

LEGAL SERVICES CORPORATION



Office of
Inspector General



Semiannual Report to the Congress
April 1, 2016 – September 30, 2016

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**TO THE BOARD OF DIRECTORS OF THE
LEGAL SERVICES CORPORATION
AND TO THE UNITED STATES CONGRESS**

A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit this report on the activities and accomplishments of LSC's Office of Inspector General (OIG) for the period April 1, 2016, through September 30, 2016.

During this reporting period we issued five audit reports focused on the adequacy of LSC grantees' internal controls, particularly with respect to their financial operations. Our reports documented specific internal control and related issues and made recommendations for corrective action. The grantees agreed or partly agreed with over 96% of our recommendations.

We began the sixth year of our Quality Control Review (QCR) initiative to provide enhanced oversight of the independent audits required annually of LSC grantees. During the period we issued 18 QCRs.

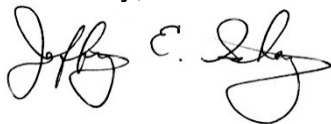
In addition to following up with individual audit firms and grantees after each review, we provide an advisory memorandum for all of the independent auditors and executive directors, summarizing the results of the QCRs conducted over the preceding fiscal year, and identifying the principal exceptions and deficiencies found. These reports and the overall QCR process identify any systematic issues and help prevent the repetition of similar problems in future audits.

We opened 31 new investigations and closed 25 investigations during the reporting period. The investigations involved a variety of criminal and regulatory matters, including fraud, false claims, and the improper use of LSC funds. We obtained nearly \$77,000 in recoveries during the period as a result of OIG investigations, as well as the indictment of a former grantee employee on federal larceny and theft charges.

We continued to emphasize outreach and education as part of our ongoing efforts to help prevent fraud and abuse in LSC-funded programs, and maintained an active calendar of grantee outreach visits

I wish to express my continuing appreciation to all the members of the Board of Directors for the interest and support they have shown for the work of the OIG. I also remain deeply appreciative to the Congress for its steadfast support of this office.

Sincerely,



Jeffrey E. Schanz
Inspector General
October 31, 2016

TABLE OF CONTENTS

OFFICE OF INSPECTOR GENERAL OVERVIEW	1
AUDITS	3
Memphis Area Legal Services, Inc.	3
Mississippi Center for Legal Services	5
Legal Aid Society of Eastern VA.....	7
Legal Aid of Southeast Pennsylvania	10
DNA People’s Legal Services, Inc.	12
Statistical Summary	15
Oversight of IPA Audits.....	16
Independent Audits of Grantees.....	16
Desk Reviews of IPA Reports	16
Quality Control Reviews	16
Follow-up Process.....	17
Review of Grantees’ Annual Audit Reports: IPA Audit Findings.....	17
INVESTIGATIONS	19
Criminal Proceedings.....	19
Former Grantee Employee Indicted and Arrested for Theft of Program Funds.....	19
Personnel Actions.....	20
Separation from Employment.....	20
Recovery Actions.....	20
OIG Investigation Results in LSC Recovery of Approximately \$55,000	20
Questioned Cost Referral Regarding Employee Travel and Bar Fees	21
Questioned Cost Referral Regarding Gift Cards	21
Regulatory Matters	22
Fraud Prevention Initiatives	23
Fraud Awareness Briefings	23
Fraud Vulnerability Assessments	23
Regulatory Vulnerability Assessments	24
Hotline	24
Statistical Summary	25
OTHER OIG ACTIVITIES.....	26
Legislative, Regulatory, and Policy Reviews	26
Freedom of Information Act	27
Professional Activities and Assistance.....	27
APPENDIX – PEER REVIEWS.....	28
TABLE I.....	29
TABLE II.....	31
TABLE III.....	32
TABLE IV	33
TABLE V	34

OFFICE OF INSPECTOR GENERAL OVERVIEW

The LSC Office of Inspector General operates under the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3. The OIG has two principal missions: (1) to promote economy and efficiency in the activities and operations of LSC and its grantees; and (2) to prevent and detect fraud and abuse.

Our primary tool for achieving these missions is objective and independent fact-finding. We perform financial and other types of audits, evaluations, and reviews, and conduct criminal and regulatory compliance investigations. Our fact-finding activities enable us to develop recommendations for LSC and its grantees, as well as for Congress, for actions that will correct problems, better safeguard the integrity of funds, and increase the economy, efficiency, and effectiveness of LSC programs.

The OIG is also tasked with ensuring the quality of audits of LSC and its grantees, and with reviewing proposed and existing regulations and legislation affecting the operations and activities of LSC and the programs it funds.

In addition, since 1996, LSC's annual appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by independent public accountants, under guidance provided by the OIG. Congress has also specified that the OIG has authority to conduct its own reviews of grantees.

LSC's 2015 appropriation (exclusive of OIG operations) was \$370.6 million. The Corporation provides funding to 134 independent nonprofit legal aid programs throughout the nation and in U.S. territories.

The OIG is headed by an Inspector General (IG), who reports to and is under the general supervision of the LSC Board of Directors. The IG has broad authority to manage the organization, including setting OIG priorities, directing OIG activities, and hiring OIG personnel and contractors.

To ensure objectivity, the IG Act grants the LSC IG independent authority to determine what audits, investigations, and other reviews are performed, to gain access to all necessary documents and information, and to report OIG findings and recommendations to LSC management, its Board of Directors, and directly to Congress.

The IG Act also prohibits LSC from assigning to its IG any of LSC's own "program operating responsibilities." This means that the OIG does not perform functions assigned to LSC by the Legal Services Corporation Act, 42 U.S.C. §§2996 *et seq.*, other than those transferred to the OIG under the IG Act and those otherwise assigned by Congress, for example in LSC's annual appropriations acts.

The IG reports serious problems to the LSC Board of Directors and must also report to appropriate law enforcement authorities when, through audit, investigation, or otherwise, the IG finds that there are reasonable grounds to believe that a crime has occurred. The IG is required by law to keep Congress informed of the activities of the office through semiannual reports and other means. The IG also provides periodic reports to the board and management of LSC and, when appropriate, to the boards of directors and management of LSC grantees. Some of these reports will be specific (e.g., an audit of a particular grantee or an investigation of a theft or embezzlement), while others will be of broader application and may address more general or systemic issues.

Within their different statutory roles, the OIG and LSC management share a common commitment to improving the federal legal services program and increasing the availability and effectiveness of legal services for low-income persons.

AUDITS

As discussed below, during this reporting period the OIG issued five audit reports with respect to grantee operations. At the conclusion of the period we had four projects underway and in various stages of completion.

The OIG has responsibility for overseeing the independent public accountant (IPA) audits performed annually at each grantee. During the reporting period we reviewed 122 IPA reports, with fiscal year ending dates ranging from December 31, 2015, through January 31, 2016.

The OIG issued 18 Quality Control Review (QCR) reports this period, under our QCR initiative. The goal of the QCR initiative is to improve the overall quality of the IPA audits and to ensure that all audits are conducted in accordance with applicable standards and with the guidance provided by the OIG.

Memphis Area Legal Services, Inc.

The OIG assessed the adequacy of selected internal controls in place at Memphis Area Legal Services (MALS). We found that many of the controls were adequately designed and properly implemented, while some controls needed to be strengthened and formalized in writing. We identified the following as areas needing improvement:

The grantee's accounting manual lacked some written policies and procedures, while others needed to be updated as follows:

- There were no policies and procedures in place over the maintenance of the master vendor list.
- There were written policies over credit card usage, but there were no written procedures relating to the activation of cards for new users or procedures to cancel credit cards of terminated employees. There were no policies setting a maximum dollar limit for each credit card or controls over the credit card receipt voucher that the grantee uses for tracking receipts.
- There were no policies and procedures for sole source procurements.
- Written policies needed to be enhanced for fixed assets with respect to capitalization, depreciation, and inventory.
- A policy on derivative income was needed.
- The budget policy did not adequately address specifics such as how and by whom the budget is formulated; the review and approval process; the process for budget adjustments; benchmark timelines; and documentation requirements.
- The cost allocation policy needed to be updated to include a timeline within the accounting period for completion of allocation of costs.

- Neither the employee handbook nor the accounting manual contained policies and procedures related to the grantee's loan repayment assistance program and cell phone data reimbursement plan.

The OIG found that there was inadequate segregation of duties over the accounts payable, purchasing, and receiving functions.

After testing disbursements, we found seven disbursements and 20 credit card transactions where "Supply Request Forms," which are to serve as preapproval forms for supply purchases, were not used correctly due to being incomplete, approved after the fact, or not used at all.

The OIG's review of contracts found that three were missing documentation supporting whether they were competitively bid or properly awarded on a sole source basis.

The grantee had not performed allocation of administrative salaries as of the date of issuance of the final audit report, while other common cost allocations were not performed until year end.

The OIG made six recommendations:

- Two recommendations related to establishing or updating written policies over the master vendor list, credit cards, contracting, fixed assets, derivative income, budgeting, cost allocation, and employee benefits.
- One recommendation related to segregation of duties over disbursements, ensuring that a person independent of the purchasing and accounts payable functions receive and review goods for their condition and completeness when they arrive.
- One recommendation related to internal controls over disbursements and credit card purchases, ensuring that supply request forms are properly completed and approved prior to purchase.
- Two recommendations related to internal controls over contracting, addressing the need (1) to ensure that the processes for each contract action are fully documented and contract documents are maintained in the central file; and (2) to consider re-opening contracts to the public for bidding to ensure that the grantee is receiving the best price and service available.

Grantee management fully agreed with all six of the recommendations and outlined the ways in which each recommendation would be addressed. The OIG considers the proposed actions for all recommendations as responsive.

Recommendations related to establishing or updating written policies and procedures will remain open until the grantee has drafted the respective policies, revised its accounting manual, and obtained the required board of directors' approval. The recommendation for

segregation duties over the accounts payable, purchasing, and receivable functions will remain open until the executive director adequately segregates those functions and it is approved by the board. Recommendations relating to contracts also will remain open until the grantee can provide the OIG documentation showing that the contracts for operating leases have been reopened and put out for bid. The recommendation related to completion and approval of supply request forms is considered closed.

Mississippi Center for Legal Services

The OIG assessed the adequacy of selected internal controls in place at Mississippi Center for Legal Services (MCLS). We found that while some of the controls were adequately designed and properly implemented, many controls needed to be strengthened and formalized in writing.

We identified the following as areas that needed to be improved:

- Although MCLS's written disbursement policies were generally comparable to the Fundamental Criteria provisions of the LSC Accounting Guide, internal controls needed to be strengthened, e.g., maintaining proper documentation and requiring approval of purchases prior to the commitment of resources.
- MCLS's written credit card policies did not include the maximum dollar amount that can be charged before a manager's approval is required, nor did the policy state when approvals are required or the requisite level of management approval. In addition, MCLS's credit card practices lacked:
 - documentation of purchase approvals;
 - acknowledgment of receipt of credit cards;
 - documentation of approval for issuance of credit cards; and
 - adequate board oversight of the executive director of administration's credit card charges.
- Although MCLS had written contracting policies in place, their contracting practices were not entirely adequate. There were five janitorial services vendors that did not have properly documented contracts for the period under review, and two contracts that did not have documentation of competitive bids and contract actions.
- MCLS did not have policies and procedures related to outstanding checks. The OIG's review determined that a total of 43 checks were outstanding for more than 90 days. In addition, we were unable to determine if four bank reconciliations were reviewed and approved, as they did not have the initials of the reviewer and date of review.
- MCLS's user access rights for its accounting system reflected inadequate segregation of duties within payroll and disbursement components. We also noted that a part-time employee, who did not have a user account, had access to the accounting system.

- Although MCLS had adequate written policies and procedures over fixed assets, they did not follow their policies regarding performing timely inventory and updating fixed asset records. The last inventory was performed in 2013 and the asset register was not updated to fully reflect all disposals and/or retirements of assets.
- Although MCLS's management and reporting practices were mostly comparable to LSC guidelines, cumulative comparisons of actual revenue and expenses vs. budgeted revenue and expenses were not consistently prepared by the grantee.

The OIG made 17 recommendations:

- Two recommendations on internal controls over disbursements related to ensuring there is proper approval of purchases prior to the commitment of resources, and that there is review and approval of disbursements over \$5,000 by two authorized signatories.
- Five recommendations on internal controls over credit cards related to ensuring:
 - policies and procedures relating to spending limits and approvals for credit card purchases are established and documented in the grantee's accounting manual;
 - requisite approvals on credit card purchases are documented;
 - signed documentation of training is obtained and retained for all cardholders;
 - approvals authorizing issuance of credit cards to staff members are documented and maintained on file; and
 - written policies are developed and implemented requiring the executive director of administration's credit card transactions to be reviewed and approved periodically, preferably by a member of the board of directors.
- One recommendation for internal controls over contracting was to ensure contracting procedures adhere to LSC's Fundamental Criteria, specifically: that all contracts for products and services are documented and maintained in a central file; that contracts are reviewed periodically to ensure the written terms are current; and that documentation is obtained and retained for all contract actions, including solicitation of competitive bids and selection process of vendors.
- Three recommendations on internal controls over general ledger and financial controls related to ensuring that: policies and procedures for resolving outstanding checks are documented in the grantee's accounting procedures manual; checks outstanding for more than 90 days are reviewed and resolved in a timely manner; and review and approvals of bank reconciliations are appropriately documented with a signature and date.
- Three recommendations on internal controls over the accounting systems related to ensuring that: user access to the grantee's payroll system is properly controlled so that user capabilities are adequately segregated; duties of maintaining the master vendor list and processing payments to vendors are adequately

segregated; and each individual using the financial management system has separate, distinctly assigned user access rights to the system.

- Two recommendations related to strengthening controls over physical inventory and accounting for fixed assets.
- One recommendation related to ensuring that cumulative comparisons of actual revenue and expenses against budgeted revenue and expenses are prepared consistently, as required by LSC's Fundamental Criteria.

The grantee agreed with all 17 recommendations. The OIG considers the proposed actions to address all recommendations as responsive. Four recommendations were considered closed as grantee management had effected immediate resolutions. Thirteen recommendations will remain open until the OIG receives written notification that the grantee has updated and implemented its policies and procedures.

Legal Aid Society of Eastern VA

The OIG assessed the adequacy of selected internal controls at Legal Aid of Eastern Virginia (LASEV). We found a number of issues with the design and operation of the internal controls reviewed at LASEV. They include:

- There were no written policies for derivative income, including attorneys' fees and interest income; the allocation method for attorneys' fees did not fully comply with LSC regulations; and the allocation of interest income was not fully supported.
- The grantee's policies and practices regarding cost allocation were not in accordance with LSC regulations. The cost allocation policy did not detail the process used to record various costs; the accounting system did not provide an audit trail to enable testing of the allocation methodology; and there was no record of the cost allocation schedules and formulas used.
- There were no written policies related to disbursements or maintenance of a master vendor list. In addition:
 - a terminated employee was still listed as an authorized check signer;
 - travel-related disbursements were not adequately supported;
 - some disbursements and reimbursements to staff were not adequately supported;
 - some disbursements did not have requisite approvals prior to commitment of funds;
 - there was no oversight by a board member over the executive director's purchases and reimbursements; and
 - there was not adequate segregation of duties over the master vendor list.
- There were no written policies over financially related employee benefits and reimbursements for job related educational expenses. We examined two sizable

reimbursements and found that neither had supporting receipts, and that one did not have documentation of approval.

- There were no written policies and procedures related to contracting. We examined seven grantee business arrangements with total disbursements of \$68,604 and found:
 - documentation for contracts was not centrally filed;
 - none of the business arrangements had documented contract actions;
 - four did not have written contracts on file;
 - three did not have evidence of competitive bids or quotes obtained; and,
 - approvals and deliverables for some contracts could not be verified.
- There were no written policies related to management reporting and budgeting and none for approval or oversight of journal entries. In addition, management reports did not provide funding source detail.
- There were no adequately trained personnel managing the accounting duties; outstanding checks were not properly resolved; and, there was no evidence that bank reconciliations were reviewed.
- Policies and procedures related to fixed assets did not fully adhere to LSC's Fundamental Criteria; the grantee did not conduct a physical inventory every two years as required by LSC's guidelines; and some fixed asset items were not tagged as required.
- Policies and procedures related to client trust funds did not fully adhere to LSC's Accounting Guide.

The OIG made 25 recommendations:

- Four recommendations related to derivative income: establishing written policies for all types of derivative income; ensuring attorneys' fees and interest income are allocated in accordance with the requirements specified in 45 CFR §§1609.4 and 1630.12; and maintaining financial records that adequately support interest income allocation.
- Three recommendations related to cost allocation: establishing a fair, transparent, and systematic cost allocation methodology in accordance with LSC requirements; documenting allocation formulas so that others can understand, follow and test them; establishing an audit trail by documenting transactions to their funding sources; and retaining cost allocation schedules and formulas.
- One recommendation related to strengthening a variety of controls over disbursements by developing policies providing for: separation of receipts and disbursements between LSC and non-LSC funds; board member oversight for the executive director's purchases and reimbursements; segregation of duties over the maintenance of master vendor list; a listing of LSC unallowable expenses; controls to ensure authorized check signers are current; and prior approval of employee travel, training, and purchases over \$500.

- Two recommendations related to developing written policies and procedures over financially related employee benefits and reimbursements for job related educational expenses.
- Four recommendations related to strengthening controls over contracting procedures, including: developing and implementing contracting policies and procedures; ensuring that contract actions are adequately documented and performed according to specific, agreed-upon terms that are supported by a valid, formal contract; ensuring invoices are received and that the work performed by the vendor is verified prior to payment; and taking other specified steps to improve compliance with the contracting-related provisions of LSC's Fundamental Criteria.
- Two recommendations related to management reporting and budgeting: incorporating policies and procedures in the grantee's accounting manual related to internal reporting and budgeting, timeliness of reports, and reporting responsibilities; and updating the design of the accounting system to permit allocation of expenses by funding source and reporting by funding source detail.
- Four recommendations related to enhancing controls over general ledger and financial controls: updating written policies on handling outstanding checks, and the review and approval of journal entries; hiring a trained accountant; improving journal entry processes for voided checks; and documenting bank reconciliation reviews.
- Three recommendations related to improving controls over fixed assets: updating written policies and procedures to conform with LSC's Fundamental Criteria; ensuring a physical inventory is performed every two years and is reconciled to the property and accounting records; and, ensuring adherence to the policy of tagging physical assets.
- Two recommendations related to strengthening internal controls over client trust funds: updating and following written policies and procedures to ensure that clients are provided with receipts and that client trust balances are reported on every five years in accordance with state escheat regulations.

Grantee management agreed to take corrective action on 17 recommendations. The proposed actions to address the 17 recommendations were considered responsive. These recommendations will remain open until the OIG is notified in writing that the proposed actions have been completed and supporting documentation provided.

Grantee management clarified their involvement with the recommendation regarding the loan reimbursement assistance program. The OIG considers this recommendation closed.

The grantee partially responded to four recommendations, and disagreed with three recommendations. The OIG referred these seven recommendations to LSC management for resolution.

Legal Aid of Southeast Pennsylvania

The OIG assessed the adequacy of selected internal controls at Legal Aid of Southeastern Pennsylvania (LASP). While many of LASP's controls were adequately designed and properly implemented, we found that some controls needed to be strengthened and formalized in writing. We identified the following as areas that needed improvement:

- Policies and procedures related to general ledger and financial controls did not address separation of receipts and disbursements between LSC and non-LSC funds or detail procedures for physical safeguarding of cash receipts.
- There were written policies on credit card usage, but no written procedures relating to the issuance of credit cards. Updates were needed to reflect the actual credit card spending limits for each cardholder. The grantee's manual stated that the credit card limit was \$1,500, whereas the credit card statements indicated a spending limit of \$2,500.
- Disbursement policies needed to be updated to reflect the grantee's current practices regarding purchasing approvals for office supplies.
- The contracting policies and procedures lacked elements required by LSC's Fundamental Criteria, including: information detailing types of contracts and procedures applicable to each; dollar thresholds; competition requirements; and documentation requirements.
- There was no information detailing the depreciation method to be used for fixed assets, procedures and controls for the disposal of assets, the required elements in the property records, or the requirement to obtain prior approval from LSC for purchases over \$10,000.
- There was no policy on derivative income.
- LASP's property record listing did not include all of the elements required by LSC's Fundamental Criteria, e.g., the depreciation method, salvage value, check number, and estimated life. LASP maintains property spreadsheets detailing property located at the various LASP office locations, but the spreadsheets for the different offices were not consistent and captured different information about the property at the various locations. Some fields in the spreadsheets lacked the required information.
- Of 84 disbursements and 23 credit transactions reviewed, seven were found not to have been pre-approved as required by the grantee's policy. LASP's master vendor list had never been updated to reflect only active vendors.
- Of 13 contracts selected for testing, all were missing some type of supporting documentation, e.g., the original contract, bids, sole source justifications, documentation of modifications and extensions, or documented agreements. Seven contracts did not have a documented contractual agreement with the grantee for services provided.

- Out of the 10 bank reconciliations sampled, seven lacked signature dates for either the preparer or approving official, two were not approved in a timely manner, and one did not receive the required approval at all. Reconciliations for two bank accounts had a total of nine checks outstanding for more than six months.

The OIG made eight recommendations:

- One recommendation related to establishing or updating written policies and procedures over general ledger and financial controls, credit cards, cash disbursements, contracting, fixed assets and derivative income.
- One recommendation related to strengthening fixed asset practices by updating the grantee's property records with adequate information, ensuring all fields are present and completed, and capturing the same information in property records at all office locations.
- Two recommendations related to disbursements: ensuring that purchases are pre-approved in accordance with the grantee's written policy or that the pre-approval threshold is updated; and routinely updating the master vendor list to reflect only active vendors.
- Two recommendations related to contracting: ensuring each contract action is fully documented, including documentation of competition or sole source justification; and that applicable business arrangements are covered by written contracts, maintained in a central location.
- Two recommendations related to general ledger and financial controls over bank reconciliations: ensuring that bank reconciliations are performed monthly, documented with a signature and date, and properly approved by a responsible individual; and enforcing the grantee's current written policies and procedures on handling outstanding checks.

The grantee agreed with all the findings in the report and accepted all eight recommendations.

The OIG considered as responsive the actions proposed by the grantee to address the recommendations. All eight recommendations will remain open until the grantee notifies the OIG in writing that the proposed actions have been completed and provides supporting documentation.

DNA People's Legal Services, Inc.

The OIG assessed the adequacy of internal controls at DNA People's Legal Services Inc. (DPLS) in Window Rock, AZ. We found that while many of the controls were adequately designed and properly implemented, some controls needed strengthening and others needed to be formalized in writing.

We identified the following areas that needed to be improved:

- The grantee's indirect costs were not allocated in accordance with their own policies and procedures. Indirect salaries were almost totally allocated to LSC and not shared with other funding sources, and other indirect costs were not consistently allocated according to policy. The OIG questioned \$30,177 related to the indirect salaries we sampled, and \$2,437 in other indirect costs.
- DPLS' written policy on attorneys' fees did not provide a detailed methodology for allocating attorneys' fees to the available funding sources. Attorneys' fees were not allocated in proportion to the hours charged to funding sources by the attorneys working on the individual cases, as required by LSC regulations.
- DPLS did not follow its own policy regarding investment income. The OIG estimated that a total of \$19,451.23 of the investment income and realized gain should be allocated to LSC based on the ratio of LSC grants revenue to the total grant revenue for the year 2015.
- Accounting system access controls were not adequately segregated. Several members of the accounting staff shared a common user name with unrestricted access to modules and functions throughout the entire accounting system. Within the accounting information system there were 11 user accounts with unrestricted access assigned to contractors, consultants, and former employees.
- DPLS did not follow its own policy over outstanding checks. The grantee's accounting manual provided that checks outstanding for more than six months should be investigated and resolved. In practice, however, only checks outstanding for more than one year were being resolved.
- DPLS' contracting policy did not contain all the elements contained in LSC's Fundamental Criteria, including contracting procedures for different types of contracts, and provisions for competition requirements, documentation retention, and approval levels. Five of the six contracts reviewed lacked documentation of the contract process, selection documentation, and evidence of competition or sole source justification.
- DPLS offers limited rental housing to employees who are not able to find housing near their assigned work location, but there was no written policy detailing the program, nor were there written agreements with employees renting units under the program.

- DPLS offered child care reimbursements for employees called to attend mandatory meetings or training. The policy needed to be strengthened: it lacked clear and specific written policies and procedures; it did not provide a predetermined rate or maximum allowance for reimbursement; and the term “mandatory meeting” was not adequately defined.
- The grantee’s budget practices did not conform to the policies in their accounting manual: reports were prepared quarterly rather than monthly; variance reports (actual vs. budget) were not being prepared; and the annual budget was not formulated and approved by the board in accordance with the provisions of the accounting manual.
- Physical inventory results were not reconciled to the property records, nor was the grantee tagging its property.
- There was not adequate segregation of duties over the master vendor list: the employee who maintained the list had the ability to add, edit, and delete vendors without management review, as well as the authority to initiate and process payments.
- There was no formal prior approval process for staff travel related to meetings, conferences, or training. Travel advances were not reconciled to travel expense reports in a timely manner, as required by the grantee’s policy.
- The grantee’s accounting manual provision regarding the accrual of expenses was not in accordance with Generally Accepted Accounting Principles (GAAP) or with LSC’s Accounting Guide. Although the grantee indicated it was no longer following that provision, the policy needed to be revised to reflect actual practice and to comply with GAAP and LSC requirements.

The OIG made 19 recommendations:

- One recommendation addressed the need to ensure accounting staff adhere to approved cost allocation policies and procedures, as detailed in the accounting manual.
- Two recommendations related to derivative income, and addressed the need to update the attorneys’ fees policy to ensure that attorneys’ fees are allocated in accordance with 45 CFR §1609.4, and that investment income is allocated among funding sources in accordance with 45 CFR §1630.12 and the grantee’s written policy.
- Two recommendations related to financial controls, addressing the need to conform to their own written policies and procedures related to the handling of outstanding checks, and to ensure there is adequate segregation of duties within the accounting system, with each user having their own separate, assigned user name and only those access rights appropriate to their job function.
- Two recommendations related to contracting, addressing the need to establish a written contracting policy encompassing all the elements required by LSC’s

Fundamental Criteria and to adequately document the process for each contract action.

- Three recommendations related to employee benefits, addressing the need to develop adequate policies and procedures governing the employee housing benefit program; to establish written agreements with employees approved to rent residential space from the grantee; and to strengthen the grantee's policy over child care reimbursements.
- Three recommendations related to budgeting and management reports and the need to ensure that written policies are accurate and current and that the budget and related reports are prepared and approved in accordance with the policy requirements.
- Two recommendations related to fixed assets, addressing the need to ensure that accounting records are reconciled to the results of the physical inventory for property control purposes, and that fixed assets are tagged to ensure property records are accurately maintained.
- Three recommendations related to disbursements, addressing the need to establish a policy over the administration of the master vendor list to ensure there is adequate segregation of accounting and record-keeping duties; to provide a formal written prior approval process for staff travel; and to enforce the policy requiring that travel expense statements be reconciled within 30 days of completion of travel.
- One recommendation addressed the need to ensure the grantee's accounting manual and practices regarding the accrual of expenses conformed to GAAP and LSC requirements.

The grantee agreed with all nineteen recommendations. Three recommendations were closed and sixteen recommendations remain open pending written notification that the proposed actions have been completed and policies have been revised and implemented.

The OIG referred \$32,614 in questioned costs related to the cost allocation finding to LSC management for resolution.

Statistical Summary

Audits

Open at beginning of reporting period	4
Opened during the period	5
Audit reports issued or closed during reporting period	5
Open at end of reporting period	4

Recommendations to LSC Grantees

Pending at beginning of reporting period	86
Issued during reporting period	75
Closed during reporting period	40
Pending at end of reporting period	121

Recommendations to LSC Management

Pending at beginning of reporting period	0
Issued during reporting period	0
Closed during reporting period	0
Pending at end of reporting period	0

Oversight of IPA Audits

Independent Audits of Grantees

Since 1996, LSC's annual appropriations acts have required that each person or entity receiving financial assistance from the Corporation be subject to an annual audit, to be conducted by an independent public accountant (IPA). Each grantee contracts directly with an IPA to conduct the required audit in accordance with generally accepted government auditing standards and the OIG Audit Guide for Recipients and Auditors (including the Compliance Supplement), which incorporates most requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The OIG provides guidance to the IPAs and grantees, as well as general oversight of the IPA process. Our oversight activities, detailed below, include desk reviews and a quality control program, which includes independent onsite reviews.

Desk Reviews of IPA Reports

The OIG conducts desk reviews of all IPA reports issued to grantees. This process enables us to identify and forward significant IPA findings to LSC management as necessary. We also track recommendations to determine whether appropriate responsive actions have been taken. We use information from the review of the IPA reports as part of our risk assessment and planning processes, identifying potential problems or concerns that may warrant follow-up via audit, investigation, or other review.

Quality Control Reviews

We began the sixth year of our Quality Control Review (QCR) initiative, a comprehensive program under which IPA firms performing grantee audits are subject to review to determine whether the IPA's financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance were conducted in accordance with applicable standards and with the instructions issued by our office. The reviews are conducted by a CPA firm under contract to the OIG. The contractor also identifies issues that may require further attention or any additional audit work by the IPA under review.

During this reporting period, we conducted 18 QCRs. Twelve of the QCRs conducted were for the FY2014 cycle; six were for FY2015. Of the 12 QCRs for FY2014, three met standards with no deficiencies, and nine met standards with one or more exceptions. Of the nine meeting standards with exceptions, two required the IPA to perform additional work and provide additional documentation to support their conclusions. Seven QCRs identified deficiencies for which the OIG issued recommendations to the IPAs to implement in future audits of the grantees. Of the six QCRs conducted for FY2015, two

met standards with no exceptions, and four met standards with exceptions. For all of the latter four, the OIG issued recommendations to the IPAs to implement in future audits of the grantees.

During the last reporting period, we found seven FY2014 QCRs met standards with exceptions and required the IPAs to perform additional work and provide additional documentation to support their conclusions. We evaluated and accepted the additional work and additional documentation submitted by one IPA in the last reporting period. This reporting period we evaluated the documentation and additional work submitted by six of the IPAs. We determined that the deficiencies had been corrected by the IPAs for four QCRs. For the remaining two, we issued recommendations for future audits of the grantees.

During the last reporting period, two QCRs found that the FY2014 financial statement audits did not meet standards. The OIG issued notices to the IPAs requiring them to perform corrective action and/or provide additional information to address the deficiencies. During this reporting period we evaluated the documentation and additional work submitted by the two IPAs. We determined that the deficiencies in one of the audits had been satisfactorily corrected by the IPA. For the second audit, we found that the IPA did not correct the deficiencies identified in the QCR. The OIG's evaluation of the matter is ongoing.

Follow-up Process

LSC's annual appropriations acts have specifically required that LSC follow-up on significant findings identified by the IPAs and reported to the Corporation's management by the OIG. IPA audit reports are submitted to the OIG within 120 days of the close of each grantee's fiscal year. As noted above, through our desk review process the OIG reviews each report and refers appropriate findings and recommendations to LSC management for follow-up. LSC management is responsible for ensuring that grantees submit appropriate corrective action plans for all material findings, recommendations, and questioned costs identified by the IPAs and referred by the OIG to management.

After corrective action has been taken by a grantee, LSC management advises the OIG and requests that the finding(s) be closed. The OIG reviews management's request and decides independently whether it will agree to close the finding(s).

Review of Grantees' Annual Audit Reports: IPA Audit Findings

In order to provide more complete information in our semiannual reports to Congress, the OIG customarily includes a summary of significant findings and the status of follow-up on significant findings reported by the IPAs as part of the grantee oversight process. The audit reports and the findings reflect the work of the IPAs, not the OIG.

During the reporting period, the OIG reviewed a total of 122 IPA audits of grantees with fiscal year ending dates from December 31, 2015 through January 31, 2016. Of the 122 audits, eight are sub-recipients of LSC funds. These audit reports contained 59 findings. The OIG reviewed the findings and determined that 32 were either not significant, or that corrective action had already been completed. The remaining 27 findings were referred to LSC management during the period for follow-up. The tables below present information on those findings.

Summary of Findings Reported in Grantee Financial Statement Audits with Fiscal Years Ending December 31, 2015, through January 31, 2016

Total Number of Findings Referred	27
Number of Findings with Corrective Action Accepted by LSC Management	0
Number of Findings Awaiting LSC Management Review	27

Types of Findings Referred to LSC Management for Follow-up

<u>Category</u>	<u>Number of Findings</u>
Financial Transactions and Reporting	13
Policies and Procedures/Other	11
Missing Documentation	1
Segregation of Duties	1
Timekeeping	1
TOTAL	27

INVESTIGATIONS

During this period, OIG investigations resulted in one arrest, one indictment, and one personnel action. Three LSC management decisions on questioned cost referrals arising from our investigations resulted in recoveries of almost \$77,000. The OIG also made two new questioned cost referrals totaling more than \$14,000 to LSC management for potentially unreasonable and/or unauthorized expenditures by grantees.

The OIG opened 31 cases during the period. These included 23 investigative cases, three Regulatory Vulnerability Assessments, and five Fraud Vulnerability Assessments. The investigative cases included allegations of fraudulent travel claims, theft of client funds, time and attendance fraud, misappropriation of LSC funds, unauthorized outside practice of law, and potential violations of LSC statutes and regulations.

The OIG closed 25 cases during the reporting period. These included 15 investigative cases, five Regulatory Vulnerability Assessments, and five Fraud Vulnerability Assessments.

Criminal Proceedings

Indictment

Former Grantee Employee Indicted and Arrested for Theft of Program Funds

As a result of an OIG investigation, a former grantee employee was indicted by a federal grand jury in South Dakota on one count of larceny and one count of theft of government property, and was subsequently arrested by U.S. Marshals.

Our investigation determined that the employee, a paralegal, had altered payroll receipts she received from the program. The payroll receipts were in the form of program checks that were marked "Void" by the program. The employee altered the receipts by deleting the word "Void" and changing the amount and date to create fraudulent checks. She cashed these checks in two different states at multiple convenience stores and a casino. The investigation found that the employee cashed five phony grantee payroll checks, totaling \$4,904.38, during a 30-day period. We referred the matter to the U.S. Attorney's Office, District of South Dakota, which brought the indictment and is handling the prosecution.

The grantee has taken corrective action to prevent such an incident from occurring in the future.

Personnel Actions

Separation from Employment

As a result of an OIG investigation, the director of litigation at an LSC grantee separated from her employment, in lieu of termination.

The director of litigation had been involved in questionable and excessive expenses charged to the program credit card, as well as an instance of restricted activity in violation of LSC regulations on prohibited political activities (45 CFR Part 1608). This conduct occurred during the tenure of a recently retired executive director. After being briefed on the results of the OIG investigation and conducting his own inquiry into this matter, the newly hired executive director allowed the director of litigation to separate from her employment, in lieu of termination.

Recovery Actions

OIG Investigation Results in LSC Recovery of Approximately \$55,000

An OIG investigation found evidence that from 2009 through 2013, a former employee of an LSC grantee received approximately \$103,000 in grantee funds for questionable payroll and travel claims. As detailed in our September 30, 2014, Semiannual Report to Congress, the matter was referred to LSC management for questioned cost determination.

This period, LSC management made a final determination to disallow \$54,967.22 of the \$103,000. This represented the amount available for recovery under the five-year limitation period. During the questioned cost proceedings, the grantee acknowledged that the money in question was improperly authorized by previous grantee management.

The grantee will repay LSC in equal monthly payments over the remainder of the 2016 grant year to restore these funds.

OIG Investigation Results in LSC Recovery of Over \$20,000

An OIG investigation, last reported in our September 30, 2015, Semiannual Report to Congress, identified potential excessive compensation paid by a grantee to its former executive director in 2014.

Our investigation determined that the former executive director's compensation for 2014, including payments on deferred compensation, salary continuation, and other payments or retirement contributions made on his behalf, totaled \$369,435. Despite requirements

to report total compensation to LSC, the grantee only reported 2014 compensation of \$146,541 to LSC. The OIG referred this issue to LSC management.

Based on the OIG's investigation, LSC management issued a final determination to disallow \$20,598 of the former executive director's 2014 compensation. The \$20,598 represents LSC's proportional share of the former executive director's salary found to have been unreasonable and unallowable.

The grantee will repay LSC in equal monthly payments over the remainder of the 2016 grant year to restore these funds.

Questioned Cost Referral and Recovery of Questionable Expenses

An OIG investigation identified potential unallowable expenses incurred by a grantee related to restricted purchases using LSC funds.

The questioned cost referral included grantee expenditures for flowers, grantee Christmas cards, birthday lunches for staff members, and rental of a resort house for staff members' and their families' personal use. The OIG referred the potential questioned costs totaling \$1,288 to LSC management.

To resolve this issue, the grantee wrote a check to LSC totaling \$1,288 as reimbursement for these unallowable expenses.

Questioned Cost Referral Regarding Employee Travel and Bar Fees

An OIG investigation identified potential unreasonable travel reimbursements and unauthorized payment of bar fees to a grantee employee.

The questionable reimbursements included payments for mileage to and from the employee's assigned office and his personal residence. The OIG questioned the reasonableness of paying his commuting costs as a travel expense. The employee was also reimbursed by the grantee for payment of out-of-state bar dues.

As a result, the OIG referred \$4,013.99 in potential questioned costs to LSC management.

Questioned Cost Referral Regarding Gift Cards

An OIG investigation identified potential unallowable expenses incurred by a grantee for providing employees bonuses in the form of gift cards.

The grantee spent \$10,121 on employee bonus gift cards from 2011 through 2015 to reward employees at the end of each fiscal year. In the course of our review, the grantee

claimed that the amount allocable to LSC funds for these gift card purchases was \$4,612. The OIG questioned whether the method used to allocate these costs was proper under 45 CFR Part 1630, Cost Standards and Procedures. Due to the questionable accounting practices applied by the grantee in allocating these costs, the OIG questioned the entire amount spent on gift cards for this five-year period, and referred the matter to LSC management for determination.

Executive Director's Credit Card Usage

An OIG investigation determined that an executive director was the only employee at an LSC grantee who was not required to complete vouchers or provide any supporting documentation in connection with his travel expenses and other credit card purchases. Over a 15-month period he incurred approximately \$13,500 in credit card charges. Despite being formally advised in an audit review that this was not an acceptable practice, the executive director continued this practice, effectively approving his own expenses with no review and no documentation.

The OIG reported this matter to LSC management, advising that without adequate documentation, it is difficult to determine if the executive director's credit card purchases were reasonable and necessary and allowable under LSC regulations.

LSC management subsequently addressed this matter with the grantee. The grantee agreed to change its policy to require the executive director to submit receipts for any items purchased using the grantee's assigned credit card.

Regulatory Matters

Grantee Policy Change Regarding Regulation on Outside Practice of Law

Based on a Regulatory Vulnerability Assessment conducted at an LSC-funded program, the program's board of directors adopted a new policy with respect to LSC regulations on the outside practice of law (45 CFR Part 1604).

The OIG assessment found evidence that program attorneys were presenting themselves as eligible for outside practice of law without the approval of the executive director. Our review also found potential conflicts of interest involving program-approved outside practice of law activities.

The grantee's new policy clarifies what is considered the outside practice of law, requires disclosure of actual or apparent conflicts of interest, and requires employees to submit a follow-up form that includes reporting on the status of approved outside practice of law activities.

Fraud Prevention Initiatives

The OIG maintains an active fraud prevention program, engaging in a variety of outreach and educational efforts intended to help protect LSC and its grantees from fraud and abuse. We regularly conduct Fraud Awareness Briefings (FABs), Fraud Vulnerability Assessments (FVAs), and Regulatory Vulnerability Assessments (RVAs). We provide fraud alerts and other information to help increase grantees' awareness of developing trends that may pose a risk to LSC funds.

Fraud Awareness Briefings

FABs are presented by experienced OIG investigative staff and cover topics such as who commits fraud, what conditions create an environment conducive to fraud, how fraud can be prevented or detected, and what to do if fraud is suspected.

While employees at LSC-funded programs may generally be aware that fraud and abuse can occur at any organization, they may not be aware of the potential for such incidents occurring within their own programs. FABs highlight the unfortunate truth that a number of LSC-funded programs have been victimized by frauds involving hundreds of thousands of dollars, and in one case the diversion of over a million dollars in grant funds.

The FABs describe common types of fraud, with particular focus on the various schemes that have been perpetrated against LSC grantees and the conditions that helped facilitate the losses. The briefings aim to foster a dialogue with staff and to engender suggestions for ways to help protect their own programs from fraud and abuse.

Since initiating the FAB program in 2009, we have conducted 141 briefings for grantees and subgrantees in all 50 states, the District of Columbia, and five territories, as well as briefings for the LSC Board of Directors, LSC headquarters personnel, a presentation at a National Legal Aid and Defender Association annual conference, and two webinars that reached multiple grantees.

One FAB was completed during this reporting period.

Fraud Vulnerability Assessments

FVAs are conducted at LSC grantee offices and include a focused document review in areas considered high risk or prone to abuse. We also review the grantee's internal control policies and the degree to which they are complied with in practice. Finally, we conduct a personal briefing for the executive director and principal financial officer on fraud detection and prevention measures appropriate to their particular program.

A typical FVA can include reviews of credit card transactions, petty cash, bank account reconciliations, travel claims, office supply expenses, and other selected areas that have

been linked to the commission of fraud at grantee programs. FVAs can help grantees identify both existing vulnerabilities and potential problem areas. FVAs sometimes detect ongoing fraud or abuse which may result in further investigation. FVAs also serve as a deterrent by helping grantee staff members become aware of the potential for fraud and reminding them that the OIG will investigate and seek to prosecute cases involving fraud or misuse of LSC grant funds.

Five FVAs were completed during the reporting period.

Regulatory Vulnerability Assessments

We began conducting RVAs based our experience in investigating numerous financial frauds in which grantees were victimized. We often found that noncompliance or laxity with respect to certain regulatory and other requirements contributed to an environment that increased the potential for fraud. RVAs, conducted at grantee offices, seek to determine whether the grantee is following applicable provisions of the LSC Act, LSC regulations, grant assurances, provisions of the Accounting Guide, and case documentation and reporting requirements as set forth in LSC's Case Service Report Handbook. We have found that by focusing our reviews on certain key areas, we are able to assist grantees in identifying regulatory compliance issues that could also lead to broader potential financial vulnerabilities.

Five RVAs were completed during the reporting period.

Hotline

The OIG maintains a Hotline for reporting illegal or improper activities involving LSC or its grantees. Information may be provided by telephone, fax, email, or regular mail. Upon request, a provider's identity will be kept confidential. Reports may also be made anonymously.

During this reporting period, the OIG received 43 Hotline contacts. Of these matters, 11 were referred to LSC management for follow-up, nine were opened as investigations, three remain open for follow-up, and the remaining 20 were closed.

Statistical Summary

Investigative Cases

Open at the beginning of period	26
Opened during period.....	31
Closed during period	25
Open at the end of period	32

Prosecutorial Activities

Cases referred to a prosecutor	6
Arrests.....	1
Indictments.....	1

Investigative Activities

Inspector General subpoenas issued.....	14
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Monetary Results

LSC decisions to disallow costs based on referrals from prior periods	\$75,565.22
Questioned costs referred and recovered (pre-decision)	\$1,288.00
Questioned costs referred to LSC management	\$14,134.99

Personnel Actions

Separation from employment	1
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OTHER OIG ACTIVITIES

Legislative, Regulatory, and Policy Reviews

Pursuant to our statutory responsibilities, the OIG reviews and, where appropriate, comments on statutory and regulatory provisions affecting LSC and/or the OIG, as well as LSC interpretive guidance and internal policies and procedures.

LSC Regulations. We participated with LSC management in connection with their rule-making proposals relating to the following regulations:

- 45 CFR Part 1602 (Procedures for Disclosure of Information Under the Freedom of Information Act);
- 45 CFR Part 1627 (Subgrants and Membership Fees or Dues);
- 45 CFR Part 1629 (Bonding of Recipients);
- 45 CFR Part 1630 (Cost Standards and Procedures); and
- 45 CFR Part 1631 (Purchasing and Property Management).

LSC's Strategic Plan. This period we provided comments on LSC's draft Strategic Plan for 2017-2020. (These supplemented our previous extensive comments in response to LSC's strategic planning survey.) Our principal suggestions related to:

- including information technology security as an area of focus;
- recognizing the use of applied data analytics to bring about improvements in legal services programs' efficiency and effectiveness; and
- giving additional attention to risk management in LSC's strategic planning and operations, in line with the recent update of OMB Circular A-123 (though not directly applicable to LSC), which called for the integration of enterprise risk management into federal agencies' planning and operational activities.

Management Information Memorandum on Grantee Contracting Policies

The OIG issues Management Information Memoranda (MIMs) when we believe that issues uncovered in the course of our work should be brought to management's attention for consideration of corrective action.

Based upon multiple audits and investigations that found grantee policies generally failed to provide adequate detail and instruction for procurements involving consulting and other professional services, or for the proper use of and requisite justifications for sole source acquisitions, the OIG issued a MIM entitled, *Grantee Contracting Policies and Procedures*.

Although LSC provides general guidance on purchasing to grantees in both the LSC Accounting Guide and the Property Acquisition and Management Manual, the OIG found that the majority of grantee policies were deficient in applying this guidance. To ensure LSC grantees receive best value as they procure goods and services, avoid waste of scarce resources, and reduce the potential for fraud and abuse, the OIG recommended that LSC issue supplementary guidance, including best practices, to which grantees may refer when drafting or implementing policies and procedures related to contracting.

Following issuance of this MIM and related work by the OIG, LSC management issued Program Letter 16-3 – *Procurement Policy Drafting Guidance for LSC Recipients*. The program letter informs grantees about the elements of an effective procurement policy and best practices in contract management. We commend LSC management for providing this supplemental guidance and bringing focus to areas needing improvement in grantees' procurement policies and practices.

Freedom of Information Act

The OIG is committed to complying fully with the requirements of the Freedom of Information Act (FOIA). During this reporting period the OIG received six FOIA requests. We responded timely to all requests requiring response within the reporting period.

Professional Activities and Assistance

The OIG participates in and otherwise supports various activities and efforts of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), as well other inter-agency and professional groups. The IG serves as a member of the CIGIE Audit Committee, which focuses on government auditing standards and cross-cutting audit issues. Senior OIG officials are active participants in IG community peer groups in the areas of audits, investigations, inspections and evaluations, public affairs, new media, and legal counsel. The groups provide forums for collaboration and are responsible for such initiatives as developing and issuing professional standards, establishing protocols for and coordinating peer reviews, providing training programs, and promulgating best practices. The OIG also routinely responds to requests for information or assistance from other IG offices.

APPENDIX – PEER REVIEWS

The following information is provided pursuant to the requirements of section 5(a) of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 §5(a)(14)(B):

The last peer review of the OIG was conducted by the Federal Housing Finance Agency, Office of Inspector General. Its report was issued on September 5, 2014.

TABLE I

Audit Reports and Quality Control Reviews Issued for the Period Ending September 30, 2016

Part A Audit Reports

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Funds Put To Better Use</u>	<u>Unsupported Costs</u>
Report on Selected Internal Controls – Memphis Area Legal Services, Inc.	06/16/16	\$0	\$0	\$0
Report on Selected Internal Controls – Mississippi Center for Legal Services	07/20/16	\$0	\$0	\$0
Report on Selected Internal Controls – Legal Aid Society of Eastern Virginia	09/27/16	\$0	\$0	\$0
Report on Selected Internal Controls – Legal Aid of Southeastern Pennsylvania	09/28/16	\$0	\$0	\$0
Report on Selected Internal Controls – DNA People’s Legal Services, Inc.	09/30/16	\$32,614	\$0	\$0

TABLE I
Part B
Quality Control Reviews

	<u>IPA</u>	<u>Recipient</u>	<u>Date Issued</u>
1	Eide Bailly, LLP	East River Legal Services	5/18/2016
2	Anderson Zurmuelen & CO., PC	Montana Legal Services Association	5/18/2016
3	Duplantier, Hrapmann, Hogan & Maher, L.L.P.	Southeast Louisiana Legal Services Corporation	5/18/2016
4	Mauldin & Jenkins, LLC	Georgia Legal Services Program	5/18/2016
5	Mountjoy Chilton Medley LLP	Legal Aid Society	5/24/2016
6	Frank Barcalow, CPA, PLLC	Legal Services of Northern Virginia, Inc.	6/8/2016
7	Frank Barcalow CPA, PLLC	Legal Aid Society of Eastern Virginia	6/8/2016
8	Frank Barcalow, CPA, PLLC	Blue Ridge Legal Services, Inc.	6/8/2016
9	HBL CPAs, PC	Southern Arizona Legal Aid, Inc.	6/10/2016
10	Vachon Clukay & Company, PC	Legal Advice and Referral Center, Inc.	6/10/2016
11	Marks Nelson LLC	Legal Aid of Western Missouri	6/20/2016
12	Casey Peterson & Associates, LTD	Dakota Plains Legal Services, Inc.	6/22/2016
13	Maher Duessel, CPAs	MidPenn Legal Services, Inc.	9/13/2016
14	Maher Duessel, CPAs	North Penn Legal Services, Inc.	9/13/2016
15	Maher Duessel, CPAs	Northwestern Legal Services	9/13/2016
16	Maher Duessel, CPAs	Southwestern Pennsylvania Legal Services, Inc.	9/13/2016
17	Coley, Eubank & Company, PC	Virginia Legal Aid Society, Inc.	9/13/2016
18	Burnham & Schumm PC	Utah Legal Services, Inc.	9/13/2016

TABLE II

Audit Reports Issued with Questioned Costs for the Period Ending September 30, 2016

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period.	1	\$47,553	\$0
B. Reports issued during the reporting period	1	\$32,614	\$0
Subtotals (A + B)	2	\$80,167	\$0
C. For which a management decision was made during the reporting period:	0	\$0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period	2	\$80,167	\$0
Reports for which no management decision had been made within six months of issuance	1	\$47,553	\$0

TABLE III

Audit Reports Issued with Funds to Be Put to Better Use for the Period Ending September 30, 2016

	<u>Number of Reports</u>	<u>Dollar Value</u>
A. For which no management decision has been made by the commencement of the reporting period	0	\$0
B. Reports issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
C. For which a management decision was made during the reporting period:	0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision had been made by the end of the reporting period	0	\$0
For which no management decision had been made within six months of issuance	0	\$0

TABLE IV

Audit Reports Issued Before this Reporting Period for Which No Management Decision on Questioned Costs Was Made by the End of the Reporting Period

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Comments</u>
Ohio State Legal Services Association	03/14/16	\$47,553	Under review.

Audit Reports Issued Before this Reporting Period with Open Recommendations as of the End of the Reporting Period

<u>Report Title</u>	<u>Date Issued</u>	<u>Comments</u>
Report on Selected Internal Controls – Legal Services of Northern Virginia, Inc.	9/30/11	LSC management is working with grantee to resolve all open recommendations.
Report on Selected Internal Controls – Central Virginia Legal Aid Society	9/30/13	Corrective action in process.
Report on Selected Internal Controls – Land of Lincoln Legal Assistance	3/24/14	Corrective action in process.
Report on Selected Internal Controls – Legal Services of Alabama, Inc.	6/09/14	Corrective action in process. Seven recommendations closed this period.
Report on Selected Internal Controls – Acadiana Legal Services Corporation	9/30/15	Corrective action in process.
Report on Selected Internal Controls – Legal Aid of Wyoming, Inc.	11/23/15	Corrective action in process. Eight recommendations closed this period.
Report on Selected Internal Controls – Southern Minnesota Regional LS, Inc.	12/07/15	Corrective action in process.
Report on Selected Internal Controls – Ohio State Legal Services Assoc.	3/14/16	Corrective action in process. Three recommendations closed this period.
Report on Selected Internal Controls – Rhode Island Legal Services, Inc.	3/30/16	Corrective action in process. Three recommendations closed this period.

TABLE V

Index to Reporting Requirements of the Inspector General Act

<u>IG Act Reference*</u>	<u>Reporting Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of legislation and regulations.	26
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	3-14,19-22
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	3-14
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	33
Section 5(a)(4)	Matters referred to prosecutive authorities.	None
Section 5(a)(5)	Summary of instances where information was refused.	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and funds to be put to better use.	29
Section 5(a)(7)	Summary of each particularly significant report.	3-14
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs.	31
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	32
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by the end of the reporting period.	33
Section 5(a)(11)	Significant revised management decisions.	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	None
Section 5(a)(14)-(16)	Peer reviews.	28

*Refers to sections in the Inspector General Act of 1978, as amended.

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