Office of Inspector General

(This section was prepared by the OIG and included without change.)

Request

For FY 2020, the Office of Inspector General (OIG) is requesting $5.3 million to continue providing comprehensive and effective oversight of the federal funds Congress provides to LSC. The OIG contributes to LSC’s mission success by providing decision-makers with objective audits, investigations, and reviews aimed at strengthening governance and accountability and enhancing performance in LSC and grant recipients’ programs and operations.

Mission

The OIG was established under the IG Act of 1978, as amended, as an independent office to prevent and detect fraud, waste, and abuse, to promote economy, efficiency, and effectiveness in LSC and grantee programs and operations, and to help LSC ensure compliance with applicable laws and regulations. Since 1996, LSC’s annual Congressional appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by Independent Public Accountants (IPAs) under the guidance of the OIG. In FY 2018, LSC received $410,000,000 in direct federal funding and in calendar year 2017 LSC’s grant recipients received $705,994,000 in non-LSC funding from other sources.

The OIG conducts audits, investigations, and special reviews, as well as a variety of fraud prevention and outreach efforts, to protect and maximize federal taxpayer dollars invested in civil legal aid. While carrying out this work the OIG adheres to the audit and investigative standards of the Council of Inspectors General on Integrity and Efficiency (CIGIE) and other relevant governmental and professional organizations (including the Government Accountability Office).

Performance

To cover inflation in personnel and travel costs, the OIG request is $200,000 more than its FY 2017 payment. The requested payment will enable the OIG to bolster its record of improving the integrity and accountability of LSC and its grant recipient programs and operations.

In FY 2018 the OIG:

- Audited controls over nearly $24,000,000 in LSC grant funds, providing 43 recommendations for grantee program and operational improvements in three issued OIG grantee internal controls audit reports; issued a compendium report summarizing the past two years’ results of the OIG’s internal control audits of LSC grantees with 227 recommendations to identify reoccurring issues.

- Issued a summary report on grantee computer security vulnerabilities after performing vulnerability assessments of seven grant recipients’ information technology networks (the report presented findings and recommendations to help strengthen all grant recipients’ computer network security).
• Reviewed 150 audits of LSC grant recipients and subrecipients issued by the IPAs, referring 46 significant findings to LSC for corrective action, and released the Corporation’s 2017 financial statement audit, noting no significant deficiencies.

• Completed 26 Quality Control Reviews (QCRs) assessing the quality of the grant recipient IPAs’ audit work and provided an annual summary report. The QCR program is designed to assess all grant recipient IPAs’ work over a four-year cycle, enabling the OIG to identify deficiencies in IPA work; advance IPAs’ compliance with applicable standards and OIG guidance; and improve the overall effectiveness and quality of LSC grantee audits. The QCRs also have resulted in the OIG debarring four IPAs from LSC grantee audit work.

• Opened 49 and closed 33 investigations involving matters such as fraud, false claims, theft of client funds and misuse of LSC funds, unauthorized practice of law, and the diversion of prospective grantee clients for personal gain.

• Cases arising from OIG investigations resulted in: over $100,000 in monetary recoveries; one indictment; one guilty plea; one sentencing action; and the disbarment of two attorneys; and an LSC management decision to recover nearly $13,000 based on a questioned cost referral for unreasonable and/or unauthorized expenditures by a grantee.

• Conducted an active educational outreach and fraud prevention program, including performing nine Fraud Vulnerability Assessments, four Regulatory Vulnerability Assessments, three Fraud Awareness Briefings (FAB), and two FAB webinars for LSC recipients. Produced two grantee fraud advisories—to help prevent and minimize fraud, waste, and abuse.

• Since initiating the FAB program in 2009, the OIG has conducted 156 briefings for grantees and subgrantees in all 50 states, the District of Columbia, and five territories, as well as briefings for the LSC Board of Directors, LSC headquarters personnel, a presentation at a National Legal Aid and Defender Association annual conference, and six webinars.

• The LSC Board acted on two of the OIG’s regulatory recommendations, made in previous fiscal years. The Board rescinded Part 1603 of LSC’s regulations, concerning State Advisory Councils. In addition, the Board enacted a new rule setting forth procedures for LSC and the LSC OIG to respond to requests from litigants for documents and testimony (in accordance with United States ex rel. Touhy v. Ragen, 340 U.S. 462 (1951)).

Overall, the work of the OIG reduces fraud, waste, and abuse and helps to ensure that LSC and its grantees are functioning as responsible stewards of taxpayer funds. These and other achievements are reported in the OIG’s Semiannual Reports to Congress (https://www.oig.lsc.gov/products/sar).

Planned Activities

In FY 2020, guided by the OIG Strategic Plan, the OIG will use its continual risk assessments and annual work planning process to help allocate available OIG resources. The OIG will perform its statutory requirements, including activities furthering fraud prevention and detection, promoting economy and efficiency of LSC and its grant recipients, and oversight of the grantee audit process.

The OIG will continue to respond timely to requests from the Congress, the Board of Directors, LSC management, and other interested parties. Reviews will target the following OIG-identified LSC management challenge areas: performance management and
accountability; grants management and procurement; governance and control systems; human capital management; and information technology management and security.

A major component of the OIG’s budget goes to the OIG’s audit program, which carries out audits of LSC and grantee programs and operations, including the review of the LSC grant recipients’ annual audits, covering financial statements, internal controls, and compliance with mandated restrictions and prohibitions. The payment the OIG requests will allow it to continue its comprehensive audit quality control review program at a rate of 35 QCRs per year; information technology security vulnerability reviews of LSC and grantees’ computer networks; and additional reviews of LSC, grant recipient or subrecipient programs and operations. In addition, the OIG will continue to fund and oversee the annual audit of LSC’s financial statements.

Also included in the budget is the OIG’s investigative program. The OIG will conduct investigations of criminal and civil fraud committed against LSC and its grant recipients, and operate a national fraud, waste, and abuse reporting hotline. In addition, the OIG regularly conducts compliance investigations, administrative inquiries, fraud and regulatory vulnerability assessments, and fraud prevention briefings.

Further, the OIG will continue to improve effectiveness and efficiency in the operations of LSC and its grantees through its other reviews and advisories, and will provide comments on significant legislative, regulatory, management, and policy initiatives affecting LSC.

Internally, the OIG will continue to improve the effectiveness of its own operations by ensuring the recruitment and retention of a highly skilled, high-performing OIG workforce; the maintenance of secure technology systems; and the development of information management systems to facilitate the efficient and secure production of OIG work.

The request includes $60,000 to satisfy foreseeable OIG professional training activities required to maintain the OIG professional credentials for FY 2020. The OIG also anticipates contributing $15,000 to support the operations of the Council of the Inspectors General on Integrity and Efficiency.

In sum, the OIG requests $5.3 million to carry out its congressionally-mandated oversight activities and to help increase the efficiency and effectiveness of LSC’s vital programs. The OIG greatly appreciates the continuing support of the Congress and the LSC Board as it carries out the Inspector General mission at LSC.