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EXECUTIVE SUMMARY

What OIG Found

Overall, programs managed by the Office of Program Performance (OPP) generally did not duplicate the efforts of other LSC offices providing oversight to LSC grantees. OPP’s oversight of grantees emphasized the quality and effectiveness of legal services provided to the grantee’s client base. However, we noted the following: there was a system error in the scoring of grant applications; OPP could leverage its limited resources and facilitate more frequent coverage of grantees by restructuring the scope of some on-site grantee program reviews; and grantee evaluation processes could be improved by implementing new follow-up procedures to ensure that recommendations are adopted timely and by using more accurate measures of case productivity as well as work measurement data.

What OIG Recommends

Management did take action during the audit and corrected the system error. The system error did not adversely impact the scoring of the applications. Also, during the course of the audit, OPP instituted Program Engagement Visits, the main purpose of which was for program counsel to develop a better understanding of the program. Because of management’s actions, no recommendations were necessary for these two findings. However, we did recommend that OPP develop more comprehensive case productivity measures and that OPP implement a system that more readily allows management to identify and follow-up on significant recommendations that have not been considered and/or implemented by grantees in a timely manner.

How Management Responded

LSC stated that it is committed to the efficient and effective management of the Corporation, including the program oversight work of OPP. Management also noted that at the time of the OIG’s review, there were several initiatives underway within OPP that addressed several of the issues raised in the report and that some of the practices and procedures had been implemented. Management did agree to explore a more accurate and useful protocol for analyzing case closing data and to establish a more formalized system for following up on significant recommendations.
INTRODUCTION

In January, 2005, the Office of Inspector General (OIG) announced plans to conduct an audit of the Legal Services Corporation’s (LSC) oversight of grantees. The objective of this audit is to evaluate the efficiency and effectiveness of LSC’s oversight program(s), including the operations of the Office of Compliance & Enforcement (OCE), the Office of Program Performance (OPP), and the Office of Information Management (OIM), as well as the role of the Office of Inspector General (OIG) and Independent Public Accountants (IPA).

Because of the number of different program offices involved in the oversight of grantees and the length of time anticipated for each review, we are issuing interim reports as we review each office. At the conclusion of our audit, we plan to issue a capping report to address any overarching issues.

BACKGROUND

OPP’s mission statement indicates that OPP works as a fully integrated team, in conjunction with the Office of Information Management (OIM) and the Office of Compliance and Enforcement (OCE), to ensure strong, healthy legal services programs that are responsive to client needs and provide high quality civil legal assistance consistent with congressional mandates. Specifically, OPP is responsible for: (1) designing and administering the competitive grant process; (2) evaluation and supportive follow-up; (3) developing strategies to improve program quality, including identifying areas of weakness and following up with individual recipients; (4) promoting enhanced technology to improve client community access to services; and (5) encouraging “best practices” through the legal resource website, specialized help with intake and rural area delivery and pilot projects such as loan repayment and mentoring.

OPP’s staff totals 22 members, comprised of one Director, one Deputy Director, one senior program counsel, eight program counsel, seven program analysts, one grants coordinator, and three administrative assistants. The senior program counsel, one program analyst, and seven of the program counsel serve as a contact for a number of LSC service areas (each state has one or more service areas; for 2006, LSC funded 136 basic field grants, 43 migrant worker grants and 26 Native American grants). In addition, the program analyst and these program counsel are also responsible for at least one area of expertise, for example, pro bono, intake, LSC Resource Initiative, and mentoring. The remaining program counsel is responsible for technology initiatives. The program analysts’ work includes areas such as program oversight, competition, technology, mentoring, and disaster preparedness. OPP’s annual budget for FY 2006 was $2.85 million, including $2.4 million for personnel compensation and benefits, $201,000 for travel, and $124,000 for consulting.
OBJECTIVES, SCOPE AND METHODOLOGY

Our overall objective was to review oversight programs managed by OPP and to assess the extent of duplication of effort between OPP and other LSC offices providing oversight to LSC grantees. Specifically, we reviewed the grant competition and award process; however we did not evaluate the substance of the grant applications, nor did we substitute our judgment for OPP’s judgment in rating and scoring the applications. We reviewed the results of on-site visits, the process used to evaluate grantees’ operations, and the process for issuing policy guidance and OPP governance.

To accomplish our objective, we reviewed applicable legal authorities defining the roles and responsibilities of the OIG and LSC management. We interviewed management officials and OPP staff regarding grant application procedures and grantee oversight. We reviewed memoranda, internal manuals, and schedules provided by OPP, and reviewed information available electronically at LSC websites. We also reviewed reports of OPP evaluations of grant applications and OPP’s scoring of grantee applications. Our audit focused primarily on the grant competition and award process and evaluation aspects of grantee operations. Therefore, we did not perform a detailed review of OPP special projects and initiatives.

From the OPP reports of grantee evaluations, we analyzed the types, frequency and significance of the findings as presented in each report. We also compared scope and coverage of OPP evaluations with OCE evaluations to determine if there was any duplication. We accepted the findings as described and did not substitute our judgment for OPP’s as to their validity.

The audit was conducted from December 2005 through December 2006. Documents reviewed pertained to the period November 1996 through June 2006. Our work was conducted exclusively at LSC headquarters in Washington, DC.


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1 We did not review all of OPP’s special projects to assist grantees; including technical grants, diversity and mentoring, and loan repayment assistance. We also did not review grant award and oversight for the grant to The United States Court of Appeals for Veterans Claims.

2 Our review was limited to the findings as presented in the respective OPP reports. We did not review any documentation maintained by OPP in their files supporting the findings.
OVERALL EVALUATION

Overall, programs managed by OPP generally did not duplicate the efforts of other LSC offices providing oversight to LSC grantees. OPP’s oversight of grantees emphasized the quality and effectiveness of legal services provided to the grantee’s client base. OCE, in contrast, emphasized compliance with the laws enacted by Congress and the regulations promulgated by LSC.

A system of competitive awards of grants and implementing regulations were in place and pursuant to applicable laws. The competition process did add value by requiring a detailed analysis of all qualified applicants’ strengths and weaknesses, even when the only qualified applicant was the incumbent grantee.

We did, however, find that some aspects of OPP’s programs could be strengthened.

We discovered a system error in the scoring of grant applications that was corrected by management during the course of the audit. The system error did not adversely impact the actions taken by LSC as a result of scoring the applications.

OPP could leverage its limited resources and facilitate more frequent coverage of grantees by restructuring the scope of some on-site grantee program reviews.

Finally, the applicant and grantee evaluation process could be improved by implementing new follow-up procedures to ensure that recommendations are adopted timely and by using more accurate measures of case productivity as well as work measurement data.

AUDIT RESULTS

GRANT COMPETITION AND AWARD PROCESS

Background

Congress mandated as part of the LSC appropriation act of 1996 (Pub. L. 104-134, 110 STAT. 1321, Sec. 503), that LSC implement a system of competitive awards for all grants awarded by LSC after March 31, 1996, and that no person or entity previously awarded a grant by LSC may be given any preference in the competitive selection process. LSC issued regulations to implement a system of competitive awards (45 CFR 1634). Some of the purposes of the competitive
system were to encourage the effective and economical delivery of high quality legal assistance to eligible clients; provide opportunities for qualified attorneys and entities to compete for grants and contracts to deliver such legal assistance; and to encourage ongoing improvement of performance by recipients in providing high quality legal services (45 CFR 1634.1).

Managed by OPP, the competition process includes: (1) preparing and issuing the Request for Proposals (RFP); (2) establishing the application format and providing guidance to applicants; (3) evaluating applications and making on-site visits when appropriate; (4) convening a review panel for each service area with more than one qualified applicant; and (5) making a recommendation to the LSC President for grant awards.

OPP performs on-site capability assessments for most service areas where there are multiple applicants and for single applicants that OPP finds deficient or weak. When there are multiple applicants, OPP convenes a panel of persons with legal service experience to review the applications. OPP staff recommendations for all service areas and review panel recommendations for multiple applicant service areas are then forwarded to the LSC President who makes the final determination. Finally, grant awards are made in December each year for the next calendar year.

LSC makes grant awards for periods of one to three years. Most of the grant awards are made for three years, with applications for renewal due in the second and third years. OPP reports that grants for less than three years are made when weaknesses are identified in the applicants' proposals. In turn, OPP may add special grant assurances that require a grantee to report on the status of any weaknesses identified in the application process. The renewal of grants review is less extensive, focusing on changes in the grantees' operations. OPP reports that grant applications take about three days each to review (not including on-site capability assessments or review panel time when conducted), while renewal applications take about one hour each to review.

Competition

Black's Law Dictionary defines competition as "the effort or action of two or more commercial interests to obtain the same business from third parties." LSC has implemented a comprehensive system of competitive awards for its 209 service areas\(^3\), and in which one grant is awarded to an applicant for each service area competed. However, competition between two or more applicants for the grants has been minimal at best.

\(^3\) As of the time of the 2006 grant competition, LSC had 209 service areas. The number of service areas may be smaller presently as a result of consolidation of service areas in Oregon.
LSC’s regulation on competitive bidding includes the following purposes: to provide opportunities for qualified attorneys and entities to compete for grants and contracts to deliver high quality legal services to eligible clients; to encourage the effective and economical delivery of legal services; and to encourage ongoing improvement of performance by recipients regardless of the number of bidders for a specific grant. Management stated that the competition system is designed to measure quality and that minimum standards must be met. Thus the competition can be among multiple applicants or with one applicant competing to meet LSC’s minimum quality standards. If these minimum quality standards are not met regardless of the number of applicants, the grant is not awarded until the standards are met by at least one applicant.

OPP informed the OIG that the competition process, with or without multiple applicants, is a valuable tool for LSC because it provides a mechanism for identifying and, if necessary, replacing grantees who have significant weaknesses. We agree that the competition process provides value. The evaluation portion requires a comprehensive review of each applicant and provides LSC management with a process to identify and correct weaknesses in an incumbent’s program; and ideally if the weaknesses are serious enough, to replace the incumbent.

According to LSC management, there have only been three instances since the establishment of the competition process when non-LSC funded applicants were successful in obtaining LSC grants. However, in two of these cases the applicant withdrew after being awarded the grant. Ultimately, the incumbent was awarded these two grants.

The lack of multiple applicants for grants has several causes. LSC responded to congressional inquiries in 2002 and 2004, about the lack of competition by stating that the restrictions mandated by Congress, including extensive reporting requirements, and the lack of interest by potential vendors in providing a full array of legal services may limit the number of applicants.

In addition to the information provided to Congress, we believe that the lack of competition may have other causes as well. However, competition is a complex issue and to be fully analyzed would require a body of work that is outside the scope of this review. Therefore, the issue of competition may be addressed in future work by the OIG.
Applicant Evaluation Scores

OPP's automated system for calculating total scores for applicant evaluations in some instances did not calculate the correct total scores. These total scores (along with other factors) are considered in making funding decisions as well as whether or not to do a capability assessment and/or to add special grant conditions. The OIG could not replicate either of the two total score calculations reviewed for 2006 grant awards. In both instances, the total scores reported were less than the sum of the scores for the elements that OPP evaluated. OPP reported that their reviewers (program counsels) made changes in both cases to ratings on some of the elements that the OIG reviewed, but did not activate the "calculate total" function to change the total score. OPP stated that the computer software utilized to complete these calculations did not automatically re-compute total scores when changes were made for the individual elements that were rated.

Comment. OPP subsequently reported that the Office of Information Management had agreed to modify the system so that the total evaluation score is re-calculated automatically whenever the reviewer saves, exits or prints the evaluation form. Therefore, no recommendation is necessary.

POST AWARD EVALUATION AND OVERSIGHT

Background

OPP is responsible for ensuring the high quality of legal services provided by grantees through evaluations and oversight that focus on development of strategies to improve quality, including identification and follow-up on areas of weakness. In addition, OPP evaluates efficiency by looking at case productivity in case service report data provided by grantees. Each grantee is assigned to one of the nine OPP staff members who serve as contact persons for the grantees. Each program counsel is responsible for maintaining contact and responding to grantee inquiries by telephone as well as participating in on-site reviews.

A listing of on-site reviews performed by OPP from 2000 through 2005 reveals that about 50% (72 of 138) of LSC's current grantees have not been reviewed by OPP during this time period, including 16 of the 23 largest grantees, receiving grants of $3 million or more in 2006. OPP reported that the priority for the on-site reviews was special problems either identified in grant application narratives or reviews by OCE or the OIG, grantees that have been re-configured and finally the date of last review. OPP also indicated that evaluations by non-LSC funders are considered in applying the date of last review criterion. OPP reports that limited staff resources preclude additional reviews. OPP also reported that when grantees were evaluated, interviews were utilized as the primary means of
evaluation and that many staff attorneys are interviewed as well as a number of bar members, judges and social service agencies in the service area.

Tailoring Evaluations

By tailoring the scope of post-award evaluations to weaknesses or potential weaknesses identified either in the application evaluations or in other LSC reviews, OPP could provide on-site coverage and oversight of more grantees. The OIG review of a sample of evaluations performed by OPP in 2004 and 2005 revealed that the scope for all of these reviews was the same: (1) board and management leadership; (2) delivery systems (intake, office accessibility, technology, PAI); (3) development and maintenance of high quality staff; (4) resource development; (5) quantity, quality and outcomes of legal work; and (6) experience, reputation, community involvement and coordination within the delivery system. Although OPP reported that three of these reviews were performed because of special concerns, those areas of concern are not apparent from the reports.

We believe that OPP could better leverage its limited resources by tailoring the scope of some on-site evaluations to the specific weaknesses that caused the trip to occur. Thus some grantees would receive a full review while others would receive a more targeted review. Limiting the scope could reduce staff resource requirements for a specific visit and enable OPP to provide on-site coverage to more grantees.

Comment. During the course of the audit, OPP instituted Program Engagement Visits, the main purpose of which was for program counsel to develop a better understanding of the program. Generally, the Program Engagement Visits are one to two days in length and involve only one staff member. A review of the results of three Program Engagement Visits disclosed that known issues were addressed with the program as well as new issues developed. Because these visits address the issue raised in the finding, no recommendation is necessary.

Improving Measures of Case Productivity

Measures of case productivity could be improved by using Case Service Reporting (CSR) data that more accurately reflects cases handled with LSC funding as well as utilizing the work measurement data that the grantees are required to compile.

For example, a report used by OPP to evaluate case productivity for grantees may not provide the necessary information to make a valid analysis. This report includes annual case closings by type of case and level of service per 10,000 poor persons. However, the CSR Manual directs grantees to report all LSC-
eligible cases regardless of funding source. Currently, on average LSC grantees receive approximately 55 percent of their funding from sources other than LSC. The amount of non-LSC funding can be over 75 percent of a specific grantee’s total funding.

The table below illustrates the impact on productivity if other factors like funding are not considered in the analysis. If both grantees were compared to the national average, the conclusion that may be drawn is that both are performing above the national average. However, when funding is considered and all other factors are equal, Grantee A may be more productive than Grantee B because Grantee A is closing the same number of cases but only using half of the funds.

<table>
<thead>
<tr>
<th>Cases closed per 10,000 poor people</th>
<th>National Average</th>
<th>Grantee’s Average</th>
<th>LSC Funding</th>
<th>non-LSC Funding</th>
<th>Total Funding</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grantee A</td>
<td>400</td>
<td>450</td>
<td>$900,000</td>
<td>$0</td>
<td>$900,000</td>
</tr>
<tr>
<td>Grantee B</td>
<td>400</td>
<td>450</td>
<td>$900,000</td>
<td>$900,000</td>
<td>$1,800,000</td>
</tr>
</tbody>
</table>

Consequently, a comparison of case productivity for an LSC grantee to the national average or a comparison of one grantee to another without considering total funding and other factors may not be an accurate representation of productivity.

Developing measures that that more accurately compares and contrasts grantee productivity can help management to quickly identify grantees that may need some assistance as well as identify grantees that may be used to share best practices with other grantees.

**Recommendation 1.** The Vice-President for Programs and Compliance should instruct the Director, OPP to develop more comprehensive measures that better represent case productivity.

**Management Comments – Recommendation 1.**

LSC management stated:

“LSC will explore whether there is a more accurate and useful protocol for analyzing case closing data. If there is, it will be implemented.”

The full text of Management Comments is incorporated into the report as Appendix I.
Formal Follow-up Procedures

OPP reported that program counsel are responsible for following up on all recommendations made in on-site reviews. However, there was no control to ensure that recommendations were being implemented timely prior to 2005. OPP reported that beginning in 2005, the Deputy Director maintained a listing of these recommendations. OPP also reported that beginning in 2006, the Deputy Director would ensure that staff is monitoring progress on these recommendations in periodic meetings on work plans throughout the year.

We believe that a more formalized system of follow-up would be beneficial given the level of effort involved in performing on-site reviews and the importance of addressing timely those weaknesses that rise to the level of a finding and recommendation. An automated data base with some prescribed time frames for implementing recommendations would be beneficial and allow management to better follow-up on significant recommendations.

**Recommendation 2.** The Vice-President for Programs and Compliance should instruct the Director, OPP to implement a system to track significant recommendations that more readily allows management to identify and follow-up on significant recommendations that have not been considered and/or implemented by grantees in a timely manner.

**Management Comments – Recommendation 2.**

LSC management stated:

"LSC already tracks and follows up on significant recommendations that come out of visits and agrees to continue to implement this recommendation by establishing a more formalized system for following up on significant recommendations."

The full text of Management Comments is incorporated into the report as Appendix I.

**EVALUATION OF MANAGEMENT COMMENTS**

Management comments address the issues raised in the report and actions planned are responsive to the recommendations. A complete text of management’s comments can be found at Appendix I.
MEMORANDUM

TO: Kirt West
FROM: Helaine M. Barnett
DATE: April 2, 2007


LSC Management is committed to the efficient and effective management of the Corporation, including the program oversight work of the Office of Program Performance. As is noted in our responses to the recommendations of the draft Interim Report, at the time of this OIG review, there were discussions underway within the Office of Program Performance about several of the issues raised in the Interim Report and other aspects of the work of that office. Some practices and procedures already had been updated and implemented. LSC Management continues to engage in an assessment of the work of this office, will continue to make adjustments as deemed appropriate, and will respond more fully to your analysis of grantee oversight after the OIG capping report is complete and received by LSC Management.

cc: Karen Sarjeant
    Charles Jeffress
    Victor Fortuno
    Mike Genz
    Ronald Merryman
MANAGEMENT RESPONSE
TO THE OFFICE OF INSPECTOR GENERAL’S
INTERIM REPORT
ON MANAGEMENT OVERSIGHT OF GRANTEES
OFFICE OF PROGRAM PERFORMANCE

RESPONSE TO RECOMMENDATIONS

The Interim Report on Management Oversight of Grantees – Office of Program Performance (Interim Report) listed two recommendations from the Office of Inspector General (OIG) to the Legal Services Corporation (LSC) Management. Detailed below are LSC Management’s responses to those two recommendations as well as a brief discussion of the issue of competition as related to LSC grant awards.

Recommendation 1: Develop more comprehensive measures that better represent case productivity.

Management Response: LSC will explore whether there is a more accurate and useful protocol for analyzing case closing data. If there is, it will be implemented.

The Interim Report notes that programs’ productivity is impacted by their total funding and that an evaluation of case productivity that does not take this into account does not present a full picture.

We agree that a program’s case productivity is impacted by its total funding. However, a simple comparison based on total funding is not necessarily much more accurate than a comparison that looks only at LSC funding. Some outside funding is not for LSC-eligible cases because it is for clients who are over-income or it is for programs (such as Title III Elderly Legal Services) where income eligibility is not collected. Also, some funding that programs receive is for work other than legal work, such as community education.

There are other factors that affect the case count. The experience levels of staff, demographics and geography of a service area, program board-approved priorities, the extent of non-LSC funding, the purpose of that funding, the level of services provided (advice vs. extended service), and work that is not captured in the Case Service Reports (CSR), such as Matters, are only some of the factors that make analysis of CSR data difficult. All of these factors are taken into account when drawing any conclusions on a program’s productivity.

LSC is currently revising the CSR Handbook to provide improved guidance on case counting procedures, including adding more clarity on how to define the extent of work that is required in certain cases. We believe that this improved guidance will necessarily improve our analysis of case closing data.

Yet, there may be other considerations that would assist our analysis of case closing data; we will continue to explore these.
Recommendation 2: Implement a system to track significant recommendations that more readily allows management to identify and follow-up on significant recommendations that have not been considered and/or implemented by grantees in a timely manner.

Management Response: LSC already tracks and follows up on significant recommendations that come out of visits and agrees to continue to implement this recommendation by establishing a more formalized system for following up on significant recommendations.

As the Interim Report notes, a system for tracking recommendations that come from program visits was instituted at the beginning of 2006, tied to OPP staff work plans.

It is important to note that recommendations suggested to a program by OPP are different from corrective actions required of a program by the Office of Compliance and Enforcement. There are many indicators of high-quality legal services and recommendations often suggest alternatives to consider. Programs may choose among those alternatives and still provide high-quality legal services; they often do not need to follow every recommendation. Some recommendations are more important than others, some are easier to implement than others, and after consideration by the program some recommendations are more appropriate than others. All of these factors need to be taken into account in deciding whether and how to follow up on a particular recommendation. We agree that it is appropriate to follow up on recommendations that we have signaled to the program as significant and we already do that. We will work to establish a more formalized system for tracking consideration or implementation of these significant recommendations.

DISCUSSION OF THE LSC GRANT COMPETITION AND AWARD PROCESS

LSC appreciates the OIG's observation that, "...competition is a complex issue and to be fully analyzed would require a body of work that is outside the scope of this review." We also appreciate the OIG's conclusion that the LSC competition process is a valuable tool even in the absence of a significant number of multiple applications. Nevertheless, a substantial part of the Interim Report addresses some aspects of the competition process and it is important to make the following points.

As the OIG's Interim Report notes, LSC's regulation on competition includes the following purposes:

- encouraging the effective and economical delivery of high quality legal services that is consistent with the Corporation's Performance Criteria and the American Bar Association's Standards for Providers of Civil Legal Services to the Poor though an integrated system of legal service providers,

- providing opportunities for qualified attorneys and entities to compete for grants and contracts to delivery high quality legal services, and
LSC works hard to address each of these purposes. First, the grant competition and award process is designed to encourage the effective delivery of high quality legal services. The inquiries in the Request for Proposals are carefully crafted to elicit information necessary to judge the applicant's adherence to the LSC Performance Criteria and ABA Standards. Each application is reviewed in light of the Criteria and Standards. As necessary, even when there is only one applicant in a service area, before an award is made LSC will conduct a capability assessment, i.e. an on-site evaluation of an applicant, to assure that the applicant can meet the quality standards.

Second, LSC makes every effort to provide opportunities for qualified attorneys and entities to compete for grants to deliver high quality legal services. Notices of grant availability are published in bar journals, in appropriate local newspapers and on the LSC web site. The relevant information that a new applicant needs is available on the LSC website. An applicant information session and answers to individual inquiries are available for all applicants. An email address is maintained to promptly answer any questions. Those who filed Notices of Intent to Compete but did not follow up with an application are surveyed to determine the barriers faced. Where a new applicant is determined to have not submitted a qualified application, a letter is written describing the deficiencies in the application and inviting the applicant to apply in the future.

Even with all of these efforts to encourage competition, the occurrence of multiple applicants is minimal. The Interim Report correctly notes that LSC believes that the lack of multiple applicants for grants has several causes - the extensive LSC reporting requirements, the requirement that applicants provide for a full range of legal services, and the congressional restrictions. We also agree that there may be other causes as well. Should the OIG's future work address the issue of competition, we would welcome any insights that might come through that process.

Third, LSC uses the competition process to encourage ongoing improvement of performance by entities that do receive LSC grant awards. Both the Request for Proposals and program assessment visits are designed around the LSC Performance Criteria. Significant weaknesses that have been identified are followed up during the period of the grant. That follow-up may include a visit, special grant conditions that require the reporting of progress in addressing problems, or it may involve periodic informal contact by the program's LSC program counsel to assess the ongoing improvement of the program. Where appropriate, LSC provides technical assistance, shares best practices or refers programs to other resources. The competition process is also used to identify practices that show promise for expanding the delivery of legal services and might be worthy of replication in other places.

LSC continues to seek ways to encourage competition for its grants. Again, we welcome any suggestions from the OIG on how to increase interest in LSC funding and how to translate that interest into applications for LSC funding.

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1 45 CFR Section 1634.1. The other two purposes are to preserve local control over resource allocation and program priorities and to minimize disruptions in the delivery of legal services to eligible clients within a service area during a transition to a new provider.