

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANTEE'S
PRIVATE ATTORNEY INVOLVEMENT
PROGRAM**



**Grantee: LEGAL ASSISTANCE FOUNDATION
OF METROPOLITAN CHICAGO**

Recipient No. 514020

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INTRODUCTION

The Legal Services Corporation (LSC), Office of Inspector General (OIG) conducted this audit to evaluate Legal Assistance Foundation of Metropolitan Chicago's (LAFMC) compliance with the Private Attorney Involvement (PAI) regulation (45 CFR, Part 1614). This regulation requires the grantee to spend an amount equal to at least 12.5 percent of its basic field grant to involve private attorneys in providing legal services to clients. Grantees are to provide LSC statistics on the private attorneys involved and the programs must operate efficiently and effectively.

BACKGROUND

LAFMC is a non-profit corporation established to provide legal services to indigent persons who meet LSC-eligibility requirements. LAFMC is headquartered in Chicago, Illinois at 111 W. Jackson Blvd, with four branch offices in Chicago as well as additional branch offices in Evanston and South Holland, respectively.

LAFMC reported total staffing of 157 employees as of December 31, 2003-- 76 attorneys, 28 paralegals and 53 other staff. LAFMC received an LSC basic field grant of \$6,205,347 for 2003. LAFMC's total funding for 2003 was \$11,460,916. The PAI program includes a lower than average number of cases, but a higher than average percentage of extended service cases. The PAI cases include family law (59%) and income maintenance (22%) as well as lesser percentages of housing, health and bankruptcy cases. Legal services are provided through pro bono attorneys and reduced fee contractors. Staff attorneys provide co-counseling assistance to PAI attorneys. In addition, there are pro se clinics staffed by private attorneys.

LAFMC's PAI program is coordinated by an attorney, who also directs training and labor relations. This coordinator directs training for PAI attorneys and refers PAI attorneys to LAFMC program managers (i.e. family law, income maintenance, employment, and housing) to work directly with clients or to co-counsel with staff attorneys. Of the 728 closed PAI cases for 2003, 646 were closed at the headquarters office. The remaining cases were scattered among the six other offices with no one office closing more than 34 cases.

The LAFMC Executive Director (ED) and PAI Coordinator acknowledged the relatively low volume of PAI cases as a percentage of total cases (3.3% versus 14.5% national average for 2003). In part, this may be explained by the higher

than average percentage of extended service cases for PAI (53% versus the national average for 2003 of 20%). Both the ED and PAI Coordinator reported that the large number of legal service providers in Chicago competing for pro bono services created problems for LAFMC in meeting the PAI requirements. LAFMC established in 2003 a pro se clinic for uncontested divorces utilizing PAI attorneys to increase the volume of legal services to LSC-eligible clients.

In 2003, LAFMC reported expenditures of \$719,738 (\$697,642 in LSC funds) to meet the PAI requirement. This amounted to 11.8% of the modified annualized basic field grant of \$6,084,769 (to convert the calendar year grant awards to LAFMC's July 1-June 30 fiscal year, the grantee used the average of grant awards for calendar years 2002 and 2003). LAFMC obtained a waiver from the 12.5% PAI requirement for 2003.

Of the total PAI expenditures, LAFMC reported \$509,002 for staff salaries and benefits, and \$210,736 for nonpersonnel costs. The nonpersonnel costs consisted of allocations for indirect charges such as rent, equipment and office expenses (\$155,192) and expenditures charged directly to PAI for payments to reduced-fee contract attorneys (\$55,544).

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of the audit was to evaluate compliance with requirements established in 45 CFR 1614, relating to private attorney involvement (PAI), including effectiveness and efficiency of PAI programs (Sec. 1614.1(c)). The on-site portion of this audit was performed from October 12, 2004 to October 14, 2004. This audit is part of a series of audits of PAI that the OIG will conduct at a representative number of LSC grantees to identify systemic weaknesses as well as "best practices." The audit was performed in accordance with Generally Accepted Government Audit Standards.

The audit covered the period from January 1, 2003, through December 31, 2003, for statistical data and July 1, 2002 through June 30, 2003 for accounting data. The OIG reviewed grant applications, audited financial statements and statistical data reported. The OIG interviewed the Executive Director (ED), the Director for Training, Labor Relations and PAI and the Controller as well as supervisory and staff attorneys who represented the following substantive law units at the headquarters office: housing law, health law, public benefits hotline, seniors project, family law, central intake and bankruptcy law. In addition, the OIG interviewed the managing attorney for the Dearborn Branch office as well as the supervisory attorney at the NW Chicago Branch Office. The OIG performed the following specific tests:

1. Planning - Reviewed and evaluated the grant application for 2003. Interviewed Office of Performance and Planning and the Office of Compliance and Enforcement staffs to obtain background on prior reviews and evaluations. Interviewed the ED and PAI Coordinator to evaluate planning for prioritizing legal needs and for obtaining feedback from community organizations and clients on PAI legal services provided.
2. Statistics - Traced statistical reports (Case Statistical Reports) to closed-case listings for PAI cases. Tested samples of cases for each of the two offices where PAI cases were reported to verify existence, LSC eligibility, type of case and level of service. Tested the accuracy of data reported on the J-1 Report-Components of PAI by tracing the data to supporting documentation.
3. Accounting - Reviewed and evaluated the grantees audited financial statements for 2003. Tested a sample of direct PAI disbursements, tracing expenditures to source documentation submitted by vendors and evaluating relevance to the PAI program. Compared a listing of individuals who had terminated employment with the grantee in the past two years to verify compliance with the prohibition on paying these former employees, including reduced-fee contracts for PAI. Evaluated the reasonableness of time charged to PAI by grantee employees, related indirect costs and internal controls over accounting for PAI.
4. Oversight - Reviewed self-inspections for 2003. Tested samples of open and/or recently-closed cases to evaluate the timeliness of follow-up and case closure.
5. Productivity - Evaluated statistical and accounting data to assess the productivity of the grantee's overall PAI program by comparing this data to national averages. Compared productivity between the PAI programs at the grantee's offices.

RESULTS OF AUDIT

The grantee substantially complied with most of the requirements of 45 CFR, Part 1614. Some improvement is needed in providing adequate oversight and follow-up for cases referred to private attorneys (§1614.3(d) (3)). This finding is discussed in detail below.

OVERSIGHT AND FOLLOW-UP

The grantee did not provide adequate oversight or follow-up of cases referred to private attorneys. This occurred because the grantee had no written procedures for follow-up on PAI cases. As a result, controls were not in place to ensure prompt disposition of PAI cases as well as accurate and complete statistical reports.

The OIG selected a judgmental sample of thirty-seven of the oldest open cases from three LAFMC offices (Headquarters, Northwest, Dearborn). The sample included cases from a variety of substantive sections—family, housing, health, bankruptcy and income maintenance. We found seventeen discrepancies. Of the discrepancies; seven cases should have been closed, four were staff cases misclassified as PAI cases, four were not LSC-eligible cases (or LSC funded) and two cases had insufficient documentation of follow-up.

RECOMMENDATION

We recommend that the Executive Director

1. Establish procedures requiring grantee staff to follow up with private attorneys on the status of PAI cases at least quarterly, including documentation of timely follow-up.

SUMMARY OF GRANTEE COMMENTS ON DRAFT REPORT

GRANTEE COMMENT – OVERSIGHT AND FOLLOW-UP

The grantee stated that they agreed to implement the recommendation. The grantee also provided written procedures now in use that specify how grantee staff is to follow up with private attorneys on the status of PAI cases. OIG has reviewed these procedures and determined them sufficient to close the recommendation. Finding No. 1 is therefore closed.



**LEGAL ASSISTANCE FOUNDATION
OF METROPOLITAN CHICAGO**

APPENDIX I

111 West Jackson Boulevard
Suite 300
Chicago, Illinois 60604-3502
312.341.1070 Phone
312.341.1041 Fax
312.431.1206 TDD
www.lafchicago.org

January 28, 2005

Sheldon H. Roodman
Executive Director

General Intake Offices

CENTRAL INTAKE
111 West Jackson Blvd.
Chicago, IL 60604
(312) 341-1070
TDD: (312) 431-1206
FAX: (312) 341-1041

NORTH SUBURBAN OFFICE
828 Davis Street, Rm. 201
Evanston, IL 60201-4489
(847) 475-3703
FAX: (847) 475-3033

NORTHWEST OFFICE
1279 N. Milwaukee Ave., #407
Chicago, IL 60622-2253
(773) 572-3200
FAX: (773) 572-3201

SOUTH SIDE OFFICE
10 West 35th Street
Chicago, IL 60616-3717
(312) 949-5390
FAX: (312) 949-0481

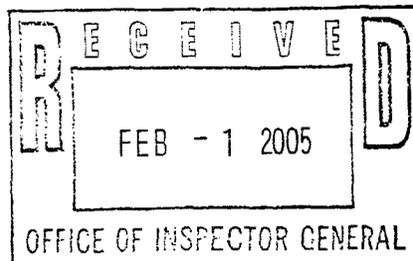
SOUTH SUBURBAN OFFICE
900 East 162nd Street
South Holland, IL 60473-2471
(708) 271-4950
FAX: (708) 596-4108

WEST SIDE OFFICE
3333 West Arthington
Chicago, IL 60624-4102
(773) 321-7900
FAX: (773) 638-0036
Residents of West Suburban
Cook County should Call
this number.

Special Projects

- Chicago Seniors Project
- Children's Law
- Crime Victim Assistance
(773) 638-4111
- Disability Law
- Family Law/Project Safe
(312) 431-2255
- Elderly
- HIV/AIDS
(312) 347-8309
- Home Ownership Preservation
- Housing Law for Seniors
- Illinois Migrant Legal Assistance
(312) 341-9180
- Legal Center for Immigrants
(312) 341-9617
- Long term Care Ombudsman
Suburban Cook
(888) 401-8200
- Private Attorney Involvement
Project Safe/Domestic Violence
- Pro-Se Divorce Clinic
(312) 431-2101
- Public Benefits Hotline
(888) 893-5327
- SSI Advocacy Project
(312) 427-5200
- Workers' Rights Advocacy
Project

Ronald D. Merryman
Acting Assistant Inspector General
for Audit
LEGAL SERVICES CORPORATION
3333 K Street, NW 3rd Fl.
Washington, DC 20007-3522



RE: PAI Audit
Legal Assistance Foundation of Metropolitan Chicago
Recipient No. 514020

Dear Mr. Merryman:

This letter is in response to the draft report of the PAI audit of the Legal Assistance Foundation of Metropolitan Chicago (LAF) dated January 5, 2005. We appreciate the thoughtfulness and professionalism with which Mr Gellman and Mr. Ortunio conducted this audit.

The OIG made one recommendation:

Establish procedures requiring grantee staff to follow up with private attorneys on the status of PAI cases at least quarterly, including documentation of timely follow-up.

We agree to implement that recommendation. In fact by the time the OIG visited LAF we had already begun to change the procedures to include this requirement. (See ¶ B. 9. of the attached "LAFMC Referral and Case Management Procedures for PAI Blast E-mail Cases April 2004" which was given to OIG staff at the time of their visit.) All LAF PAI projects will have the following language included in each project's procedures:

If the volunteer attorney takes on the entire case and LAF does not co-counsel, the LAF attorney will keep track of the volunteer attorney's work on the case by checking with that attorney at regular intervals, no less than every ninety (90) days, regarding the case's status. The LAF attorney will make a note in Kemps of each of these status-checking contacts with the private attorney.

Mr. Ronald D. Merryman

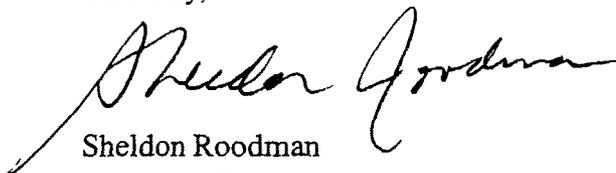
January 28, 2005

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In exceptional cases where the LAF attorney knows that the referred case will not involve any activity for prolonged periods in excess of ninety days, the LAF attorney will not have to check on the case status with the private attorney as indicated above. In order to do so, the LAF attorney must first get the permission of the PAI supervisory attorney, and note that fact in Kemps including the date, not to exceed nine months, which the LAF attorney will check the case status.

Again thank you to your staff for their insights and suggestions regarding our PAI projects. If you have any questions, please feel free to contact us.

Sincerely,



Sheldon Roodman
Executive Director



Richard Jay Hess
PAI Project Supervisor

SR:RJH:tn
Attachment

**LAFMC Referral and
Case Management Procedures
for PAI Blast E-mail Cases
April, 2004**

A. Requirements:

1. All cases referred to the PAI project must fall within LAF's case acceptance guidelines.
2. All cases will require involvement by the neighborhood attorney who refers the case to the PAI Project. This involvement can entail either acting as co-counsel with the volunteer attorney, or being available to answer the volunteer attorney's questions.

B. Procedures

1. LAF attorneys will send an e-mail to Federico Guzman with a description of the case, and the Kemps number. The actual file will not be sent to Federico.
2. The same day that the e-mail arrives, Federico will respond acknowledging its receipt.
3. Federico will prepare a brief description of the case, including the facts, pending court dates, and a date that a response is requested from volunteers.

If there are any court dates or a filing deadlines within less than two weeks from the date the case is sent out on the blast e-mail, the LAF attorney will have to plan on covering them, unless other arrangements can be made with a volunteer attorney.

4. Federico will e-mail a copy of the case description to the referring LAF attorney for his or her review.
5. Once the case description is agreed upon, Federico will send the case out via the Blast e-mail to the pro bono panel and to the referring LAF attorney.
6. When an attorney volunteers to work on the case, Federico will respond to the attorney that their e-mail is being forward to the referring LAF attorney, and will include the name, phone number and e-mail address of that LAF attorney. The LAF attorney will be sent a copy of this e-mail. It will then be the responsibility of the LAF attorney to get in contact with the volunteer attorney to discuss the volunteer's involvement in the case.
7. After the volunteer attorney has agreed to work on the case, the LAF attorney will

change the status of the case to "P" on page 1 of Kemps to reflect that the case is a PAI case, and will insert the name of the volunteer attorney on page 3 of Kemps.

8. The LAF attorney will notify Federico if the volunteer attorney will work on the case as co-counsel with LAF, or if the volunteer attorney will take on the entire case without co-counseling with LAF.
9. If the volunteer attorney takes on the entire case and LAF does not co-counsel, the LAF attorney will keep track of the volunteer attorney's work on the case by checking with that attorney at regular intervals, no less than every ninety (90) days, regarding the case's status. The LAF attorney will make a note in Kemps of each of these status-checking contacts with the private attorney.

In exceptional cases where the LAF attorney knows that the referred case will not involve any activity for prolonged periods in excess of ninety days, the LAF attorney will not have to check on the case status with the private attorney as indicated above. In order to do so, the LAF attorney must first get the permission of the PAI supervisory attorney, and note that fact in Kemps.

10. Once the case is resolved, the LAF attorney will update and close the client's Kemps. The LAF attorney shall get copies of any final orders or dispositions for LAF's file in order to document the appropriate closing code.
11. The LAF attorney will attribute all of his or her time spent working on a case to PAI, and not just the time spent speaking, or working, with a volunteer attorney.

APPENDIX II

OIG On-Site Audit Team

David Gellman (Auditor-in-Charge)

Amelia Laguilles

Abel Ortunio