary commitment or other related areas of law;
- experience analyzing and synthesizing large volumes of information or data;
- a law degree from an ABA accredited law school; and
- an accounting or business background.

Competencies

The ideal candidate should have the following competencies:

- Project Management

Appendix 6

- Assists in developing and implementing new policies and procedures including by proposing solutions;
- Follows project strategy and plan by executing planned procedures and developing project deliverables;
- Uses resources in developing various agency projects including the audit program;
- Ability to solve complex problems and overcome obstacles to project completion;
- Tracks project development;
- Delivers projects on time and within budget using allocated resources; and
- Communicates project status to audit team leader or executive staff as appropriate.
- Auditing
 - Possesses familiarity with AICPA Statements on Auditing Standards and ISO 19011:2018;
 - Possesses understanding of law office billing and record-keeping practices;
 - Ability to exercise professional judgment and make decisions;
 - Maintains objectivity and professional skepticism at all stages of an audit or investigation;
 - Applies professional judgment where appropriate at all stages of an audit;
 - Evaluates and concludes on the decision to initiate a specific engagement including where provided with an engagement proposal prepared by an audit team member;
 - Assesses risk to develop an effective engagement strategy;
 - Evaluates standards, frameworks, and guidance to establish engagement scope parameters;
 - Understands agency policies and procedures as well as professional standards related to the initiation and continuance of engagements and recognizes risk factors that may pose additional engagement risk for the agency;
 - Understands applicable independence and other ethical requirements and applies them to specific engagements;
 - Analyzes complex transaction and evaluates appropriate and best application of policies, procedures, and standards;
 - Understands auditee technology, system components, and system boundaries;
 - Understands risk management concepts and is aware of elements of risk faced by the auditee and relevant to the engagement;
 - Recognizes technical competencies and specialties necessary to meet engagement objectives;
 - Evaluates adequacy and appropriateness of engagement information in achieving engagement objectives;
 - Considers and weighs information and sources of information to determine reliability, accuracy, usability, and completeness;
 - Evaluates sufficiency of analysis and conclusions;
 - Conducts analytical procedures during audit engagements;

Appendix 6

- Conducts quality control reviews and monitoring efforts as necessary;
- Synthesizes results of all engagements conducted by the audit team to draw conclusions against the population tested where appropriate;
- Legal
 - Understands fundamental concepts relevant to the areas of law in which the agency provides services;
 - Understands law office billing and record-keeping practices;
 - Familiar with and understands agency practice standards for contract counsel; and
 - Familiar with the Rules of Civil Procedure, Rules of Criminal Procedure, and the Rules of Professional Responsibility

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CASELOAD LIMITS RULE:

- I. **PURPOSE:** The purpose of this rule is to set establish caseload limits and standards for enforcement of the same for attorneys accepting MCILS cases. The objective is to limit attorney caseloads to an extent which permits attorneys to provide effective, high quality, representation to every client.
- II. **APPLICATION:** This rule applies to all attorneys accepting MCILS case assignments.
- III. **DEFINITIONS:**
 - a. Points: the value assigned to each case type.
 - b. Case type: the type of matter to which the attorney is assigned.
 - c. Maximum case type: represents the maximum number of cases of a particular case type that an attorney could carry at one time, if the attorney only accepted cases of that one type.
 - d. Maximum annual caseload limit: the maximum total points across all case types that an attorney may carry over a rolling 12-month period, based on the percentage of an attorney's work hours which are dedicated to assigned cases.
 - e. Maximum active caseload limit: the maximum total points across all case types that an attorney may carry on their caseload at any given time, based on the percentage of an attorney's work hours which are dedicated to assigned cases.
- IV. **CASE TYPE CALCULATION:**
 - a. Criminal & Juvenile Cases:
 - i. In each docket, the charge assigned the highest points—at the time of appointment—determines the case type.
 - ii. Other offenses contained within a single charging instrument are not assigned a point value.
 - iii. If an attorney represents a client on multiple dockets, each docket is considered a new case type. Each case type is assigned cumulative points.
 - iv. The point value assigned is applicable to each case from appointment through disposition of the matter in the unified court. Post-conviction reviews and probation violations are considered new case types, regardless of whether the attorney represented the client in the original case.

- b. Child Protective Cases:
 - i. The point value assigned is applicable to the entire case, from appointment through final resolution of the matter at the district court level. Points are not assigned to each distinct phase (e.g. jeopardy, termination of parental rights).
 - ii. If a client has multiple pending PC docket numbers because the client has multiple children, only one docket number is assigned a point value.
- c. Appeals to the Supreme Court of Maine:
 - i. Appeals to the Supreme Court of Maine are considered new case types, regardless of whether the attorney represented the client in the trial court.

V. POINTS:

- a. MCILS has established the following point values for each respective case type:

Case Type:	Point Value:	Maximum Case Type:
Class A Crime	4	63
Class B & C Person Crime	3	83
Class B & C Property Crime	2	125
Class D & E Crime	1	250
Probation Violation	1.25	200
Post-Conviction Review	15	17
Appeal	10	25
Juvenile	2.5	100
Lawyer of the Day	1	250
Protective Custody	6.25	40
Involuntary Commitment	1.25	200
Inv. Commit. Appeal to Superior Court	2	125
Emancipation	2	125
Probate	5	50
Drug Court	15	17
Pet. for Mod. of Release or Treatment	3	83
Petition for Release	3	83

- b. MCILS will reevaluate and update the point values as appropriate.

VI. LIMITS:

- a. MCILS has established a maximum annual and active caseload limit of 250 points. As such, an attorney may not maintain a caseload exceeding 250 points at any one time, nor can an attorney receive case assignments exceeding 250 points over a rolling 12-month period.

- b. For purposes of the maximum annual caseload limit, the points are calculated on a rolling basis based on appointment dates within the preceding 12 months.
- c. MCILS will reevaluate and update the caseload limit as appropriate.
- d. The applicable maximum caseload limit is reduced proportionately, based upon the percentage of the attorney's work hours that are dedicated to MCILS cases.
- e. The following chart reflects this calculation, based on a caseload limit of 250 points:

% of Attorney's Work Hours Spent on MCILS Cases:	Caseload Limit:
100%	250
75%	188
50%	125
25%	63
10%	25

VII. ENFORCEMENT:

- a. Applicable Caseload Limit:
 - i. Annually, all attorneys accepting MCILS cases are required to certify to MCILS approximately what portion of their annual working hours are dedicated to assigned cases.
 - ii. All attorneys with active assigned cases are required to submit this certification 30 days prior to the effective date of this rule.
 - iii. Attorneys who apply to accept MCILS cases will be required to submit this certification prior to receiving any case assignments.
 - iv. After a certification is submitted, the attorney's maximum caseload limit will be set in defenderData.
 - v. If an attorney's workload percentages change significantly prior to the annual certification, the attorney can request that MCILS adjust their maximum caseload limit.
 - 1. Attorneys will always have the ability to opt out of case types and courts to reduce the number of new assignments they receive.
 - vi. This certification must be completed on a form provided by MCILS.

- vii. Failure to complete the certification as required will result in suspension from all rosters until the certification has been completed to the satisfaction of the Executive Director or their designee.
- viii. Suspected falsification of a certification will result in the initiation of an MCILS assessment and/or investigation.

b. Case Entry & Closing:

- i. All cases will be automatically entered—within 24 hours of appointment—through a process by which the Maine Judicial Information System (MEJIS) or other Judicial Branch software imports the relevant data into defenderData. Where available, that relevant data will include, at a minimum:
 - 1. Client’s full name, address, and date of birth;
 - 2. Attorney’s name (linked to attorney’s defenderData profile);
 - 3. Case type;
 - 4. Charges, including a sequence number and statute; and
 - 5. Appointment date.
- ii. If an attorney has not been designated eligible for a case type to which they have been appointed, MEJIS will be denied the ability to enter that case into defenderData. The court will then be immediately notified of the need to appoint qualified counsel.
- iii. Within 24 hours of a case being resolved in court, MEJIS will import into defenderData the disposition of each charge and change the case status to “closed.”

b. Automated Monitoring:

- i. defenderData will track an attorney’s active and annual caseload points based on the data imported by MEJIS.
- ii. Attorneys will have access to their point calculations on defenderData.
- iii. MCILS will have the ability to generate reports of active and annual caseload points of all attorneys.
- iv. Once an attorney reaches 75% of their annual or active caseload limit, the attorney will be notified by defenderData. If an attorney chooses to do so, they can opt out of specific case types and/or courts to control the remaining cases they are assigned until they reach the maximum caseload limit.

- v. Once an attorney reaches the maximum annual or active caseload limit, defenderData will automatically opt the attorney out of all rosters.
- vi. If MEJIS attempts to enter a new case for an attorney who has been opted out of all rosters pursuant to (v), the case will be rejected, and the court will be notified of the need to assign alternate counsel.

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MCILS BUDGET INITIATIVES

3/18/2022 7:33 PM

Potential MCILS Budget Initiatives

Rural Public Defender Unit

Initiative. Establishes one District Defender position (Elected DA-equivalent Grade 90), 2 Assistant Defender I positions (ADA-equivalent Grade 38) and 2 Assistant Defender II positions (ADA-equivalent Grade 30), to be dispatched in the State where needed, and provides for their ancillary costs and meals and travel expenses.

	2022-23
GENERAL FUND	
Positions	5
Personal Services	\$704,482
All Other	\$261,415

TOTAL	\$965,897

Personal services:

Assistant Defender II, step 3 (salary and fringe)	\$117,074	
Total for two		\$234,148
Assistance Defender I, step 3 (salary and fringe)	\$152,322	
Total for two		\$304,644
District Defender, Step 3 (salary and fringe)	\$165,690	
Total Personal Services		\$704,482

All Other		
“ancillary costs”	\$ 9,319 per person	
(note – after first year are - \$5,919 per person		
Lodging, meals and incidentals (not mileage)	\$227,760	
Mileage	\$ 24,336	
Total All Other:		\$261,415

MCILS BUDGET INITIATIVES

3/18/2022 7:33 PM

Legal research resources (electronic access, some paper publications)

Initiative: Provides funds for MCILS to enter into contract for online legal research access that is then provided to MCILS rostered attorneys (up to 300), and annual reimbursement for written legal materials purchased by attorneys.

GENERAL FUND

All Other	\$275,580
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Westlaw Edge online resource (up to 300 attorney licenses) *as an example*

Year 1:	\$46,080
Year 2:	\$47,001.60
Year 3:	\$47,941.68

Written materials available to prosecutors including Court Rules; Jury Instructions; Statutes:
\$765 per attorney.

X 300 attorneys = \$229,500 per year in reimbursements

- MCILS plan is to base the actual reimbursement for written materials on the amount spent multiplied by the percentage of the attorney's practice actually spent providing indigent legal services

Or

- First year full reimbursement; each year after, if provided indigent legal services in the prior year at a specified threshold, receive full reimbursement the subsequent year.

MCILS BUDGET INITIATIVES

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Training

Initiative: Provides funds for MCILS to provide up to 4, 2-day in-person trainings per year, including the costs of facilities, food and honoraria for expert trainings.

GENERAL FUND

All Other

\$300,000

Estimate for the facilities and food for four, two-day in-person trainings per year is \$250,000. Honoraria for expert teachers is estimated at \$50,000 per year.

Paying counsel for their time in attending trainings – no appropriation is necessary, but statutory authority is necessary. (not drafted yet)

Option: Offer training as hybrid or fully remote, and locate in-person training in different locations so easy for attorneys located around the State to attend at in-person without traveling far or spending the night.

MCILS BUDGET INITIATIVES

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Contracts to specialists

Initiative: Provides funds and authority for MCILS to contract with attorneys and other providers and subject matter experts to support indigent legal services by providing targeted support concerning diversion and mitigation, appellate assistance, mentoring of new attorneys and serving co-counsel or lead counsel with a new attorney

GENERAL FUND

All Other	\$240,000
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MCILS would like to contract with attorneys, and potentially other providers such as social workers and subject matter experts, to support indigent legal services. To begin trial that process, MCILS hopes to contract with four attorneys who are already otherwise eligible to provide indigent legal services. When those attorneys are providing direct support for specific clients in specific cases, the expectation is that they would bill for that time through the MCILS case management system, as they would in the ordinary course. Those attorneys will have time that cannot be billed to a specific case, however. MCILS seeks an appropriation and authority to enter into those contracts, subject to the RFP and procurement process. MCILS would begin with the following four specialties and would permit up to one-third time to support these services.

Diversion and mitigation specialist	\$60,000
Appellate assistance	\$60,000
Mentoring new lawyers	\$60,000
Available co-counsel/counsel with new attorney	\$60,000

MCILS BUDGET INITIATIVES

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Increase hourly rate to \$100

Initiative: Provides funding to raise the hourly rate for attorneys from \$80 to \$100 to continue to move toward resource parity between the defense and prosecution functions.

GENERAL FUND

All Other

\$4,649,763

Working from FY21 numbers, because the FY22 numbers to date are a mix of \$60 and \$80 / hour: MCILS paid out \$13,949,290 in FY21. That becomes \$18,599,053 at the current rate of \$80 / hour, and \$23,248,816 at \$100 / hour. Actual costs are hard to estimate, because the numbers depend so heavily on the State's charging decisions and on what the Court is up to.

MCILS BUDGET INITIATIVES

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Kennebec County Public Defender Office

This is based on the appropriations section from the committee amendment to LD 1686, currently on the Special Appropriations Table. The numbers have been updated to reflect a start date of October 1, 2022, and the two 3% state employee increases.

INDIGENT LEGAL SERVICES, MAINE COMMISSION ON

Maine Commission on Indigent Legal Services Z112

Initiative: Establishes and provides funding for 4 Public Service Manager III positions, 5 Public Service Manager II positions, 2 Public Service Coordinator I positions, 2 Clinical Social Worker positions, 3 Paralegal positions and one Office Specialist II position to establish a Public Defender Office in Kennebec County. These positions begin October 1, 2022.

GENERAL FUND	2021-22	2022-23
POSITIONS - LEGISLATIVE COUNT		17.000
Personal Services		\$1,559,211
All Other		\$115,719
GENERAL FUND TOTAL		\$1,674,930

MCILS BUDGET INITIATIVES

3/18/2022 7:33 PM

Student loan repayments

Sec. XX. Loan repayment program. The Attorney General shall, in the next application round for grant funds under the John R. Justice Student Loan Repayment Program, include the attorneys that are employed by the Kennebec County Public Defender Officer and the Rural Public Defender Unit to satisfy the equal allocation requirement of the program.

U.S. Department of Justice, Office of Justice Programs, Bureau of Justice Assistance: This program (also referred to as the John R. Justice Student Loan Repayment Program) provides student loan repayment assistance for local, state, and federal public defenders and local and state prosecutors who commit to extended service in those roles.

The objective of the program is to offer an incentive to attract and retain qualified local, state, and federal public defenders and local and state prosecutors who commit to extended employment in those roles, and continue in that capacity for a minimum of 36 months.

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MEMORANDUM

To: Eleanor Maciag
From: Art Washer
Date: March 22, 2022
RE: Law Student - Student Loan Debt

This memo is responsive to your question regarding the average student loan burden assumed by law students and recent law school graduates. In conducting research for this memo, I referenced several studies and articles, two of those were conducted by ABA's Young Lawyers Division, with data analysis by the AccessLex Institute, for the years 2020¹ and 2021². Those studies not only provide the student debt figures in terms of the amount assumed by law students, but also provide a holistic view of the student debt burden shouldered by law school graduates and members of our bar. Consequently, while examining the financials of student loan debt provides context to the issue, the of student debt burden for law school graduates is not adequately represented by the numbers alone.

I. Financials

The two ABA studies referenced above surveyed a diverse group of law school graduates to determine the personal impact of student loan debt on the lives of people who graduated law school within the preceding 10 years. Both studies surveyed a high number of young people; the 2020 survey had an average respondent age of 33.6 and 79.6% of the respondents in the 2021 survey were 36 or younger. From those people surveyed in 2020, the average student loan balance after graduating law school was \$164,742 with over 50% of that population bearing a student debt balance over \$150,000 and 75% with at least \$100,000 in debt. The 2021 study placed the average student loan balance after graduating law school at \$130,000.

Interestingly, the 2020 study shows a 492% increase in 2019 public law school tuition from 1985 levels, accounting for inflation, outpacing wage increases. Adjusting for inflation tuition should cost \$4763 at 1985 levels; however, the average public law school tuition for residents in 2019 was \$28,186. What's worse is that student debt generally increases after graduating law school. Both studies found a substantial portion of survey respondents' loan balances increased rather than decreased following graduation: 40% of respondents in the 2020 study experienced debt increases while 26.9 % of respondents in the 2021 study reported their debt was the same or increased.

The post-graduation increase in student loan debt is the primarily the product of two factors: (1) inability to pay debt on the standard plan; and (2) income-based repayment (IBR). On a standard 10-year repayment plan, at the conservative average student loan debt of \$130,000 with 4.5% interest, an attorney can expect to pay approximately \$1350 per month; an incredible

¹ *2020 Law School Student Loan Debt: Survey Report*, American Bar Association, 2020.

² Groothuis, A. et. al., *Student Debt: The Holistic Impact on Today's Young Lawyers*, American Bar Association, 2021.

amount rivaling housing market costs. Under the standard payment plan, the graduate will pay a total of around \$161,600. Under IBR, graduates pay a percentage of their discretionary income depending on when the loan was issued: 15% before 2014 and 10% after 2014. Assuming all student loans were issued before 2014, and assuming the loans were consolidated before applying for IBR, a member of our bar making \$58,000 (assumed for parity with first-year prosecutors) with the conservative \$130,000 debt at 4.5% interest will pay approximately \$500 per month. Assuming a 3% pay increase every year, that graduate will not pay off their student loan debt in 25 years and will have paid about \$226,405 for their education with a remaining \$12,190 which will be “forgiven” and considered gross income for federal income tax purposes during the year of forgiveness.³

II. Collateral Consequences

As stated above, and thoroughly illustrated in the two studies previously referenced, the burden of student loan debt does not stop at the raw student loan payments. Rather, the burden of student loan debt is a pervasive issue for law school graduates and, therefore, for members of our bar. Both studies found that the student loan debt impacts a graduate’s decision to either postpone or avoid typical adult milestones like buying a home, getting married, buying a car, and starting a family.

The 2021 study specifically found that 90% of borrowers indicated that their student loan debt affected their progress toward obtaining these milestones. According to that study 69% of non-homeowners indicated that they delayed or forewent buying a home because of their student loan debt and only 44% of all borrowers surveyed owned a home. Similarly, 37% of married graduates and 45% of graduates without children reported that they chose to postpone or forgo marriage or starting a family because of their debt. Further, that report found that people are more likely to delay or forgo these milestones the higher their student debt.

Additionally, the 2020 study analyzed student debt’s affect on career choice. Notably, 37% of graduates reported choosing a higher paying job and 17% reported choosing a job that qualifies for loan forgiveness instead of a job they really wanted because of their debt load. Indeed, many respondents had accepted positions they did not want, only to feel trapped in those jobs because of their debt.

Predictably, student debt after law school also has a negative affect on the financial well-being of the graduate. About 85% of the respondents in the 2021 study indicated that their student debt has had some negative effect on their financial well-being. Those effects are summarized in the table from that 2021 study on the following page.

³ Both calculations assume the graduate is single with no dependents. Although those with dependents may pay less per month, they typically experience the compounding effect of interest to a greater degree due to those lower payments.

Table 6
Percent of Borrowers who Reported Debt Impact on Financial Well-Being,
by J.D. Loan Debt Balance at Graduation

	Total J.D. Loans at Graduation			All
	\$1 - \$100k	\$100,001 - \$200k	>\$200k	
I am unable to save for retirement to the degree I would like	51.9%	72.4%	77.3%	61.7%
I am unable to save for my child(ren)'s future*	41.3%	59.2%	70.7%	50.8%
I am unable to save for an emergency fund totaling at least three months of my living expenses	40.0%	49.0%	54.5%	44.4%
My credit score has been adversely affected	18.8%	29.9%	43.5%	25.7%
I cannot afford to take a vacation at least once per year	25.6%	34.4%	39.0%	30.3%
I am unable to contribute to a retirement account	23.6%	23.1%	36.4%	24.9%
I have not been able to qualify for a loan, mortgage, or apartment rental without a cosigner	13.3%	23.6%	36.4%	19.5%

*Out of 331 borrowers who indicated they are parents.

Note: Percentages reflect % of all borrowers in a group who agreed; Respondents may have selected more than one option; Individuals with no JD loans excluded as there are too few from which to draw percentages.

Finally, during the 2020 study, graduates were asked to respond to an open-ended question by indicating the ways in which student loan debt has affected their lives. Many graduates reported a negative effect on their mental health even though they were not prompted to do so as the answer set focused only on life events and purchases. The responses were so jarring that, in 2021, the ABA decided to make the impact on mental health a part of the study. In the 2021 survey, 65.4 % of borrowers experienced anxiousness or stress from their student debt. More notably, 52.7% of borrowers experienced regret or guilt and 44.2% experienced depression or hopelessness as a result of their student loan debt. 41.8% experienced feelings of inadequacy and 41.4% felt embarrassed or ashamed. Moreover, as a borrower's debt load increased so did the likelihood they would experience these strong negative emotions.

III. Conclusion (TL;DR)

Nearly every single person that graduates law school leaves with substantial debt. The average law school graduate has a student load debt somewhere between \$130,000 and \$165,000. Worse, student debt generally rises after law school as a result of low wages and income-based repayment such that the graduate will never pay off the debt; a problem that is exacerbated as the cost of education rises. And, although the value of the debt is exceptional, it does not fully convey the burden associated with that debt. Law school graduates, and consequently members of our bar, are finding themselves delaying major life milestones because of their debt. Moreover, they are experiencing impressive financial and emotional distress which are generally not captured by that looming number that is their student debt.