

**Legal Services Corporation Office of Inspector General**

**AUDIT BULLETIN 2001-01**

**March 7, 2001**

**AUTHORITIES:** The Inspector General Act of 1978, as amended, 5 USC App. 3, §§ 4(a)(1) and 4(b)(1) and Public Law No. 106-553 (Dec. 21, 2000).

**INTRODUCTION:** The Office of Inspector General (OIG) is issuing this audit bulletin to inform Independent Public Accountants (IPAs) and Legal Services Corporation (LSC) grantees of changes in the law and their impact on the Compliance Supplement for Audits of LSC Recipients (December 1998)(Compliance Supplement). The bulletin does not establish new audit or regulatory requirements.

**Compliance Testing and 45 CFR Part 1639**

On February 28, 2001, the U.S. Supreme Court issued its opinion in Legal Services Corporation vs. Velazquez et al. The decision finds unconstitutional the restriction prohibiting LSC grantees from challenging existing welfare laws when representing clients seeking benefits from a welfare agency. This decision has an impact on the compliance requirements contained in 45 CFR Part 1639.

LSC has announced its intention to revise 45 CFR Part 1639 to reflect the Supreme Court's decision. After the regulation is revised the OIG will issue revised audit guidance. In the interim, IPAs are to continue to conduct compliance testing in accordance with the current regulation. Any finding that this regulation has been violated should be documented in the workpapers. IPAs are to immediately contact the OIG for guidance on whether the Supreme Court decision nullifies the finding and whether the finding should be reported in the compliance audit report.

If additional information is needed please contact the OIG at (202) 336-8812 or email [audits@oig.lsc.gov](mailto:audits@oig.lsc.gov).