



# SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2023 – MARCH 31, 2024



OFFICE OF INSPECTOR GENERAL

**LSC** | America's Partner  
for Equal Justice

LEGAL SERVICES CORPORATION

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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

It has been one year since I began my service as the Legal Services Corporation (LSC) Inspector General, leading a great oversight team. During this time, we have embarked on a series of change initiatives to enhance our ability to have maximum impact and help LSC stay ahead of the curve in addressing risks or opportunities for improvement. As part of those efforts, we engaged in a high-level planning process and issued a new Strategic Plan. The Plan presents the Office of Inspector General's (OIG) goals and objectives and how they align with our mission, core values, and our refreshed management direction. The OIG aims to drive positive change at LSC and its grantees through impactful and agile oversight work that promotes effective program operations and prevents fraud, waste, and abuse.

I am pleased to submit this report on the activities and accomplishments of LSC's OIG for the period October 1, 2023, through March 31, 2024. As part of our effort to enhance communications, we have refreshed our semiannual reporting format, including the inclusion of headers, graphics, and links to source reports and products.

During this reporting period, the OIG produced high-impact audits, investigations, and other proactive oversight engagements that fostered transparency and integrity in the expenditure of LSC funds. Highlights of the OIG's accomplishments during the reporting period include:

- We continued to prioritize helping grantees ensure proactive and effective management of information technology (IT) resources, including mitigating cyber security risks.
  - The LSC OIG presented, *As Your Program Innovates, Don't Let Security Take a Backseat; Lessons Learned from LSC's OIG* at LSC's Innovations in Technology Conference 2024 (ITC 24) to inform attendees how LSC grantees are being targeted and highlight best practices to strengthen their cyber security environments. This was a joint OIG audit and investigations presentation, based on our prior work. There were 60 attendees at the session.
  - In response to the escalation of ransomware, email scams, and other cyberattacks, we maintain a dedicated OIG webpage with links to cybersecurity resources for grantees. We also presented four Cybercrimes Awareness Briefings during this period.

- We continued to have a positive impact on grantees' programs and operations as we issued two audit reports focusing on the adequacy of two LSC grantees' internal controls, particularly with respect to their financial operations. The reports documented specific internal control weaknesses and areas of concern, made recommendations for corrective action, and identified questioned costs. We also closed 17 audit recommendations that spurred improvements in areas such as general ledger and financial controls, credit card usage, fixed asset inventories, cost allocation, internal reporting and budgeting, and contracting.
- We carried out our essential responsibility to review grantees' financial statement audit reports. We reviewed 22 financial statement audits of LSC grant recipients issued by Independent Public Accountants (IPAs), referring three significant findings to LSC management for corrective action. These critical audits promote transparency and integrity in the use of federal funds and are required under federal appropriations law.
- We continued executing the OIG's comprehensive audit quality control program, completing 13 reviews of the firms that conduct financial statement audits of grant recipients. All firms conducting these audits are subject to review at least once every four years. These reviews are intended to help IPAs conduct rigorous and efficient grantee audits. We issued a summary report on common findings and recommendations and hosted a virtual presentation, titled *Enhancing the Rigor and Reliability of Recipient Financial Statement Audits*, which attracted over 180 attendees.
- OIG investigative activities promoted integrity and ethical use of U.S. taxpayer dollars. This included obtaining financial adjustments at two LSC grantees totaling \$20,953 for misuse of the program credit card and improper purchases of meals. We opened 20 and closed 15 investigative cases involving a variety of criminal and regulatory matters, such as theft, credit card fraud, travel fraud, misuse of government funds, outside employment, and impermissible outside practice of law.
- Through management and fraud advisories, we kept LSC and grantees well-informed about current risks to their programs or client base, and provided practical information on how to prevent, detect, or respond to such risks. This period, we issued one Management Advisory on the monitoring of student loan assistance programs—which prompted LSC to enhance their monitoring of student loan programs. We also issued four Fraud Advisories on key topics impacting the civil legal aid community: fraud schemes committed against renters, increasing complaints about the outside practice of law and

outside employment, the OIG's new Cyber After Incident Report Form to strengthen reporting, and using alerts from the Cybersecurity & Infrastructure Security Agency (CISA) to mitigate cyber risks.

My team and I will continue working with LSC's Board of Directors, LSC leadership and staff, congressional stakeholders, and grantees in support of our common commitment to advancing the principle of equal access to justice for low-income Americans while promoting program integrity, transparency, and accountability for results. Finally, we take seriously our responsibility to keep the LSC Board of Directors and Congress currently and fully informed—and will continue to proactively offer our insights and seek feedback on our plans and priorities.

Sincerely,

A handwritten signature in blue ink, appearing to read 'T. Yatsco', with a long horizontal flourish extending to the right.

**Thomas E. Yatsco**

Inspector General

April 2024

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# Office of the Inspector General Overview

As required by the Inspector General Act,<sup>1</sup> the LSC OIG is fully committed to advancing two principal oversight missions: (1) to promote economy and efficiency in the activities and operations of LSC and its grantees; and (2) to prevent and detect fraud, waste, and abuse.

To achieve our oversight missions, we perform audits, evaluations, and reviews, and conduct criminal, administrative, and regulatory compliance investigations. In conducting our oversight work, we adhere to five core values (shown to the right). Our independent and objective 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, identify risks, and in the end increase the economy, efficiency, and effectiveness of LSC and its grantees' programs. When we substantiate allegations of fraud, we also work with the appropriate authorities to hold perpetrators accountable.



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, the Board of Directors, and directly to Congress.

The IG reports serious problems to the LSC Board of Directors and must also work with the appropriate law enforcement authorities when, through audit, investigation, or otherwise, the IG finds that there are reasonable grounds to believe a crime has occurred. The IG is required by law to keep Congress fully and currently informed of its activities through semiannual reports and other means.

<sup>1</sup> Inspector General Act of 1978, as amended, 5 USC §§401-424.

# Audits

## Audit Highlights

October 1, 2023- March 31, 2024

### OIG Audit Reports

 **2**  
Audit Reports Issued

 **48**  
Recommendations Issued


 **\$225,995**  
Questioned Costs

 **17**  
Recommendations Closed

 **1**  
IT Vulnerability Scans & Grantee Vulnerability Reports

### Grantee Financial Statement Reviews & IPA Oversight


 **22**  
Financial Statements Reviewed

 **3**  
A-50 Findings Referred to LSC Management

 **13**  
Quality Control Reviews of Grantee IPAs

### Grantee & IPA Outreach

 **2**  
Virtual Presentations

 **1**  
Advisories & Other Issued Oversight Products

During this reporting period, the OIG issued three reports: two intended to ensure grantee's continued operational efficiency and one intended to raise grantees' awareness of IT system vulnerabilities.<sup>2</sup> The OIG also issued one advisory detailing common Quality Control Review (QCR) findings for fiscal years 2021 and 2022 annual audits of LSC grantees. Additionally, the OIG provided two presentations: 1) explaining the QCR advisory, titled *Enhancing the Rigor and Reliability of LSC Grantee Financial Statement Audits*; and 2) presenting *As Your Program Innovates, Don't Let Security Take a Backseat; Lessons Learned from LSC's OIG* at the LSC Innovations in Technology Conference 2024 (ITC24). Summaries of the reports, advisory, and presentations are provided below.

At the conclusion of the period, we had six audit projects underway that focus on key elements of LSC's and grantees' programs and operations.

The OIG has responsibility under federal appropriations law for [overseeing the audits](#) performed annually at each grantee by independent public accountants (IPAs). During the reporting period, we reviewed 22 IPA reports, with fiscal year ending dates ranging from December 31, 2022, through September 30, 2023.

<sup>2</sup> The grantee IT vulnerability assessment report was issued only to the grantee due to the sensitive information contained therein.



We issued 13 QCR reports this period. The goals of the QCR initiative are to improve the overall quality of the IPA audits and to ensure that all audits are conducted in accordance with applicable standards and the guidance provided by the OIG.

## Legal Aid Foundation of Los Angeles

The OIG assessed the adequacy of selected internal controls at Legal Aid Foundation of Los Angeles (LAFLA or grantee), which received \$7,761,909 in LSC funding during Fiscal Year 2021, for grantee operations and oversight.

### Findings

We found that LAFLA needed to strengthen or formalize, in writing, controls; our review identified 27 findings. There were eight findings related to employee benefits; five related to credit cards; four related to fixed assets; three related to contracting; three related to disbursements; two related to general ledger and financial controls; one related to payroll; and one related to client trust funds. We referred one recommendation as well as questioned costs in the amount of \$217,461, resulting from a lack of adequate supporting documentation and approvals, inaccurate law school loan reimbursement (LSLR) payments, ineligible employee reimbursements, and discrepancies over LSLR accounting records, to LSC management for review and action.

### Recommendations

The OIG made 35 recommendations, primarily addressing the need for grantee management to ensure adequate policies, documentation of approvals, and recordkeeping. LAFLA management agreed with 31 recommendations, partially agreed with two recommendations, and disagreed with two recommendations.

We considered the proposed actions for 30 recommendations responsive; the proposed action for four recommendations partially responsive; and proposed action for one recommendation unresponsive. The 34 recommendations, whose comments were responsive and partially responsive, remain open until LAFLA notifies us in writing that all findings have been addressed and provides us with appropriate supporting documentation. The one recommendation whose comment was considered unresponsive, and that the grantee disagreed with, was referred to LSC management for resolution.

## Legal Action of Wisconsin

The OIG assessed the adequacy of selected internal controls at Legal Action of Wisconsin (LAW or grantee), which received \$5,286,720 in LSC funding during Fiscal Year 2021, for grantee operations and oversight.

## Findings

We determined that LAW adequately designed and properly implemented internal controls for grantee operations and oversight in the areas of management reporting and budgeting, contracting, derivative income, cost allocation, payroll, and grantee use of Coronavirus Aid, Relief, and Economic Security (CARES) Act funds. However, LAW needed to strengthen its practices or formalize internal controls for the following areas: credit cards, general ledger and financial controls, disbursements, fixed assets, client trust funds, and employee benefits. We identified questioned costs totaling \$8,534 related to 13 credit card transactions for which we were unable to determine the purpose of the expenditures. We referred these costs to LSC management for review and action.

## Recommendations

The report included 13 recommendations primarily addressing the need for grantee management to ensure adequate internal controls, including documentation of reviews of transactions and bank reconciliations.

LAW management agreed with two recommendations, partially agreed with ten, and disagreed with one; however, LAW management subsequently provided documentation and proposed actions responsive to the recommendation with which they disagreed. We considered LAW's actions for two recommendations as fully responsive, and these recommendations are considered closed. We considered LAW's proposed actions for four recommendations as responsive, and for the other seven as partially responsive. These 11 recommendations will remain open until LAW notifies us in writing that the findings have been addressed and provides appropriate supporting documentation.

## **Grantee Computer Networks Information Technology Vulnerability Assessments**

Since 2016, OIG has maintained a program to conduct Information Technology Vulnerability Assessments of grantees' computer networks. We engaged a specialized contractor to perform the assessments. The assessments test for potential vulnerabilities in the system architecture, software, and processes from within and outside of the grantee networks. During this reporting period we issued one grantee assessment report. The grantee received a report that included detailed findings and recommendations to remediate vulnerabilities.<sup>3</sup>

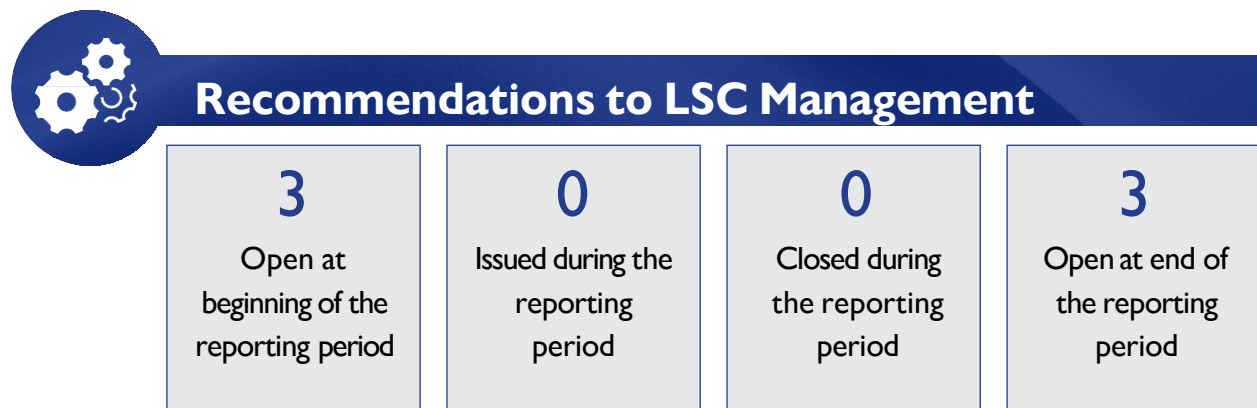
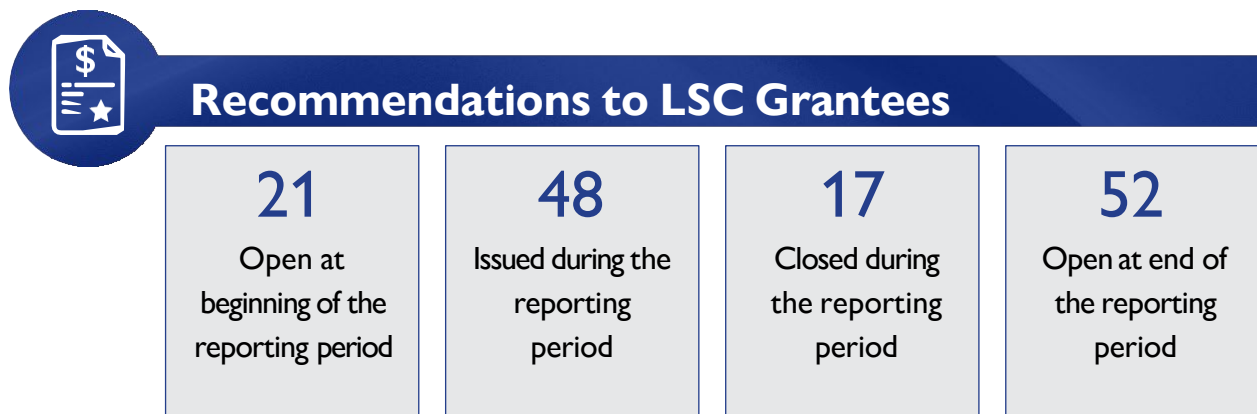
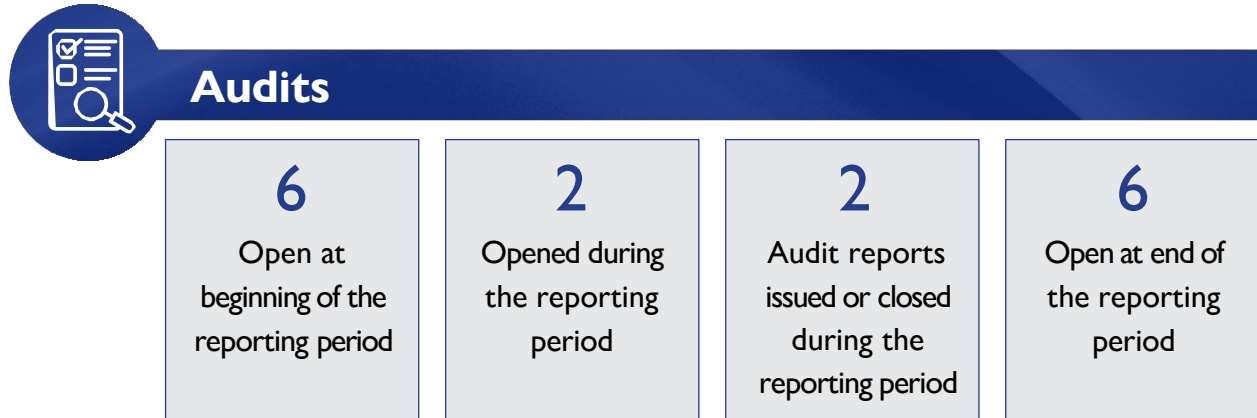
The OIG audit and investigations teams provided a joint presentation, *As Your Program Innovates, Don't Let Security Take a Backseat; Lessons Learned from LSC's OIG* at LSC's ITC 24 in Charlotte, North Carolina. The audit team presented cyber security recommendations and best practices included in the IT Vulnerability Assessment Summary Special Report issued during the last reporting period. The investigations team spoke about Cyber Fraud attacks on

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<sup>3</sup> Due to the sensitive information contained in the report, it was issued only to the grantee, and not posted to the OIG website.

LSC grantees. This information gave the attendees an awareness that their organizations are not immune from cyber threat actors. Additionally, a [video](#) highlighting IT best practices is available on the OIG Cyber Security Resources webpage. This presentation serves as an IT resource for grantees, IPAs, and other stakeholders.

## Statistical Overview



# Oversight of Grantee Financial Audits

## Independent Audits of Grantees

Since 1996, LSC's annual appropriations acts have required that each person or entity receiving financial assistance from LSC be subject to an annual audit by an IPA. Each grantee contracts directly with an IPA to conduct the required audit in accordance with generally accepted government auditing standards and the LSC OIG Audit Guide.

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

## Desk Reviews of IPA Reports

The OIG conducts desk reviews of IPA reports issued to grantees to identify potential problems or concerns that may warrant follow-up via audit, investigation, or other review. The results of our desk reviews, discussed below in the Review of Grantees' Annual Audit Reports section, are used as part of our risk assessment and planning processes and shared with LSC management. We also review recommendations to determine whether the grantees' actions were responsive and appropriate. This period, the OIG conducted 22 desk reviews.

## Quality Control Reviews

Under our Quality Control Review (QCR) program, IPA firms performing grantee audits are subject to review to determine whether their work is being conducted in accordance with applicable standards and with the instructions issued by our office. The reviews are conducted by a certified public accounting (CPA) firm under contract with the OIG. The contractor also identifies issues that may require further attention or additional audit work by the IPA under review.



## QCRs Conducted This Reporting Period

13 QCRs conducted	5 Met standards with no exceptions	8 Met standards with one or more exceptions	0 Did not meet standards
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## QCRs With One or More Exceptions

8 Met standards with one or more exceptions	3 Required additional work from IPAs. The work is not yet due	5 Recommendations issued for future grantee audits	0 Did not meet standards
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During previous reporting periods, we found that five financial statement audits contained deficiencies and required additional work from the IPAs. We issued notices to the IPAs requiring them to perform corrective actions and to provide additional information to address the deficiencies. We received additional work from all five IPAs. During this reporting period, we evaluated the work of four IPAs and found that they adequately addressed the noted deficiencies, and we considered those QCRs closed. The fifth response is currently under OIG review.



### **Common Quality Control Review Findings and Recommendations to Ensure Rigorous Annual Audits of LSC Grantees (Advisory and Presentation)**

In October 2023, to promote stronger financial oversight within the LSC grant program, we released a report titled, [Common Quality Control Review Findings and Recommendations to Ensure Rigorous Annual Audits of LSC Grantees – Fiscal Years 2021 and 2022](#). The report was issued to all grantee executive directors, chief financial officers, and their respective independent public accountants.



The report's key elements include:

- Summary of QCR Findings which presents the findings from our review of financial statement audits conducted for LSC grantees in fiscal years 2021 and 2022.
- Recommendations for Improved Audits which identify areas where audit procedures could be strengthened to enhance the reliability and accuracy of future grantee financial audits.

To further disseminate these recommendations, we hosted a virtual presentation, titled *Enhancing the Rigor and Reliability of Recipient Financial Statement Audits*, which attracted over 180 attendees. Attendees included grantee executive directors, board members, financial staff, and IPAs which represented 86 of 131 LSC grantees. The presentation materials are available on the [OIG website](#) for ongoing reference.

### **Follow-up Process**

LSC's annual appropriation acts have specifically required that LSC follow-up on significant findings identified by the IPAs, which are reported to LSC's management by the OIG. Unless the deadline is extended, 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 LSC management.

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

### **Review of Grantees' Annual Audit Reports: IPA Audit Findings**

The following is a summary of significant findings, and the status of follow-up on such 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 this reporting period, the OIG reviewed 22 IPA audits of grantees with fiscal year ending dates from December 31, 2022, through September 30, 2023. These audit reports contained 29 findings. The OIG reviewed the findings and determined that 26 were not significant, or that corrective action had already been completed. The 3 significant findings were referred to LSC management during the period for follow-up.

The following table presents information on the findings outlined in this section.

**Summary of Significant Findings Reported in Grantee Financial Statement Audits with Fiscal Years Ending December 31, 2022, through September 30, 2023**

<b><u>Category</u></b>	<b><u>Number of Findings</u></b>
Financial Transactions and Reporting.....	3
Missing Documentation.....	0
Policies and Procedures/Other .....	0
Timekeeping.....	0
Segregation of Duties .....	0
TOTAL.....	3

# Investigations

The OIG opened 20 cases during the period. These included 14 investigative cases, three [Fraud Prevention Reviews \(FPRs\)](#), and three questioned cost cases. The investigative cases included allegations of theft, credit card fraud, travel fraud, outside employment, misuse of government funds, impermissible outside practice of law, and other potential violations of LSC statutory and regulatory requirements.

The OIG closed 15 cases during the reporting period. These included eight investigative cases, three [Fraud Vulnerability Assessments \(FVAs\)](#), two FPRs, and two questioned costs cases.

During this reporting period, OIG investigative activity resulted in one employee resignation, two financial adjustments totaling \$20,953,<sup>4</sup> and the imposition of special grant conditions. In addition, the OIG issued a management advisory and circulated four fraud advisories.



## Personnel Action

### Resignation of Executive Director

During the prior reporting period, an OIG investigation found that an Executive Director of an LSC grantee improperly received student loan reimbursement benefits from the grantee, totaling \$29,700. The Executive Director requested student loan reimbursement assistance as part of the grantee's Student Loan Assistance Plan.

Because neither the grantee nor the Executive Director could provide supporting documentation to substantiate that the Executive Director had been making monthly student loan payments to justify these reimbursements, the Executive Director repaid the grantee for reimbursements received from the grantee.

During this reporting period, the OIG's investigation into the student loan reimbursement assistance was a contributing factor in the Executive Director resigning in lieu of termination.



## Recovery Actions

### Reclassification of Unallowable Expenses

During an FPR (a fiscal and regulatory review of an individual LSC grantee designed to help

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<sup>4</sup> In this section, numbers have been rounded to the nearest dollar.

proactively prevent and detect fraud, waste, abuse, and regulatory violations, defined further in the section below), the OIG identified \$13,681 in credit card and reimbursement expenditures as an inappropriate use of LSC funds. The questionable expenditures included local meals for grantee staff.

As a result, the grantee voluntarily agreed to restore the \$13,681 to LSC's account and charge the expenses to non-LSC unrestricted funds.

### **Questioned Cost Determination**

As previously reported, an OIG investigation found a former grantee Executive Director made potentially questionable purchases using LSC funds. The purchases and payments included a contract with a possible conflict of interest; meals, food, and other items for staff celebrations; office décor; items with no receipt or business purpose; and credit card fees. As a result, the OIG referred the questionable purchases and payments, totaling \$10,517, to LSC management for consideration of a questioned cost recovery.

During this reporting period, LSC management determined that purchases totaling \$7,272 were unallowable under LSC regulations and the LSC Financial Guide. As a result, the grantee returned \$7,272 to the LSC funding line.

### **Recovery and Regulatory Violation Referral Leads to Special Grant Conditions**

An OIG investigation, reported during a previous reporting period, found that between 2014 and 2020, \$1,561,846 in unspent LSC restricted funds exceeding the allowable LSC annual carryover were improperly reallocated by the grantee to an unrestricted net asset account. The OIG determined that the grantee violated LSC Regulation 45 C.F.R. Part 1628, Recipient Fund Balances, as well as other LSC regulations and requirements, by placing the funds in an unrestricted account and not reporting the unspent funds to LSC. The OIG referred the issue to LSC management with a recommendation that LSC should consider recovering \$1,561,846 in unspent funds under Part 1628.

As a result of the OIG's referral, LSC management imposed two special grant conditions related to cooperating with a forensic audit of the grantee's financial activities for 2014 through 2022, and the grantee was required to reimburse LSC for the cost of the forensic audit through the reduction of future monthly funding payments. The OIG's recovery and regulatory violation referral is pending the forensic audit.



### **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) and Cybercrimes Awareness Briefings (CABs). In addition, during this reporting period the OIG launched FPRs (see [Fraud Prevention Reviews](#)). We also issued one management advisory and four fraud advisories to grantees via email. The management advisory and fraud advisories are posted on our [webpage](#) to help increase grantees' awareness of developing trends that may pose a risk to their operations and to LSC funds.

## **Fraud Awareness Briefings**

FABs are presented by experienced OIG investigative staff and cover a variety of topics, such as: who commits fraud; what conditions create an environment conducive to fraud; how can fraud 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, including recent cyber fraud attacks, resulting in significant losses.

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 provide suggestions for ways to help protect their own programs from fraud and abuse.

Since initiating the FAB program in 2009, we have conducted 180 in-person or remote 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 and LSC headquarters personnel, a presentation at a National Legal Aid and Defender Association annual conference, and nine webinars that reached multiple grantees.

During this reporting period, the OIG provided three FABs during FPR visits to three LSC grantees. A recorded FAB is also posted on the OIG [website](#), allowing interested audiences to view the recording at their convenience. We encourage all grantee employees to view the recorded FAB and hope they find it a useful tool to help in preventing and detecting fraud.

## **Cybercrimes Awareness Briefing**

OIG investigative staff also present CABs that focus on the various types of cyberattacks that have targeted LSC and its grantees since 2018, such as ransomware and business email compromise attacks. The briefing also provides grantees with best practices for preventing and detecting similar cyberattacks and suggestions for responding to cyberattacks.



During this reporting period, we provided three CABs during FPR visits at three LSC grantees and one CAB during LSC's Innovations and Technology Conference. The recorded CAB is also posted on the [OIG's Cyber Security Resources webpage](#).

### **New England Legal Aid Project Directors Meeting**

During this reporting period, the OIG provided an in-person presentation on fraud awareness and prevention at the New England Legal Aid Project Directors Meeting held in Grafton, Vermont. Executive Directors of LSC grantees and non-LSC legal aid organizations attended the meeting. The presentation combined the OIG's FAB and CAB with particular focus on the various schemes that have targeted nonprofit organizations such as LSC grantees and subgrantees.

### **Fraud Vulnerability Assessments**

During this reporting period, the OIG completed its final FVAs. The OIG is transitioning to a similar format, now known as an FPR (see [Fraud Prevention Reviews](#)). FVAs 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 of grantee compliance 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.

Three FVAs were closed during this reporting period. These included one of our typical FVAs and two specially focused Coronavirus Aid, Relief, and Economic Security Assessments ([CARES Act Funds Assessments](#)), described below.

### **CARES Act Funds Assessments**

In 2020, LSC distributed \$49.5 million in federal CARES Act funds to grantees for preventing, preparing, and responding to the coronavirus. LSC provided the CARES Act funds to grantees through COVID-19 Response Grants and Telework Capacity Building Grants.

During this period, the OIG continued its CARES Act Funds Assessments. We conducted the assessments to determine whether a grantee's policies and procedures were being properly implemented, and whether these funds were being used in compliance with the terms and conditions of the grants and LSC regulations.

The OIG closed the final two CARES Act Funds Assessments during this reporting period, bringing the total number of assessments to 10 since September 2021. The two reviews did not identify any issues of non-compliance.

### **Fraud Prevention Reviews**

During this reporting period, the OIG launched a new preventive initiative; FPRs will take the

place of two former types of OIG reviews: FVAs and Regulatory Vulnerability Assessments (RVAs). An FPR is a fiscal and regulatory review of an individual LSC grantee. FPRs are designed to help proactively prevent and detect fraud, waste, abuse, and regulatory violations. FPRs consist of focused document reviews and informational interviews in areas considered high risk or prone to abuse.

During FPRs, the OIG will review grantee grant applications, policies, practices, internal controls, special grant conditions, and compliance with certain LSC regulations and requirements. The FPR aims to identify internal control risks to help grantee’s prevent fraud. The FPR focuses on fiscal and regulatory areas where the OIG has found potential fraud or misuse of funds in the past, such as credit card transactions, bank account reconciliations, employee reimbursements, office supply expenses, outside practice of law, subgrants, and other selected areas.

Two FPRs were closed during this reporting period.

### Management Advisory

#### Enhancing Monitoring of Student Loan Assistance Programs

This reporting period, we provided LSC management with a management advisory titled, “Enhancing Monitoring of the Student Loan Assistance Program.” The advisory was also posted on the OIG [website](#).

In the advisory, we notified LSC that the monitoring of student loan assistance programs was an emerging risk and suggested LSC take proactive steps to enhance the monitoring of student loan assistance funds. The advisory described a recently completed investigation and audit, both of which identified issues related to loan payments using LSC funds. The advisory also included suggestions to enhance monitoring of student loan assistance, such as mandating that grantees have a policy on fiscal oversight of the student loan assistance program that requires supporting documentation showing expenses incurred and payments made by the employee. To date, we have been pleased with LSC’s responsiveness to our advisory.

### Fraud Advisories

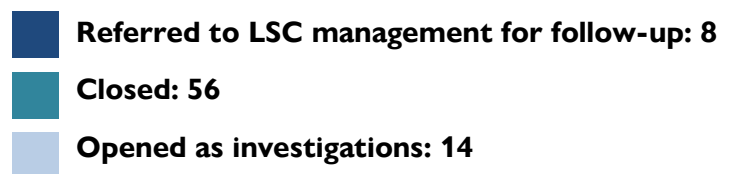
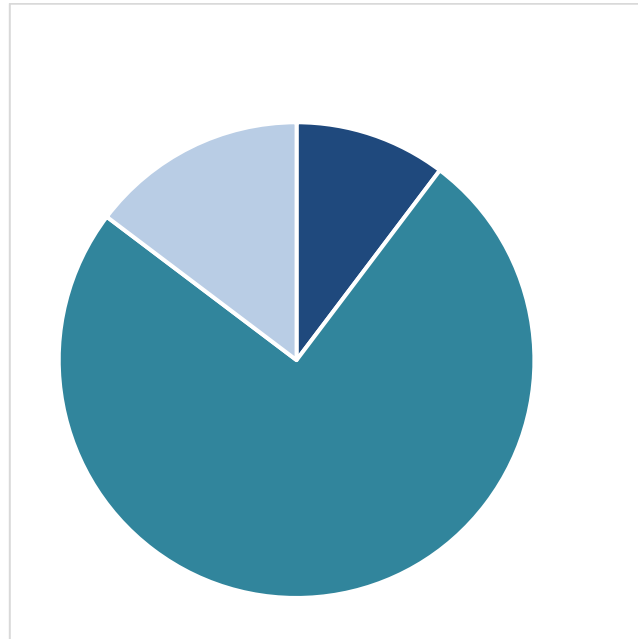
<u>Fraud Advisory Title</u>	<u>Summary</u>
<a href="#">How to Combat Common Fraud Schemes Against Renters</a>	<ul style="list-style-type: none"> <li>Alerted grantees to common fraud schemes and abusive practices committed by landlords, or individuals posing as landlords.</li> <li>Provided tips to prevent renter-related fraud and information on how victims should report renter fraud schemes.</li> </ul>

<u>Fraud Advisory Title</u>	<u>Summary</u>
	<ul style="list-style-type: none"> <li>• Cited useful guidance issued by the US Department of Housing and Urban Development OIG and the US Department of Justice.</li> </ul>
<p><a href="#"><u>Prohibited Outside Practice of Law and Outside Employment Activities</u></a></p>	<ul style="list-style-type: none"> <li>• Notified grantees of the upward trend in outside practice of law and outside employment complaints received by the OIG Hotline.</li> <li>• Suggested that grantees protect themselves with rigorous written policies and become familiar with red flags of undisclosed and unapproved outside practice of law and outside employment.</li> <li>• Included recent examples of outside practice and outside employment cases reported to the OIG.</li> </ul>
<p><a href="#"><u>OIG Introduces a ‘Cyber After Incident Report Form’ for LSC Grantees</u></a></p>	<ul style="list-style-type: none"> <li>• Notified grantees that the OIG was implementing a Cyber After Incident Report Form to gather more information on reported cyberattacks and that the information would be used to better assist grantees with their response and recovery in the event of an attack.</li> <li>• Reminded grantees that they must report cyber incidents to the OIG Hotline and that the new form will be used as a follow-up to hotline reports of cyber incidents.</li> </ul>
<p><a href="#"><u>CISA Alerts Can Help Legal Aid Organizations Prevent Cyberattacks</u></a></p>	<ul style="list-style-type: none"> <li>• Notified grantees that the Cybersecurity &amp; Infrastructure Security Agency (CISA) is a resource for learning about vulnerabilities to IT systems and that CISA issues news alerts on imminent cybersecurity threats and ways to defend against them.</li> <li>• Urged grantees to sign up to receive CISA alerts to receive information about the most up-to-date security threats and solutions.</li> </ul>

## 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 person's identity will be kept confidential. Reports may also be made anonymously.

During this reporting period, the OIG received 78 Hotline contacts. Of these matters, 8 were referred to LSC management for follow-up, 14 were opened as investigations, and the remaining 56 were closed.



**Total: 78**

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Click the button below to contact the hotline:

[Report Fraud Waste and Abuse](#)



# Statistical Summary<sup>5</sup>



## Investigative Cases

<b>25</b>	<b>20</b>	<b>15</b>	<b>30</b>	<b>25</b>
Open at beginning of the reporting period	Opened during the reporting period	Closed during the reporting period	Open at the end of the reporting period	Investigative reports issued

Prosecutorial Activities	
Persons referred to DOJ for criminal prosecution	0
Persons referred to state or local prosecuting authorities for criminal prosecution	0
Arrests or Criminal Complaints	0
Indictments/Informations	0
Convictions	0

Investigative Activities	
Inspector General subpoenas issued	3

Monetary Results	
<b>Recovery</b>	<b>\$20,953</b>

<sup>5</sup> Data reflected in the statistical summary were compiled based on direct counts.



# Other OIG Activities

## OIG’s New Strategic Plan

During this reporting period the OIG released our new [Strategic Plan](#) for fiscal years 2024 through 2026.

The OIG serves to help LSC achieve its mission, ensure compliance with requirements, and prevent fraud, waste, and abuse. While LSC management is ultimately responsible for ensuring the effectiveness of their internal controls, we provide an independent check on their efforts and perform the IG mission by carrying out objective audits, investigations, and other reviews that:

**Prevent**, deter, and detect fraud, waste, and abuse.

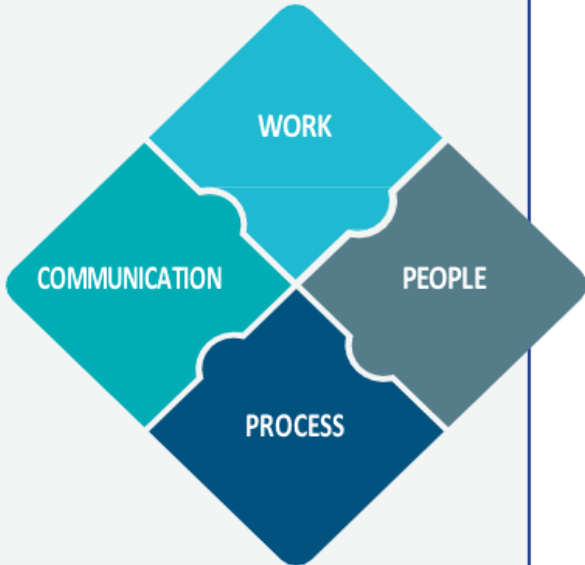
**Promote** economy, efficiency, and effectiveness in LSC programs and operations, including grantees’ operations and performance.

**Keep** LSC management, the Board of Directors, and Congress fully and currently informed of significant issues, risks, or deficiencies.

The new plan presents at a high level the OIG’s goals and objectives and how they align with our oversight mission and direction set forth by the new LSC Inspector General. Our goals and objectives are organized into four focus areas: work, people, process, and communication. In planning and executing our oversight work, we commit to the following core values: accountability, teamwork, communication, integrity, and professionalism. Together our goals and core values lead our approach to delivering a high value OIG at the Legal Services Corporation.

### OUR STRATEGIC GOALS

1. **Work:** Make a difference through timely and high-impact oversight engagements.
2. **People:** Promote strong teamwork and performance by fostering a diverse, skilled, and creative workforce.
3. **Process:** Advance effective operations by focusing on continuous improvement and innovation of internal policies, processes, and business practices.
4. **Communications:** Maximize OIG’s impact by optimizing stakeholder engagement and innovatively and broadly promoting our insights and recommendations.



The new plan guides us in conducting agile, impactful oversight work and keeping all key stakeholders—including the LSC Board and Congress—fully and currently informed of our activities to promote program integrity, transparency, and accountability. We share LSC’s stated goal to “achieve the highest standards of management, business operations, and fiscal responsibility.”

## **Professional Activities and Assistance**

The OIG actively participates in and supports various activities and efforts of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), as well as other inter-agency and professional groups. For example, the IG serves as a member of the CIGIE Audit Committee, which focuses on government auditing standards and cross-cutting financial and performance audit issues, and on working groups related to Smaller or Unique OIGs and OIGs with Boards or Commissions.

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 405(a) of the Inspector General Act of 1978, as amended, 5 U.S.C. §405(a)(8)(A) and (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 26, 2023. We received a rating of “pass.” Under CIGIE guidelines, this is the highest rating possible.

# Table I

## Recommendations Made Before This Reporting Period for Which Corrective Action Has Not Been Completed

Report Title	Date Issued	Recommendation Number	Recommendation <sup>6</sup>	Comments
Central Virginia Legal Aid Society, Inc.	12/23/2019	8	Conduct a detailed review of all payroll processed in 2018 and 2019 to identify payroll over and underpayments and complete this review within six months of the issuance of this report.	The grantee partially responded to this recommendation. LSC management is working with the grantee to resolve this recommendation. LSC management will notify the OIG upon resolution.
Central Virginia Legal Aid Society, Inc.	12/23/2019	9	To the extent consistent with the law, reimburse employees that were identified as underpaid and attempt to recover payment from all employees that were identified as overpaid in the above review.	The grantee partially responded to this recommendation. LSC management is working with the grantee to resolve this recommendation. LSC management will notify the OIG upon resolution.
Central Virginia Legal Aid Society, Inc.	12/23/2019	16	Ensure that LSC unallowable costs are charged to funding sources other than LSC and reflected within the financial software to provide an audit trail.	The OIG considered the grantee's comments regarding this recommendation as unresponsive. LSC management is working with the grantee to resolve this recommendation. LSC management will notify the OIG upon resolution.
Legal Services Vermont	1/11/2021	1	Consult with LSC management to ensure the grantee's engagement with VLA meets the existence of separate personnel criteria stipulated in LSC Regulation 45 CFR 1610.8.	The grantee agreed with this recommendation and the OIG considered the grantee's comments as responsive; however, the OIG referred the recommendation to LSC management for resolution. LSC management conducted a Program Integrity (Part 1610) Review and is working with the grantee to resolve the recommendation. LSC management will notify the OIG upon resolution.

<sup>6</sup> There are no qualified potential cost savings associated with these open recommendations.

## Table I (continued)

### Recommendations Made Before This Reporting Period for Which Corrective Action Has Not Been Completed

Report Title	Date Issued	Recommendation Number	Recommendation <sup>7</sup>	Comments
Texas RioGrande Legal Aid, Inc.	12/23/2019	24	Ensure that monthly management reports are reviewed by the Executive Director prior to distribution to the Finance Committee every month and the Board of Directors quarterly. Approvals of each monthly management report should be documented when the monthly management reports are finalized and reviewed by all parties.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Texas RioGrande Legal Aid, Inc.	12/23/2019	26	Ensure that TRLA's Employee Handbook is updated to reflect the current policies described in the Collective Bargaining Agreement.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Audit of LSC's Distribution, Use, and Oversight of CARES Act Funds	7/26/2022	1	Develop written procedures to maintain documents for Special Purpose, Disaster, or other similar grants. If the documents for requests and approvals of COVID-19 quarterly report extensions can be retrieved, keep them in a central location.	Corrective action in process. LSC management is working to develop and update document retention procedures. They stated that the target completion date is August 28, 2024.
Audit of LSC's Distribution, Use, and Oversight of CARES Act Funds	7/26/2022	3	Ensure that Office of Program Performance (OPP) and Office of Compliance and Enforcement (OCE) Policies and Procedures Manuals are updated and complete, including policies and procedures for the oversight and monitoring of Disaster Program funds, which would include LSC CARES Act Funds.	Corrective action in process. LSC management is working to develop and update business processes for OCE and OPP, including all programmatic and oversight functions for basic field and special grant programs. The target completion date for OCE is June 28, 2024; the target completion date for OPP is August 28, 2024.

<sup>7</sup> There are no qualified potential cost savings associated with these open recommendations.

## Table I (continued)

### Recommendations Made Before This Reporting Period for Which Corrective Action Has Not Been Completed

Report Title	Date Issued	Recommendation Number	Recommendation <sup>8</sup>	Comments
Audit of LSC's Distribution, Use, and Oversight of CARES Act Funds	7/26/2022	6	Complete revisions and publish the Office of Financial and Administrative Services (OFAS) Accounting Procedures Manual, including bank account verification policies and procedures.	Corrective action in process. LSC management reports that the target completion date for this recommendation is August 31, 2024.

<sup>8</sup> There are no qualified potential cost savings associated with these open recommendations.



## Table II

### Audit Reports and Other Reports Issued During Reporting Period

#### Part A: Audit Reports

Report Title	Date Issued	Questioned Costs	Funds Put to Better Use	Unsupported Costs	Management Decision Made by End of Reporting Period
Legal Aid Foundation of Los Angeles	1/11/2024	\$217,461	\$0	\$0	N/A
Legal Action of Wisconsin, Inc.	1/11/2024	\$8,534	\$0	\$0	N/A

#### Part B: Other Reports

Report Title	Date Issued	Description
IT Vulnerability Assessment	3/11/2024	Vulnerability assessments of grantees' computer networks conducted by an OIG contractor. The assessments identified potential vulnerabilities and recommended corrective actions.

## Table III

### Audit Reports Issued During a Prior Reporting Period for Which a Management Decision was Made During the Reporting Period

Report Title	Date Issued	Questioned Costs	Funds Put to Better Use	Unsupported Costs	Comment
Coast to Coast Legal Aid	7/8/2021	\$376,520	\$0	\$0	OCE Closed referral on October 4 2023 <sup>9</sup>

<sup>9</sup> LSC issued a Management Decision determining that \$214,649 of the \$376,521 would be disallowed, to be recouped by withholding equal monthly installments from the grantee's 2024 Basic Field Grant award payments.

## Table IV

### Audit Reports Issued During Prior Reporting Periods with Unresolved Questioned Costs as of the End of the Reporting Period

Report Title	Date of Issuance	Questioned Costs	Unsupported Costs
N/A	N/A	N/A	N/A

# Table V

## Index to Reporting Requirements of the Inspector General Act

IG Act Reference*	Reporting Requirement	Page
Section 4(a)(2)	Review of and recommendations regarding legislation and regulations.	None
Section 5(a)(1)	Significant problems, abuses, and deficiencies; recommendations for corrective action.	3-5,10-11
Section 5(a)(2)	Recommendations made before the reporting period for which corrective action has not been completed.	21-23
Section 5(a)(3)	Significant investigations closed during the period.	10
Section 5(a)(4)	Number of convictions during the period resulting from investigations.	17
Section 5(a)(5)	Information on audit and other reports: questioned costs, unsupported costs, funds to be put to better use, and if management decision made.	24
Section 5(a)(6)	Information on management decisions during period re reports issued during prior period.	25
Section 5(a)(7)	Information per FFIMIA §804(b).	None
Section 5(a)(8)-(10)	Information regarding peer reviews.	20
Section 5(a)(11)-(12)	Statistical table showing numbers of investigative reports, persons referred for prosecution, and indictments/informations resulting from prior referrals.	17
Section 5(a)(13)	Investigations involving senior employees where allegations of misconduct are substantiated.	None
Section 5(a)(14)	Instances of whistleblower retaliation.	None
Section 5(a)(15)	Attempts by the establishment to interfere with OIG independence.	None
Section 5(a)(16)	Specified matters closed and not disclosed to the public.	None

\*Refers to provisions of the Inspector General Act of 1978, as amended.



## LSC OIG HOTLINE

# PROTECT YOUR PROGRAM AND YOUR CLIENTS

REPORT VIOLATIONS OF LAW AND LSC REGULATIONS



### FRAUDULENT ACTIVITY

TRAVEL, PAYROLL, AND CONTRACT FRAUD  
TIME AND ATTENDANCE ABUSE  
THEFT, BRIBERY, AND KICKBACKS  
DIVERSION OF CLIENTS/FEEES  
CYBER-CRIMES

### OTHER VIOLATIONS

IMPROPER USE OF LSC FUNDS  
VIOLATIONS OF LSC RESTRICTIONS  
CONFLICTS OF INTEREST



#### REACH US AT:

- ✉ [HOTLINE@OIG.LSC.GOV](mailto:HOTLINE@OIG.LSC.GOV)
- 🌐 [OIG.LSC.GOV/OIG-HOTLINE](http://OIG.LSC.GOV/OIG-HOTLINE)
- 📞 800-678-8868

SCAN QR CODE WITH YOUR  
PHONE CAMERA FOR DETAILS