



SEMIANNUAL REPORT TO CONGRESS

OCTOBER 1, 2024 – MARCH 31, 2025



OFFICE OF INSPECTOR GENERAL

LSC | America's Partner
for Equal Justice

LEGAL SERVICES CORPORATION

WWW.OIG.LSC.GOV

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 the Legal Services Corporation (LSC) Office of Inspector General (OIG) for the period October 1, 2024, through March 31, 2025.

During this reporting period, consistent with the goals and objectives in our newly updated [Strategic Plan](#), we helped LSC stay ahead of the curve in addressing risks, taking corrective actions, and preventing fraud and wasteful spending. Of note, based on OIG audit recommendations, LSC completed updates of policies and procedures manuals for several of their component offices: its Office of Compliance and Enforcement (OCE), Financial and Administrative Services (OFAS), and Program Performance (OPP). We appreciated management's sustained attention to completing these key manuals during the semi-annual period.

We also continued our robust fraud prevention activities. This included issuing an OIG Advisory entitled, [Understanding and Preventing Wasteful Spending in Legal Services Corporation Operations and Grantee Programming](#). In this advisory, we highlighted a U.S. Government Accountability Office (GAO) publication describing what entails wasteful spending and how to avoid it. We urged LSC and its grantees to take a proactive and thoughtful look at their policies and procedures to ensure they are positioned to *prevent* wasteful spending.

Over the last six months, we conducted high-impact audits, investigations, and other proactive oversight engagements. Additionally, the OIG transitioned to a new OIG website to better communicate our results to stakeholders and the public. Highlights include:

- We continued to have a positive impact on grantees' programs and operations through audit reporting that documented internal control issues, made recommendations for corrective action, and identified questioned costs. We issued five final audit reports: three internal control audit reports intended to promote grantees' operational efficiency and compliance, a performance audit to assure LSC's continued fiscal accountability over grantees' real property, and a special compendium report to help grantees prevent common internal control issues. We also closed 30 audit recommendations that spurred improvements in key areas of financial management, such as general ledger and financial

controls, client trust funds, payroll, benefits, contracting, and disbursements.

- We fulfilled our responsibility to review grantees' financial statement audit reports. We reviewed 26 reports of LSC grant recipients issued by Independent Public Accountants (IPAs), referring 37 significant findings to LSC management for corrective action. These audits promote transparency and integrity in the use of federal funds and are required under federal appropriations law.
- We issued a compendium report, provided to all grantees' executive directors and their boards of directors, that summarized our key internal control findings over fiscal years 2022 and 2023. Our aim is to encourage grantees to proactively improve internal controls in areas where we have identified recurring issues.
- We continued our comprehensive audit quality control program, completing 17 Quality Control Reviews (QCR) of the firms that conduct financial statement audits of grant recipients. These reviews are intended to help IPAs conduct rigorous and efficient grantee audits. We also hosted an online presentation, *Enhancing the Rigor and Reliability of LSC Grantee Financial Statement Audits*, that provided actionable recommendations for grantee IPAs and financial staff to improve audit quality and rigor. The presentation drew over 180 attendees.
- OIG investigative work promoted integrity and ethical use of U.S. taxpayer dollars. This included obtaining a guilty plea related to theft of program funds and an indictment and arrest related to mail and contracting fraud. In addition, LSC imposed special grant conditions based on three investigative referrals. Our work also resulted in two recovery actions totaling more than \$3 million, LSC funds redirected totaling approximately \$87,500, and two referrals to LSC totaling \$37,904. We opened 22 cases, closed 27 cases, and issued 32 investigative reports involving issues such as theft and misuse of funds, cybercrimes, time and attendance fraud, and unauthorized practice of law.
- Through management and fraud advisories, we kept LSC and grantees informed about current risks to their programs or client base, and provided practical information on how to prevent, detect, or respond to risks. For example, we issued advisories describing common fraud schemes that target veterans and provided resources to help avoid or deal with them, and another on Artificial Intelligence (AI) fraud schemes in civil legal aid, which described how AI can be misused for malicious purposes and provided guidance on how to combat AI fraud.

- We helped grantees ensure proactive and effective management of their information technology (IT), including mitigating cyber security risks.
 - Notably, the LSC OIG presented *Cyber Security Insights to Help Protect Your Legal Aid Organization* at LSC's Innovations in Technology Conference 2025 (ITC 25); the presentation explained how LSC grantees are being targeted and highlighted best practices to approximately 75 attendees.
 - In response to the escalation of ransomware, email scams, and other cyberattacks we maintain a dedicated OIG website resource with links to cybersecurity resources for grantees.

We will continue working productively with LSC's Board of Directors, Congress, LSC leadership and staff, and grantees to promote program integrity, transparency, and accountability for results. Through our efforts, we help maximize the funds invested in civil legal assistance for low-income Americans.

Sincerely,



Thomas E. Yatsco

Inspector General

April 2025

Table of Contents

OFFICE OF THE INSPECTOR GENERAL OVERVIEW	1
AUDITS.....	2
AUDIT OF LSC’S OVERSIGHT OF ITS INTEREST IN GRANTEE’S REAL PROPERTY	3
DNA-PEOPLE’S LEGAL SERVICES.....	4
SOUTHERN ARIZONA LEGAL AID, INC.....	5
LONE STAR LEGAL AID.....	5
KEY OPPORTUNITIES FOR GRANTEE’S TO STRENGTHEN INTERNAL CONTROLS: SUMMARY OF AUDIT FINDINGS AND RECOMMENDATIONS FROM FISCAL YEARS 2022 AND 2023.....	6
GRANTEE CYBER SECURITY AWARENESS PRESENTATION	8
STATISTICAL OVERVIEW.....	9
OVERSIGHT OF GRANTEE FINANCIAL AUDITS	10
INDEPENDENT AUDITS OF GRANTEE’S.....	10
DESK REVIEWS OF GRANTEE’S ANNUAL AUDIT REPORTS: IPA AUDIT FINDINGS	10
FOLLOW-UP PROCESS.....	10
QUALITY CONTROL REVIEWS.....	11
ENHANCING THE RIGOR AND RELIABILITY OF LSC GRANTEE FINANCIAL STATEMENT AUDITS (PRESENTATION).....	13
INVESTIGATIONS.....	14
CRIMINAL ACTIONS.....	15
Guilty Plea for Former Grantee Officer	15
Indictment and Arrest of Former Grantee Contractor	15
RECOVERY ACTIONS.....	16
Determination of Referrals for Recovery of Unspent LSC Funds Due to a Regulatory Violation.....	16
Recovery and Questioned Cost Referral – Improper Student Loan Reimbursements.....	16
REGULATORY AND ADMINISTRATIVE ACTIONS.....	17
Executive Director’s Outside Practice of Law.....	17
Special Grant Conditions – Executive Director Payout.....	17
Fraud Prevention Review Results in Regulatory Referral.....	18
Fraud Prevention Review Results in Referral of Fiscal Management Concerns.....	18
Administrative Referral Due to Potential Violation of LSC Grant Terms and Conditions.....	19
FRAUD PREVENTION INITIATIVES.....	19
Fraud Awareness Briefings	20
Cybercrimes Awareness Briefing.....	20
Fraud Prevention Reviews.....	21
OIG Advisory on Wasteful Spending.....	21
Fraud Advisories.....	22

Hotline..... 22

STATISTICAL SUMMARY.....24

OTHER OIG ACTIVITIES.....25

REGULATORY ADVISORY 25

RELEASE OF NEWLY MODERNIZED LSC OIG WEBSITE..... 25

APPENDIX – PEER REVIEWS27

TABLE I28

TABLE II33

TABLE III35

TABLE IV38

TABLE V39

Office of the Inspector General Overview

As required by the Inspector General Act,¹ 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 below). 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.



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

Audits

Audit Highlights

October 1, 2024- March 31, 2025

OIG Audit Reports



5

Audit Reports Issued



63

Recommendations Issued



\$489,493

Questioned Costs



30

Recommendations Closed

Grantee Financial Statement Reviews & IPA Oversight



26

Financial Statements Reviewed



17

Quality Control Reviews of Grantee IPAs



37

A-50 Findings Referred to LSC Management

Grantee & IPA Outreach



2

Presentations, Advisories, or Other Issued Oversight Products

During this reporting period, the OIG issued five audit reports either conducted or directly overseen by OIG staff: three internal control audit reports intended to ensure grantee's operational efficiency, one performance audit to assure LSC's continued fiscal accountability, and a special compendium report summarizing the findings and recommendations of our internal control audits of grantees over a two-year period. Summaries of the reports are provided below. At the conclusion of the period, we had three 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 26 IPA reports, with fiscal year ending dates ranging from December 31, 2022, through September 30, 2024.

We issued 17 [QCR reports](#) this period. The goals of the QCR program 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.



Audit of LSC's Oversight of its Interest in Grantees' Real Property

The OIG contracted with Sikich CPA LLC (Sikich) to conduct a performance audit of LSC's Oversight of its Interest in Grantees' Real Property. LSC maintains an interest in real property that grantees purchase or improve using LSC funds.

Findings

Sikich found that LSC did not currently have sufficient policies, processes, and/or tracking mechanisms in place to effectively oversee its interest in grantees' real property in certain areas. Additionally, LSC lacked accurate records to support its real property interests.

Sikich also found issues with grantees' financial reporting of LSC-funded real property; both LSC and its grantees were not consistently maintaining documentation (required by LSC regulations) necessary to support that LSC-funded real property interests were appropriately approved, appropriately disposed of, and/or assessed annually in accordance with LSC regulations.

Sikich did not identify any issues with LSC's compliance with applicable accounting and financial reporting standards, or with grantees' use of income derived from the sale of LSC-funded real property.

Recommendations

Sikich made 11 recommendations and one suggestion for consideration. The recommendations were intended to strengthen LSC's processes and procedures for approving, tracking, and maintaining accurate records of its real property interests, as well as enhance its review of related party rent expenses.

Management's Response

LSC management agreed with eight recommendations and partially agreed with three recommendations as well as the suggestion for consideration. LSC management provided proposed actions in response to all recommendations and the suggestion for consideration, however all recommendations remain open until the OIG is provided with additional supporting documentation; the OIG did not evaluate management's response to the suggestion for consideration, as it was intended as advice related to a best practice.



The OIG assessed the adequacy of selected internal controls at DNA-People's Legal Services (DNA or grantee), which received about \$4.2 million in LSC funding during Fiscal Year 2022 for grantee operations and oversight. DNA, located in Window Rock, Arizona, provides civil legal aid to low-income portions of Arizona, New Mexico, Utah, and seven Native American nations.

Findings

We identified significant operational deficiencies and instances of noncompliance with LSC requirements in ten of the eleven key activities reviewed. DNA needed to strengthen or formalize their controls in writing. We found 21 issues across various areas, including general ledger and financial controls, fixed assets (specifically, use of company vehicles), credit cards, contracting, cost allocation, budgeting and management reporting, derivative income, disbursements, payroll, and client trust funds. Insufficient documentation resulted in a scope limitation in our audit, preventing us from drawing conclusions about DNA's compliance in certain areas. The scope limitation significantly hindered our ability to complete some planned audit procedures. The OIG questioned \$2,574 in costs and referred to LSC management an additional matter related to the grantee's vehicle use policy.

Recommendations

The OIG made 40 recommendations, mainly focusing on grantee management's need for putting adequate policies in place ensuring proper documentation of approvals and recordkeeping.

Management's Response

DNA management agreed with 21 recommendations, partially agreed with 16 recommendations, and disagreed with three recommendations. The OIG found DNA's responses to 34 recommendations responsive or partially responsive; those recommendations will remain open until DNA notifies us in writing that all findings have been addressed and provides us with appropriate supporting documentation. The remaining six recommendations, which include the three recommendations with which DNA disagreed, were referred to LSC management for review and action.

Southern Arizona Legal Aid, Inc.

The OIG contracted with Sikich to conduct a performance audit of Southern Arizona Legal Aid (SALA). SALA received \$2,621,118 in LSC funds for its Basic Field Grant in Fiscal Year 2022.

Findings

Sikich identified five findings highlighting the need to strengthen internal controls and improve processes for complying with LSC grant requirements, particularly in allocating payroll costs and charging costs as direct and indirect. An “Other Matter” was also noted to enhance compliance and financial statement reporting.

The OIG referred questioned costs totaling \$48,887 to LSC management for resolution. The questioned costs included:

- \$27,167 from inappropriately charging indirect expenses as direct costs to LSC grants,
- \$17,816 from inappropriately allocating salary expenses, and
- \$3,904 from charging unallowable costs to LSC grants.

Recommendations and Suggestions for Consideration

The report included eight recommendations to enhance compliance with grant terms and three suggestions for consideration to improve compliance and financial reporting.

Management’s Response

SALA agreed with six recommendations, partially agreed with one recommendation (but will take the recommended corrective action), and provided implementation documentation for the eighth recommendation, which we closed. The other seven recommendations will remain open until we receive evidence of corrective action.

Lone Star Legal Aid

The OIG evaluated the internal controls at Lone Star Legal Aid (LSLA). For the year ending December 31, 2022, LSLA received \$43,316,033 in support, including \$14,673,925 in LSC funds. Additionally, LSLA received \$866,761 in LSC disaster grant funding.

Findings

Our review found that LSLA had adequately implemented controls over employee benefits and general ledger and financial controls. However, we identified critical issues in disaster

grant management and significant policy deficiencies across various operational areas, which resulted in 15 reportable findings.

Key findings include:

- \$438,032 in questioned costs related to LSC disaster grants due to improper documentation and non-compliance with LSC requirements; the OIG referred these questioned costs to LSC management for further review and action.
- Inadequate policies for credit card usage, outdated cost allocation policies, no policy for re-bidding long-standing contracts, unclear policies for board member travel reimbursements, and incomplete budgeting and management reporting procedures. Discrepancies between written policies and actual practices increased the risk of non-compliance and operational inefficiencies.

These issues stemmed from outdated policies, procedural discrepancies, and insufficient management oversight.

Recommendations

The report included 14 recommendations, primarily focused on adequate documentation. Some recommendations call for updating and implementing more comprehensive policies and procedures to address broader operational needs beyond basic documentation requirements. Additionally, policies should be updated to align with the LSC Financial Guide. The OIG referred one recommendation and questioned costs, described above, to LSC management for further review and action.

Management's Response

LSLA management agreed with six recommendations, partially agreed with five recommendations, and disagreed with three recommendations. LSLA proposed actions for 13 recommendations, that will remain open until the OIG receives evidence of strengthened procedures and policies. The OIG referred the one recommendation with which LSLA disagreed and insufficiently addressed to LSC management for resolution.

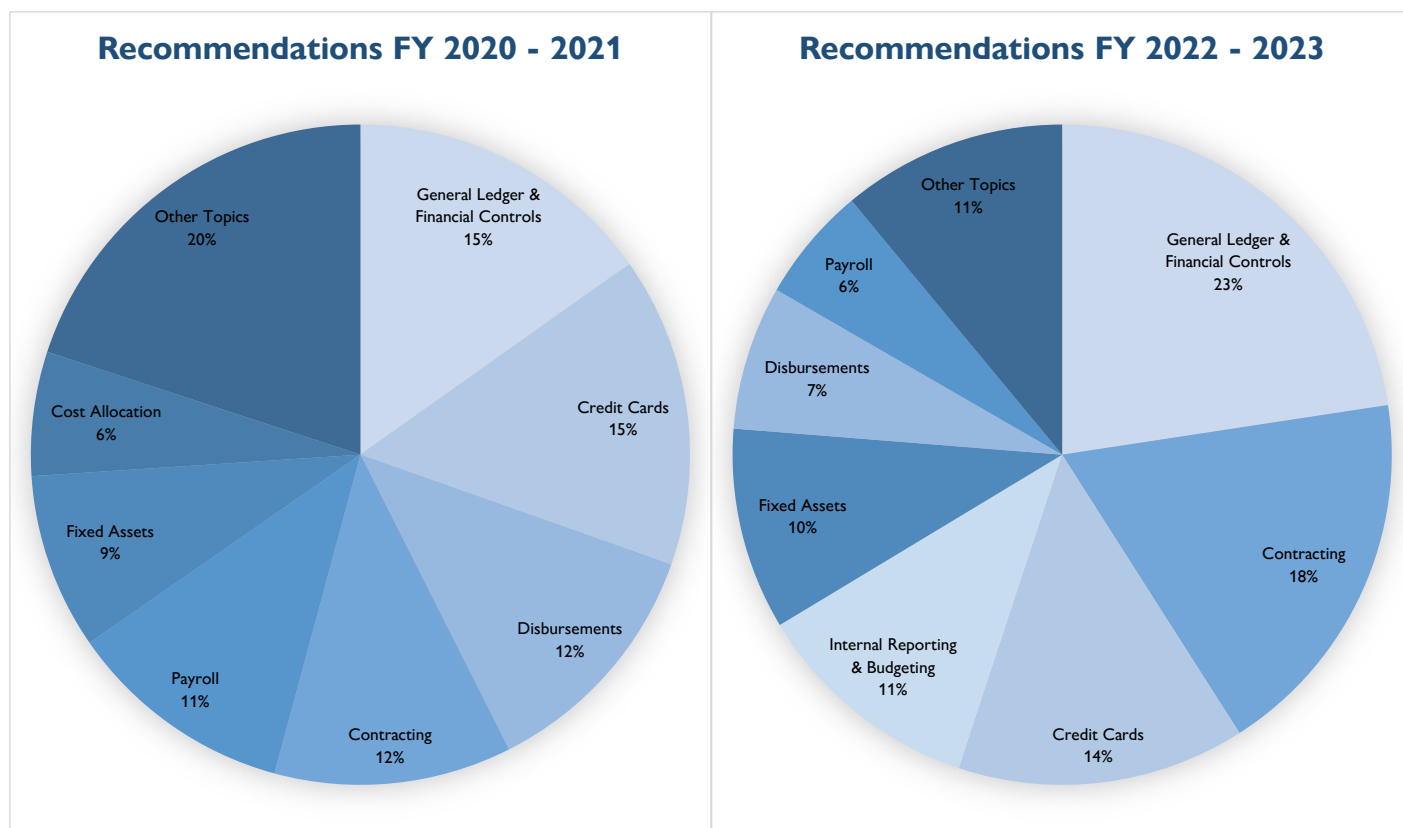
Key Opportunities for Grantees to Strengthen Internal Controls: Summary of Audit Findings and Recommendations from Fiscal Years 2022 and 2023

In February 2025, the OIG issued its fifth special compendium report titled, *Key Opportunities for Grantees to Strengthen Internal Controls: Summary of Audit Findings and Recommendations from Fiscal Years 2022 and 2023*. Our objective was to draw grantees' attention to key opportunities for enhancing internal controls over financial and contract management of LSC

and other donors' funds. The report also compared findings and recommendations from the 2022-2023 reporting period to those of the prior compendium reporting period.

During the two-year compendium reporting period, we issued three audit reports with 71 recommendations. This compendium report covered 12 focus areas where we issued recommendations to LSC grantees, highlighted specific deficiencies, and recommended improvements. Most commonly, we found the need for LSC grantees to improve segregation of duties and controls over bank reconciliations, credit cards, and contracting. We also addressed findings related to internal reporting and budgeting, fixed assets, disbursements, payroll, cost allocation, client trust funds, employee benefits, derivative income, and CARES Act funds. The chart below summarizes the findings from this compendium reporting period and compares them to the prior compendium report.

We believe that the information contained in this compendium report, along with diligent efforts to enhance financial controls, will help grantees safeguard resources, comply with LSC regulations and guidance, and prevent fraud, waste, and abuse. In turn, strong internal controls will help grantees maximize the funds invested in their organizations to provide civil legal assistance to those in need.





Grantee Cyber Security Awareness Presentation

The OIG audit and investigations teams collaborated on a joint presentation, *Cyber Security Insights to Help Protect Your Legal Aid Organization*, at LSC's Innovations in Technology Conference in Phoenix, Arizona. The audit team presented cyber security recommendations and best practices included in the OIG's [IT Vulnerability Assessment Summary Special Report](#) issued during the last reporting period. The investigations team spoke about cyber fraud attacks on LSC grantees. A Special Agent from the Department of Energy OIG Cyber Investigations & Forensic Analysis Division provided information on recovery from a cyber-attack. Overall, the presentation emphasized to attendees that their organizations are not immune to cyber threat actors and that they can take action to prevent cyber-attacks, address potential vulnerabilities, and mediate losses.

Statistical Overview



Audits

5

Open at beginning of the reporting period

3

Opened during the reporting period

5

Audit reports issued or closed during the reporting period

3

Open at end of the reporting period



Recommendations to LSC Grantees

44

Open at beginning of the reporting period

63

Issued during the reporting period

30

Closed during the reporting period

76

Open at end of the reporting period



Recommendations to LSC Management

3

Open at beginning of the reporting period

11

Issued during the reporting period

3

Closed during the reporting period

11

Open at end of the reporting period

Oversight of Grantee Financial Audits



Independent Audits of Grantees

LSC's annual appropriations acts require 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 Grantees' Annual Audit Reports: IPA Audit Findings

The OIG conducts desk reviews of IPA reports issued to grantees to identify potential problems or concerns that may warrant follow-up by LSC management or by the OIG via audit, investigation, or other review. The audit reports and the findings reflect the work of the IPAs, not the OIG. The results of our desk reviews, discussed below, 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.

During this reporting period, the OIG reviewed 26 IPA audit reports of grantees with fiscal year ending dates from December 31, 2022, through September 30, 2024. These audit reports contained 125 findings. The OIG reviewed the findings and determined that 88 were not significant, or that corrective action had already been completed. The 37 significant findings were referred to LSC management during the period for follow-up.



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. IPA audit reports are submitted to the OIG within 120 days of the close of each grantee's fiscal year, unless the deadline is extended. 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 closure of the finding(s). The OIG reviews LSC management's request and decides independently whether it will agree to close the finding(s).

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, 2024

<u>Category</u>	<u>Number of Findings</u>
Financial Transactions and Reporting.....	35
Missing Documentation.....	0
Policies and Procedures/Other	2
Timekeeping.....	0
Segregation of Duties	0
TOTAL.....	37



Quality Control Reviews

Under our 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 guidance issued by our office. These reviews help ensure the quality and rigor of grantee audits, promoting stronger oversight. The reviews are conducted by a certified public accounting (CPA) firm under contract with the OIG, as time and resources allow. The contractor also identifies issues that may require further attention or additional audit work by the IPA under review.



QCRs Conducted This Reporting Period

17	2	15	0
QCRs conducted	Met standards with no exceptions	Met standards with one or more exceptions	Did not meet standards



QCRs With One or More Exceptions

15	5	10	0
Met standards with one or more exceptions	Required additional work from IPAs.	Recommendations issued for future grantee audits	Did not meet standards

Of the five reports requiring additional work from IPAs, we received and evaluated the work from two IPAs and found that they were satisfactory; those QCRs are considered closed. The additional work from the other three IPAs is not yet due to our office.

During previous reporting periods, we found that four financial statement audits contained deficiencies and required additional work from the IPAs. We received that additional work from the IPAs during the current reporting period, evaluated the additional work and found it satisfactory. The QCRs are considered closed.

Enhancing the Rigor and Reliability of LSC Grantee Financial Statement Audits (Presentation)

In November 2024, to promote stronger financial oversight within the LSC grantee community, we hosted an online presentation, which attracted over 180 attendees.² Attendees included grantee executive directors, board members, financial staff, and IPAs.

The presentation's key elements include:

- Summary of Desk Review Findings: Common desk review issues the OIG noted in grantees' financial statements.
- Summary of QCR Findings: Results from our review of financial statement audits conducted for LSC grantees in fiscal years 2022 and 2023
- Recommendations for Improved Audits: Areas where audit procedures should be strengthened to enhance the reliability and accuracy of future grantees' financial audits.

The presentation is available on the OIG's [YouTube page](#) for ongoing reference.

² The presentation was based on the September 2024 OIG Audit Advisory - [Ensuring Independent Public Accounting Firms Conduct Rigorous Annual Audits of LSC Grantees – Recommendations Based on Fiscal Years 2022 and 2023 Quality Control Reviews](#)

Investigations

Investigative Highlights

October 1, 2024 – March 31, 2025

OIG Investigations



32

Investigative Reports Issued



107

Hotlines



\$3,057,461

Recoveries/Referrals



22

Cases Opened



\$87,500

Funds Redirected



27

Cases Closed



1

Arrests



1

Indictments



1

Convictions

OIG Proactive Work



2

Opened Fraud Prevention Reviews



3

Fraud Advisories and Other Oversight Products



3

Closed Fraud Prevention Reviews

OIG Other Preventive Efforts



LSC OIG Cybersecurity Webpage

continuously updated



5

Fraud Awareness Briefings and Presentations

The OIG opened 22 cases during the period. These included 18 investigative cases, two proactive Fraud Prevention Reviews (FPRs), and two questioned costs cases. The investigative cases included allegations of theft, cybercrimes, outside employment, unauthorized practice of law, time and attendance fraud, misuse of government funds, impermissible outside practice of law, and other potential violations of LSC statutory and regulatory requirements.

The OIG closed 27 cases during the reporting period. These included 23 investigative cases, three FPRs, and one questioned costs case.

During this reporting period, OIG investigative activity resulted in a guilty plea to federal program theft, an indictment and arrest related to mail fraud, two recovery actions totaling \$3,019,557,³ LSC funds redirected totaling approximately \$87,500, two referrals totaling \$37,904, special grant conditions related to three investigative referrals, a regulatory referral, and an administrative referral. In addition, the OIG issued one OIG advisory and two fraud advisories.

³ In this section, numbers have been rounded to the nearest dollar.



Criminal Actions

Guilty Plea for Former Grantee Officer

As previously [reported](#), an OIG investigation found that a former Chief Administrative Officer employed by an LSC grantee embezzled grantee funds by writing checks to herself and using the company credit card for personal expenses. The former Chief Administrative Officer spent the stolen funds on expenses such as travel, a recreational vehicle, dining, dental work, and home décor.

Our investigation found that the former Chief Administrative Officer illegally converted a total of over \$51,000 to her personal use, including more than \$29,000 in federal funds. As a result of the OIG's investigation, a referral was made to the U.S Attorney's Office. On January 15, 2025, the former Chief Administrative Officer entered a plea of guilty to federal program theft.

Indictment and Arrest of Former Grantee Contractor

An OIG investigation found that a former LSC grantee contractor made false representations within his contract proposal. The purpose of this contract proposal was to provide forensic auditing services to the grantee, which were required by LSC. LSC management originally referred this issue to us as potential fraud. Due to these false representations, our resulting investigation determined that there is an estimated loss of at least \$49,000 in LSC funds.

Our investigation found that the contractor falsely claimed active membership in certain professional organizations; provided false information as to his employees and their respective professional experience; claimed fictitious prior governmental auditing experience; and provided an altered third-party peer review letter.

During this reporting period, the owner of the auditing company was indicted on two counts of federal mail fraud related to these fraudulent misrepresentations and was arrested subsequent to the indictment.



Recovery Actions

Determination of Referrals for Recovery of Unspent LSC Funds Due to a Regulatory Violation

During this reporting period, LSC made a final management decision related to the OIG's recovery referrals on the recoupment of unspent LSC restricted funds, totaling \$3,010,676. The OIG referred the issues to LSC as violations of LSC Regulation 45 C.F.R. Part 1628 -- Recipient Fund Balances. As a result of two OIG referrals (from 2022 and 2024), LSC determined during this reporting period that the grantee must reallocate \$2,344,890 to its LSC funding line and must record this liability in its financial statements. For 2025, the grantee must transfer a minimum of \$25,000 to the LSC funding line on a quarterly basis. LSC determined that the remaining \$665,786 from the OIG referral were allowable, as there were grantee expenditures that should have been charged to LSC grant funds between 2014 and 2021 but were not. LSC placed special grant conditions on the grantee's 2025 grant award related to its decision. As a result of LSC's decision, our investigation has been closed. The OIG last reported on the recovery referrals in the semiannual [report](#) for the period ending September 30, 2024.

Recovery and Questioned Cost Referral – Improper Student Loan Reimbursements

As reported in the prior reporting period, an LSC grantee employee repaid the grantee \$20,800 in improper student loan reimbursements as a result of the OIG's January 2024 Management Advisory titled, *Enhancing Monitoring of Student Loan Assistance Programs*.⁴

Subsequently, based on the OIG's advisory, the grantee reevaluated their student loan reimbursement program. As a result, the grantee recovered an additional \$8,881 from four employees who received reimbursements contrary to the grantee's student loan reimbursement program policy.

Due to further investigation, the OIG referred an additional \$37,904 to LSC management related to student loan reimbursements. Of the total, the OIG referred \$15,566 for a questioned costs determination as these costs did not appear to be supported by adequate documentation and appeared to be unnecessary and unreasonable. The OIG referred the remaining \$22,338 for possible recoupment due to the potential violation of LSC's Herbert S. Garten Loan Repayment Assistance Program (LRAP) requirements by two of the grantee's

⁴ [Management Advisory – Enhancing Monitoring of Student Loan Assistance Programs](#)

employees.



Regulatory and Administrative Actions

Executive Director's Outside Practice of Law

As previously reported, an OIG investigation based on a referral from LSC management found that an LSC grantee's Executive Director improperly maintained his private practice while employed at the grantee; the Executive Director continued to work cases from his private practice without written approval from the grantee's Board of Directors and accepted new outside cases for personal income.

The investigation found that the Executive Director's outside practice of law was inconsistent with the requirements of 45 C.F.R. Part 1604 -- Outside Practice of Law. As a result, the OIG referred the issue to LSC management for review and any action deemed appropriate.

During this reporting period, as a result of the OIG referral, LSC placed special grant conditions on the grantee's 2025 grant award requiring the grantee to establish protocols to train board members on compliance with LSC regulations including Part 1604. In addition, the grantee must provide LSC with signed certification forms from board members, management team members, and full-time attorneys that state that the signer has read and understands Part 1604 and the grantee's policies related to the outside practice of law.

Special Grant Conditions – Executive Director Payout

An OIG investigation found that a grantee Board of Directors recently changed the program's policy regulating how much leave an employee is allowed to be paid upon departure from the grantee. The Board of Directors altered the policy from allowing a maximum of 45 days to allowing for at least 1,750 hours (or more than 200 days). The policy change was made in anticipation of the retirement of the grantee's former Executive Director whose leave totaled at or around 1,750 hours.

Due to the potential use of LSC funds related to the anticipated payout of the former Executive Director, the OIG informed LSC of the issue. In response, LSC management took appropriate action and notified the grantee that it could only charge LSC funds for the 45 days identified in the grantee's approved policies and must allocate that payment among all funding sources. Additionally, LSC placed special grant conditions on the grantee's 2025 grant award, requiring a written certification confirming that no LSC funds were or will be used to pay the

former Executive Director in excess of the 45 days permitted in the grantee's approved policies and documentation of the cost allocation supporting the leave payment to the former Executive Director. As a result of the OIG notification and LSC management's responsive actions, approximately \$87,500 of LSC funds were redirected for another purpose.

Fraud Prevention Review Results in Regulatory Referral

During an FPR (see [Fraud Prevention Reviews](#)) conducted this reporting period, the OIG determined that an LSC grantee applied a portion of their annual LSC fund balance to employee end-of-year bonuses so that the grantee's LSC fund balance amount would not exceed the 10 percent threshold level.⁵ The grantee's Board of Directors approved the end-of-year bonuses and referred to them as "revenue sharing." The grantee also adopted an end-of-year bonus policy as a result of the Board of Director's approval.

The OIG referred the issue to LSC management to determine whether the grantee's bonus policy adhered to the requirements of Part 1628.⁶

During the reporting period, LSC determined that the grantee's bonus policy aligned with the requirements of Part 1628 and that employee end-of-year bonuses are allowable under Part 1630. LSC also determined that based on the OIG's input they would include new guidance in the LSC Financial Guide to "clarify that year-end bonus payments of this nature are allowable as an employee retention tool."

Fraud Prevention Review Results in Referral of Fiscal Management Concerns

During an FPR (see [Fraud Prevention Reviews](#)) conducted this reporting period, the OIG determined that due to the fiscal conditions at the grantee, the OIG could not ascertain if LSC funds were properly spent according to LSC regulations and policies.

The issues identified by the OIG included not complying with LSC special grant conditions in a timely manner; inability to provide evidence of proper allocation methods to support appropriate spending of LSC funds; lack of documentation to support purchases made using the grantee's credit cards; not paying credit card bills in a timely manner resulting in penalties

⁵ Exceeding this 10 percent threshold level requires LSC approval of a waiver to retain the fund balance, as outlined in 45 C.F.R. Part 1628 -- Recipient Fund Balances.

⁶ If LSC determined that the grantee did not adhere to Part 1628 requirements, the OIG requested that LSC consider whether the grantee's end-of-year bonuses for employees using LSC funds were allowable under 45 C.F.R. Part 1630 -- Cost Standards and Procedures.

and interest; and lack of documentation to support reimbursements made for employee travel, among other issues.

As a result of the issues encountered during the FPR, the OIG closed the FPR and provided a referral to LSC to determine the appropriate action necessary to address the issues identified at the grantee.

Administrative Referral Due to Potential Violation of LSC Grant Terms and Conditions

LSC Grant Terms and Conditions require grantees to notify the OIG Hotline within two business days, and before initiating any investigation, of discovering information indicating that the grantee may have been the victim of a loss as a result of “any willful misrepresentation or theft, fraud, misappropriation, or embezzlement, involving property, client funds, LSC funds, and/or non-LSC funds used for the provision of legal assistance.” An OIG investigation found that an LSC grantee may have violated LSC Grant Terms and Conditions by not reporting potentially fraudulent activity, with a financial loss, to the OIG in a timely manner. In addition, the grantee conducted its own investigation into the matter without notifying OIG in advance. Grantees should always contact the OIG before initiating any type of review of alleged wrongdoing, so as not to interfere with potential OIG investigative activities. Prompt reporting of potential fraud, waste, and abuse to the OIG is essential to ensuring an independent and accurate account of alleged misconduct.

The investigation found that the grantee did not report a financial loss totaling more than \$20,000 until 29 days after becoming aware of the loss and after the grantee had initiated and conducted its own internal investigation, including requesting and receiving repayment from the employee.

As a result, the OIG referred the potential violation of LSC Grant Terms and Conditions to LSC, recommending special grant conditions be placed on the grantee. LSC did not place special grant conditions on the grantee this year because they received the OIG referral after finalizing their 2025 funding decisions; LSC noted that they will reconsider placing special grant conditions on future funding to this grantee if a pattern of failure to timely report occurs.



Fraud Prevention Initiatives

The OIG maintains an active fraud prevention program, engaging in a variety of proactive

outreach and educational efforts. We regularly conduct Fraud Awareness Briefings (FABs) and Cybercrimes Awareness Briefings (CABs). In addition, we continued conducting FPRs (see [Fraud Prevention Reviews](#)). This period we also issued one OIG advisory and two fraud advisories to grantees. Fraud advisories are posted on our [website](#) 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.

During this reporting period, the OIG provided two FABs during FPR visits to two 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; we believe it is a useful tool to help in preventing and detecting fraud.

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 fraud.

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 187 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.

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 cyber-attacks and suggestions for responding to cyber-attacks.

During this reporting period, we provided two CABs during FPR visits at two LSC grantees. The recorded CAB is also posted on the [OIG's Cyber Security Resources webpage](#). The OIG continues to update its Cyber Security Resources webpage with resources produced by the OIG that inform grantees of pending cyber threats.

Fraud Prevention Reviews

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 reviews 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 grantees prevent fraud. The FPR focuses on fiscal and regulatory areas where the OIG 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.

Three FPRs were closed during this reporting period.

OIG Advisory on Wasteful Spending

Understanding and Preventing Wasteful Spending in Legal Services Corporation Operations and Grantee Programming

This reporting period, we issued an OIG advisory titled “Understanding and Preventing Wasteful Spending in Legal Services Corporation Operations and Grantee Programming” to LSC and grantees. The advisory was also posted on the OIG [website](#).

In the advisory, we called to the attention of LSC and its grantees a U.S. GAO publication that describes what wasteful spending is and how to avoid it. According to GAO, waste involves “incurring unnecessary costs due to inefficient or ineffective practices, systems, or controls.” We provided GAO’s key considerations about preventing wasteful spending such as: observance of policies and procedures personnel may prevent wasteful practices. The OIG

urged LSC and its grantees to take a proactive and thoughtful look at their policies and procedures to ensure that they are positioned to prevent wasteful spending.

Fraud Advisories

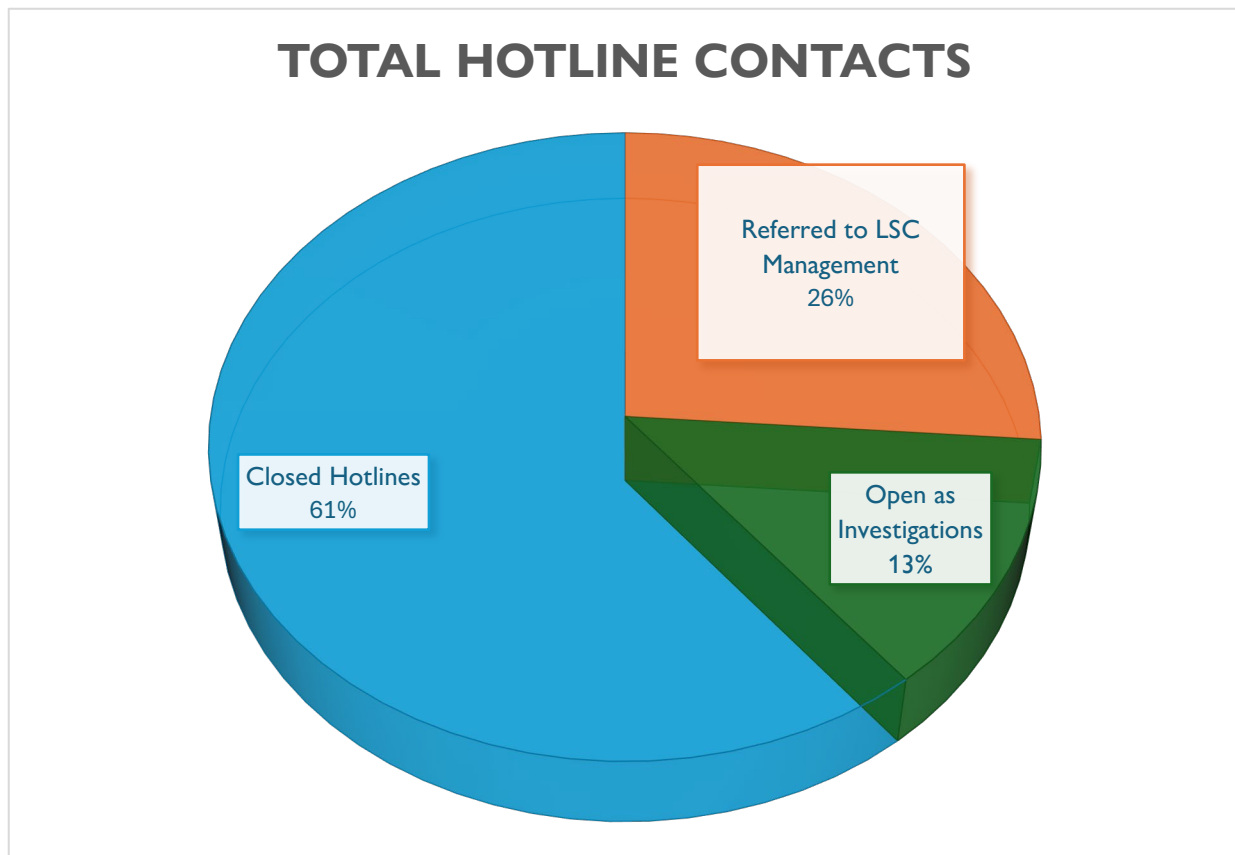
Fraud Advisory Title	Summary
Enhancing Awareness of Fraud Schemes Committed Against Veterans	<ul style="list-style-type: none"> • Recognized the work of LSC grantees with veterans' legal needs. • Described common fraud schemes and tactics that target veterans. • Provided best practices and resources to assist veterans and their advocates in avoiding becoming a victim of fraud schemes.
Avoiding Artificial Intelligence (AI) Fraud Schemes in Civil Legal Aid	<ul style="list-style-type: none"> • Acknowledged the numerous benefits Artificial Intelligence (AI) offers to the civil legal aid community. • Recommended that, as legal aid organizations begin to incorporate AI into their business operations, they become aware of the fraud and cyber risks posed by the use of AI. • Alerted grantees to certain types of AI cyber schemes such as deepfake, chatbot, and automated phishing attacks. • Provided grantees with guidance on how to combat AI-driven fraud and cyber risks such as educating and training staff and securing social media profiles and websites.

Hotline

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

anonymously. The Hotline is a powerful tool for combating fraud, waste, and abuse.

During this reporting period, the OIG received 107 Hotline contacts. Of these matters, we referred 28 to LSC management for follow-up, opened 14 as investigations, and closed the remaining 65.



Total: 107

Click the button below to contact the hotline:

[Report Fraud Waste and Abuse](#)



Statistical Summary⁷



Investigative Cases

32

Open at
beginning
of the
reporting
period

22

Opened
during the
reporting
period

27

Closed
during the
reporting
period

27

Open at
the end
of the
reporting
period

32

Investigative
reports
issued

Prosecutorial Activities

Persons referred to DOJ for criminal prosecution	1
Persons referred to state or local prosecuting authorities for criminal prosecution	1
Arrests or Criminal Complaints	1
Indictments/Informations	1
Convictions	1

Investigative Activities

Inspector General subpoenas issued	5
------------------------------------	---

Monetary Results

Recovery	\$3,019,557
LSC Funds Redirected	\$87,500
Referrals to LSC Management for Recovery Consideration	\$37,904

⁷ Data reflected in the statistical summary were compiled based on direct counts.

Other OIG Activities

Regulatory Advisory

We alerted LSC's Office of Legal Affairs to an inadvertent omission in the 2015 final rule, 45 C.F.R. Part 1628, Recipient Fund Balances. The omitted criteria provide guidance on what LSC must consider in deciding whether to grant a fund balance waiver.

As a result of our advisory, LSC management acknowledged the inadvertent omission and recommended that the Board's Operations and Regulations Committee prioritize rulemaking on Part 1628, in part to rectify the omission of the criteria.

Release of Newly Modernized LSC OIG Website

During this reporting period, the OIG launched a redesigned and modernized website, furthering our commitment to program integrity, accountability, transparency, and enhanced stakeholder engagement.

The website features a reorganized structure that improves usability and access to important information, including open audit recommendations, Semiannual Reports to Congress (SARs), our Strategic Plan, budget documents, reports, and advisories. It also showcases resources that support fraud prevention, such as guidance on cybersecurity and internal controls.⁸

Key improvements include:


- Simplified navigation and enhanced search functionality
- Optimized access across all devices, especially mobile
- Direct integration with Oversight.gov for automatic updates of reports and SARs.

The site continues to offer:

- A secure Hotline with an online reporting form
- A dedicated section for Independent Public Accountant who conducted required audits of LSC grantees, and
- Full compliance with Section 508 to ensure accessibility for individuals with disabilities.

⁸ The website now operates on a centralized platform provided by the Council of the Inspectors General on Integrity and Efficiency (CIGIE), delivering substantial cost savings and enhanced security. This move aligns us with other federal OIGs, ensures compliance with government security standards, reduces the risk of cyber threats, and minimizes downtime.

We invite all stakeholders to explore the new website at <https://www.oig.lsc.gov/> for timely, accessible, and user-friendly oversight information and to sign up for email notices of the availability of new OIG content. The new face of the OIG website is displayed below.




Office of Inspector General
Legal Services Corporation

REPORT FRAUD, WASTE, & ABUSE

About ▾ Reports & Publications ▾ Audit ▾ Investigations ▾ IPA Resources ▾ Contact ▾

Strategic Plan
2025 - 2027
[Read the Plan](#)



Recent Reports and Publications

March 6, 2025

[Avoiding Artificial Intelligence \(AI\) Fraud Schemes in Civil Legal Aid](#)

Report Number 25-0098-A-FA

INVESTIGATIONS

FRAUD ADVISORIES

CYBER SECURITY RESOURCES

March 4, 2025

[Audit on Selected Internal Controls at Lone Star Legal Aid](#)

Report Number AU 25-05

AUDITS

February 12, 2025

[Key Opportunities for Grantees to Strengthen Internal Controls: Summary of Audit Findings and Recommendations from Fiscal Years 2022 and 2023](#)

Report Number AU 25-04

AUDITS


December 9, 2024

[Performance Audit Report on SALA's LSC Grant Oversight and Compliance with LSC Grant Requirements](#)

Report Number AU 25-03

AUDITS


[VIEW ALL REPORTS](#)



Cyber Security Resources

The OIG has compiled resources developed to assist in preventing, detecting, and reporting cyber threats


[Read More](#)



Management Advisories and Special Products

The LSC OIG issues recommendations and suggested good practices to correct deficiencies and encourage improvements in the management of LSC's programs and operations

[Read More](#)



Submit a Financial Statement Audit

Independent Public Accountants click here to submit audit results.

[Submit](#)

SEMIANNUAL REPORT TO THE CONGRESS • OCTOBER 1, 2024 – MARCH 31, 2025

26

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 ⁹	Comments
Texas Rio Grande Legal Aid, Inc.	11/10/2022	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.	The OIG received a response from the grantee on March 31, 2024, and is working directly with the grantee to close this recommendation. ¹⁰
Northwest Justice Project	7/8/2024	1	Develop an allocation methodology that will ensure that all attorneys' fees are proportionately allocated to the fund in which the LSC grant is recorded in the same proportion that the amount of LSC funds were spent on a case or representation.	The OIG disagreed with the grantee's comments regarding this recommendation and referred it to LSC. LSC management is working with the grantee to resolve this recommendation. LSC management will notify the OIG upon resolution.
Northwest Justice Project	7/8/2024	3	Review all Law Schol Loan Reimbursement Assistance (LSLRA) reimbursements within the audit period (January 1, 2022 to May 31, 2023) to verify that the employees reimbursed were at the experience level 24 and below, per the CBA. Document the results and any deviations from the policy, including review and approval.	The OIG disagreed with the grantee's comments regarding this recommendation and referred it to LSC. LSC management is working with the grantee to resolve this recommendation. LSC management will notify the OIG upon resolution.

⁹ There are no qualified potential cost savings associated with these open recommendations.

¹⁰ While this recommendation was open at the close of the current SAR period, the OIG closed it on April 8, 2025 and will formally report the closure in the next SAR (for the period ending September 30, 2025).

Table I (continued)

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

Report Title	Date Issued	Recommendation Number	Recommendation ¹¹	Comments
Northwest Justice Project	7/8/2024	7	We recommend that the Executive Director notify and obtain approval from LSC for the purchase of 50 laptops exceeding \$25,000.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	8	We recommend that the Executive Director develop and implement a process for tagging capitalized property and equipment.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	9	We recommend that the Executive Director conduct a physical inventory of capitalized property and equipment as soon as possible, document the results, and do so at least every two years.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	10	<p>Update and implement contracting policies to include the following:</p> <ul style="list-style-type: none"> • requirements for sole source justification; • discouragement of automatically renewing contracts, when possible and if terms allow. If automatically renewing contracts are unavoidable, consider setting up automated reminders to periodically reevaluate contracts; • requirements for periodic re-competition of contracts, when appropriate; and • requirements for full documentation for each contract action, including the request for proposals, vendor selection and approval. 	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.

¹¹ 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 ¹²	Comments
Northwest Justice Project	7/8/2024	11	We recommend that the Executive Director implement a control to ensure only authorized cardholders have access to card information. In the event another staff member needs to use a credit card and the cardholder cannot make the purchase for them, adequate documentation should be maintained to show that the cardholder authorized the purchase and access to the card was limited.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	13	<p>We recommend the Executive Director update NJP's written policies for credit cards to include, at a minimum, the following:</p> <ul style="list-style-type: none"> • Guidelines on personal use and disallowed charges; • Guidelines on properly documenting any deviations from policy; • Restrictions on cash advances and ATM withdrawals; • Deadlines for providing supporting documentation; • Procedures for cardholders to review and acknowledge credit and purchase card policies. 	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.

¹² 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 ¹³	Comments
Northwest Justice Project	7/8/2024	14	We recommend that the Executive Director document the complete cost allocation process including the adjustments made to arrive at the final allocations for indirect costs.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	15	We recommend that the Executive Director enable distinct user access roles for the NJP accounting staff that are commensurate with their responsibilities to ensure adequate segregation of duties is maintained in the accounting software.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	16	We recommend that the Executive Director implement a process requiring dated approvals prior to expenses being incurred.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	17	We recommend the Executive Director establish a process to document advance approval for employee travel, and, if appropriate, set a threshold above which such approval must be documented and not only given verbally.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.
Northwest Justice Project	7/8/2024	18	We recommend that the Executive Director develop policies to ensure the timely disposition of outstanding checks.	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.

¹³ 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 ¹⁴	Comments
Northwest Justice Project	7/8/2024	19	<p>We recommend that the Executive Director ensure NJP's Accounting Manual (and, if applicable, Personnel Manual) is updated to include the grantee's processes surrounding the referenced criteria. This includes:</p> <ul style="list-style-type: none">• payroll procedure details,• roles/responsibilities,• frequency,• documentation requirements, and• review/approval requirements (including changes/adjustments).	Corrective action in process. The OIG is working directly with the grantee to close this recommendation.

¹⁴ 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
DNA People's Legal Services, Inc.	12/2/2024	\$2,574	\$0	\$0	N/A
Performance Audit on Southern Arizona Legal Aid, Inc.'s LSC Grant Oversight and Compliance with LSC Grant Requirements	12/9/2024	\$48,887	\$0	\$0	N/A
Performance Audit of LSC's Oversight of its Interest in Grantees' Real Property	11/4/2024	\$0	\$0	\$0	N/A
Lone Star Legal Aid	3/4/2025	\$438,032	\$0	\$0	N/A

Table II (continued)

Part B: Other Reports

Report Title	Date Issued	Description
Key Opportunities for Grantees to Strengthen Internal Controls: Summary of Audit Findings and Recommendations from Fiscal Years 2022 and 2023	2/12/2025	A special compendium report providing a summary and analysis of the findings and recommendations contained in the OIG’s internal control audit reports issued from October 1, 2021, through September 30, 2023.

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
Central Virginia Legal Aid Society, Inc.	12/23/2019	N/A	N/A	N/A	LSC Management closed the OIG referral for Recommendations 8, 9, and 16. The OIG concluded that LSC Management's actions did not sufficiently address these referrals. However, given that the referrals remained open for nearly five years and that ensuring appropriate follow-up is ultimately LSC Management's responsibility, the OIG accepted LSC Management's closure of Recommendations 8, 9, and 16.
Legal Services Vermont	1/11/2021	N/A	N/A	N/A	In response to the OIG's referral of Recommendation 1, LSC Management conducted a Remote Program Integrity and Cost Standards Review of the grantee. The OIG deemed this review and OCE's resulting report as addressing the OIG referral.

Table III (continued)

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
Legal Action Wisconsin	1/11/2024	\$8,534	N/A	N/A	<p>In response to the OIG's Questioned Costs referral, LSC Management obtained additional documentation from the grantee and determined a total of \$1,926 to be unallowable. The documentation provided by LAW in response to LSC Management inquiries indicated that the remaining questioned costs were charged to non-LSC sources, were properly allocated, or were immaterial.</p>

Table III (continued)

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
Legal Aid Foundation of Los Angeles	1/11/2024	\$217,461	N/A	N/A	<p>In response to the OIG's Questioned Costs referral, LSC Management performed its own investigation and determined that \$9,288 should be returned to the LSC funding line; the OIG verified LSC's calculations and agrees that the questioned costs should be reduced to: (1) \$7,785.33 for the overpayments to 17 grantee employees and (2) \$1,503 of payments attributable to the ineligible employee.</p> <p>Additionally, LSC management was eventually able to work with the grantee to reconcile the \$217,416 from the grantee's Law School Loan Reimbursement program spreadsheet to their general ledger. The OIG agrees with this closure based upon a review of the grantee's payment system reports obtained by LSC Management, which included the taxable portion of amounts in the general ledger, that were not provided to the OIG during the audit, and corroboration of those amounts with the non-taxable portion.</p>

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
Northwest Justice Project	7/8/2024	\$43,086	N/A

Table V

Index to Reporting Requirements of the Inspector General Act

IG Act Reference*	Reporting Requirement	Page
Section 404(a)(2)	Review of and recommendations regarding legislation and regulations.	None
Section 405(a)(1)	Significant problems, abuses, and deficiencies; recommendations for corrective action.	3-7, 15-19
Section 405(a)(2)	Recommendations made before the reporting period for which corrective action has not been completed.	28-32
Section 405(a)(3)	Significant investigations closed during the period.	14
Section 405(a)(4)	Number of convictions during the period resulting from investigations.	24
Section 405(a)(5)	Information on audit and other reports: questioned costs, unsupported costs, funds to be put to better use, and if management decision made.	33-34
Section 405(a)(6)	Information on management decisions during period re reports issued during prior period.	35-37
Section 405(a)(7)	Information per FFMIA §804(b).	None
Section 405(a)(8)-(10)	Information regarding peer reviews.	27
Section 405(a)(11)-(12)	Statistical table showing numbers of investigative reports, persons referred for prosecution, and indictments/information resulting from prior referrals.	24
Section 405(a)(13)	Investigations involving senior employees where allegations of misconduct are substantiated.	None
Section 405(a)(14)	Instances of whistleblower retaliation.	None
Section 405(a)(15)	Attempts by the establishment to interfere with OIG independence.	None
Section 405(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

🌐 OIG.LSC.GOV/OIG-HOTLINE

📞 800-678-8868

SCAN QR CODE WITH YOUR
PHONE CAMERA FOR DETAILS