



## THE COMMISSION

Chapter 39 of the Iowa Court Rules provides for the Commission and the fund. Iowa Court Rule 39.1 provides for the appointment of seven members to the Commission, two of whom are not to be lawyers. During the period covered by this report, the non-lawyer members of the Commission were Eric G. Seeman of Boone and Melvin Zischler of Des Moines. The lawyer members of the Commission during the period covered by this report were Lori Torgerson Chesser of Des Moines, Todd A. Geer of Grundy Center, the Honorable Myron L. Gookin of Fairfield, Karen A. Volz of Cedar Rapids, and Joel D. Vos of Sioux City. At the fall 2022 meeting, the Honorable Myron L. Gookin was elected Chair, Lori Torgerson Chesser was elected Vice Chair, and Eric G. Seeman was elected Treasurer.

## ATTORNEY STATISTICS

As of December 31, 2022, there were 20,179 lawyers licensed or registered to practice law in Iowa. Of these 20,179 attorneys, 9,753 were active in status and able to engage in the practice of law. This is 6 less than 2021's 9,759 active lawyers.

With regard to the active 9,753 attorneys, 7,258 or 74% of them reside within the State of Iowa. There also was a slight increase in Iowa lawyers taking residence outside of the State of Iowa. The chart below shows the geographic

distribution of active Iowa lawyers for the last five years.

<b>Total Attorney Breakdown (Resident &amp; Non-Resident)</b>				
<b>Year</b>	<b>Resident Active</b>	<b>Non- Resident Active</b>	<b>Overseas Active</b>	<b>Total Active Lawyers</b>
2022	7,258	2,491	4	9,753
2021	7,405	2,363	14	9,782
2020	7,452	2,298	9	9,759
2019	7,488	2,229	12	9,729
2018	7,493	2,144	12	9,649

During the 2022 filing season<sup>1</sup>, 268 attorneys went exempt and 100 attorneys relinquished their Iowa license. The licenses of twelve attorneys were suspended by the Court for failure to comply with the reporting and fee payment provisions of chapter 39 of the Iowa Court Rules. 366 lawyers paid a late filing penalty ranging from \$100 to \$250 during 2022.

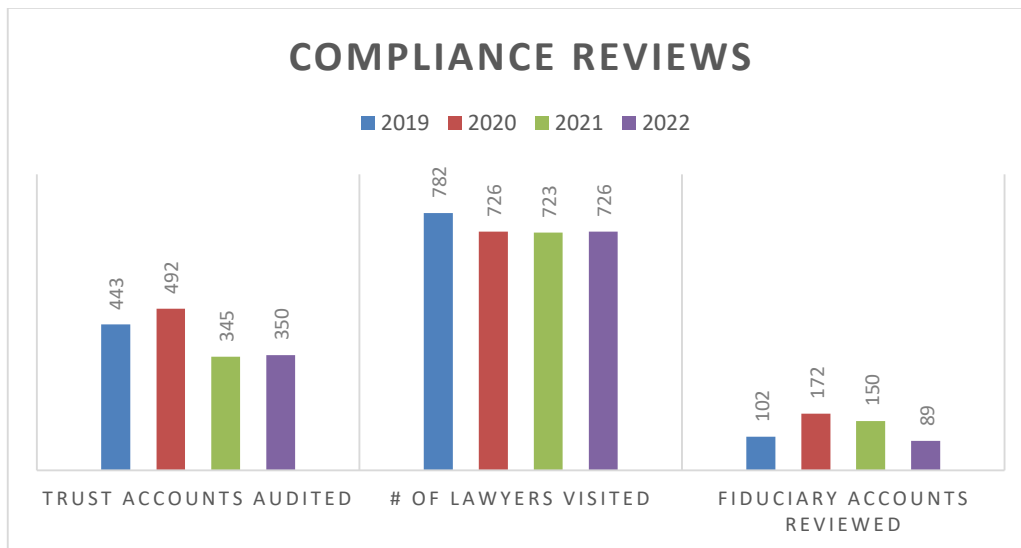
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<sup>1</sup> The Client Security Commission operates on three calendar systems. The calendar year and fiscal years are self-explanatory. The filing season calendar runs from December 15<sup>th</sup> through December 14<sup>th</sup>. It is during this time period that attorneys make changes to their status as they file their annual reports. OPR's database now allows for a filing season calendar data pull, which previously had not been possible. This should be considered when comparing this year's numbers to prior reports.

## COMPLIANCE REVIEWS

The Commission’s audit staff conducts routine audits of all lawyers in active practice in Iowa and examines their trust accounts, with the goal of examining each trust account every three to four years. The fact that a routine examination is made does not indicate any violations are suspected on the part of the lawyer or lawyers involved. Cooperation by members of the bar continues to be excellent, and the majority of Iowa lawyers properly use their trust accounts.

During 2022, auditors employed by the Client Security Commission conducted trust account compliance examinations as shown in the following chart. Also during 2022, the auditors reviewed accounts in which lawyers were serving as fiduciaries as shown in the chart.



These examinations encourage lawyers to maintain their trust accounts and fiduciary accounts in accordance with the requirements of Iowa Rule of

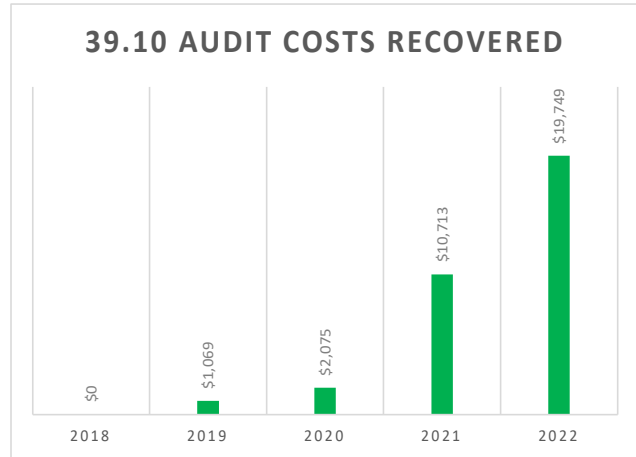
Professional Conduct 32:1.15 and chapter 45 of the Iowa Court Rules. Due to the pandemic, all audits were switched from in-person to correspondence-based in 2020, with attorneys scanning and uploading the requested information over a secure Sharefile site. This allowed trust account audits not only to continue, but also to expand in number as the auditors were no longer limited by drive times and scheduling issues.

The Commission's staff has published an outline on trust account procedures and made it available to all Iowa lawyers on the Commission web page. In addition, the executive director and director of client security of the Office of Professional Regulation periodically appear at continuing legal education events to discuss proper trust accounting procedures. Also the Commission auditors and staff are happy to share their knowledge and experience to assist any lawyers who have questions regarding trust account management.

Iowa was the first state to periodically examine lawyers' trust accounts and continues to be the leader in that field. It is the Commission's belief that routine examinations of lawyers' trust accounts help deter that small number of lawyers who might otherwise make use of the funds of others, and also help limit losses resulting from attorney diversion of client monies through early detection. Also, as has been the case every year since the inception of the audit program, routine

examinations confirm that the vast majority of Iowa attorneys diligently adhere to the trust account rules.

In calendar year 2022, \$19,749.14 of audit costs were recovered pursuant to Iowa Court Rule 39.10. The Commission will continue to assess audit costs to the audited attorney or firm when circumstances warrant.



### CLIENTS' SECURITY TRUST FUND

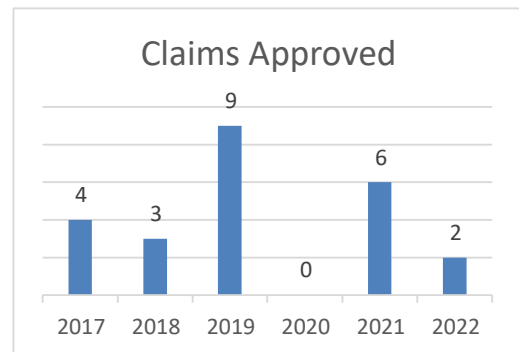
The Client Security Commission manages a fund generated by contributions from Iowa lawyers and judges, and advises the court on policies involving the administration of the fund. The purpose of the fund is to prevent defalcations by members of the Iowa bar, and insofar as practicable, to provide indemnification by the profession for losses caused to the public by the dishonest conduct of members of the bar of this state. The fund also separately administers the cost of administering the lawyer disciplinary system and other programs which impact the disciplinary system.

## Claims Considered

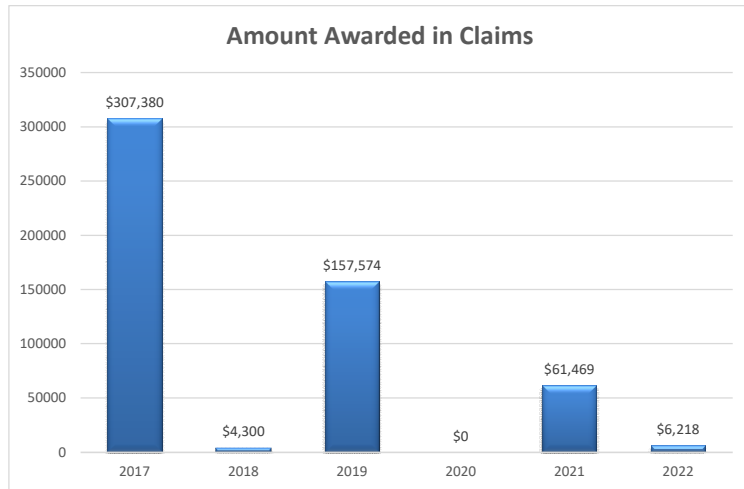
Five requests for reimbursement were pending before the Commission on January 1, 2022. Thirteen new claims were received by the Commission during 2022. No previously closed requests for reimbursement were reopened. The disposition of the eighteen pending and new matters during 2022 was as follows:

<u>Disposition</u>	<u>Number</u>
Payment authorized	2
Administratively dismissed	8
Reimbursement denied	7
Pending on December 31, 2022	1

During 2022, the Commission authorized payment on two requests for reimbursement, totaling \$6,218.45. The claims approved during 2022 are summarized as follows:



- The Commission authorized payment on one claim in the amount of \$2,976.45 based on the actions of deceased lawyer Michael D. Kozlik.
- The Commission authorized payment on one claim in the amount of \$3,242.00 based on the actions of lawyer Lonnie B. Saunders. Mr. Saunders' license to practice law in Iowa was revoked on October 13, 2021.



Commission rules in effect during calendar year 2022 for conduct before January 1, 2014, provided \$50,000.00 as the maximum reimbursement one claimant may receive from the fund, and \$150,000.00 as the maximum aggregate amount payable from the fund because of the dishonest conduct of any one attorney. For claims arising from lawyer conduct on or after January 1, 2014, the commission rules provided \$100,000.00 as the maximum reimbursement one claimant may receive from the fund, and \$300,000.00 as the maximum aggregate amount payable from the fund because of the dishonest conduct of any one attorney. \$6,218.45 were paid in claims during 2022. The total sum requested for the claims pending on December 31, 2022, as limited by per claim and per lawyer caps, was \$47,798.00.

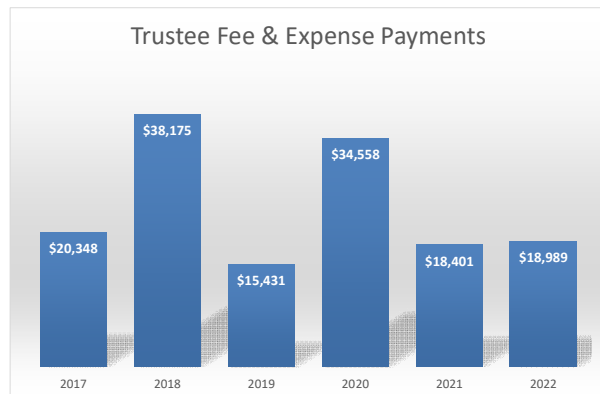
Substantially all of the claims denied in recent years failed to qualify for reimbursement because they did not arise from the dishonest conduct of a



member of the bar of Iowa while acting as an attorney or fiduciary. The Commission is not authorized to approve requests for payment arising out of voluntary joint ventures with lawyers or the personal lending of money to lawyers. The Client Security Trust Fund is not intended and is not authorized to provide protection against malpractice or to resolve fee disputes.

### Trustee Compensation & Expenses

Iowa Court Rule 34.17 provides for disability suspension and permits the chief judge of the judicial district in which the attorney practiced to appoint a lawyer or lawyers to serve as trustee



in connection with matters in progress in the office of the lawyer suspended under the rule. Iowa Court Rule 34.18 provides for appointment of a trustee by the district chief judge if a practicing lawyer has died or been suspended or disbarred from practice, provided reasonable necessity exists. Appointment of a trustee to inventory files, sequester client funds, and take other appropriate action to protect the interests of the clients and other affected persons helps identify and assist management of claims for reimbursement filed with the Commission.

Iowa Court Rules 34.17 and 34.18 also provide that a trustee may seek reasonable fees and reimbursement of costs in connection with these matters from the suspended attorney. If unsuccessful, the trustee may submit a fee and expense claim to the Commission. The Commission, in its sole discretion, determines the merits of the claim and the amount of any payment from the fund.

Trustee claims for fees and expenses in the total amount of \$18,989.81 were authorized for payment from the fund during 2022. This amount would have been much higher but for the assistance of trustees who volunteered their services as a *pro bono* service to the Iowa legal profession.

### FINANCIAL OVERVIEW

In addition to providing indemnification for losses caused to the public by the dishonest conduct of members of the bar of this state, the fund also supports administration of the lawyer disciplinary system and other programs that impact the disciplinary system, including but not limited to the Iowa Lawyers Assistance Program.

As a condition to continuing membership in the bar, every bar member is required to pay to the Commission an annual fee as determined by the Court to finance the disciplinary system, unless exempt. The annual fee during 2022 was \$200.00. The fees received to finance the disciplinary system were expended to

pay operating expenses of the Iowa Supreme Court Attorney Disciplinary Board, the Grievance Commission of the Supreme Court of Iowa, the Iowa Supreme Court Commission on the Unauthorized Practice of Law, and a portion of the operating expenses of the Iowa Lawyers Assistance Program. Staff is reviewing the annual fee to be paid by each attorney to support the attorney disciplinary system for calendar year 2024 and may be making a recommendation to the Court that the fee be increased to \$225. The disciplinary system fee was last increased in 2016 for the 2017 calendar year.

The Commission has established separate bookkeeping records and accounts for funds received to finance the disciplinary system. A disciplinary fund checking account has been established for disciplinary operations. The annual fees received from attorneys to finance the disciplinary system are deposited in the investment account of the Commission as part of the online reporting system for lawyers, and then transferred to the disciplinary fund checking account. Funds deposited in the disciplinary fund checking account are diverted to interest-bearing certificates of deposit or a deposit savings account to the extent not necessary to support current operations of the entities supported by the annual fee.

## Audit of Commission Funds

The audit report prepared by Brooks Lodden, P.C., Certified Public Accountants, for the accounting period ending June 30, 2022, previously has been submitted to the Court. The financial report includes a section entitled *Management Discussion & Analysis*, which was prepared by Commission staff. Examination of the *Management Discussion & Analysis* is recommended in lieu of any separate analysis the Commission might provide regarding financial operations of the Commission.

The Commission continues to adhere to its longstanding investment philosophy of safety. The Commission's policy is to invest only in United States government or United States government-related securities or fully FDIC-insured brokered certificates of deposit. Commission funds otherwise are placed in deposit accounts covered by FDIC insurance or the Iowa public funds statute, Iowa Code chapter 12C.

## Operations

Commission funds are deposited in accounts at Community State Bank, Des Moines, Iowa. All checks drawn upon the investment checking account require the signature of two authorized signatories. The executive director and the directors of the Office of Professional Regulation are authorized to sign checks

from that account up to a maximum of \$2,000.00, with checks over \$2,000.00 requiring the signature of two authorized signatories. A \$200,000.00 dishonesty insurance policy covers the director, all employees of the Commission, and all Commission members.

The Client Security Commission and seven other boards, commissions, or functions administered by the main office of the Office of Professional Regulation share staff, files, and equipment to minimize operating expenses. The accounting and budget years for the boards and commissions are standardized on the same fiscal year as state government generally. For the fiscal year beginning July 1, 2022, the Court approved the attached operating budget for the Client Security Commission. Continued cooperation between all of the boards and commissions administered by the Office of Professional Regulation makes it possible to operate within this budget.

Dated: 27th of February, 2023.

CLIENT SECURITY COMMISSION OF  
THE SUPREME COURT OF IOWA



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The Honorable Myron L. Gookin, Chair

CLIENT SECURITY COMMISSION

FISCAL YEAR 2022-2023 BUDGET

OPERATING EXPENSES

Salary and Salary Expenses	
Director	\$28,964.25
Assistant Director	\$131,693.39
Auditors	\$142,800.00
Clerical - Bookkeeping	\$111,802.47
Vacation/Sick Leave Payout	\$0.00
Part-Time Data / Call Center Support	\$0.00
Employee Insurance	\$55,397.35
Deferred Compensation	\$3,060.00
FICA	\$31,767.40
IPERS	\$39,200.55
Travel Expenses - Staff, Commission	\$5,250.00
Travel Expenses - Auditor	\$25,000.00
Rent	\$15,000.00
Auditing	\$2,775.00
Telephone	\$450.00
Office Supplies	\$1,400.00
Printing	\$1,000.00
Postage	\$6,000.00
Copier Lease	\$1,200.00
Repairs & Maintenance	\$200.00
Employer Insurance	\$1,200.00
Unemployment Insurance	\$1,300.00
Banking Fees	\$1,000.00
Miscellaneous, Including Moving	\$1,000.00
Automation Support	\$600.00
Internet App. Maint. & Development	\$75,000.00
Internet Payment Charges	\$20,000.00
Payroll Processing	\$750.00
Staff Communications Support	\$1,800.00
Contract Counsel	\$20,000.00
TOTAL OPERATING EXPENSES	<u>\$725,610.41</u>
CAPITAL EXPENDITURES	\$7,000.00
TOTAL PROJECTED EXPENDITURES	<u>\$732,610.41</u>