

# LEGAL SERVICES CORPORATION



Office of  
Inspector General



Semiannual Report to the Congress  
April 1, 2014 – September 30, 2014

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

**A MESSAGE FROM THE INSPECTOR GENERAL**

I am pleased to submit this report on the activities and accomplishments of LSC's Office of Inspector General (OIG) for the period April 1, 2014, through September 30, 2014.

During this reporting period we performed a number of audits focused on the adequacy of grantees' internal controls, particularly with respect to financial operations. We also continued our efforts in the area of acquisition management. We completed a follow-up review, evaluating the effectiveness of actions taken by LSC management in response to our previous audit of consultant contracts. While the report identified a number of continuing deficiencies, management responded promptly and took appropriate action to implement the recommendations in the report. In addition, we provided extensive comments in connection with the ongoing revision of LSC's purchasing and contracting protocols.

We entered the fourth year of our initiative to provide enhanced oversight of the independent audits required annually of LSC grantees. Firms performing grantee audits are now subject to a Quality Control Review (QCR) at least once every four years. During the period we issued 21 QCRs. A total of 132 reviews have been completed under the program.

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

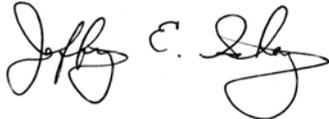
We opened 12 new investigations and closed 20 investigations during the reporting period. Investigations covered criminal and regulatory matters, including fraud and financial irregularities by grantee employees, the unauthorized outside practice of law, time and attendance abuse, and the improper use of LSC funds. Cases arising from OIG investigations resulted in referrals for criminal action, federal debarment proceedings, and questioned cost determinations, as well as the restitution to a grantee of over \$10,000 in misspent funds.

We continued to emphasize outreach and education as part of our ongoing efforts to help prevent fraud and abuse in LSC-funded

programs. We maintained an active calendar of grantee outreach visits, completing a total of 21 fraud awareness briefings and five vulnerability assessments.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey E. Schanz". The signature is fluid and cursive, with the first name "Jeffrey" being the most prominent part.

Jeffrey E. Schanz  
Inspector General  
October 31, 2014

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## OFFICE OF INSPECTOR GENERAL OVERVIEW

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

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

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

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

LSC's 2014 appropriation (exclusive of OIG operations) was approximately \$375 million. The Corporation provides funding to 134 independent nonprofit legal aid programs throughout the nation and in U.S. territories.

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

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

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

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

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

## AUDITS

As discussed below, during this reporting period the OIG issued five audit reports with respect to grantee operations and performed a follow-up audit on our 2009 audit of LSC's consultant contracts. We also issued one draft report and one close-out letter. At the conclusion of the period we had six projects underway and in various stages of completion; an additional two grantee reviews were in the initial planning phase.

The OIG has responsibility for overseeing the independent public accountant (IPA) audits performed annually at each grantee. During the reporting period, the OIG reviewed 63 IPA reports, with fiscal years ending from December 31, 2013, through March 31, 2014.

The OIG also issued 21 Quality Control Review (QCR) reports this period under our QCR initiative. The goal of the QCR initiative is to improve the overall quality of the IPA audits and to ensure that all audits are conducted in accordance with applicable standards and with the guidance provided by the OIG.

### **Central Jersey Legal Services, Inc. – Report on Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls at Central Jersey Legal Services, Inc. (CJLS), New Brunswick, NJ. We found that while many of CJLS' controls were adequately designed and properly implemented, some controls needed to be strengthened and formalized in writing.

We reported that current practices involving soliciting and awarding contracts were not in accordance with LSC's Accounting Guide. We found that CJLS did not have documentation justifying the process used to obtain two sole sourced contracts identified during testing. We also found that CJLS did not have all supporting documentation for contracts in one centralized location, and that CJLS' contracting policies and procedures needed to be fully documented.

We reported that at the time of our review, fixed assets purchased by CJLS were not properly tagged. We found that the property records did not contain all information required by LSC's Accounting Guide. While several information columns were included on the property records, information was incomplete or missing, including the check number used to purchase the item, inventory control numbers, and date of acquisition.

We reported that controls over credit cards needed to be strengthened. While CJLS provided credit card supporting documentation, we found that the documentation was not maintained in one location as required and that some electronic receipts were not included in the credit card statements file used as support for paying the credit card statement charges.

We reported that CJLS' current practices involving derivative income, credit card purchases and cost allocations were generally in accordance with LSC's Accounting Guide. We did note that the policies and procedures in these areas needed to be fully documented.

Grantee management agreed in principle with all the findings and recommendations contained in the report. In response to the recommendations, grantee management has updated and added written policies for credit card use and contracting processes to their administrative manual. The new contracting procedures address when to seek competition and measures to ensure that all modifications are in writing and approved. Grantee management has reviewed all administrative files and organized the filing system for contracts. They are in the process of ensuring that credit card transactions are adequately supported and that the support is filed with the credit card statement in a central location. They have also completed an updated and more complete inventory of fixed assets, tagging all assets and adding previously missing information to their inventory list. The OIG considers these recommendations closed.

Grantee management is in the process of developing written policies for derivative income and the cost allocation process for their administrative manual. Once the administrative manual is complete, management plans to familiarize staff with the changes.

The OIG reviewed the grantee's comments and determined that the planned actions were responsive to the recommendations. Each recommendation will remain open until the OIG receives written confirmation that the proposed action has been completed or implemented.

### **Southern Arizona Legal Aid, Inc. – Review of Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls at Southern Arizona Legal Aid, Inc. (SALA). We found that while many of the controls were adequately designed and properly implemented, some controls needed to be strengthened and formalized in writing.

The OIG noted that the cost allocation system, as implemented, was not in accordance with LSC regulations. SALA employed a cost allocation system that allocated most allowable indirect costs to the LSC grant and much less of the indirect costs to non-LSC funding sources, thus charging a disproportionate share of such costs to LSC funds.

The review noted that some controls needed to be strengthened and formalized in writing. Some of the areas identified included the need to:

- document and follow policies and procedures to allocate attorneys' fees and other derivative income (the program received attorneys' fees during the period under review and two instances were noted where the attorneys' fees were not correctly allocated to LSC);

- fully develop and document policies and procedures relating to soliciting and awarding contracts; and
- strengthen documented procedures of the cost allocation system.

The OIG made six recommendations:

- one recommendation addressed the need to strengthen the cost allocation system;
- one recommendation suggested written policies to prohibit the use of LSC funds for unallowable expenses;
- two recommendations addressed the need to strengthen internal controls with regard to derivative income; and
- the remaining two recommendations addressed the need to enhance consulting and cost allocation policies.

Grantee management agreed with the OIG's findings and recommendations. Grantee management stated its accounting manual will be updated to address deficiencies listed in the report, and submitted copies of policies and procedures that will be presented to SALA's Board of Directors for approval and then be made part of the accounting manual. Management also provided the OIG with additional documentation and explanations to support some of the disbursements that the OIG had questioned.

For the first recommendation, management provided additional analysis and comments to clarify how each category of funding is allocated its share of the total cost based upon the revenue received. The OIG considered this recommendation closed.

The OIG considers the proposed actions to address the remaining recommendations as responsive. Each of these recommendations will remain open until the OIG receives written confirmation that the proposed action has been completed or implemented.

### **Legal Services Alabama, Inc. – Review of Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls at Legal Services Alabama, Inc. (LSA).

We found a number of significant problems with the design and operation of some of the internal controls reviewed at LSA. We tested 89 grantee disbursements, of which 35 (39 percent) were found to be unallowable, unsupported, insufficiently supported, or not approved.

We also noted areas where internal controls could be strengthened, such as:

- segregation of duties;
- accounting for matching funds; and
- rental income and expense allocation.

The review noted that the grantee's fixed assets policies and procedures needed to be updated to comply with certain components of LSC's Property Acquisition and Management Manual (2001). In addition, we reported that the grantee's current practice for physical inventory was inadequate. Specifically, we found that physical inventory results were not reconciled with property records and that the grantee failed to follow up on issues identified during a physical inventory. Also, the subsidiary record and the master inventory records did not have all information required by the LSC Accounting Guide. Missing data included identification numbers, location of items, and check numbers used to purchase the items.

The OIG found that LSA needed to develop and implement policies and procedures relating to soliciting and awarding contracts. We found that the grantee's current practices involving cost allocation, client trust funds, derivative income, and internal management reporting and budgeting were generally in accordance with the Fundamental Criteria provisions of the LSC Accounting Guide, however the grantee's cost allocation procedures did not provide sufficient details to fully describe how costs are allocated. The written policies and procedures relating to client trust funds needed to be revised to include all components of the Fundamental Criteria. Policies and procedures for derivative income and internal reporting and budgeting also needed to be documented in the grantee's accounting manual.

The OIG made 13 recommendations:

- three recommendations addressed the need to strengthen the disbursement process;
- four recommendations suggested that written policies and procedures be put in place for contracting and consulting agreements, cost allocation, client trust funds, derivative income, and the grantee's internal reporting and budgeting process;
- three recommendations addressed the need to strengthen internal controls with regard to fixed assets processes; and
- the remaining three recommendations addressed the need to enhance controls with respect to segregation of duties, accounting for matching funds, and rental income and expense tracking.

Grantee management agreed in principle with all the findings and recommendations contained in the report. Grantee management stated the program's accounting manual will

be updated over the next twelve months. The OIG considers the proposed actions to address nine of the recommendations as responsive. Each of these recommendations will remain open until the OIG receives written confirmation that the proposed action has been completed or implemented.

We concluded that the grantee's comments were not responsive to four recommendations. Grantee management's response only provided that the LSA Accounting Manual will be updated to address the issues; it failed to include what procedures would be performed at the present time to correct the specific issues. We referred the issues to LSC management for resolution and corrective action.

### **Legal Aid Society of Oregon – Review of Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls at Legal Aid Society of Oregon (LASO). Overall, we found that the tested controls were adequately designed and properly implemented.

We identified one area of questioned cost. The OIG found that local bar dues in the amount of \$4,789.08 were included in the grantee's pooled expense account and erroneously allocated to LSC. The OIG questioned this amount and referred the issue to LSC management for further review.

The review also found some issues that needed to be addressed by LASO management.

- LASO management was not fully aware of all the credit cards issued by the organization, specifically, those related to office supply stores.
- The grantee awarded three sole source contracts without documenting the justifications for why the contracts were awarded without competition. The contracts were awarded when the grantee did not have written contracting procedures in place. We noted the grantee adopted new contracting procedures in June 2012 that adequately address this issue.
- Policies and procedures needed to be documented in the grantee's accounting manual. Purchasing procedures for the LASO Central Office were not documented, nor did the grantee have any written policies and procedures on derivative income in their accounting manual.

The OIG made five recommendations:

- one recommendation addressed the need for the executive director to ensure that the grantee's written policy on bar dues and membership fees is followed;
- one recommendation addressed the need to evaluate the current credit card procedures for adequacy and to ensure all credit cards issued are properly authorized and controlled;

- one recommendation addressed the need to ensure justifications are prepared and on hand for all sole source awarded contracts; and
- two recommendations addressed the need to establish written policies and procedures for central office purchasing and derivative income.

Grantee management agreed with four of the five findings and with all of the recommendations contained in the report. They did not agree with the OIG's initial finding that resulted in \$9,099.96 in questioned costs for local bar dues. Based on explanations provided by the grantee on how local bar dues are allocated to the various grants, the OIG lowered the questioned amount to \$4,789.08. This amount was referred to LSC management for further review and action. Grantee management also argued that any amounts erroneously allocated to LSC were fully offset by LSC eligible costs allocated to other funding sources, and thus disputed a finding of questioned costs even at the reduced amount.

Grantee management agreed with the finding on credit cards. They stated they were aware that the office supply store accounts existed, but they had been viewed as equivalent to merchant accounts and had not been incorporated into their credit card policies. They stated they had maintained adequate controls over these accounts. However, the grantee acknowledged that the accounts were underwritten by a credit card company and reported they would now treat them as credit card accounts.

The grantee agreed with our finding on the need for sole source justifications for contracts awarded without competition and will implement our recommendation. LASO management agreed to establish a process to adequately segregate their purchasing functions as recommended by the OIG. Lastly, the grantee agreed with our recommendation to update their accounting manual to include all written policies and procedures to account for derivative income.

The OIG considers the grantee's actions responsive to the recommendation regarding local bar dues and that recommendation is considered closed. As of FY 2013, the grantee no longer allocated local bar dues to LSC funding.

The OIG considers grantee management's actions taken and planned to address the remaining four recommendations as responsive to the findings and recommendations contained in the report. The recommendation regarding credit cards is considered closed as the grantee has already evaluated their procedures for use of the cards, documentation of purchases and review of documentation and payment of charges. The other recommendations will remain open until the OIG receives written confirmation that they have been implemented by the grantee.

## **Nevada Legal Services, Inc. – Review of Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls in place at Nevada Legal Services, Inc. (NLS). We found that NLS needed to strengthen internal controls and enhance written policies and procedures to comply with the LSC Accounting Guide and LSC regulations, and to adhere more closely to its established written policies.

We tested 85 disbursements, of which 21 (nearly 25 percent) were found to be unallowable, inadequately supported, or improperly approved.

Generally, the cost allocation methodology used by NLS appeared reasonable, except that it did not include a provision for allocating indirect costs prohibited by LSC regulations. The OIG noted that NLS used LSC funds to pay for expenses prohibited by LSC regulations because of the flaw in the design of the cost allocation methodology. In addition, we found that the grantee's written cost allocation policy was outdated.

The grantee's contracting policies were missing critical elements required by the Fundamental Criteria provisions of the LSC Accounting Guide, including (among others) guidelines for securing various types of contracts, competition requirements, and provisions for executing contracts that deviate from standard procedures, e.g., sole source procurements. We found that the grantee's policy stipulated its board of directors had to approve purchases over \$5,000, but that management did not adhere to this requirement. Additionally, management stated that it secured competitive bids for purchases over \$500, but the OIG did not find evidence of the bidding process in the grantee's practice or its written policy.

NLS had internal controls in place regarding employee benefits, but did not always adhere to the established controls. We found that the grantee had adequate written policies in place, but management overrode those policies.

The grantee's written policies and procedures regarding fixed assets were in accordance with the Fundamental Criteria contained in the Accounting Guide. However, the grantee did not retain sufficient evidence to substantiate that they had performed an inventory of fixed and physical assets, or that they had reconciled the assets to property records. Without appropriate evidence, the OIG could not confirm that management actually performed the inventory. In addition, property records retained by NLS management for physical assets were missing key recordkeeping elements required by the Accounting Guide.

We noted that the grantee did not have adequate internal controls in place governing the use and issuance of credit cards. NLS did not have a written policy outlining acceptable uses of credit cards. The NLS accounting manual stipulated that management must approve all charges, but did not detail the types of purchases that cardholders were authorized to make with the credit cards. The OIG found three unallowable transactions totaling \$781, charged to NLS credit cards.

NLS did not have a written policy regarding derivative income. Although we found that the grantee handled the derivative income earned during the audit scope correctly, we noted that management should formalize applicable policies and procedures in writing.

The grantee had adequate internal controls in place over the internal reporting and budgeting process. We reported that the policies and procedures for internal reporting and budgeting, outlined in the grantee's accounting manual, were comparable to the Fundamental Criteria and that NLS adhered to the policies.

The OIG made 14 recommendations including:

- four recommendations to strengthen internal controls over disbursements;
- three recommendations to enhance the cost allocation policy and implement the updated policy;
- two recommendations to ensure that contracting policies and procedures adhere to LSC regulations;
- one recommendation to allow management discretion to grant exceptions to benefits policies to accommodate organizational needs;
- two recommendations to ensure security of fixed and physical assets through improved tracking and inventory counts; and
- two recommendations to strengthen policies regarding acceptable use and accountability of credit cards.

Grantee management disagreed with portions of the disbursement finding. Grantee management provided additional explanation related to the contracting finding, but did not propose any actions to address the recommendation. The OIG did not find the grantee's response satisfactory to resolve the three recommendations related to these findings and referred them to LSC management.

Grantee management concurred with the cost allocation finding and drafted a revised cost allocation method for approval by their board of directors. Regarding the employee benefits finding, NLS is in the process of updating their manual to outline policies regarding job sharing. Grantee management stated that fixed and physical asset inventories contain the information required by the NLS manual and are reconciled to the general ledger. They provided an inventory of fixed assets for 2013. NLS is in the process of updating their policies regarding credit cards in response to the OIG's recommendation.

The OIG considers the proposed actions to address the 11 recommendations associated with these findings as responsive. Each recommendation will remain open until the OIG receives written confirmation that the proposed action has been completed or implemented.

## **Follow-up on Audit of LSC Consultant Contracts**

We performed a follow-up audit to determine the effectiveness of management actions taken to correct the issues reported in our 2009 audit report entitled, "Audit of LSC's Consultant Contracts" (No. AU09-05). In that audit we reported, among other things, that the design of controls over consultant contracts was generally adequate, however application of the controls was not enforced. We found that LSC's written policies and procedures governing the consultant contracting process were not regularly followed. Specifically, we reported that competition requirements were not followed; required approvals were not obtained; required basic information was not used in some contracts; forms to control the contracting process were not used; purchase orders were not always prepared; and contracting records were not properly maintained. Eight of the 13 recommendations made by the OIG related to clarifying and following the policies and procedures used by all LSC personnel involved in the contracting process, and addressed the above issues.

LSC management reported to the OIG that all actions on the 13 recommendations were completed. As a result, the OIG closed all 13 recommendations.

In our follow-up audit we found that LSC management's action did not correct some of the deficiencies identified in the original report. While the design of controls over consultant contracts were generally adequate, the controls were not always applied. As a result, LSC's consultant contracting practices did not always follow the established policies and procedures.

Specifically, we found that some contracts were awarded without:

- either engaging in competition or documenting the applicable exceptions to the competition requirement;
- obtaining the required approvals;
- having all required documentation in the files;
- including basic information; or
- properly documenting contract amendments and having them approved by the Office of Legal Affairs (OLA).

We also found that quarterly reports assessing the contracting process were not adequately prepared and that purchase orders were either not processed or not processed properly.

The OIG made five recommendations:

- two recommendations addressed the need to update the LSC Accounting Procedures Manual;

- one recommendation addressed the need to develop a checklist to use in determining and documenting the procedural sufficiency of each consultant contract;
- one recommendation addressed the need to provide written reports to the LSC President on consultant contracts signed each quarter, including an assessment of whether contracting procedures were followed, and if not, what actions were needed to correct any deficiencies; and
- one recommendation addressed the need to establish procedures to ensure that purchase orders were properly issued and processed.

LSC management agreed with the recommendations and either has implemented or is in the process of implementing the recommendations.

The OIG considers the proposed actions as responsive to the recommendations. Three of the five recommendations are complete. The remaining two recommendations will remain open until management provides written confirmation that the proposed actions have been completed or implemented.

## **Statistical Summary**

### **Audit Reports**

Open at beginning of reporting period .....	11
Opened during the period .....	4
Issued during reporting period .....	6
Closed during reporting period .....	1
Open at end of reporting period .....	8

### **Recommendations to LSC Grantees**

Pending at beginning of reporting period .....	58
Issued during reporting period .....	51
Closed during reporting period .....	13
Pending at end of reporting period .....	96

### **Recommendations to LSC Management**

Pending at beginning of reporting period .....	13
Issued during reporting period .....	5
Closed during reporting period .....	13
Pending at end of reporting period .....	5

## **Oversight of IPA Audits**

### **Independent Audits of Grantees**

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

The OIG provides guidance to the IPAs and grantees, as well as general oversight of the IPA process. Our oversight activities include desk reviews and a recently enhanced program of quality control reviews.

### **Desk Reviews of IPA Reports**

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

### **Quality Control Reviews**

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

### **Quality Control Review Results**

This reporting period, the OIG issued 21 QCR reports to IPAs; 10 were from the 2013 fiscal year cycle and 11 from the 2012 fiscal year cycle.

Of the 10 QCRs issued for the 2013 fiscal year, seven identified deficiencies that required the IPAs to provide the OIG with additional documentation to support the conclusions reached. The OIG will review the additional documentation provided by the IPAs to ensure LSC grantees receive an acceptable audit. Two QCRs identified deficiencies for which the OIG issued recommendations to the IPAs to implement in future audits of the grantees. Based on the findings of the remaining QCR, the OIG rejected the subject audit. The OIG notified the IPA of the rejection and began debarment proceedings against the firm whose work failed to meet auditing standards.

Of the 11 QCRs issued for the 2012 fiscal year, five identified deficiencies that required the IPAs to provide the OIG with additional documentation to support the conclusions reached. The OIG received and reviewed additional documentation submitted by four IPAs. The OIG found the additional documentation from three of the four IPAs acceptable. The OIG found the response from one IPA insufficient to address the recommendations in the QCR and requested that the IPA immediately perform additional work and submit evidence of the work to the OIG. The OIG will review the additional documentation required to be provided by the remaining IPA to ensure LSC grantees receive an acceptable audit. The remaining six QCRs identified deficiencies for which the OIG issued recommendations to the IPAs to implement in future audits of the grantees.

During the previous reporting period, eight QCRs identified deficiencies for which IPAs were required to provide the OIG additional documentation supporting the work performed or to perform additional work. This reporting period, we evaluated the documentation submitted by six of the IPAs and determined that for all six QCRs the documentation provided adequately demonstrated that the deficiencies identified had been corrected. For the remaining two QCRs, the IPAs are scheduled to submit supporting documentation during the next reporting period.

### **Follow-up Process**

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

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

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

In order to provide more complete information in our semiannual reports to Congress, the OIG customarily includes a summary of significant findings and the status of follow-up on significant findings reported by the IPAs as part of the grantee oversight process.

During the reporting period, the OIG reviewed 63 IPA audits of grantees with fiscal year ending dates from December 31, 2013 through March 31, 2014. The audit reports and the findings reflect the work of the IPAs, not the OIG. These audit reports contained 23 findings. The OIG reviewed the findings and determined that 10 findings were either not significant or that corrective action had already been completed, and closed the findings. The remaining 13 findings were referred to LSC management for follow-up. The tables below present information on those findings.

### **Summary of Findings for Grantee Audit Reports Reported in Grantee Financial Statement Audits with Fiscal Years Ending December 31, 2013, through March 31, 2014**

Total Number of Findings Referred .....	13
Number of Findings with Corrective Action Accepted by LSC Management .....	3
Number of Findings Awaiting LSC Management Review .....	10

### **Types of Findings Referred to LSC Management for Follow-up**

<b><u>Category</u></b>	<b><u>Number of Findings</u></b>
Financial Transactions and Reporting .....	5
Policies and Procedures (establishment/compliance) .....	3
Timekeeping.....	2
Missing Documentation.....	2
Segregation of Duties.....	1
TOTAL .....	13

## INVESTIGATIONS

OIG investigations this reporting period resulted in the referral of over \$103,000 in questioned costs to LSC management and the recovery of over \$10,000 from a grantee executive director for improper travel reimbursements and charges for personal expenses. The OIG opened twelve investigations during this period. These included three criminal investigations, five compliance investigations, three Fraud Vulnerability Assessments, and one joint Fraud and Regulatory Vulnerability Assessment. The criminal investigation involved allegations of fraudulent activity. The compliance investigations included alleged violations of LSC statutes and regulations involving matters such as the outside practice of law, time and attendance abuse, and improper use of LSC funds.

The OIG closed 20 investigations during the reporting period. These included ten criminal investigations, five compliance matters, two Fraud Vulnerability Assessments, one Regulatory Vulnerability Assessment, and two joint Fraud and Regulatory Vulnerability Assessments.

### **Spending Abuses**

#### **Former Grantee Employee Misused LSC Funds**

An OIG investigation determined that from 2009 through 2013, a senior employee of an LSC grantee received approximately \$103,000 in grantee funds for questionable payroll and travel claims. As reported in our last Semiannual Report, the employee, who was the second ranking official and served as the grantee's fiscal officer, resigned in lieu of termination. The employee received over \$12,600 from "double billing" the grantee for her hours, claiming both paid leave and additional work hours for the same time frames, and over \$83,350 in overtime and other compensation that appeared questionable or unreasonable. The employee also received over \$7,000 in questionable travel reimbursements, including claims submitted with altered receipts and claims for travel that appeared to be personal in nature or otherwise questionable or unreasonable. The case was referred to the local United States Attorney's Office and was jointly investigated by the OIG and the Office of Inspector General of the Department of Justice (DOJ-OIG). We referred the matter to LSC management for a determination of whether questioned cost proceedings should be initiated against the grantee to recover the misused LSC funds and for other appropriate action. The matter was also referred to the Department of Justice for federal debarment action against the employee.

## **OIG Investigation Results in Recovery of Over \$10,000**

As a result of anomalies identified while conducting a joint Fraud and Regulatory Vulnerability Assessment, the OIG initiated an investigation into possible spending abuses by the executive director of an LSC grantee. The OIG investigation revealed that the executive director had improperly received \$10,098 from the grantee as a result of personal charges made using the program's credit card and improper travel claims. The executive director charged \$3,337 in personal transactions to the grantee credit card, and submitted claims and received payment for \$6,761 in inappropriate gas and rental car charges. The executive director contended the charges were the result of errors or inadequate bookkeeping procedures. The grantee's board of directors was advised of our findings. As a result of the OIG investigation, the executive director reimbursed the grantee the full amount of the improper charges. The matter was also referred to LSC management for consideration of additional appropriate action.

## **Fraud Prevention Initiatives**

The OIG maintains an active fraud prevention program, engaging in a variety of outreach and educational efforts intended to help protect LSC and its grantees from fraud and abuse. We regularly conduct Fraud Awareness Briefings, Fraud Vulnerability Assessments, and Regulatory Vulnerability Assessments, and provide fraud alerts and other information that we believe will help increase grantees' awareness of potential vulnerabilities.

## **Fraud Prevention Guide**

This period the OIG published the first edition of our handbook, "Fraud Prevention Guide for LSC Grantees." The guide discusses various fraud schemes actually investigated by the OIG and provides information on fraud indicators and specific suggestions for ways grantees can identify and help prevent fraud. It was distributed to all LSC grantee executive directors and is available on the "front page" of our website at [www.oig.lsc.gov](http://www.oig.lsc.gov).

## **Fraud Awareness Briefings**

Fraud Awareness Briefings (FABs) are presented by experienced and knowledgeable OIG investigative staff and cover topics such as who commits fraud, what conditions create an environment conducive to fraud, why people commit fraud, how fraud can be prevented or detected, and what to do if fraud is suspected.

While individuals at LSC-funded programs may generally be aware that fraud and abuse can occur at any organization, they may not be aware of the potential for such incidents to occur within their own programs. Moreover, we have found that staff members often think

that if there is any wrongdoing within their program, it must be minimal. Fraud Awareness Briefings highlight the unfortunate truth that a number of LSC-funded programs have been victimized by frauds involving hundreds of thousands of dollars, and in one case the diversion of over a million dollars in grant funds. The FABs describe common types of fraud, with particular focus on the various schemes that have been perpetrated against LSC grantees and the conditions that helped facilitate the losses. The briefings aim to foster a dialogue with staff and to engender suggestions for ways to help protect their own programs from fraud and abuse.

LSC grantees are invited to request a Fraud Awareness Briefing at a time and place convenient to them. We make every effort to accommodate requests as promptly as possible. We encourage attendance by all program staff and welcome the grantee's board members, outside auditors, and other interested parties.

Since initiating the FAB program in 2009 we have conducted 119 briefings for grantees in 44 states, the District of Columbia, and three territories, as well as briefings for the LSC Board of Directors, LSC headquarters personnel, a presentation at the National Legal Aid & Defender Association annual conference, and two webinars that reached multiple grantees.

An enhanced FAB program, which we introduced in 2013, consists of day-long visits to LSC grantees that include not only an all-staff Fraud Awareness Briefing but also in-depth fraud prevention and fraud detection sessions with the executive director, principal financial officer and financial staff, outside auditor, and one or more members of the grantee's board of directors, typically including the chair of the audit committee. During these enhanced FABs, attendees are provided with materials describing LSC grantee-specific fraud indicators. OIG investigative staff members also meet with one or more grantee board members to discuss the board's role in preventing and detecting fraud, including the board's responsibility to supervise the executive director.

During this reporting period the OIG conducted 21 FABs for LSC-funded programs in Alaska, Arizona (two), the District of Columbia, Guam, Hawaii, Kentucky, Micronesia, Minnesota (two), Montana, New Jersey, New York (three), North Dakota, Ohio, Oregon, Tennessee, Virginia and one for Legal Services Corporation headquarters staff in the Offices of Compliance and Enforcement and Program Performance.

### **Fraud Vulnerability Assessments**

The OIG's Fraud Vulnerability Assessments (FVAs) are conducted on-site at LSC grantee offices and consist of focused document reviews in areas considered high risk, weak, or prone to abuse, along with a review of grantee internal control policies and the degree to which those policies are observed in practice. We also brief the executive director and principal financial officer on fraud detection and prevention measures appropriate to their particular program.

A typical FVA can include reviews of credit card transactions, petty cash, bank account reconciliations, travel claims, office supply expenses, and selected other areas that have been linked to the commission of fraud at LSC grantee programs. FVAs can help grantees identify both existing vulnerabilities and potential problem areas. FVAs sometimes detect ongoing fraud or abuse and result in further investigation. FVAs also serve as a deterrent by helping make grantee staff members aware of the potential for fraud and reminding them that the OIG will investigate and seek to prosecute cases involving fraud or the misuse of LSC grant funds. Two FVAs were completed during this reporting period in Arizona and Illinois.

### **Regulatory Vulnerability Assessments**

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

Three joint Fraud and Regulatory Vulnerability Assessments were completed during this period in North Carolina, Ohio, and Virginia.

### **Hotline**

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

During this reporting period, the OIG received 56 Hotline contacts (compared to 50 for the previous period). Of these matters, 11 were referred to LSC management for follow-up; six were opened as investigations; and the remaining 39 were closed.

## Statistical Summary

### Investigative Cases

Open at the beginning of period .....	18
Opened during period .....	12
Closed during period .....	20
Open at the end of period .....	10

### Prosecutorial Activities

Referred to prosecutive authority .....	1
---	---

### Investigative Activities

Inspector General subpoenas issued.....	4
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### Monetary Results

Employee reimbursement to grantee .....	\$10,098
Questioned costs referred to LSC management .....	\$103,173

## OTHER OIG ACTIVITIES

### **LSC Procurement Policies and Procedures**

Following recent OIG reviews and recommendations, LSC formally recognized acquisition management as a risk area for the Corporation, including it in its risk management matrix. LSC management is working to revise and strengthen its purchasing and contracting protocols accordingly. During this reporting period, the OIG was asked to comment on the draft protocols and provided detailed comments and suggested revisions.

The OIG noted that overall “the draft protocols were a significant improvement from the previous [version]... and will improve contracting practices and controls, if followed.” We also identified areas where we believe additional refinements and improvements were still needed.

We recommended that LSC make maximum use of its status as an authorized user of the GSA schedules and other available acquisition resources to simplify processes, reduce costs, and obtain best value for the Corporation. We also recommended that as a non-profit, LSC should take advantage of charity pricing whenever possible. We emphasized that roles and responsibilities needed to be further clarified, and that procurement procedures could be more centrally managed by a procurement coordinator. We encouraged further simplification of the protocols to facilitate compliance with policies and procedures. We acknowledged the development of a previously recommended online procurement system, but reserved further comments until the system is available. We stressed the importance of guiding principles related to separation of duties and independent evaluation processes. Finally, we identified areas where guidance was still lacking, in particular, contract management and oversight, market research, vendor relations, and evaluation processes.

In our ongoing strategic planning process, we identified acquisition management as one of LSC’s major management challenges. The comments on the draft protocols are the latest in a series of recommendations and reviews in the area, including our original audit of consultant contracts (July 2009), a sole source contracting review (July 2013), procurement training recommendations (August 2013), a memorandum suggesting revisions to LSC’s procurement and contracting policies and procedures (February 2014), and this period’s follow-on audit of LSC’s consultant contracts.

At the close of the period, management was reviewing our suggested revisions to the draft protocols.

## **Policy on Electronic Devices, Services, and Systems**

The OIG responded to LSC management's request for comments concerning LSC's draft "Policy on Electronic Devices, Services and Systems." The OIG suggested revisions concerning the cost of usage, privacy issues, and security concerns related to the use of mobile devices for professional purposes. Overall, our concerns have been considered and addressed by management throughout development of the draft policy.

## **Improving Recruitment**

During this period, the OIG issued a memorandum requesting that LSC's Office of Human Resources establish a permanent business relationship with the United States Office of Personnel Management (OPM) with respect to its USAJOBS.gov website, in order to post future OIG and Corporation position vacancy announcements. This idea was also raised by the Chairman of LSC's Board of Directors' Operations and Regulations Committee at the April 2014 board meeting. As we stated in our memorandum, "Expanding LSC's recruitment efforts by using USAJOBS could have a beneficial impact by attracting experienced grants personnel ...[fitting] the needs of a federally funded grants-making organization." LSC has implemented the recommendation. After discussions with the Office of Personnel Management, both the OIG and the Corporation now have ready access to the USAJOBS website, which should enhance our recruitment profile and efforts.

## **Rulemaking**

The OIG provided comments in response to LSC's Notice of Proposed Rulemaking (NPRM) concerning Private Attorney Involvement (PAI). While not opposing changes to the rule and, in fact, recognizing many positive aspects of the proposed revisions contained in the NPRM, our comments cautioned that the approach to encouraging pro bono involvement adopted by the proposed rule is largely untested and could have the unintended consequence of reducing involvement by private attorneys. This is so because the proposed rule includes non-attorney services among the activities to which PAI costs may be allocated while at the same time not increasing the overall amount grantees are required to spend on PAI. The OIG recommended, therefore, that the new approach embodied in the NPRM should be accompanied from day one by appropriate safeguards, including additional reporting requirements, to determine whether it is having the desired effects and facilitate appropriate changes if it is not. The OIG also recommended several modifications to the text of the proposed rule and the supplementary information to avoid later interpretive difficulties and potential confusion.

## **Freedom of Information Act**

The OIG is committed to complying fully with the requirements of the Freedom of Information Act (FOIA). During this reporting period, we responded to five FOIA requests; all responses were within the requisite timeframes.

## **Professional Activities and Assistance**

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

## APPENDIX – PEER REVIEWS

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

(14)(A) – The last peer review of the OIG was conducted by the Federal Housing Finance Agency, Office of Inspector General. A system review report with a rating of “pass with deficiencies” was issued on September 5, 2014.

(15) – List of outstanding recommendations, including status of implementation and why not complete:

Recommendation – “LSC OIG should train its staff on assessing the reliability of computer-processed data.” Action – This training is expected to be developed and delivered to the audit staff by December 31, 2014.

Recommendation – “LSC OIG should implement appropriate controls for cross-indexing statements to supporting work papers and ensuring those statements are independently cross-referenced before issuing a final report.” Action – Training and control procedures will be developed and delivered to the audit staff by December 31, 2014.

Recommendation – “LSC OIG should implement sufficient controls to prioritize its quality monitoring program such that it complies with ongoing monitoring requirements and should prepare an annual summary of those quality activities per [Government Auditing Standards].” Action – A Director of Audit Operations will be designated and tasked with performing periodic and required annual summaries of a quality assurance program. A schedule will be developed by December 31, 2014 to ensure that reviews are completed in a timely fashion.

Recommendation – “LSC OIG should ensure those responsible for IPA monitoring document their oversight in the work paper system of record and require supervisory review of work papers supporting the monitoring throughout the oversight period.” Action – The OIG will build an annual quality control review to ensure that the work is done properly, appropriately documented, and that work papers are safeguarded.

The above recommendations have not been completed because the peer review report was issued toward the end of the reporting period, not allowing sufficient time for implementation.

(16) – The OIG did not conduct a peer review of another Office of Inspector General during this reporting period. There are no outstanding recommendations made from any previous peer review that remain outstanding or have not been implemented.

## TABLE I

### Audit Reports and Quality Control Reviews Issued for the Period Ending September 30, 2014

#### Part A Audit Reports

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Funds Put To Better Use</u>	<u>Unsupported Costs</u>
Report on Selected Internal Controls – Central Jersey Legal Services, Inc.	5/06/14	\$0	\$0	\$0
Report on Selected Internal Controls – Southern Arizona Legal Aid, Inc.	5/15/14	\$559	\$0	\$0
Report on Selected Internal Controls – Legal Services Alabama, Inc.	6/09/14	\$29,914	\$0	\$21,748
Report on Selected Internal Controls – Legal Services of Oregon	6/30/14	\$4,789	\$0	\$0
Report on Selected Internal Controls – Nevada Legal Services, Inc.	8/07/14	\$1,375	\$0	\$129
Follow-up on the Audit of Report No. AU09-05, Legal Services Corporation Consultant Contracts	7/10/14	\$0	\$0	\$0

# TABLE I

## Part B Quality Control Reviews

<u>IPA</u>	<u>Recipient</u>	<u>Date Issued</u>
1 Eide Bailly, LLP	Community Legal Services, Inc.	4/21/14
2 McGladrey LLP	Legal Services New York City	5/4/14
3 Rubin Brown, LLP	Legal Services of Eastern Missouri, Inc.	5/6/14
4 Mikunda, Cottrell & Co., LLC	Alaska Legal Services Corporation	5/7/14
5 Grossman St. Amour CPAs PLLC	Legal Aid Society of Mid-New York, Inc.	5/12/14
6 Victor J. Cannistra, CPA, P.C.	Legal Services of the Hudson Valley	5/13/14
7 Padilla, Medina & Associates, PSC	Puerto Rico Legal Services, Inc.	5/13/14
8 Roberts, McKenzie, Mangan & Cummings, PC	Legal Services of Southern Missouri	5/14/14
9 Denman & Company, LLP	Iowa Legal Aid	5/20/14
10 Dana F. Cole & Company, LLP	Legal Aid of Nebraska	5/20/14
11 Frazier Gills, P.C.	Legal Aid of Northwest Texas	5/20/14
12 Legacy Professionals LLP	LAF (Legal Assistance Foundation of Metropolitan Chicago)	6/19/14
13 Gabridge & Company, PLC	Michigan Indian Legal Services, Inc.	7/24/14
14 Gibson LeClair, LLC	Pine Tree Legal Assistance, Inc.	7/31/14
15 J Miller & Associates LLC	Philadelphia Legal Assistance Center	8/8/14
16 Cusack & Company, CPAs LLC	Legal Aid Society of Northeastern New York, Inc.	8/27/14
17 Kebede Adnew, CPA	Essex-Newark Legal Services Project, Inc.	8/27/14
18 Bobbie L. Howard, CPA, APAC	Acadiana Legal Service Corporation	8/28/14
19 Hicok, Fern, Brown & Garcia CPA	Southwest Virginia Legal Aid Society, Inc.	9/3/14
20 Herman & Company CPAs, A.C.	Legal Aid Society of West Virginia, Inc.	9/3/14
21 SB & Company, LLC	Legal Aid Bureau	9/25/14

## TABLE II

### Audit Reports Issued with Questioned Costs for the Period Ending September 30, 2014

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period.	2	\$1,385,962	\$4,639
B. Reports issued during the reporting period	4	\$36,637	\$21,877
Subtotals (A + B)	6	\$1,422,599	\$26,516
C. For which a management decision was made during the reporting period:	2	\$1,385,962	\$4,639
(i) dollar value of recommendations that were agreed to by management		\$254,185	\$665
(ii) dollar value of recommendations that were not agreed to by management		\$1,131,777	\$3,974
D. For which no management decision had been made by the end of the reporting period	4	\$36,637	\$21,877
Reports for which no management decision had been made within six months of issuance	0	\$0	\$0

### TABLE III

## Audit Reports Issued with Funds to Be Put to Better Use for the Period Ending September 30, 2014

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

## TABLE IV

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

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Comments</u>
None	—	—	—

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

<u>Report Title</u>	<u>Date Issued</u>	<u>Comments</u>
Report on Selected Internal Controls – Legal Services of Northern Virginia, Inc.	9/30/11	LSC management is working with grantee to resolve all open recommendations.
Report on Selected Internal Controls – North Mississippi Rural Legal Services	3/30/12	Corrective action in progress.
Report on Selected Internal Controls – Texas RioGrande Legal Aid, Inc.	6/12/12	Corrective action in progress.
Report on Selected Internal Controls – Inland Counties Legal Services, Inc.	8/06/12	Corrective action in progress. Two recommendations closed this period.
Report on Selected Internal Controls – Lone Star Legal Aid	1/15/13	Corrective action in progress. One recommendation closed this period.
Report on Selected Internal Controls – Community Legal Services	3/21/13	Corrective action in process.
Report on Selected Controls – Georgia Legal Services Program	7/15/13	Corrective action in process.
Report on Selected Internal Controls – Indiana Legal Services	9/30/13	Corrective action in process.
Report on Selected Internal Controls – Central Virginia Legal Aid Society	9/30/13	Corrective action in process.
Report on Selected Controls – Land of Lincoln Legal Assistance Foundation	3/24/14	Corrective action in process.
Report on Selected Controls – Appalachian Res.& Defense Fund of Ky.	3/26/14	Corrective action in process.

## TABLE V

### Index to Reporting Requirements of the Inspector General Act

<u>IG Act Reference*</u>	<u>Reporting Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of legislation and regulations.	23
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	5-7
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	5-7
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	30
Section 5(a)(4)	Matters referred to prosecutive authorities.	17, 21
Section 5(a)(5)	Summary of instances where information was refused.	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and funds to be put to better use.	26
Section 5(a)(7)	Summary of each particularly significant report.	5-7
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs.	28
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	29
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by the end of the reporting period.	30
Section 5(a)(11)	Significant revised management decisions.	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	None
Section 5(a)(14)-(16)	Peer reviews.	25

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

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