

PERFORMANCE AUDIT OF THE LEGAL SERVICES CORPORATION'S ADMINISTRATION AND OVERSIGHT OF DISASTER GRANTS

FINAL AUDIT REPORT



OFFICE OF INSPECTOR GENERAL

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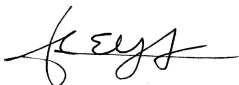
LEGAL SERVICES CORPORATION

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MEMORANDUM

TO: Ronald S. Flagg
President, Legal Services Corporation

FROM: Thomas E. Yatsco, 
Inspector General

DATE: July 28, 2025

SUBJECT: Performance Audit of LSC's Administration and Oversight of Disaster Grants

Enclosed is the final report of the Performance Audit of the Legal Services Corporation's (LSC's) Administration and Oversight of Disaster Grants. The Office of Inspector General (OIG) contracted with Sikich CPA LLC (Sikich) to conduct the audit. Appendix A of the final report includes LSC's comments to the draft report in their entirety.

Sikich is responsible for the attached audit report and the conclusions expressed in this report. We do not express an opinion on the conclusions presented in the audit report; however, to fulfill our contract monitoring responsibilities, we:

- Reviewed the approach to and planning of the audit;
- Evaluated the qualifications and independence of the auditors;
- Monitored the progress of the audit at key points;
- Coordinated periodic meetings, as necessary;
- Reviewed the draft and final audit reports; and
- Coordinated the issuance of the audit report.

Sikich made five recommendations in the report. Sikich's evaluation of LSC management's comments and responses to the recommendations can be found on pages 10-11. Appendix D of the report includes the OIG's evaluation of LSC's responses to the recommendations.

The OIG considers the proposed actions to Recommendations 1-4 to be fully responsive and closed those recommendations. The OIG considers the proposed actions to Recommendation 5 to be responsive; however, Recommendation 5 will remain open until it is completely addressed, and the OIG is provided with supporting documentation.

To close this recommendation, please send us the response, along with supporting documentation, within six months of the date of the final report. We thank you and your staff for your cooperation and expect to receive your submission by January 28, 2026.

If you have any questions, please contact Roxanne Caruso at (202) 997-2260 or rcaruso@oig.lsc.gov. We appreciate the courtesy and cooperation extended to the Sikich Audit Team and the OIG during the audit.

Enclosure

Cc: Lynn Jennings
Vice President for Grants Management

Lora Rath
Director, Office of Compliance and Enforcement

LSC Board of Directors



Executive Summary

Performance Audit Report of the Legal Services Corporation's Administration and Oversight of Disaster Grants

The Office of Inspector General (OIG) contracted with Sikich CPA LLC (Sikich) to conduct a performance audit of the Legal Services Corporation's (LSC) Administration and Oversight of Disaster Grants.

Objective

The objective was to identify and report on any gaps that existed in LSC's policies, processes, fraud prevention activities, guidance, monitoring, and tracking mechanisms related to the administration of disaster grants. The audit was performed in accordance with Generally Accepted Government Auditing Standards.

AUDIT RESULTS

LSC has periodically received federal funds in supplemental appropriations that enabled it to distribute disaster funds for grantees that serve areas impacted by federally declared natural disasters. Sikich identified inconsistencies, gaps, and areas of improvement in LSC's disaster grants guidance and made recommendations to address these items which included:

- Prepare and implement documented policies or procedures for the administration of disaster grants.
- Correct inconsistencies found in currently published guidance.
- Provide additional disaster grant training for LSC grantees.

RECOMMENDATIONS

Sikich included five recommendations. These recommendations are intended to close disaster grant administration gaps and to clarify and strengthen LSC's internal policies and external guidance for disaster grants.

MANAGEMENT RESPONSE

LSC responded to the draft report on June 6, 2025, within the timeframe specified by the OIG. LSC management partially agreed with two recommendations and agreed with three recommendations. Subsequently, on July 1, 2025, LSC provided additional information which the OIG considered in our evaluation of their response. The OIG considered LSC's response and additional information to be fully responsive and closed Recommendations 1, 2, 3, and 4. The OIG considers LSC's response to Recommendation 5 to be responsive; this recommendation will remain open until the OIG receives sufficient supporting documentation as outlined in Appendix D. LSC management's response is included in its entirety in Appendix A.

Mr. Tom Yatsco
Inspector General
Office of Inspector General
Legal Services Corporation
1825 I (Eye) St., NW
Suite 800
Washington, DC 20006

July 22, 2025

Dear Mr. Yatsco,

Sikich CPA LLC (herein referred to as “we”) conducted a performance audit to assess the Legal Services Corporation’s (LSC’s) administration and oversight of disaster grants awarded with federally appropriated funds. We performed the audit in accordance with our Statement of Work for Task Order 3, dated April 4, 2024, and modified on September 19 and December 19, 2024. Our report presents the results of the audit and includes recommendations to help improve LSC’s award, monitoring, and close-out of disaster grants.

We conducted this performance audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States (2018 Revision, as amended). Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

This report is intended solely for the use of the LSC Office of Inspector General (OIG) and LSC management and is not intended to be, and should not be, relied upon by anyone other than these specified parties.

We appreciate the opportunity to have conducted this audit. Should you have any questions or need further assistance, please contact us at (703) 836-6701.

Sincerely,

Sikich CPA LLC

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BACKGROUND

The Legal Services Corporation (LSC) operates as an independent 501(c)(3) nonprofit corporation that promotes equal access to justice and provides grants for civil legal assistance to low-income Americans. LSC receives about 99 percent of its funding through federal government appropriations and distributes more than 90 percent of its funding to 130 independent nonprofit legal aid programs (grantees) with more than 800 offices. In addition, LSC periodically receives federal funds in supplemental appropriations that enabled it to distribute disaster funds for grantees that serve areas impacted by federally declared natural disasters.¹

LSC is required by federal law to have an independent Office of Inspector General (OIG). The LSC OIG has two principal missions: (1) to assist management in identifying ways to promote efficiency and effectiveness in the activities and operations of LSC and its grantees, and (2) to prevent and detect fraud, waste, and abuse. The OIG's primary tools for achieving these missions are fact-finding through financial, performance, and other types of audits, evaluations, and reviews, as well as investigations into allegations of wrongdoing. The LSC OIG may also hire contractors to provide these services and, in this case, engaged Sikich CPA LLC (herein referred to as "us" or "we") to conduct a performance audit of LSC's administration and oversight of disaster grants awarded with federally appropriated funds.

LSC's Office of Program Performance (OPP) is responsible for administering LSC's Disaster Grant Program which provides funds to LSC grantee organizations for (1) services for survivors of government-declared disasters and emergencies or (2) coordination of resiliency efforts for future natural disasters. Grants within this program are subject to LSC Special Grants Terms and Conditions and can be funded through federal funding (including returned funds from LSC's Basic Field Grants) or private funding. Specifically, LSC issues two disaster grant types with federally appropriated funds relevant to this audit:

- **Disaster Supplemental Appropriation (DSA) Grants:** DSA grants are disaster recovery grants awarded after a major disaster declaration by the Federal Emergency Management Agency (FEMA) to support current LSC grantees in assisting low-income individuals affected by hurricanes, earthquakes, wildfires, or other extreme weather events during a particular year or years. DSA grant eligibility is set by the terms of the congressional supplemental appropriation that funds the DSA; however, if a major disaster declaration includes a portion or all of a current LSC Basic Field Grantee's service area during the year or years that the DSA funds are available, the grantee is likely eligible for a DSA grant. LSC may also award DSA grants to current LSC grantees

¹ As of the date of this report, LSC last received supplemental disaster funds in the Disaster Relief Supplemental Appropriations Act, 2023, enacted on December 29, 2022 (Pub. L. No. 117-328).

that experience a surge of disaster survivors relocating into their service areas, or that have significant experience in disaster legal services to enable them to provide mentorship services to other DSA grantees. DSA grants have two funding categories:

- **Project Grants:** Project grants are available to current LSC Basic Field Grantees to provide funding for activities and expenses related to the consequences of hurricanes, wildfires, earthquakes, and other extreme weather. Additionally, beginning in 2022, LSC Basic Field Grantees may also apply for a project grant to provide mentorship services to other LSC grantees serving disaster survivors.
- **Incurred Costs Grants:** Current LSC Basic Field Grantees may apply for Incurred Costs Grants to request reimbursement for costs incurred in response to an eligible disaster if the costs are related to the consequences of hurricanes, wildfires, earthquakes, and other extreme weather that occurred during a specific calendar year.
- **Disaster Relief Emergency Grants (DREGs):** DREGs are disaster response grants funded through returned Basic Field Grant funds that are awarded after U.S. government-declared emergencies, including those declared by state governors or tribal governments. DREGs provide funding to current LSC grantees to support the surge in demand for legal aid following a disaster and aid grantees in repairing damage that the grantee's office sustained because of the disaster.

LSC OPP's Disaster Grants team, which oversees the DSA Grants and DREGs, is responsible for: updating LSC's Special Grant Terms and Conditions annually; executing all steps of the disaster grant award cycle; making program visits and providing technical assistance to grantees; reviewing grantee program progress reports and payment requests; and processing grant closeouts. Since 2023 OPP has been continually updating its Special Grants policies and procedures for overseeing and monitoring grantees that received special and disaster grants. In May 2024, OPP provided us with *Chapter 7. Special Grant Programs* of the draft *OPP Procedures Manual* as well as the draft *Disaster Grant Programs Supplementary Procedures*, which govern how the Disaster Grants team administers DSA Grants and DREGs. Additionally, OPP provided a final copy of the *OPP Procedures Manual* in December 2024, to be effective January 1, 2025. As of January 1, 2025, OPP was still finalizing its *Disaster Grants Program Supplementary Procedures*. OPP did not provide an estimated completion date for the supplementary procedures.

LSC's Office of Compliance and Enforcement (OCE) is responsible for monitoring grantees' compliance with Disaster Grant regulations. OCE's primary responsibilities relevant to DSA Grants and DREGs include performing pre-award reviews of grantee fringe benefits and indirect costs; conducting mid-term desk reviews of grantee policies, timekeeping, costs, and internal controls; and completing grant closeout desk reviews. In September 2024, OCE

finalized its *OCE Policy and Procedures Manual*, effective January 1, 2025, which governs how OCE conducts oversight of the Disaster Grant Program.

AUDIT SCOPE AND OBJECTIVES

The scope of this performance audit included reviewing policies LSC had published as of January 1, 2025² relevant to the administration and oversight of federally appropriated disaster grants.³

The objective of this performance audit was to identify and report on any gaps that existed in LSC's documented policies, processes, guidance, monitoring, fraud prevention activities, tracking mechanisms, and other structures related to the administration and oversight of disaster grants. This included all aspects of disaster grant management, including grant award, monitoring, and close-out.

To achieve these objectives, we:

- Gained an understanding of LSC's administration and oversight of disaster grants, including its organizational structure, responsibilities, and activities.
- Reviewed applicable LSC regulations and guidelines.
- Reviewed and assessed LSC policies and procedures pertaining to disaster grant awards administration and closeout.
- Reviewed the results of the LSC OIG's past audits and reviews of disaster funding.
- Assessed audit risks identified through interviews, reviews of prior audit reports, and analyses of LSC-provided documentation.
- Conducted virtual interviews with LSC personnel, based in Washington, DC, responsible for grant administration and grant oversight.
- Researched disaster grants guidance and reports from FEMA, the United States Government Accountability Office (GAO), Government Financial Officers Association (GFOA), and Pandemic Response Accountability Committee (PRAC) to identify and assess best practices.
- Developed observations and recommendations to address potential areas for improvement.

² Although the original audit scope involved evaluating LSC's policies effective as of April 4, 2024, our audit scope was expanded to include policies published as of January 1, 2025, because LSC published updated policies relevant to its administration and oversight of disaster grants effective January 1, 2025.

³ The federally appropriated disaster grants included within the scope of this engagement include the 2020-2021 DSA Grants; 2022 DSA Grants; and the 2023 DREGs.

This performance audit was designed to meet the objectives identified in the Objectives, Scope, and Methodology section of this report ([Appendix B](#)). We conducted this performance audit in accordance with *Government Auditing Standards*, referred to as Generally Accepted Government Auditing Standards (GAGAS), issued by the Comptroller General of the United States.

AUDIT RESULTS

LSC does not currently have a comprehensive set of documented policies or procedures for the administration and oversight of disaster grants. Rather, LSC has been revising its policies and procedures manual and developing supplementary procedures for disaster grants since 2023.

As a result, we identified the following inconsistencies, gaps, and/or areas for improvement in OPP and/or OCE guidance that present opportunities for LSC to improve its documented policies, processes, guidance, monitoring, fraud prevention activities, tracking mechanisms, and other structures related to the administration and oversight of disaster grants.

- LSC should update and clarify its current and draft disaster grant guidance (Observation 1).
- LSC should provide additional disaster grant training to grantees (Observation 2).

We provided LSC with a total of five recommendations to strengthen its documented policies, processes, guidance, monitoring, fraud prevention activities, tracking mechanisms, and other structures related to the administration and oversight of disaster grants ([Appendix C](#)).

We communicated our audit results and our recommendations to LSC and the LSC OIG. We have included LSC's response to this report as [Appendix A](#).

OBSERVATION 1: LSC SHOULD UPDATE, CLARIFY, AND FINALIZE ITS DISASTER GRANT GUIDANCE

In our review of the application instructions for the 2020-2021 DSA grants, the 2022 DSA grants, the 2023 DREGs, LSC Program Letter 21-01, the *OCE Policy and Procedures Manual*, the *OPP Procedures Manual*, and OPP's draft *Disaster Grants Program Supplementary Procedures*, we identified areas where LSC should update, clarify, and finalize its disaster grant guidance to better document its internal control responsibilities.⁴

⁴ See GAO's *Standards for Internal Control in the Federal Government*, Principle 12 – Implement Control Activities.

LSC Should Clarify and Finalize Guidance Included in its Draft Disaster Grants Program Supplementary Procedures

Although OPP has been updating its *Disaster Grants Program Supplementary Procedures* since 2023, it has not yet finalized this publication. Specifically, although OPP provided a copy of the draft *Disaster Grant Programs Supplementary Procedures* in May 2024, it noted that it is still finalizing this document and did not provide an estimated completion date (that is, a document that is signed and dated by a senior management official, with an effective date). In addition to this guidance not yet being finalized, we also noted that it is incomplete, unclear, or could be more detailed or robust, as follows:

- Section 2.2.2, *DSA Grant Activities* states, “Funds from these grants cannot be used for disaster preparedness activities for future disasters (disaster resiliency), except insofar as funded activities undertaken to respond to the listed disasters will have continuing value in preparing for and responding to future disasters.” However, the list of activities that could be considered eligible per LSC’s *Disaster Grants Program Supplementary Procedures* includes many activities that appear to relate to preparing for rather than responding to disasters. Examples include upgrading a Case Management System (CMS), designing a disaster legal services website, developing new CMS modules, and updating continuity of operations plans (COOPs).
 - We noted that the activities listed in the 2022 LSC DSA Frequently Asked Questions (FAQs) document⁵ lists activities more directly tied to disaster response than the general examples in LSC’s *Disaster Grants Program Supplementary Procedures*.
- Section 2.2.7, *DSA Incurred Cost Grants*, states, “The eligible costs time period [for DSA Incurred Cost grants] is different from the Incurred Costs grant term, which is six months,” but does not provide a reason for this difference.
- Section 4.4.1, *Disaster Relief Emergency Grant Model Program Performance Goals, Objectives, and Milestones*, include a placeholder stating “[Model Performance Plan document is in progress.]”
- Section 5, *Disaster Grant Program Grant Administration*, is not clear as to whether the procedures described apply to both project grants and incurred costs grants.
- Section 5.4, *Contracts and Subgrants*, include a placeholder stating “[Will be updated upon completion of the revised OPP Manual in 2024.]”
- Section 5.5.1.3, *Progress Report Purpose and Review*, states that the Disaster Grants Program Counsel/Officer has 30 business days to review grant progress reports. However, a prior section, Section 5.2.3, *Payment Request Review Process*,⁶ states that the

⁵ See 2022 Disaster Supplemental Appropriation Grant Funding FAQs.

⁶ The LSC *Working Draft-Disaster Supplementary Procedures* has two sections labeled 5.2.3.

Disaster Grants Program Counsel/Officer should approve the reports within the first calendar month following submission.

- Section 5.8, *OCE Desk Reviews*, does not appear to be complete. It introduces but does not describe the detailed procedures that OCE will perform during its desk reviews, nor does it include references to where the procedures can be found in the OCE *Policies and Procedures Manual*.
- Section 5.10, *Grant Close Out Procedures*, does not include any procedures for assessing issues identified during OCE's midterm desk review or standards for evaluating whether a final desk review is acceptable. Additionally, this section does not describe the detailed procedures that the Disaster Grants team performs during the close-out period.
- Section 5.10.2.1, *Failure to Provide Timely Documentation*, was labeled as "TBD."
- Section 5.10.5, *GrantEase Closeout*, does not include any procedures to assess issues identified in OCE's midterm desk review or determine whether a final desk review is appropriate. Additionally, this section does not describe the detailed procedures that the Disaster Grants Team performs in different closeout scenarios such as Normal Closeout, Closeout with Reduced Last Payment, etc.
- Section 10.11.2, *Disaster Grant Funding Opportunity Awards*, includes placeholders that the procedures are "(in process)" and to [Enter description when complete]."
- Section 12.0, *Disaster Grant Files on Box*, and Section 13.0, *Disaster Grants Program and Disaster Team Strategic Planning*, includes placeholders that the procedures are "[TO BE ADDED]."
- Although several sections discuss the Legal Aid Disaster Resource Center (LADRC)—specifically, Section 8.0, *Disaster Grant Program Resources*; Section 10.11, *The Legal Aid Disaster Resource Center*; Section 11.2, *Initial Outreach*; Section 8.3.1, *LADRC Updates*; and Section 8.3.2, *LADRC Newsletter*—the draft *Disaster Grants Program Supplementary Procedures* document does not contain any procedures to address the requirement for grantees to provide project materials to the LADRC in accordance with Section III.C of the LSC Special Grant Terms and Conditions. This section requires grantees with DREGs to ensure that any materials they develop under the special grant are included on the LADRC website by providing these materials to the LSC special grant staff member assigned to the special grant.

LSC Should Consider Incorporating Best Practices for Effectively Administering Federally Funded Disaster Grants

We compared the policies and procedures documented in LSC's current disaster grant guidance to the best practices recommended by other organizations with expertise in dealing with federally funded disaster grants. To better ensure effective administration and oversight of disaster grants, LSC should consider adopting the following:

- GFOA's *Disaster Recovery Cost Documentation* best practices recommend requiring project debriefs at the conclusion of a disaster event that LSC's policies and procedures do not currently address. Specifically, although Section 5.04 of the final *OPP Procedures Manual, Special Grant Funding Cycle* mentions a debrief of the prior funding cycles as a new funding cycle preparation task, the manual does not include any procedures requiring the grantee to provide a project debrief at the conclusion of a funding cycle to help identify issues that may require LSC to update its policies and procedures so it can be better prepared for the next event.

LSC Should Clarify its Disaster Grant Application Instructions

The application instructions related to personnel expenses for the 2020-2021 DSA grants, the 2022 DSA grants, and the 2023 DREGs differed from the guidance LSC issued in its Program Letter 21-01. Specifically, the disaster grants application instructions describe personnel expenses as including salaries and fringe benefits and state, "Holidays, leave, and other similar vacation benefits are not included in the fringe benefit rate and should be calculated as part of Salaries/Wages." This differs from the definition included in Program Letter 21-01, which states, "Entities applying for or receiving special grants should follow their normal accounting practices for both indirect and direct costs associated with special grants." Prior to this program letter, LSC did not permit grantees to charge indirect costs to most special grants; however, the program letter implies that if a grantee normally includes holidays, leave, and other indirect costs in its indirect cost pool, it should continue to do so in its disaster grant proposal. The OIG also identified this issue during a review of the application instructions for the 2020-2021 DSA grants as part of its audit of an LSC grantee.⁷

LSC Should Update OCE's Policies and Procedures Manual Related to Monitoring Disaster Grants

As a result of the updates to the *OPP Procedures Manual*, effective January 1, 2025, the final *OCE Policies and Procedures Manual*, which was completed before the *OPP Procedures Manual* was finalized, contains references to sections of the *OPP Procedures Manual* that no longer exist. Specifically:

- Section 4.2, *OCE Box Files Structure*, references Section 6.16 of the *OPP Procedures Manual* but the section no longer exists.
- Section 5.4, *Fiscal Desk Reviews of Special Purpose Grant Applications and Awards*, references Section 7.3.2 of the *OPP Procedures Manual* but the section no longer exists.
- Section 7.7, *Capability Assessment Visits*, references Section 6.1.6 of the *OPP Procedures Manual* but the section no longer exists.

⁷ Refer to the Disaster Grant Finding and Recommendations beginning on page 4 of this report, [Audit on Selected Internal Controls at Lone Star Legal Aid | Legal Services Corporation OIG](#).

Observation 1 Conclusion

LSC's incomplete disaster grants procedures and the discrepancies in the *OCE Policies and Procedures Manual*—as well as between the disaster grant application instructions and the OCE guidance—may impact LSC's ability to effectively administer disaster grants. If LSC does not update its policies and procedures, it will lack clear guidance on administering disaster grants and LSC staff responsible for performing oversight and monitoring functions may not fully understand or complete their duties.

Observation 1 Recommendations

We recommend that LSC:

1. Update the *OPP Procedures Manual* and the *Disaster Grants Program Supplementary Procedures* to incorporate the recommended GFOA best practice regarding project debriefs.
2. Ensure that the final *Disaster Grants Program Supplementary Procedures* document addresses the sections that were incomplete in the draft procedures and aligns the eligible activities guidance with LSC's DSA FAQs. Additionally, if the final version of the guidance omits any sections identified as incomplete in the draft procedures, inquire with OPP to obtain an explanation for the deletion.
3. Clarify the discrepancies between the DSA grant and DREG application instructions and Program Letter 21-01; communicate the correct guidance to grantees receiving disaster grants.
4. Ensure that OCE updates its Policies and Procedures Manual to include accurate references to the *OPP Procedures Manual*.

OBSERVATION 2: LSC SHOULD PROVIDE ADDITIONAL DISASTER GRANT TRAINING TO GRANTEES

On October 2, 2024, precipitated by Hurricane Helene, LSC President Ronald Flagg e-mailed grantees, identifying guidance on preparing for and responding to natural disasters. One aim of this e-mail was to ensure grantees would be prepared to appropriately apply for and manage disaster grants if LSC received supplemental federal appropriations.

However, LSC lacks comprehensive guidance and training for grantees relevant to managing disaster grants. OPP has included some guidance regarding best practices for administering disaster grants within the final *OPP Procedures Manual* and its draft *Disaster Grants Program Supplementary Procedures*; however, it has not developed grantee training specific to the

administration and oversight of disaster grants.⁸ Grantees are more likely to appropriately administer disaster grants if they are trained on how to prepare for and respond to disasters. LSC should provide additional training, prior to awarding future disaster grants, in the following disaster-grant-related areas:

- **Tracking disaster-related cases and expenses.** This training should include how grantees (especially those applying for future incurred cost awards) should establish separate codes in the case management and general ledger accounting and timekeeping systems and should address the requirements for procuring disaster-related goods and services and for documenting disaster-related costs.
- **Preparing for pro-bono responses.** This training should involve providing best practices for (1) establishing a system that can appropriately track attorneys who reach out for pro-bono opportunities, (2) setting up a response form that captures volunteer contact information, and (3) providing attorneys with a list of disaster legal issues and expectations.
- **Conducting outreach and building relationships with the disaster response community.** This training should involve recommending methods for reaching out to local and state governments, non-profit organizations, faith-based, and other organizations that provide disaster relief to coordinate and inform them of services for individuals affected by a disaster.
- **Preparing continuity of operations plans (COOPs).** This training should provide grantees with guidance on how to prepare an updated COOP and how to properly provide staff training on COOP contents, post-disaster operations, and decision-making protocols. Additionally, the training should include:
 - best practices for staff communication methods,
 - strategies for client and public outreach, and
 - instructions for developing templates that can be quickly and easily updated after a disaster strikes.

Observation 2 Conclusion

Prior to awarding disaster grants funded by future federal appropriations, LSC should develop and provide comprehensive training for grantees to assist them in preparing for future disasters. Without additional training, LSC grantees may not effectively prepare to respond to future disasters and be prepared to ensure appropriate management of LSC funding.

⁸ See GAO's *Standards for Internal Control in the Federal Government, Principle 4 – Demonstrate Commitment to Competence*.

Observation 2 Recommendations

We recommend that LSC:

5. Prior to awarding future disaster grants with federally appropriated funds, develop and provide training to grantees on best practices for disaster grants.⁹ This training should include guidance on tracking disaster-related cases and expenses, preparing for pro-bono responses, conducting outreach and building relationships with the disaster response community, and preparing COOPs.

SIKICH CPA LLC SUMMARY OF LSC MANAGEMENT COMMENTS

LSC responded to the draft performance audit report via e-mail on June 6, 2025. LSC's response includes detailed responses and clarifications addressing each audit report recommendation. LSC agreed with three recommendations and partially agreed with two recommendations. We have summarized our evaluation of LSC's response, included in [Appendix A](#) below.

Auditor Evaluation of LSC Management Comments

LSC management indicated that it agreed with Recommendations 2, 3, and 4 and that it partially agreed with Recommendations 1 and 5. We consider LSC's management's comments to all recommendations as responsive to the audit report and noted the following with respect to the recommendations where LSC only partially agreed:

- **Recommendation 1:** LSC partially agreed with this recommendation, agreeing to implement project closing debriefs, but disagreeing that it should be required to include an emergency/disaster clause in grantee contracts, as originally recommended. As we agreed that LSC does not need to add the emergency/disaster clause in grantee contracts based on our review of LSC's response, we updated Recommendation 1 to remove that portion of the recommendation.
- **Recommendation 5:** LSC partially agreed with this recommendation, agreeing that more targeted online training would be beneficial, but disagreeing that LSC does not offer grantee training specific to the administration and oversight of disaster grants. As LSC agreed that additional online training relevant to tracking disaster-related cases and expenses, preparing for pro-bono responses, conducting outreach and building relationships with the disaster response community, and preparing COOPs would be beneficial, we did not update this recommendation. However, we did add language to

⁹ Recognizing that LSC Program Letter 25-2 requires grant recipients to separately track any Basic Field Grant funds used to provide "surge support" to different service areas, similar to tracking costs for separate funding such as an LSC disaster grant, we encourage LSC to provide updated grant expense tracking guidance and training as soon as possible.

the observation to clarify that LSC lacks comprehensive guidance and training for grantees relevant to managing disaster grants.

Auditor Evaluation of LSC Management Responses to Recommendations

The audit team considers LSC's proposed in-progress actions to implement Recommendations 1-5, documented within its Recommendation Tracking spreadsheet, as responsive to the audit observations.

The LSC OIG reviewed the Recommendation Tracking spreadsheet and the supporting documentation submitted to determine whether the five recommendations will remain open or whether any can be closed. The LSC OIG's evaluation is in [Appendix D](#).

Sikich CPA LLC

July 22, 2025

APPENDIX A: LSC's RESPONSE



June 6, 2025

Tom Yatsco
Inspector General
Office of Inspector General
Legal Services Corporation
1825 I ("Eye") Street NW, Suite 800
Washington, DC 20006

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Julie A. Reiskin
Denver, CO

Gloria Valencia-Weber
Albuquerque, NM

Dear Tom:

We appreciate the thorough review and constructive recommendations provided in your recent audit. This letter serves as our formal response, outlining our actions and commitments in addressing each recommendation detailed in your report.

Enclosed, you will find a comprehensive Recommendation Tracking form, which includes detailed responses and clarifications addressing every recommendation provided by the OIG. This document demonstrates our commitment to transparency, accountability, and continuous improvement in our operational practices.

We have also included the most current versions of our operational guidance documents:

- Office of Program Performance (OPP) Procedures Manual (June 2025)
- Office of Compliance and Enforcement (OCE) Procedures Manual (May 2025)
- Disaster Grants Operating Guide (supplementary procedures for the disaster program)

The Disaster Grants Operating Guide specifically responds to audit findings concerning our disaster program by clearly articulating enhanced procedures, roles, responsibilities, and accountability measures. The enclosed table further highlights key improvements implemented by our Disaster Team directly addressing your recommendations. This structured approach ensures our disaster grants management continues to align with best practices and maintains compliance with relevant regulations and standards.

The Disaster Grants program plays a vital role in helping communities across the country recover from hurricanes, wildfires, floods, and other emergencies. These grants support legal aid organizations that assist low-income individuals facing urgent issues like the loss of housing, income, vital documents, and access to benefits following disasters. LSC's Disaster Grants have helped survivors stabilize their lives,

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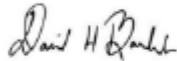
prevent homelessness, and resolve complex legal challenges that often arise in the wake of a crisis. In recent years, these funds have enabled legal aid organizations to deploy mobile units, expand remote services, and partner with local response efforts—extending critical civil legal services to people when and where they need them most.

We remain committed to maintaining a strong internal control framework and to continuously improving our practices based on the insights gained from this audit. We will keep you informed of our progress as we implement the improvements outlined in the attached documentation.

Should you require additional information or further clarification, please do not hesitate to contact me directly.

Thank you again for your team's diligent review and recommendations.

Sincerely,



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Updates to Disaster Grant Operating Guide and Other Disaster Team Resources

June 2025

This **Disaster Grants Operating Guide** (formerly the Disaster Supplementary Procedures Draft) is designed to complement and expand on the policies in the Office of Program Performance (OPP) Procedures Manual, particularly Part V (Special Grant Programs). While the OPP Manual sets the governing rules, this guide translates those rules into day-to-day instructions for the Disaster Team and provides additional operational guidance necessary for managing our work. The team settled on the 'Operating Guide' terminology as the best way to describe the interplay between the OPP Manual and the expanded policies and procedures.

The table below addresses each of the items identified in the OIG audit and how they have been incorporated into the OPP Manual, the Disaster Grants Operating Guide, or other resources. All references in LSC's responses below are to the Disaster Operating Guide, unless otherwise noted.

OIG Audit Item	LSC Response
Section 2.2.2, DSA Grant Activities states, "Funds from these grants cannot be used for disaster preparedness activities for future disasters (disaster resiliency), except insofar as funded activities undertaken to respond to the listed disasters will have continuing value in preparing for and responding to future disasters." However, the list of activities that could be considered eligible per LSC's Disaster Grants Program Supplementary Procedures includes many activities that appear to relate to preparing for, rather than responding to disasters. Examples include upgrading a Case Management System (CMS), designing a disaster legal services website, developing new CMS modules, and updating continuity of operations plans (COOPs).	<i>Section 2.02(a) The "Related to the Consequences" Requirement (DSA)</i> has been revised to remove the list of activities identified as general examples raising concerns. They have been replaced with a reference and link to the listed activities in Questions 13 and 21 of the 2022 LSC DSA <i>Frequently Asked Questions (FAQs)</i> identified as more directly tied to disaster response.
We noted that the activities listed in the LSC DSA Frequently Asked Questions (FAQs) lists activities more directly tied to disaster response than the general examples in LSC's Disaster Grants Program Supplementary Procedures.	

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OIG Audit Item	LSC Response
Section 2.2.7, <i>DSA Incurred Cost Grants</i> , states, “The eligible costs time period [for DSA incurred cost grants] is different from the Incurred Costs grant term, which is six months,” but does not provide a reason for this difference.	Section 2.01(b), <i>Disaster Supplemental Appropriation (DSA) Funding Opportunities</i> now explains that, once awarded, incurred cost grants include an additional six-month term allowing LSC to receive proper documentation and close out the grant. This term is distinct from the grantee’s performance period eligible for reimbursement, which begins on the day of the disaster and continues until the commencement of the LSC project grants. Grantees are not reimbursed for program costs incurred during this six-month administrative period—they would need a project grant to cover those costs. The six-month period serves solely as an administrative timeframe enabling LSC and the grantee to finalize and close out the incurred cost grant after it has been awarded.
Section 4.4.1, <i>Disaster Relief Emergency Grant Model Program Performance Goals, Objectives, and Milestones</i> , include a placeholder stating “[Model Performance Plan document is in progress.]”	The Model Performance Plan document for the Disaster Relief and Emergency Grant (DREG) program is now complete. A link to the document is included in Section 3.04(a), <i>DREG Model Performance Plans</i> . The plan provides guidance for each major component of the project plan and is available for OIG to access via the link.
Section 5, <i>Disaster Grant Program Grant Administration</i> , is not clear as to whether the procedures described apply to both project grants and incurred costs grants.	Section 4.03, <i>Incurred Cost Grant Administration 7 Closeout</i> makes clear that incurred cost grants (ICGs) are governed generally by the LSC Special Grant Terms and Conditions and Part 5 (Special Grant Funding Cycle) of the OPP Procedures Manual. This Operating Guide also generally applies. However, because an ICG is strictly a short-term reimbursement award, the section notes that some procedures—such as biannual progress reports, payment requests, and no-cost extensions, which are useful for forward-looking project grants—do not apply. ICG grantees instead submit a single payment request, ideally within the first one to two months of the six-month grant term. The section also covers the closeout process for ICGs.
Section 5.4, <i>Contracts and Subgrants</i> , include a placeholder stating “[Will be updated upon completion of the revised OPP Manual in 2024.]”	Section 4.02, <i>Contracts & Subgrants</i> , outlines requirements for grantees using Disaster Grant funds, including prior approval from LSC for subgrants of \$20,000 or more and contracts exceeding certain thresholds (e.g., over \$25,000). It emphasizes coordination with OCE and cites relevant sections of their manual and the Special Grant Terms & Conditions.

Updates to Disaster Grant Operating Guide and Other Disaster Team Resources

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OIG Audit Item	LSC Response
Section 5.10, Grant Close Out Procedures, does not include any procedures for assessing issues identified during OCE's midterm desk review or standards for evaluating whether a final desk review is acceptable. Additionally, this section does not describe the detailed procedures that the Disaster Grants team performs during the close-out period.	The Disaster Operating Guide includes a robust description of how the Disaster Team coordinates with OCE on midterm incurred cost reviews and details their role in the close-out process. (See <i>Section 4.01, OCE Mid-Term and Closeout Fiscal Reviews</i> .) These reviews are targeted checks on DSA Disaster grants to proactively identify potential issues before grant expiration, thus informing the close-out assessment. We explicitly reference Section 5.4 of the OCE Manual for evaluating whether review results are acceptable, ensuring a consistent, standards-based approach. In addition, the OCE Manual outlines a clear, step-by-step process for conducting both midterm and final fiscal desk reviews—including audit program development, findings memoranda, and final approvals—all of which feed into the final close-out. (See 5.4.1, <i>Special Grant Close-Outs</i> , in the OCE Manual.)
Section 5.10.2.1, Failure to Provide Timely Documentation, was labeled as "TBD."	This is covered in <i>Section 5.13, Special Grant Closeout and Termination</i> , of the OPP Manual. Disaster Grants that fail to provide timely documentation, such as required progress reports or payment requests, risk termination by LSC. Specifically, discretionary termination can occur if a grantee fails to submit a required progress report on time unless an extension is granted at LSC's sole discretion. In such cases, the Disaster Team may withhold payments until adequate reporting is received and approved. If deficiencies persist, the Deputy Director can reject the report (and corresponding payment) entirely.
Section 5.10.5, GrantEase Closeout, does not include any procedures to assess issues identified in OCE's midterm desk review or determine whether a final desk review is appropriate. Additionally, this section does not describe the detailed procedures that the Disaster Grants Team performs in different closeout scenarios such as Normal Closeout, Closeout with Reduced Last Payment etc.	<i>Section 5.4.1, Special Grant Close-Outs</i> , in the OCE Manual, describes the process by which OCE ensures grantees have fully expended special grant funds during the grant term. Upon receiving a list of recently concluded special purpose grants from OPP—in this case, the Disaster Program Counsel/Officer—the assigned OCE team member reviews and compares total funds expended against the awarded amount using audited financial statements and an Excel template. If funds are underspent, OCE may coordinate a mini-grant exit conference with the Disaster Team to discuss options, such as returning unspent funds or extending the grant term. As noted in the Special Grant Terms and Conditions and <i>Section 5.12, Special Grant Detailed Budget Final Financial Report</i> , of the OPP Manual, all unused funds must be returned to LSC. Finally, see <i>Section 4.07, Final Grant Report Narrative, Financial Report, & Closeout Process</i> , for a summary of these policies and procedures in the Operating Guide.

Updates to Disaster Grant Operating Guide and Other Disaster Team Resources

June 2025

OIG Audit Item	LSC Response
Section 5.5.1.3, Progress Report Purpose and Review, states that the Disaster Grants Program Counsel/Officer has 30 business days to review grant progress reports. However, a prior section, Section 5.2.3, Payment Request Review Process, ⁵ states that the Disaster Grants Program Counsel/Officer should approve the reports within the first calendar month following submission.	<p>The Disaster Team resolved this error. According to Section 5.09(h) of the OPP Procedures Manual, the policy for all Special Grant progress report and payment request reviews is as follows:</p> <p>For a progress report and payment request submission where the grantee has satisfactorily completed their reporting requirements, the Special Grant teams should ensure that the progress report and payment request are reviewed, processed, and sent to OFAS (electronically, via the GrantEase/NetSuite integration) for payment within 60 calendar days. This includes reviews by the Grants Coordinator (if applicable), Grant Manager (Disaster Program Counsel/Officer), and Deputy Director.</p> <p>In cases where a grantee did not submit adequate reporting, the Grant Manager should work with the grantee to address any deficiencies and ensure that the progress report is reviewed, processed, and sent to OFAS for payment within 90 days of receipt of the original reporting/payment request. Alternatively, if the reporting remains inadequate, the Special Grant manager should either reject the reporting within 90 calendar days or, if more time is still needed, document the deficiencies in the reporting and the reasons it cannot be processed in a timely manner. This documentation should be completed in the Internal Notes section of the progress report and payment request in GrantEase.</p> <p>This policy applies to all Disaster grants that have progress reports and payments -- i.e., DREGs, DSA Project Grants, and MDLCP grants.</p>
Section 5.8, OCE Desk Reviews, does not appear to be complete. It introduces but does not describe the detailed procedures that OCE will perform during its desk reviews, nor does it include references to where the procedures can be found in the OCE Policies and Procedures Manual.	<p>This section is now complete. It can be found in the Operating Guide in <i>Section 4.01, OCE Mid-Term and Closeout Fiscal Reviews</i>. It includes a reference to where the procedures can be found in the OCE Policies and Procedures Manual, which is Section 5.4. Since OCE completes this work, the more detailed procedures are documented in the OCE Manual.</p>

Updates to Disaster Grant Operating Guide and Other Disaster Team Resources

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OIG Audit Item	LSC Response
Section 10.11.2, Disaster Grant Funding Opportunity Awards, includes placeholders that the procedures are "(in process)" and to [Enter description when complete]."	The creation of Disaster Grant awards is fully covered in the OPP Procedures Manual, <i>Section 5.08(g) Award Finalization and Grant Award Creation</i> , <i>Section 5.08(h) Notification Process</i> , <i>Section 5.08(i) Preparing the Final Award</i> , and <i>Section 5.08(j) Grant Award Creation and Activation</i> . Accordingly, LSC determined that additional procedures in the Operating Guide are not necessary.
Section 12.0, Disaster Grant Files on Box; and Section 13.0, Disaster Grants Program and Disaster Team Strategic Planning, includes placeholders that the procedures are "[TO BE ADDED]."	<p>The OPP Procedures Manual covers Box file structures for the department, including the Disaster Team, in Section 8.01(a).</p> <p>As discussed in the Operating Guide in <i>Section 1.04, Strategic Planning and Alignment</i>, the Disaster Team is actively participating in LSC's organization-wide comprehensive 2026–2030 strategic planning process. We will also undertake a complementary process, provisionally called "Team-Level Strategic Alignment," dedicating focused time in the second half of 2025 and continuing into 2026. This effort will allow the team to thoughtfully evaluate and adjust its own strategies, ensuring alignment with broader organizational goals while also addressing unique operational needs and future directions. From this process, the team will produce a concise planning document providing a clear framework for the team's future activities and decision-making. We have a full-day kickoff session scheduled for August 20, 2025.</p>

Updates to Disaster Grant Operating Guide and Other Disaster Team Resources

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OIG Audit Item	LSC Response
Although several sections discuss the Legal Aid Disaster Resource Center (LADRC)—specifically, Section 8.0, Disaster Grant Program Resources; Section 10.11, The Legal Aid Disaster Resource Center; Section 11.2, Initial Outreach; Section 8.3.1, LADRC Updates; and Section 8.3.2, LADRC Newsletter—the draft Disaster Grants Program Supplementary Procedures document does not contain any procedures to address the requirement for grantees to provide project materials to the LADRC in accordance with Section III.C of the LSC Special Grant Terms and Conditions. This section requires grantees with DREGs to ensure that any materials they develop under the special grant are included on the LADRC website by providing these materials to the LSC special grant staff member assigned to the special grant.	As noted in Section 2.02(c), <i>Disaster-Specific Grant-Making Practices</i> , of the Operating Guide, Program Counsel/Officers should add specific deliverables to Disaster awards to ensure successful materials developed under the project are incorporated into the LADRC website. Any member of the Disaster Team may suggest additional resources for inclusion on the LADRC website. These suggested resources are then reviewed by the Program Officer managing the LADRC effort, the program's Deputy Director, and other interested team members. (See <i>Section 6.03, LADRC</i> .) Additionally, during the closeout process, the Program Counsel/Officer meets with the grantee team to discuss successful project materials that should be recommended for inclusion on LADRC.

APPENDIX B: OBJECTIVES, SCOPE, AND METHODOLOGY

OBJECTIVES

The objective of this performance audit was to identify and report on any gaps that existed in LSC's documented policies, processes, guidance, monitoring, fraud prevention activities, tracking mechanisms, and other structures related to the administration and oversight of disaster grants. This included all aspects of disaster grant management, including grant award, grant monitoring, and grant close-out.

SCOPE

The scope of this performance audit included reviewing policies LSC had published as of January 1, 2025¹⁰ relevant to the administration and oversight of the federally appropriated disaster grants.¹¹

METHODOLOGY

After obtaining LSC OIG's approval for our audit plan, we performed each of the approved audit steps. Generally, these steps included:

- Gained an understanding of LSC's administration and oversight of disaster grants, including its organizational structure, responsibilities, and activities.
- Reviewed applicable LSC regulations and guidelines, including:
 - LSC Act of 1974, as amended;
 - LSC Disaster Grant Application Guidance/Application Review Guidance;
 - LSC Accounting Guide for LSC Recipients;
 - LSC Financial Guide (January 1, 2023);
 - Disaster Relief Supplemental Appropriations Act, 2022, Pub. L. 117-43, Div. B, 135 Stat. 344, 359-360 (2021);
 - Disaster Relief Supplemental Appropriations Act, 2023, Pub. L. No. 117-328, Div. N, 136 Stat. 5206 (2022);
 - LSC Program Letter 21-01;
 - Special Grant Terms and Conditions (2022, 2023, 2024);
 - Basic Field Grant Terms and Conditions.

¹⁰ Although the original audit scope involved evaluating LSC's policies effective as of April 4, 2024 our audit scope was expanded to include policies published as of January 1, 2025 because LSC published updated policies relevant to its administration and oversight of disaster grants effective January 1, 2025.

¹¹ The federally appropriated disaster grants included within the scope of the engagement are: the 2020-2021 DSA Grants; 2022 DSA Grants; and the 2023 DREGs.

- Reviewed and assessed LSC policies and procedures pertaining to disaster grant awards, administration, and closeout.¹²
- Reviewed the results of the LSC OIG's past audits and reviews of disaster funding.
- Assessed audit risks identified through interviews, reviews of prior audit reports, and analyses of LSC-provided documentation.
- Conducted virtual interviews with Washington, DC-based LSC personnel responsible for grant administration and grant oversight.
- Researched other disaster grants guidance and reports from FEMA, the United States GAO, the GFOA, and the PRAC to assess best practices.¹³
- Developed observations and recommendations to address potential areas for improvement.

In planning and performing this audit, we considered LSC's internal controls within the audit's scope solely to understand the directives or policies and procedures LSC has in place to execute, approve, and monitor its disaster grants.

At the conclusion of our fieldwork, we provided a summary of our results to LSC OIG personnel for review. We also provided a summary to LSC personnel to ensure that LSC was aware of each of our findings and that it did not have additional documentation to resolve the findings.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards* (GAGAS), issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹² The LSC policies and procedures reviewed included: *Chapter 7. Special Grant Programs* of the draft *OPP Procedures Manual* (provided by LSC in May 2024), the draft *Disaster Grant Programs Supplementary Procedures* (provided by LSC in May 2024), the final *OPP Procedures Manual* (effective January 1, 2025), and the final *OCE Policies and Procedures Manual Version 1.0* (effective January 1, 2025).

¹³ The documents reviewed included: the FEMA *Preparedness Grants Manual* (FM-207-23-001, April 2024); the *Closeout Under FEMA Awards: OMB Revisions* fact sheet; the *FEMA Disaster Financial Management Guide and COVID-19 Response* fact sheet; GAO's *A Framework for Managing Improper Payments in Emergency Assistance Programs* report (July 2023, GAO-23-105876); GFOA's *Disaster Recovery Cost Documentation* best practices, and Chapter 1 of PRAC's *Blueprint for Enhanced Program Integrity*.

APPENDIX C: SUMMARY OF FINDING RECOMMENDATIONS

We recommend that LSC:

1. Update the *OPP Procedures Manual* and the *Disaster Grants Program Supplementary Procedures* to incorporate the recommended GFOA best practice regarding project debriefs.
2. Ensure that the final *Disaster Grants Program Supplementary Procedures* document addresses the sections that were incomplete in the draft procedures and aligns the eligible activities guidance with LSC's DSA FAQs. Additionally, if the final version of the guidance omits any sections identified as incomplete in the draft procedures, inquire with OPP to obtain an explanation for the deletion.
3. Clarify the discrepancies between the DSA grant and DREG application instructions and Program Letter 21-01 and communicate the correct guidance to grantees receiving disaster grants.
4. Ensure that OCE updates the *OCE Policies and Procedures Manual* to include accurate references to the *OPP Procedures Manual*.
5. Before the next round of federally funded disaster grants are awarded, develop and provide training to grantees on best practices for disaster grants. This training should include guidance on tracking disaster-related cases and expenses, preparing for pro-bono responses, conducting outreach and building relationships with the disaster response community, and preparing COOPs.

APPENDIX D: LSC OIG EVALUATION OF LSC MANAGEMENT COMMENTS

The OIG reviewed the information and documents LSC submitted with the response to the draft report to determine whether any open recommendations had been satisfactorily addressed.

LSC responded to the draft report on June 6, 2025, within the timeframe specified by the OIG. Subsequently, on July 1, 2025, LSC provided additional information which the OIG considered in our evaluation of its response. The OIG considered LSC's response and additional information to be fully responsive and closed recommendations 1, 2, 3, and 4.

The OIG considered LSC's response to Recommendation 5 as responsive. However, this recommendation will remain **open** until the OIG receives the following information from LSC management:

Recommendation No.	Rationale for the Recommendation to Remain Open	Documentation Needed to Close the Recommendation
5	LSC will provide targeted online training to include guidance on tracking disaster-related cases and expenses, preparing for pro-bono responses, conducting outreach and building relationships with the disaster response community, and preparing Continuity of Operations Plans (COOP).	Evidence that the virtual training(s) are available on LSC's website.