



Office of Inspector General

Legal Services Corporation

3333 K Street, NW, 3rd Floor

Washington DC 20007-3358

202.295.1660 (p) 202.337.6616 (f)

oig.lsc.gov

March 15, 2023

Clarissa Gaff
Executive Director
Land of Lincoln Legal Aid, Inc.
8787 State Street
Suite 201
East St. Louis, IL 62203-2026

Dear Ms. Gaff,

Enclosed is the Legal Services Corporation (LSC) Office of Inspector General's (OIG) final report for our audit of selected internal controls at Land of Lincoln Legal Aid, Inc. (LOLLA). Appendix III of the report includes LOLLA's response to the draft in its entirety.

We consider the proposed actions to Recommendations 8, 14, 15 and 16 as fully responsive. These four recommendations are considered closed.

We consider the proposed actions to Recommendations 1-4, 6, 7, 9-13, 17 and 18 as responsive. These 13 recommendations will remain open until they are completely addressed, and we are provided with a list of items included on pages 19-20, OIG Evaluation of Grantee Management Comments.

We consider the proposed actions to Recommendation 5 as partially responsive. LOLLA management agreed with our recommendation and stated that segregation of duties will be maintained going forward, but their response did not provide detail on how they would address the specific circumstance mentioned in the report. This recommendation will remain open until we are provided a corrective action plan that specifically addresses the recommendation.

Please send us your response to close out the 14 open recommendations, along with supporting documentation, within six months of the date of the final report. We thank you and your staff for your cooperation and look forward to receiving your submission by September 15, 2023.

If you have any questions, please contact me at (202) 295-1582. We appreciate the courtesy and cooperation extended to us during the audit.

Sincerely,

Roxanne Caruso
Acting Inspector General and Assistant Inspector General for Audit

Enclosure

Cc: Legal Services Corporation
Ron Flagg, President

Lynn Jennings
Vice President for Grants Management

Land of Lincoln Legal Aid, Inc. Board of Directors

Greg Shevlin
Ted Gianaris
Kelli E. Gordon
Keith Casteel
Christopher Scholz
Russel Scott
M. Ann Hatch
David A. Weder
L'Sonya Crawford-Jones
Allen Collins
Andrew Bequette
Lori Crenshaw Bryant
Hope Hardin
Dale Aschemann
Joslyn Sandifer
Christopher B. Smith
Jessica Gompers
Pamela Hart
Darrius Tyler
Lawrence Gibbs

LEGAL SERVICES CORPORATION



OFFICE OF INSPECTOR GENERAL

Land of Lincoln Legal Aid, Inc.

RNO 514050

Final Report on Selected Internal Controls

Report No. AU 23-03

March 2023

www.oig.lsc.gov



Executive Summary

Land of Lincoln Legal Aid, Inc. (LOLLA)

Report on Selected Internal Controls

Objective

The objective was to assess the adequacy of select internal controls at LOLLA and determine whether costs were supported and allowed under the LSC Act of 1974, as amended, the Accounting Guide for LSC Recipients, as well as other applicable laws and regulations. To carry out the objective, we evaluated select internal controls in specific financial and operational areas to ensure that costs were adequately supported and allowed under the LSC Act, and other LSC regulations and guidelines.

What We Found

We determined that LOLLA adequately designed and properly implemented internal controls for grantee operations and oversight in the areas of disbursements, cost allocation, employee benefits, payroll, and grantee use of CARES Act funds. We also found that LOLLA needs to strengthen its practices or formalize internal controls in writing for the sections listed below.

Audit Section	Number of Findings
General Ledger & Financial Controls	5
Fixed Assets	3
Credit Cards	3
Management Reporting & Budgeting	1
Client Trust	2
Contracting	1
Derivative Income	1

Most findings resulted from inadequate recordkeeping, including missing documentation of review and approvals, policies noncompliant with the LSC Accounting Guide, the sudden changes to grantee operations brought on by the COVID-19 pandemic, and a lack of segregation of duties.

What We Recommend

This report includes 18 recommendations, primarily to ensure adequate documentation of approvals and recordkeeping. Recommendations also include updating the grantee's policies to conform with the LSC Guidance and to provide for appropriate segregation of duties.

Management Response

LOLLA representatives fully agreed with sixteen recommendations and partially agreed with two.

We considered LOLLA's proposed actions for four recommendations as fully responsive and consider those recommendation closed.

The proposed actions for 13 recommendations were considered responsive and the proposed actions for one recommendation were partially responsive. These 14 recommendations will remain open until LOLLA notifies us in writing that all findings have been addressed and provides us with appropriate supporting documentation.

Table of Contents

Introduction	1
Background	1
Objective	2
Audit Results	2
General Ledger and Financial Controls	2
Recommendation 1:	5
Recommendation 2:	5
Recommendation 3:	5
Recommendation 4:	5
Recommendation 5:	5
Fixed Assets	6
Recommendation 6:	7
Recommendation 7:	7
Recommendation 8	7
Credit Cards	8
Recommendation 9:	9
Recommendation 10:	10
Recommendation 11	10
Management Reporting and Budgeting	11
Recommendation 12	12
Recommendation 13	12
Contracting	13
Recommendation 14	14
Recommendation 15	14
Derivative Income	15
Recommendation 16	16
Client Trust Funds	17
Recommendation 17	18
Recommendation 18	18
OIG Evaluation of Grantee Management Comments	19
Appendix I: Scope & Methodology	21
Appendix II: Assessment of Internal Control Components and Principles	24
Appendix III: Grantee Management Comments	26

Introduction

The Legal Services Corporation (LSC) Office of Inspector General (OIG) assessed the adequacy of selected internal controls in place at Land of Lincoln Legal Aid, Inc. (LOLLA or grantee) for grantee operations and oversight. We conducted audit work remotely due to coronavirus disease 2019 (COVID-19) pandemic safety concerns.

The Accounting Guide for LSC Recipients (2010 Edition) (LSC Accounting Guide), Chapter 3, requires LSC grantees to establish and maintain adequate accounting records and internal control procedures. The LSC Accounting Guide defines internal control as follows:

The process put in place, managed, and maintained by the recipient's board of directors and management, which is designed to provide reasonable assurance of achieving the following objectives:

1. safeguarding of assets against unauthorized use or disposition;
2. reliability of financial information and reporting; and
3. compliance with regulations and laws that have a direct and material effect on the program.

The LSC Accounting Guide further requires that each grantee rely on its own system of internal controls and procedures to prevent fraud and meet management's financial information needs.

Background

LOLLA is a non-profit organization that provides free civil legal services to low-income individuals and senior citizens in sixty-five counties in central and southern Illinois. LOLLA's mission is to provide eligible individuals with high quality legal services in order to obtain and maintain their basic human needs.

For the fiscal year ending December 31, 2021, LOLLA received total funding of \$11,929,133. LSC funds were \$3,359,718, or about 28 percent of the total. In 2020, in addition to an LSC Basic Field Grant of \$3,038,356, LOLLA accepted a \$289,498 LSC COVID-19 Response Grant as well as a \$17,500 LSC Telework Capacity Building Grant as part of the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Objective

Our objective was to assess the adequacy of select internal controls at LOLLA and determine whether costs were supported and allowed under the LSC Act of 1974, as amended, the LSC Accounting Guide¹, as well as other applicable laws and regulations.

Audit Results

To accomplish the audit objective, we evaluated select internal controls in specific financial and operational areas. We reviewed and tested internal controls for disbursements, contracting, cost allocation, credit cards, general ledger and financial controls, client trust funds, derivative income, employee benefits, payroll, fixed assets, management reporting and budgeting, and CARES Act funds. The audit period was January 1, 2020, through February 28, 2022.

We determined that LOLLA adequately designed and properly implemented internal controls for grantee operations and oversight in the areas of disbursements, cost allocation, employee benefits, payroll, and grantee use of CARES Act funds. However, we also found that LOLLA needs to strengthen its practices or formalize, in writing, internal controls over general ledger and financial controls, fixed assets, credit cards, management reporting and budgeting, contracting, derivative income, and client trust funds.

General Ledger and Financial Controls

To evaluate LOLLA's general ledger and financial internal controls, we reviewed LOLLA's general ledger and financial controls policies, conducted interviews, and performed testwork of specific financial processes to determine if they were adequate and adhered to LSC regulations and guidelines. Specifically, we reviewed the grantee's processes and policies over bank reconciliations, cash receipts, and trial balance reports.

We judgmentally selected and reviewed three months of bank reconciliations from all LOLLA accounts, excluding client trust funds. LOLLA has nine accounts and we tested 27 reconciliations.

We found that LOLLA was generally in line with the relevant criteria and established adequate controls and policies over cash receipts, trial balance reports, and other financial controls. As a result of our testwork and interviews, we noted several bank reconciliation issues, including bank accounts that were reconciled untimely, inadequate review and approval of bank reconciliations, checks that were outstanding for over 120 days, three bank statements that were not reviewed by the Executive Director, and a lack of segregation of duties. See Figure 1.

¹ Effective January 1, 2023, the LSC Accounting Guide has been superseded by the LSC Financial Guide. Because the audit period was January 1, 2020, to February 28, 2022, we used the Accounting Guide as a criteria for our findings. However, we ensured that all recommendations made in the report are consistent with the new LSC Financial Guide.

Figure 1: Count of Bank Reconciliations with Exceptions

Account Type	Prepared Untimely	Indeterminate Preparation Date	No Evidence of Review	Not Dated by Reviewer	Checks Outstanding Over 120 Days	Statement Not Reviewed by Executive Director
Checking		3	3		3	
Payroll	2	1	2	1		
Money Market A	2	1	2	1		
Money Market B	2	1	2	1		
Money Market C	2	1	2	1		
Money Market D		1	1			
Investment A	2	1	2	1		3
Investment B	1	2	3			
Total	11	11	17	5	3	3

Bank Reconciliations Reviewed Untimely

LOLLA prepared 11 out of 27 tested reconciliations untimely, one nearly three months after the statement was issued.

The LSC Accounting Guide, Section 3-5.2(d), states, “Bank statements shall be reconciled monthly to the general ledger by a person who has no access to cash, who is not a regular check signer, and has no cash bookkeeping duties.”

The LOLLA Administrative & Accounting Manual (LOLLA Accounting Manual), Chapter 8, states, “Bank statements will be reconciled no later than the 30th day of the following month.”

The untimely reconciliations were due to oversight and competing work priorities.

Inadequate Review of Bank Reconciliations

Eleven reconciliations did not include legible preparation dates, so we were unable to determine if they were prepared timely. Additionally, the Deputy Director of Finance and Administration did not document the review of 17 of the 27 tested reconciliations, and the Comptroller reviewed five reconciliations due to staffing changes but did not document the review dates.

The LSC Accounting Guide, Section 3-5.2(d), states: “The reconciliation shall be reviewed and approved by a responsible individual. Such review shall be appropriately documented by signature and date.”

An error in the accounting system caused the 11 illegible preparation dates: when management exported the reconciliations, the accounting system did not legibly document the date. Management was unable to confirm the reconciliation dates and could not export the reconciliations again without the system automatically updating the date to the present

day. Regarding the inadequate reviews, management stated that LOLLA attempts to follow its process and review all reconciliations, but some are occasionally overlooked.

The reconciliation procedure is a fundamental control technique; irregular disbursements and recording errors are more likely to go undetected if reconciliations are not performed and reviewed according to documented procedures.

Checks Outstanding More Than 120 Days

Three reconciliations of one of LOLLA's checking accounts showed checks outstanding more than 120 days. The most recent of these reconciliations, dated December 31, 2021, included 41 outstanding checks totaling \$2,982, six of which dated back to January 2015.

The LOLLA Accounting Manual, Chapter 8, states:

Stale dated checks (more than 120 days old), which are still outstanding, will be voided on a monthly basis. The Program Accountant will be responsible for researching the reason the check has not cleared and will determine whether the check should be reissued.

The LSC Accounting Guide, Appendix VII, suggests that checks which have been outstanding for more than six months should be investigated and resolved.

The Comptroller stated that the accounting staff inherited numerous outstanding checks when they came on board. The staff have been investigating the outstanding checks and consulting with LOLLA's auditors on how best to resolve the matter.

When outstanding checks are not monitored or resolved, there is an increased risk of undetected errors or fraudulent activities, as well as noncompliance with state escheatment laws.

Executive Director Did Not Review Bank Statements

The Executive Director did not document review of three bank statements included in our testwork. All three statements were for the same account in all three periods we tested.

The LOLLA Accounting Manual, Chapter 8, states: "All bank statements are delivered unopened to the Executive Director or his/her designee.... The Executive Director or his/her designee will give the bank statements to the Program Accountant after initial review."

LOLLA management stated that the bank provided these statements electronically, and the Executive Director reviewed the statements, but has not made it a practice to document the review.

If staff do not follow policies, there is an increased risk that processes will not be properly performed, which could cause waste or inefficiency.

Lack of Segregation of Duties

During the COVID-19 pandemic, LOLLA's Comptroller had been responsible for performing bank reconciliations. The Comptroller had access to both the cash and the cash receipts log and was responsible for preparing and entering journal entries. However, the Comptroller was not a check signer, and was not responsible for handling cash receipts.

The LSC Accounting Guide, Section 3-4(3), states:

Accounting duties should be segregated to ensure that no individual simultaneously has both the physical control and the record keeping responsibility for any asset... Duties must be segregated so that no individual can initiate, execute, and record a transaction without a second independent individual being involved in the process.

Through discussions with LOLLA management, we determined that staffing limitations during the COVID-19 pandemic resulted in this segregation of duties issue. Per the Comptroller, the deficiency did not exist prior to the pandemic. We verified that LOLLA reestablished segregation of duties over bank reconciliations after the completion of fieldwork.

Inadequate segregation of duties increases the risk that management will not prevent the occurrence of errors, fraud, or other irregularities.

We recommend that the Executive Director ensure:

[Recommendation 1:](#) Bank reconciliations are complete by the 30th day of the month following the statement period, in accordance with LOLLA's policy.

[Recommendation 2:](#) All bank reconciliations are legibly dated by the preparer, and the individual who performs the review fully documents their review with signature and date.

[Recommendation 3:](#) LOLLA resolves all checks outstanding more than 120 days in accordance with their policies and Illinois's unclaimed property laws.

[Recommendation 4:](#) They document their review of bank statements for all accounts.

[Recommendation 5:](#) The maintenance of segregation of duties so that the individual responsible for performing bank reconciliations does not have access to cash or the cash receipts log and does not perform journal entries.

Fixed Assets

To evaluate whether the grantee had adequate controls over purchasing, recording, inventorying, and disposing of fixed assets, we reviewed LOLLA's policies, conducted interviews with management, and performed testwork on a sample of assets, including electronic devices. Our sample consisted of 24 items, mostly computers and related electronic equipment. We judgmentally selected the sample based on cost, asset type, and location.

Based on our review of policies, we found that the LOLLA Accounting Manual was generally compliant with the relevant criteria, including requirements for fixed asset records, as well as purchasing and disposal procedures.

We found that LOLLA had not conducted a biennial physical inventory, the fixed asset records contained inaccuracies, and there was inadequate documentation of approval for nine asset purchases.

Lack of Biennial Inventory

We were unable to verify that LOLLA conducted a physical inventory of fixed assets at least once every two years. We confirmed that each office maintains a record of assets which they update periodically, but there was no documented reconciliation to the master list.

The LOLLA Accounting Manual, Section 10.4, states, "An inventory of assets will be taken at each office at least once every two years."

Additionally, the LSC Accounting Guide, Section 2-2.4, states, "For property control purposes, a physical inventory should be taken, and the results reconciled with the property records at least once every two (2) years."

The Comptroller stated that each office maintains a list of fixed assets and adjusts the list as they acquire and dispose of assets.

In the absence of a regularly conducted physical inventory, there is an increased risk that the grantee may not detect errors in the property record and that accounting records will not reflect the actual fixed assets.

Inaccurate Fixed Asset Records

Multiple assets included in LOLLA's fixed asset records were no longer in the grantee's possession. Of the 26 items we reviewed, LOLLA no longer held eight items. LOLLA management stated they believed they had disposed of the items in late 2015.

The LSC Accounting Guide, Section 3-5.4(c), states, "Property purchases should be recorded in a property subsidiary record." Appendix II further states that the property records should include "The ultimate disposition data, including date and method of disposal and sales price, if sold, with the method used to determine the current fair value."

LOLLA management stated that the property records had not been adequately maintained before the Comptroller became responsible for them. The accounting staff has been working with the grantee's auditor to address the inaccuracies.

When we brought this to LOLLA's attention after the conclusion of fieldwork, they provided updated inventory records that documented the removal of six of the assets from the property records.

Errors in the property records may increase the risk that theft or damage will go unnoticed and may lead to the inaccurate presentation of property in the financial statements.

Unauthorized Purchases

Our sample of 26 assets included 12 items that LOLLA purchased during the audit period. We found the following:

- There was evidence of purchase approval for nine of these items. Of these nine, six items, totaling \$3,877, did not include the approval date, so we were unable to determine if management authorized the purchases before they were initiated. The remaining three were adequately approved.
- Three items, totaling \$1,367, did not show evidence of approval.

Section 4.1 of the LOLLA Accounting Manual states, "Purchases of any dollar amount may only be made with the signed approval of the Managing Attorney, the ED [Executive Director], or the DDFA [Deputy Director of Finance and Administration]."

The LSC Accounting Guide, Section 3-5.4(a), states, "Approval should be required at an appropriate level of management before a commitment of resources is made."

LOLLA management stated that appropriate personnel were aware of and authorized the purchases of assets, but they did not formally document their approval. Management acknowledged the need to do so in the future.

Failure to follow the purchase approval process increases the risk of purchases made without the knowledge of appropriate management or at unacceptable prices or terms.

We recommend that the Executive Director ensure:

[Recommendation 6](#): Appropriate staff conduct a physical inventory and reconcile the results to the property records at least once every two years, in accordance with LSC criteria and LOLLA's policies.

[Recommendation 7](#): The resolution of discrepancies identified between fixed asset records and the assets in LOLLA's possession.

[Recommendation 8](#): Those responsible for approving purchases adequately document their approval, with a signature and date, in accordance with LOLLA's written policies and procedures, and LSC guidance.

Credit Cards

To determine whether the grantee had adequate controls over credit cards, we reviewed LOLLA's policies over credit cards, examined credit card statements, and performed detailed testwork of a sample of transactions. We judgmentally selected a sample of nine credit and store card statements from the check register, totaling \$38,655. This represented approximately 24 percent of the \$160,510 disbursed for credit cards during the period under audit. We selected 15 transactions, totaling \$12,520, from these statements for detailed testing. We selected these transactions based on the dollar amounts and potentially unallowable charges.

As a result of our review, we noted a lack of credit card user agreements, a lack of documented support for six credit card transactions, and some credit card documentation that had inadequate approvals. We found no unallowable transactions.

Lack of Credit Card User Agreements

We determined that LOLLA was not using credit card user acknowledgment agreements to document that authorized card holders had read and accepted LOLLA's credit card terms of use.

The LSC Accounting Guide, Appendix VII, suggests developing a form that contains credit card policies for employees to review and sign. The LOLLA Accounting Manual, Section 4.3(4), states, "The DDFA shall issue a copy of these [credit card] procedures to each Authorized User and require a signature acknowledging acceptance."

Per our discussions with management, LOLLA overlooked the need to have credit card user agreements.

Signed credit card user agreements demonstrate that authorized card holders have read the credit card policies and procedures and have accepted responsibility for following the policies. Not having signed agreements may result in confusion over proper use of credit cards.

Inadequate Documentation

Out of the 15 credit card transactions tested, we noted the following exceptions:

- There were no documented purchase requests from the cardholder for four transactions totaling \$1,778.
- There was no documented purchase order for one expense of \$937.
- There was no receipt for one expense of \$179.

The LOLLA Accounting Manual, Section 4.3(6), states, "Approval to apply charges against the business credit card or a retail store charge card must be sought in advance." Section 4.2(2) states, "If the cost of an individual order exceeds \$500.00 a Purchase Order Form or Purchase Memorandum must be prepared." Finally, Section 4.3(8) states, "Charge slips or other written vouchers that document the date, description, and business purpose of the

expense billed to any credit card should be forwarded to the Accounting Department on a daily basis.”

The LSC Accounting Guide, Section 3-5.4(a), states that “The receipt of goods and the accuracy of invoices should be verified and documented.”

LOLLA management stated that the purchase requests were either made verbally or could not be located. LOLLA was unable to locate the missing purchase orders and receipt.

Insufficient supporting documentation may result in staff incurring credit card charges without the knowledge and approval of appropriate management, or at unacceptable prices or terms. Without adequate internal verification, funds may be disbursed for goods and services not received or transactions made in the wrong amount.

Inadequate Approvals

In our review of the credit card transactions, we noted the following exceptions:

- The Managing Attorney did not sign one invoice for supplies totaling \$179. This was the same transaction that was missing a receipt.
- There was no evidence of approval to pay three store card statements totaling \$1,788.
- The approvals to pay four statements were not sufficiently dated, so we could not determine if approval was given prior to payment. Three statements totaling \$22,618 were approved but were not dated. One statement totaling \$13,188 had a dated approval, but the date was not legible.

The LOLLA Accounting Manual, Section 4.1(10), states: “The Managing Attorney must sign a verified packing slip or invoice. The packing slip or invoice ticket is then sent to the administrative office for payment.”

The LSC Accounting Guide, Section 3-5.4, states that “Approval should be required at an appropriate level of management before a commitment of resources is made.”

LOLLA management stated they made the payments electronically and accidentally overlooked approving them.

If the purchase approval process is not followed, purchases—both permissible and impermissible—may be made without the knowledge of appropriate management or at unacceptable prices or terms.

We recommend that the Executive Director ensure:

[Recommendation 9](#): All authorized card holders sign credit card user agreements in accordance with LOLLA’s policies and LSC criteria.

Recommendation 10: Documentation is submitted and filed to support all credit card charges, in accordance with LOLLA's policies and procedures.

Recommendation 11: Appropriate staff document their approval, including signature and date, prior to incurring credit card charges and paying card statements.

Management Reporting and Budgeting

We reviewed LOLLA's policies and procedures over management reporting and budgeting to determine compliance with LSC requirements. We also interviewed LOLLA personnel and performed testwork to determine whether LOLLA is following its policies. We reviewed five judgmentally selected monthly report packages, three of which corresponded with end of quarters and included review by both LOLLA's Board of Directors and Financial Oversight Committee.

We found that LOLLA's management reporting policies and practices did not fully comply with the LSC Accounting Guide. Although the management reports and budget formats were in line with LSC requirements, there is no evidence the reports were reviewed each month.

Monthly Reports Were Not Reviewed

Our testing found that management reports were not reviewed on a monthly basis. We found that reports were prepared quarterly and reviewed during the Financial Oversight Committee and Board of Director's Meetings.

The LOLLA Accounting Manual requires the Deputy Director of Finance and Administration to, "...demand prompt monthly preparations of accounting reports." This conflicts with the LOLLA Accounting Manual, Section 15.4, Budget Monitoring & Internal Reporting, which states, "The Accounting Staff should make every effort to have management reports ready for examination by the Executive Management Team and the Financial Oversight Committee on a monthly basis but no less frequently than on a quarterly basis."

The LSC Accounting Guide, Section 3-5.9, includes the following:

- The director should receive a monthly management report within a prescribed number of days after month-end.
- The director should use the monthly management reports to ensure that all program resources are used efficiently and effectively.

LSC's expectation for monthly report reviews is also included in the LSC Accounting Guide, Section 1-7, which states the roles of the finance committee also include reviewing monthly management reports.

LOLLA representatives said they did not realize there were issues with the current manual.

After we brought this matter to management's attention, LOLLA staff demonstrated that they had begun corrective action by providing the OIG with documentation indicating the Executive Management team reviewed the June 2022 monthly management reports.

Untimely review of management reports may result in unrevealed irregularities or unanticipated costs going unnoticed. Additionally, not reviewing monthly management reports may result in erroneous decision-making.

We recommend that the Executive Director ensure:

Recommendation 12: Management reporting policies and procedures are updated to comply with LSC requirements.

Recommendation 13: LOLLA's Executive Management Team continues to review monthly reports and provide the monthly reports to the Financial Oversight Committee and Board of Directors for review.

Contracting

We reviewed LOLLA’s policies and procedures as well as its practices to determine whether their contracting processes were comparable to LSC’s Fundamental Criteria and LSC guidelines. We reviewed a judgmentally selected sample of 14 contracts, with payments totaling \$1,598,248, during the audit period. From these, we tested 23 invoices totaling \$208,968.

We found that LOLLA’s contracting policies and procedures were comparable to LSC’s Fundamental Criteria. We also found that LOLLA’s practices generally followed their policies and procedures.

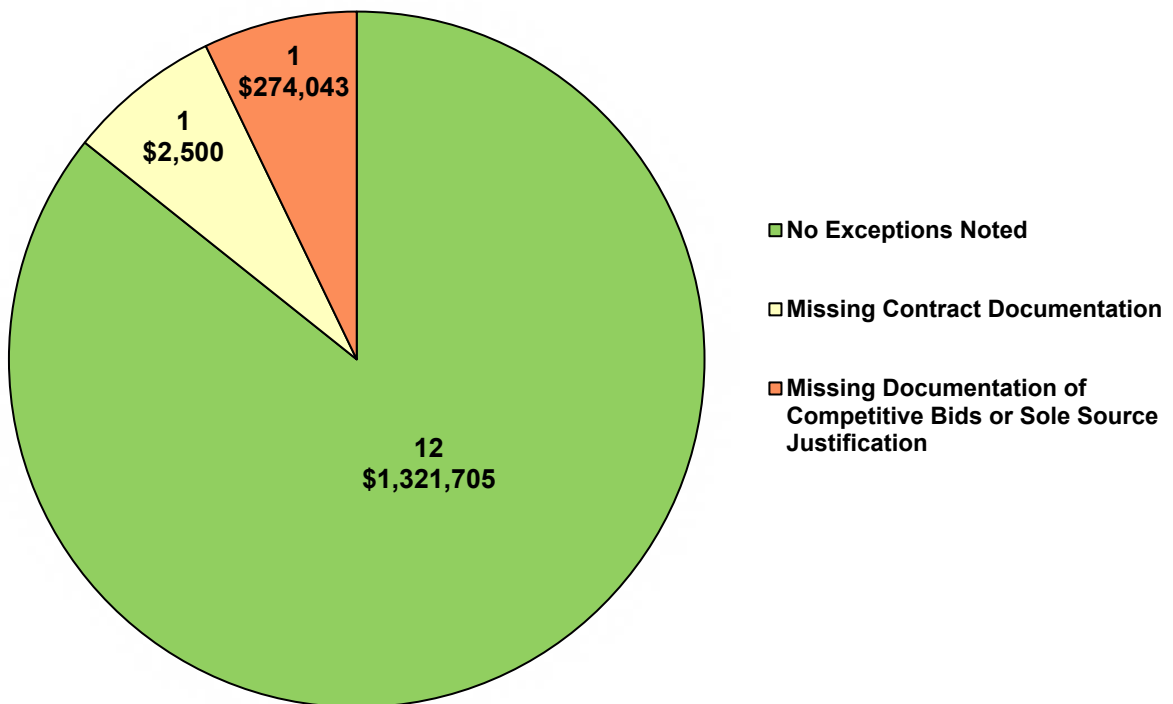
The sample of 14 contracts and the 23 invoices had appropriate approvals, the deliverables were received, and we traced the transactions to the general ledger.

We found LOLLA’s contract documentation practices needed improvements to be in line with LSC guidance.

Missing Contract Documentation

Of the 14 contracts selected for testing, LOLLA was missing one formal contract and another contract was missing competitive bids or sole source documentation. See Figure 2.

Figure 2: Count and Dollar Value of Contracts Tested



For the missing contract, LOLLA stated that prior management awarded the contract, but current staff could not locate the records. LOLLA also could not locate documentation of competitive bidding or sole source justification for the other contract. According to LOLLA management, they plan to perform a request for proposals in 2023 for the contract missing documentation of competitive bidding or sole source justification.

The LSC Accounting Guide, Section 3-5.16, states, "The process used for each contract action should be fully documented and the documentation maintained in a central file," and "...the statement of work should be sufficiently detailed so that contract deliverables can be identified and monitored to ensure the deliverables are completed."

The LOLLA Accounting Manual states that purchases exceeding the micro-purchase threshold of \$3,500 but are less than \$150,000, must be supported by price or rate quotations obtained from a minimum of three qualified sources. Qualified sources include written, oral, email or website searches and must be documented.

Proper contracting documentation helps ensure that all established contracting procedures are followed and supports the validity of awarding sole source contracts. Without a well-documented contract on file, including a detailed statement of work, it may be difficult to know if the grantee received the agreed-upon services from the vendor.

We recommend that the Executive Director ensure:

[Recommendation 14](#): Contracts are written and maintained in a central file for all business arrangements. The contracts should document the statement of work, the agreed upon costs, and payment terms.

[Recommendation 15](#): Contract competition documents, including evaluation of bids, sole source justifications, and rationale for vendor selection are maintained in a central file.

Derivative Income

We reviewed LOLLA's derivative income policies and procedures to determine compliance with applicable regulations and LSC guidance. We also performed testwork to determine whether LOLLA is following its policies, the LSC Accounting Guide, and the Code of Federal Regulations (C.F.R.) requirements.

LOLLA's derivative income consisted of interest income, rent, attorney fees, and any reimbursements. Total derivative income during the audit period was \$167,988. We tested 53 judgmentally selected transactions totaling \$99,802, or 59 percent.

LOLLA's derivative income policies complied with LSC requirements. We also found that attorney fees, salary reimbursements², and interest income were allocated in accordance with LSC guidance and LOLLA policies. Our testwork of other derivative income transactions found two instances of improperly allocated transactions.

Derivative Income Not Properly Allocated to LSC

We found two transactions that were not coded to LSC. One transaction was rental income of \$600 and the other was an unemployment insurance refund of \$2,454.

45 C.F.R. § 1630.17 (a) states:

Derivative income resulting from an activity supported in whole or in part with LSC funds shall be allocated to the fund in which the recipient's LSC grant is recorded in the same proportion that the amount of LSC funds expended bears to the total amount expended by the recipient to support the activity.

The LOLLA Accounting Manual, Section 7.2.1, Derivative Income, states, "In instances when percentages cannot be clearly established, 100% of that derivative income will be placed into the LSC fund." We tested transactions that were coded 100 percent to LSC but could have been allocated to LSC and other funding sources and determined that LSC received a reasonable share of the total derivative income, therefore we did not question any of these costs.

LOLLA accounting personnel said they did not code these items correctly because the COVID-19 pandemic caused staff to spend less time in the office. The staff's intention was to research these transactions and recode them, but they missed them.

After we brought this to the attention of LOLLA management, the financial staff provided a memorandum issued after the audit period from the Comptroller to the DDFA. The memorandum stated that the Comptroller and Accounting Assistant decided, "... that no checks will be entered into the system without being properly coded."

² Salary reimbursements occur when an employee has jury duty. The court's payments to the employees are given to LOLLA because LOLLA pays the employees' salaries while they are on jury duty.

Compliance with 45 C.F.R. § 1630.17(a) ensures that LSC receives an equitable share of derivative income which the recipient can use to provide legal services to eligible clients.

We recommend that the Executive Director ensure:

[Recommendation 16](#): Staff continues the recently implemented practice to enter derivative income into the accounting system with proper coding.

Client Trust Funds

We reviewed LOLLA's policies and procedures as well as practices to determine whether their client trust processes were comparable to LSC guidelines. LOLLA has five client trust accounts, one for each of their five field offices. We reviewed a judgmentally selected sample of four months of client trust activity from each of LOLLA's five client trust accounts. Our sample included receipts, disbursements, account reconciliations, and client trust fund records.

We found that LOLLA had mostly adequate client trust fund internal controls, their client trust fund policies and procedures were comparable to LSC guidelines, and the grantee's practices were mostly compliant with their policies. We found the reconciliations were properly reconciled and contained evidence of review.

We noted that four reconciliations for one of the client trust accounts were not approved timely. We also noted that all four reconciliations from another account included approval signatures, however, the signatures did not include a date.

Untimely Review of Reconciliations

We initially reviewed four reconciliations from each of LOLLA's five client trust accounts. During testwork we found one office's June 2020 client trust reconciliation had approval signatures dated March 2021. Due to the delayed reconciliation approval, we additionally tested this office's July, September, and November 2020 client trust reconciliations. We found these reconciliations were also not approved until March 2021.

LOLLA management stated the late approvals were because the individual performing the reconciliations was unable to correctly complete them. Accounting personnel reviewed the reconciliations and returned them for corrections which delayed the approval process and caused the reconciliations to be late.

We brought this matter to the attention of LOLLA management, and they stated that the employee who caused the reconciliation issues was no longer with the organization. The employee's successor had received training and LOLLA management believes there should be no more issues.

The LSC Accounting Guide, Section 3-5.7, states, "The total of the individual client funds held should be reconciled to the general ledger bank account balance and general ledger liability balance on a monthly basis."

The LOLLA Accounting Manual states:

Once signed as approved by the Managing Attorney, the individual responsible for preparing the monthly escrow account reconciliation copies the package and forwards it to the Administrative office for review. The package should be sent to the Administrative office by the 15th of the month following the reconciliation month.

If management does not follow the proper reconciliation approval processes, there may be increased risk of irregular disbursements and management may not discover recording errors on a timely basis.

Undated Reconciliation Approvals

All four tested reconciliations from one of the five client trust accounts had approval signatures but these signatures were not dated. Without an approval date we were unable to determine whether the reconciliations were prepared and reviewed timely.

LOLLA management stated that they did not know that they needed to date their approval.

After we brought this matter to the attention of LOLLA management, they stated that they have since informed staff that anytime they sign a document, it should be dated as well.

The LSC Accounting Guide, Section 3-5.2(d), says that bank reconciliation reviews must be documented by a signature and date.

Bank reconciliations help to ensure the accuracy and validity of bank information. When reconciliations are not approved timely, there is a risk of undetected differences in bank activity and the grantee's accounting records, which can impact financial reports that management uses to make decisions. Dating the approval of the reconciliations is an internal control that enhances monitoring over the use of financial resources.

We recommend that the Executive Director ensure:

[Recommendation 17](#): Staff perform client trust reconciliations monthly and send the completed reconciliations to management by the 15th of the month following the reconciliation month.

[Recommendation 18](#): Dates are included with signed client trust reconciliation approvals.

OIG Evaluation of Grantee Management Comments

On February 16, 2023, LOLLA provided responses to the OIG's Draft Report. Of the 18 recommendations, LOLLA management agreed with 16 and partially agreed with two. LOLLA's responses are included in their entirety in Appendix III.

LOLLA fully agreed with Recommendations 8, 14 and 15, and we consider their comments and actions to these recommendations as fully responsive. While LOLLA partially agreed with Recommendation 16, we consider their comments and actions to this recommendation as fully responsive. These four recommendations are considered closed.

We consider LOLLA's comments and proposed actions for Recommendations 1-4, 6, 7, 9-13, 17 and 18 as responsive. These 13 recommendations will remain open until we receive the following items:

- **Recommendations 1 and 2:** February and March 2023 bank reconciliations for all accounts, evidencing that the reconciliations were completed timely and signed and dated by the preparer and reviewer. We are also requesting documentation of the bank reconciliation training that was provided to staff.
- **Recommendation 3:** Updated and Board-approved policies and procedures on the handling of outstanding checks. Also, bank reconciliations from LOLLA's checking account demonstrating the resolution of outstanding checks in accordance with the updated policy.
- **Recommendation 4:** February 2023 and March 2023 bank statements from all accounts indicating evidence of the Executive Director's review.
- **Recommendations 6 and 7:** Documentation of two recent quarterly inventories, including evidence of reconciliations to the financial system.
- **Recommendation 9:** Signed credit card user agreement forms for each credit card holder.
- **Recommendations 10 and 11:** Documentation of the credit card procedures training provided to LOLLA staff who make credit card purchases.
- **Recommendation 12:** Updated and Board-approved management reporting policies that are consistent with the LSC Financial Guide.
- **Recommendation 13:** February 2023 and March 2023 management reports with evidence of management review.
- **Recommendation 17 and 18:** Updated and Board-approved policies and procedures on client trust fund bank account reconciliations as well as the February 2023 and March 2023 client trust fund bank account reconciliations, indicating date of performance, date of submission to management, and date of approval by management, in accordance with the updated policies.

We consider LOLLA's response to Recommendation 5 as partially responsive. LOLLA agreed with our recommendation and stated adequate segregation of duties will be maintained going forward. However, LOLLA management did not specify how they would

segregate duties. Potential remedies include ensuring the individual responsible for performing bank reconciliations does not have access to cash or the cash receipts log or perform journal entries. This recommendation will remain open until LOLLA provides updated and Board-approved policies that demonstrate adequate segregation of duties in the cash receipt, bank reconciliation, and journaling functions.

Appendix I: Scope & Methodology

To achieve the audit objective, we identified, reviewed, evaluated, and assessed internal controls for the following activities:

- Disbursements
- Contracting
- Cost Allocation
- Credit Cards
- General Ledger and Financial Controls
- Client Trust Funds
- Derivative Income
- Employee Benefits
- Payroll
- Fixed Assets
- Management Reporting and Budgeting
- CARES Act Funds

We evaluated select financial and administrative areas and assessed the related controls in place during the period of January 1, 2020, through February 28, 2022, to ensure that costs were adequately supported and allowed under the LSC Act and LSC regulations.

To understand the internal control framework and LOLLA's processes over the areas listed above, we interviewed grantee management and staff, and we reviewed the grantee's policies and procedures, including manuals, guidelines, memoranda, and directives setting forth current grantee practices.

To review and evaluate internal controls, we designed and performed audit procedures to obtain sufficient and appropriate evidence to support our conclusions over the design, implementation, and operating effectiveness of controls significant to the audit objective. We also conducted testwork which included inquiries, observation, and the examination of source documents to determine whether the grantee's internal control system and policies and procedures complied with the guidelines in the LSC Accounting Guide. Effective January 1, 2023, the Accounting Guide has been superseded by the LSC Financial Guide. Because the audit period was January 1, 2020, to February 28, 2022, we used the Accounting Guide as a criteria for our findings. However, we ensured that all recommendations made in the report are consistent with the new LSC Financial Guide.

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed the internal control components and underlying principles that we determined to be significant to the audit objective. However, because we limited our review to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Additionally, we considered the necessity of evaluating information systems controls. We determined that information system controls were significant to the audit objective. Therefore, we evaluated information system controls related to specific grantee operations, oversight, program expenditures, and fiscal accountability. Our internal control review included performing audit procedures related to information system controls to obtain

sufficient, appropriate evidence to support and document our findings and conclusions on the implementation and effectiveness of LOLLA's internal controls. We determined that no additional audit procedures relating to information systems controls were needed.

Per government auditing standards, we assessed the reliability of LOLLA's computer-generated data. We reviewed selected system controls and supporting documentation and conducted interviews, logical tests, and testwork including tracing and vouching amounts to and from source documents. We found the data was reasonably complete, accurate and consistent. Therefore, we determined the data was sufficiently reliable for the purposes of this report.

We also assessed significance and audit risk. We determined that internal controls in the select financial and operational areas mentioned above were significant to the audit objective. Audit risk is the possibility that audit findings, conclusions, recommendations, or assurance may be improper or incomplete because of factors such as insufficient or inappropriate evidence, the inadequacy of the audit process, or intentional omissions or misleading information due to misrepresentation or fraud. Based on our consideration of these factors, we determined the audit risk level to be low.

To select our samples for testing, we used a non-statistical methodology. We determined this methodology was appropriate based on the audit scope and objective as well as the audit timeline and the nature of the grantee. Our results cannot be projected to the audit universe, and we do not intend to make inferences about the populations from which we derived our samples.

To assess the appropriateness of expenditures and the existence of adequate supporting documentation, we reviewed disbursements made by LOLLA for transactions other than credit cards and payroll. We judgmentally selected a sample of sixty-two disbursements for testwork, totaling \$350,623. The selected transactions included high dollar value transactions, potentially LSC unallowable transactions, and atypical vendors, as well as routine disbursements for employee reimbursements and office supplies, among others. The sample represented approximately nine percent of the \$3,821,070 disbursed for transactions other than credit cards and payroll during the period January 1, 2020, through February 28, 2022. To assess the appropriateness of expenditures, we reviewed invoices and supporting documentation, then traced the expenditures to the general ledger. We evaluated the appropriateness of those expenditures based on applicable laws and regulations as well as LSC grant agreements and policy guidance.

In addition to the disbursements, we judgmentally selected three statements from the check register for each of the three credit and store cards. From the nine card statements, we judgmentally selected 15 credit card transactions totaling \$12,520. We assessed the appropriateness of the expenditures and the existence of approvals and adequate supporting documentation.

To evaluate and assess internal controls over employee benefits, payroll, contracting, client trust funds, management reporting and budgeting, general ledger, and financial controls, as well as derivative income, we interviewed program personnel. Additionally, we examined related policies and procedures as applicable, and selected specific transactions to review for adequacy and compliance with LSC regulations and guidelines.

To evaluate the adequacy of the cost allocation process and to determine whether the allocation methodology was reasonable and in compliance with LSC regulations and guidelines, we discussed the process with grantee management and reviewed the grantee's cost allocation policies and procedures as required by the LSC Accounting Guide. We reviewed selected transactions to determine if the amounts allocated conformed to the documented allocation process and if the transactions were properly allocated in the allocation spreadsheet and the general ledger.

We reviewed controls over property purchases, inventory, disposal, and recording by examining current grantee practices compared to LSC regulations and guidance in the LSC Accounting Guide.

We conducted fieldwork from April 4, 2022, to August 29, 2022. We performed the audit remotely due to health concerns related to the COVID-19 pandemic. Both the grantee and LSC management electronically submitted documentation for review, and we conducted interviews via remote video conferencing. Documents reviewed pertained to the period January 1, 2020, through February 28, 2022.

We conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objective. We believe the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Appendix II: Assessment of Internal Control Components and Principles

Figure 3: Internal Control Principles Significant to the Audit Objective³

Internal Control Component		Principle	
Name	Overview	Number	Description
Control Environment	The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.	2	The Oversight Body Should Oversee the Entity's Internal Control System
		3	Management Should Establish an Organizational Structure, Assign Responsibility, and Delegate Authority to Achieve the Entity's Objectives
Control Activities	Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.	10	Management Should Design Control Activities to Achieve Objectives and Respond to Risks
		11	Management Should Design the Entity's Information System and Related Control Activities to Achieve Objectives and Respond to Risks
		12	Management Should Implement Control Activities Through Policies

³ The numbers correspond with the principles outlined in the [Standards for Internal Control in the Federal Government](#) (GAO-14-704G). While we considered principles 1, 4-9, 16 and 17 during the audit, we determined that these principles were not significant to the audit objective.

Internal Control Component		Principle	
Name	Overview	Number	Description
Information and Communication	<p>Management uses quality information to support the internal control system. Effective information and communication are vital for an entity to achieve its objectives.</p> <p>Entity management needs access to relevant and reliable communication related to internal as well as external events.</p>	13	Management Should Use Quality Information to Achieve the Entity's Objectives
		14	Management Should Internally Communicate the Necessary Quality Information to Achieve the Entity's Objectives
		15	Management Should Externally Communicate the Necessary Quality Information to Achieve the Entity's Objectives



February 16, 2023

Office of Inspector General
Legal Services Corporation
3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558

Dear Roxanne Caruso:

Land of Lincoln Legal Aid encloses this letter and completed recommendation tracking form in response to the draft report of Legal Service Corporation Office of Inspector General's audit of selected internal controls performed during the course of 2022. As requested, this letter includes actions Land of Lincoln plans to take or has already taken to implement the recommendations in the draft report.

Land of Lincoln recognizes the essential and necessary function the OIG provides to LSC, the legal aid community and the public. We appreciate the opportunity to undergo this review and will use its findings to thoughtfully review and strengthen our internal controls as recommended. We also thank you for the courtesy and professionalism of the onsite audit team led by Andrew Hensel.

Sincerely,

Clarissa Gaff
Executive Director
Land of Lincoln Legal Aid
618-398-0574
cgaff@lincolnlegal.org

ADMINISTRATIVE OFFICE

Dorothy O. Cook
Community Law Center
8787 State Street
Suite 201
East St. Louis, IL 62203

(618) 398-0574 **PHONE**
(618) 398-0681 **FAX**
admin@lincolnlegal.org

OFFICES

Alton
Carbondale
Champaign
Charleston
Decatur
East St. Louis
Mt. Vernon
Springfield

**LEGAL ADVICE &
REFERRAL CENTER**

(877) 342-7891 **TOLL FREE**

LINCOLNLEGAL.ORG

Recommendation 1: Bank reconciliations are complete by the 30th day of the month following the statement period, in accordance with LOLLA's policy.

Response: Land of Lincoln agrees that bank reconciliations will be complete by the 30th day of the month following the statement period. Staff with properly segregated duties are handling the reconciliations going forward.

Recommendation 2: All bank reconciliations are legibly dated by the preparer, and the individual who performs the review fully documents their review with signature and date.

Response: Land of Lincoln has completed a refresher training for all staff who handle bank reconciliations and explained what needs to be done for proper documentation.

Recommendation 3: LOLLA resolves all checks outstanding more than 120 days in accordance with their policies and Illinois's unclaimed property laws.

Response: Land of Lincoln agrees with this recommendation. We are in the process of updating our accounting manual so all outstanding checks are reviewed every six months. Checks will then be voided, reissued or resolved according to Land of Lincoln's policies and Illinois's unclaimed property laws.

Recommendation 4: They document their review of bank statements for all accounts.

Response: Land of Lincoln agrees with this recommendation. The Executive Director will properly document the review of the statements. They will be initiated and dated to show proof of review.

Recommendation 5: The maintenance of segregation of duties so that the individual responsible for performing bank reconciliations does not have access to cash or the cash receipts log and does not perform journal entries.

Response: Land of Lincoln agrees that segregation of duties is necessary and will be maintained going forward. Due to the emergency of the pandemic some staff were temporarily unable to work remotely from home and segregation of duties was not maintained for a short period. That has since been rectified. Going forward all Land of Lincoln staff have the ability to work remotely and maintain segregation of duties.

Recommendation 6: Appropriate staff conduct a physical inventory and reconcile the results to the property records at least once every two years, in accordance with LSC criteria and LOLLA's policies.

Response: Land of Lincoln partially agrees with this recommendation. Regional offices have been actively updating physical inventory as an ongoing practice. Land of Lincoln previously identified several outdated fixed assets that were unresolved from prior financial staff before 2012 and never reconciled. Those old assets have been properly inventoried and/or disposed of.

Land of Lincoln will continue its practice of actively taking physical inventory monthly or quarterly and reconciling to the financial system.

Recommendation 7: The resolution of discrepancies identified between fixed asset records and the assets in LOLLA's possession.

Response: Land of Lincoln agrees with this recommendation. Steps taken are identified under recommendation 6.

Recommendation 8: Those responsible for approving purchases adequately document their approval, with a signature and date, in accordance with LOLLA's written policies and procedures, and LSC guidance.

Response: Land of Lincoln agrees with this recommendation. Due to the emergency pandemic, a limited number of approval documentation were missed in the transition to remote work. All staff who are authorized to approve purchases have been reminded of the requirements to adequately document approvals. Fiscal staff have also been reminded to review the documents to make sure all documentation has been provided before payment is made.

Recommendation 9: All authorized card holders sign credit card user agreements in accordance with LOLLA's policies and LSC criteria.

Response: Land of Lincoln agrees with this recommendation. Land of Lincoln is in the process of creating user agreements for all card holders.

Recommendation 10: Documentation is submitted and filed to support all credit card charges, in accordance with LOLLA's policies and procedures.

Response: Land of Lincoln agrees with this recommendation. All staff who make purchases have been retrained on submitting proper documentation for charges and on procedures for approval of purchases.

Recommendation 11: Appropriate staff document their approval, including signature and date, prior to incurring credit card charges and paying card statements.

Response: Land of Lincoln agrees with this recommendation. All staff who approve purchases have been retrained to properly document their approval to include signature and date. We have also implemented secondary approvals for all ACH payments.

Recommendation 12: Management reporting policies and procedures are updated to comply with LSC requirements.

Response: Land of Lincoln agrees with this recommendation. Land of Lincoln will update its accounting manual to be consistent with the LSC accounting guide.

Recommendation 13: LOLLA's Executive Management Team continues to review monthly reports and provide the monthly reports to the Financial Oversight Committee and Board of Directors for review.

Response: Land of Lincoln agrees with this recommendation. Land of Lincoln is now properly documenting the monthly review of management reports since mid-2022 and will provide monthly reports to the financial oversight committee.

Recommendation 14: Contracts are written and maintained in a central file for all business arrangements. The contracts should document the statement of work, the agreed upon costs, and payment terms.

Response: Land of Lincoln agrees with this recommendation. Land of Lincoln agrees we will maintain contracts, competition documents, and associated supporting documents in a central file.

Recommendation 15: Contract competition documents, including evaluation of bids, sole source justifications, and rationale for vendor selection are maintained in a central file.

Response: Land of Lincoln agrees with this recommendation. Land of Lincoln agrees we will maintain contracts, competition documents, and associated supporting documents in a central file.

Recommendation 16: Staff continues the recently implemented practice to enter derivative income into the accounting system with proper coding.

Response: Land of Lincoln partially agrees with this recommendation. Land of Lincoln's practice has always been to enter derivative income with proper coding. It is not a recently implemented practice. We note that these issues were two instances of minor coding errors and are not indicative of a pattern or practice of misattributing derivative income.

Recommendation 17: Staff perform client trust reconciliations monthly and send the completed reconciliations to management by the 15th of the month following the reconciliation month.

Response: Land of Lincoln agrees with this recommendation. Bank statements are mailed to the office. Due to inconsistent arrival times which make the current 15th of the following month deadline impractical, Land of Lincoln will amend its Accounting Manual to require completed reconciliations be sent to management by the 30th of the month following the reconciliation month.

Recommendation 18: Dates are included with signed client trust reconciliation approvals.

Response: Land of Lincoln agrees with this recommendation. Managing Attorneys who are responsible for client trust reconciliation approvals have been retrained to sign and date all reconciliations.



Office of Inspector General
Legal Services Corporation 3333
 K Street, NW, 3rd Floor Washington,
 DC 20007-3558
 202.295.1660 (p) 202.337.6616 (f)
www.oig.lsc.gov

Recommendation Tracking

Grantee Name:

RNO:

The Office of Inspector General makes recommendations for actions or changes that will correct problems, better safeguard the integrity of funds, and improve procedures or otherwise increase efficiency or effectiveness. We believe grantee management understands its own operations best and is in a position to utilize more effective methods to respond to our recommendations. We encourage these methods when responding to recommendations.

Instructions: Please complete this form with your comments and select whether you agree, partially agree, or disagree with the recommendations outlined in the draft report. Along with this form, submit a letter outlining your responses to our audit report.


Recommendations	Response	Comments
Recommendation 1	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln agrees that bank reconciliations will be complete by the 30 th day of the month following the statement period. We now have assigned staff who do not have access to deposits or checks received who will be handling the reconciliations going forward.
Recommendation 2	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln has completed a refresher training for all staff who handle bank reconciliations and explained what needs to be done for proper documentation.

Recommendation 3	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln will update its accounting manual to require outstanding checks be reviewed every six months. Checks will then be voided or reissued.
Recommendation 4	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	The Executive Director will properly document the review of the statements. They will be initiated and dated to show proof of review.
Recommendation 5	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln agrees that segregation of duties is necessary and will be maintained going forward. Due to the emergency of the pandemic some staff were temporarily unable to work from home and segregation of duties was not maintained for a short period. Going forward all Land of Lincoln staff have the ability to work remotely and maintain segregation of duties.
Recommendation 6	Agree <input type="checkbox"/> Partially Agree <input checked="" type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln partially agrees with this recommendation. Regional offices have been actively updating physical inventory as an ongoing practice. Land of Lincoln previously identified several outdated fixed assets that were leftover from prior financial staff before 2012 and never reconciled. Those old assets have been properly inventoried and/or disposed of. Land of Lincoln will continue its practice of actively taking physical inventory monthly or quarterly and reconciling to the financial system.
Recommendation 7	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	See comment under Recommendation 6.
Recommendation 8	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Due to the emergency pandemic, a limited number of approval documentation were missed in the transition to remote work. All staff who are authorized to approve purchases have been reminded of the requirements to adequately document approvals. Fiscal staff have also been reminded to review the documents to make sure all documentation has been provided before payment is made.
Recommendation 9	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln is in the process of creating user agreements for all card holders.

Recommendation 10	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	All staff who make purchases have been retrained on submitting proper documentation for charges and on procedures for approval of purchases.
Recommendation 11	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	All staff who approve purchases have been retrained to properly document their approval to include signature and date. We have also implemented secondary approvals for all ACH payments.
Recommendation 12	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln will be updating its accounting manual to be consistent with the LSC accounting guide.
Recommendation 13	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln is now properly documenting the monthly review of management reports since mid-2022 and will provide monthly reports to the financial oversight committee.
Recommendation 14	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln agrees we will maintain contracts, competition documents, and associated supporting documents in a central file.
Recommendation 15	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln agrees we will maintain contracts, competition documents, and associated supporting documents in a central file.
Recommendation 16	Agree <input type="checkbox"/> Partially Agree <input checked="" type="checkbox"/> Disagree <input type="checkbox"/>	Land of Lincoln's practice has always been to enter derivative income with proper coding. It is not a recently implemented practice. We note that these issues were two instances of minor coding errors and are not indicative of a pattern or practice of misattributing derivative income.
Recommendation 17	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Because bank statements arrive inconsistently by mail each month, Land of Lincoln will amend its Accounting Manual to require completed reconciliations be sent to management by the 30 th of the month following the reconciliation month.

Recommendation 18	Agree <input checked="" type="checkbox"/> Partially Agree <input type="checkbox"/> Disagree <input type="checkbox"/>	Managing Attorneys have been retrained to sign and date all reconciliations.
-------------------	--	--

Name and Title: Clarissa Gaff Executive Director, Land of Lincoln

Signature:  _____