

# LEGAL SERVICES CORPORATION



Office of  
Inspector General



Semiannual Report to the Congress  
October 1, 2012 – March 31, 2013

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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 October 1, 2012, through March 31, 2013.

During this reporting period we conducted audits relating to the adequacy of internal controls, particularly with respect to grantee financial operations, and also continued our audits of grantee expenditures and accomplishments under LSC's Technology Initiative Grant program. Audits completed during the period identified a total of over \$233,500 in questioned costs.

The Corporation's 2012 financial statement audit report was issued during this period. No significant deficiencies or material weaknesses were identified. In an accompanying management letter the auditors noted certain control weaknesses relating to the bank reconciliation process and the voiding of checks. Management agreed to implement all the auditors' recommendations to address these weaknesses.

We completed the second 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 22 QCRs. The process identified a number of areas for improvement. We issued an advisory memorandum providing grantees and their auditors with information on the findings of QCRs conducted over the preceding fiscal year to help them avoid similar problems in the future. In one audit reviewed this period the deficiencies identified were so significant as to lead to our rejection of the audit report and initiation of debarment proceedings against the auditing firm.

We opened 17 new investigations and closed 13 investigations during the reporting period. Among the investigations were criminal cases involving fraudulent activity and financial irregularities by grantee employees, and regulatory matters, including unauthorized outside practice of law and engaging in restricted activities such as redistricting, providing legal assistance to aliens, and lobbying. In one case a former grantee employee was indicted and pled guilty to

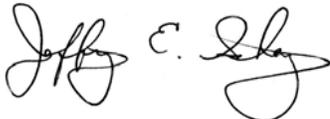
federal program fraud for obtaining over \$91,500 from the grantee through fraudulent claims.

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 fraud awareness briefings and fraud vulnerability assessments. In that regard, I want to add a special note to recognize LSC President Jim Sandman for his initiative in requesting that our office conduct a fraud vulnerability assessment of LSC's headquarters operations. The OIG commends him for this proactive approach; it helps set a positive "tone at the top," recognized as a key element in fraud prevention.

This period we also completed our pilot program of regulatory vulnerability assessments. We work on-site with grantees, reviewing compliance policies, procedures, and practices for weaknesses in order to help prevent regulatory violations and increased exposure to fraud. Based on the success of the pilot, we have added these assessments to our regular schedule of preventive efforts.

I wish to express my continuing appreciation to LSC's 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  
April 30, 2013

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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 assist management in identifying 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.

The OIG's primary tool for achieving these missions is objective and independent fact-finding, performed through financial and other types of audits, evaluations, and reviews and through investigations into allegations of wrongdoing. Its fact-finding activities enable the OIG to develop recommendations to LSC, Congress, and grantee management for actions that will correct problems, better safeguard the integrity of funds, improve procedures, and otherwise 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, conducted by independent public accountants, 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.

The OIG is headed by the Inspector General, who reports to and is under the general supervision of the LSC Board of Directors. The IG has broad authority to manage the OIG, including setting OIG priorities and activities, and to hire 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 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 has found that there are reasonable grounds to believe that a crime has occurred. The IG is required by law to keep the 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.

To be effective, the OIG works cooperatively with the board and management of LSC, seeks their input prior to choosing topics for OIG review, and keeps them informed of OIG activities. 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 of legal services to the poor.

## AUDITS

During this reporting period, the OIG issued four audit reports, discussed below. The four reports identified over \$233,533 in questioned costs. The OIG also provided oversight for LSC's Fiscal Year (FY) 2012 financial statement audit and transmitted the final audit report to the LSC Board of Directors. Seven grantee audits were in progress at the end of the reporting period. The OIG has issued one draft audit report to grantee management for comment. Four audits are in the draft report writing stage. Two audits are in the field work stage. Two additional grantee audits have been scheduled to start in May 2013 and others are being planned. Three audits are being planned within LSC headquarters.

The OIG has responsibility for overseeing the independent public accountant (IPA) audits performed annually at each grantee. During the reporting period, the OIG reviewed 21 IPA reports with fiscal years ending June 30, 2012, through September 30, 2012.

The OIG also issued 22 quality control review (QCR) reports this period under our QCR initiative and published our second annual summary of the findings for use by IPAs in planning future work. The goal of this initiative is to improve the overall quality of the audits and to ensure that all audits are conducted in accordance with applicable standards and with the guidance provided by the OIG. The OIG required the IPAs for 20 of the audits reviewed to provide further documentation. We will evaluate the information provided and monitor action by the IPAs in response to the reviews.

Two of the IPA audits were found not to have met requisite standards. In one of the two instances, the OIG rejected the audit report and has initiated a process, in accordance with 45 CFR Part 1641, to determine whether or not to debar the IPA responsible for the report.

### **Legal Aid and Defender Association, Inc. – Audit Of Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls in place at Legal Aid and Defender Association, Inc. (LADA), Detroit, MI, related to specific grantee operations and oversight, including program expenditures and fiscal accountability.

The OIG reported a scope limitation with respect to this audit because of difficulties we encountered in evaluating the adequacy of the grantee's internal controls. Government auditing standards require that we report any significant constraints on our audit approach resulting from limitations on the availability of information. LADA did not provide requested user account profiles for the ADP payroll system with activity permissions for each user and activity logs for the ADP software program for the last two fiscal years. User profiles specify which staff members are able to access the payroll system and the types of commands they can execute within the program.

Activity logs record the executed commands by user for historical reference and provide an audit trail to verify user activity within the system. Without complete information on each user's permissions in ADP and activity logs, we could not fully evaluate whether the internal controls over this segment of the payroll process were adequate, properly designed, and functioning as intended.

Except for the scope limitation noted above, we generally found internal controls reviewed at LADA adequate as they related to specific grantee operations and oversight, including program expenditures and fiscal accountability. The grantee's disbursements tested were, for the most part, adequately supported and allowable. While many of the controls were adequately designed and properly implemented as they related to specific grantee operations and oversight, we reported that some areas needed to be strengthened and/or formalized, particularly with respect to payroll, the grantee's document management system, the administrative fee allocation process, and contracting.

Specific findings included:

- Duties need to be segregated. The HR Generalist performed both personnel and payroll functions. The HR Generalist had the ability to create, modify, and remove employee information in the grantee payroll system, customarily a personnel function. However, the HR Generalist also had unrestricted access in the payroll system, and was extensively involved in the payroll process. As reflected in the scope limitation, the OIG was unable to confirm the HR Generalist's precise administrative permissions within the payroll system.
- The grantee could not provide documentary evidence to support the assertion that payroll reconciliations were performed monthly to ensure that amounts paid and processed are accurate. While claiming that the reconciliations were performed monthly, grantee management did not maintain evidence of the reconciliations. The grantee also did not have written policies and procedures detailing the payroll reconciliation process to be followed.
- The Document Management System (DMS) had weaknesses in controls over maintaining the integrity of documents imaged within the system. Those weaknesses related to employee access rights and a lack of an audit log which would track all changes made by the users of the documents. DMS is a digital image archive system that allows the grantee to dispose of its paper records while preserving a digital image of the documents. The grantee uses DMS to image casework records, finance records, and human resource records.
- Policies and procedures were not adequately documented describing how the administrative fee assessed to the Civil Law Group (CLG) is allocated to the LSC Basic Field Grant. The administrative fee reflects the expenses incurred by the Administrative Services Group (ASG) while performing financial and other support services for all of LADA's law groups. The purpose of the administrative fee is to match the ASG's expenses with law group revenues since the ASG does

not perform law-related activities and therefore has no specific funding source. The ASG mainly consists of Human Resources, Finance/Accounting and Executive Management.

- Policies and procedures needed to be fully developed, documented, and implemented with respect to maintaining evidence that competition was sought for large contracts. Also, for one particular vendor, the grantee did not maintain a copy of the formal contract.

The OIG made eight recommendations:

Three recommendations addressed issues related to the payroll scope limitation and related control deficiencies. These recommendations addressed the need for segregation of duties; formulating written policies and procedures detailing the payroll reconciliation process and ensuring that this process and related internal controls were communicated and understood by all relevant personnel; and the need to properly conduct and document monthly payroll reconciliations.

Two recommendations related to strengthening the controls over the DMS. The OIG recommended that accounting staff's access rights to the DMS be reasonably limited in terms of creation, modification, and deletion of documents in order to protect the integrity of pertinent accounting information. The OIG also recommended that DMS Activity Logs be instituted to enable tracking and monitoring of all activities performed in the DMS and by whom.

One recommendation addressed the need for the grantee to develop detailed, written policies and procedures for allocating the CLG's administrative fee among LSC and other funding sources.

Finally, two recommendations addressed the need to improve controls over LADA's contracting process. We recommended, first, that the grantee formulate policies and procedures for maintaining documentation of the contracting process that are in conformity with the provisions of the *Accounting Guide for LSC Recipients (Accounting Guide)*, Ch. 3-5, "Fundamental Criteria." Second, we recommended that the grantee also ensure that all products and services obtained or performed pursuant to specific, agreed-upon terms be supported by a formal agreement, as stated in the grantee's policies and procedures.

The OIG considered grantee management's planned actions to be responsive to two of the eight recommendations. We considered the grantee's responses to six recommendations as nonresponsive. These were referred to LSC management for resolution. The two recommendations considered responsive have been closed. The six recommendations referred to LSC management for resolution will remain open until follow-up actions are completed and appropriate written notification is provided to the OIG.

Grantee management disagreed with the findings and associated recommendations related to payroll. Management did not believe there was a segregation of duties issue

or that any additional processes or procedures needed to be in place for the monthly payroll reconciliation.

Grantee management disagreed with the finding and associated recommendations related to its DMS system. Grantee management stated that the finance staff must have full access rights to the DMS system and that the activity logs would only identify additions or deletions, but would not identify what documents were altered or removed. Therefore, they argued, it was not necessary to both limit access and to document activity through the logs.

Grantee management disagreed with the finding and related recommendation to fully document how administrative fees assigned to the CLG are allocated to the LSC Basic Field Grant. Grantee management stated that they already have a policy for allocating the administrative fee.

Grantee management did agree with the finding and associated recommendations addressing contracting controls. These two recommendations have been implemented and are considered closed.

### **Lone Star Legal Aid – Audit of Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls in place at Lone Star Legal Aid (LSLA), Houston (and field offices), TX, related to specific grantee operations and oversight, including program expenditures and fiscal accountability.

Our audit found a number of significant problems with the design and operation of some of the internal controls reviewed at LSLA. These control weaknesses are listed below. The OIG reported that disbursements tested were, for the most part, adequately supported, and allowable; however, the OIG found some expenditures that were improperly charged to LSC funding.

We found that the grantee's written policies and procedures appeared to be adequate and in accordance with the *Accounting Guide's* "Fundamental Criteria," except for their cost allocation methodology. We reported that the grantee's budgeting and management reporting process appeared to be adequate and operating effectively. We noted that controls over selected regulations reviewed were designed in a manner expected to ensure compliance with the LSC Act and LSC regulations.

The OIG found that:

- The grantee did not segregate duties for four major business processes: payroll; office supply purchases; maintenance of the vendor list; and IT equipment purchasing.
- The cost allocation system was not adequately documented in the grantee's accounting manual. The OIG was unable to determine if the system was

adequate, or, if designed adequately, whether the system was in fact operating as intended.

- The grantee needed to strengthen internal controls over IT equipment by tagging and securing property in a secure physical location under lock and key. The OIG identified three items valued at \$665 that could not be physically located.
- The grantee used LSC funds to make computer purchases valued over \$10,000 without prior approval from LSC.
- There were unsupported credit card charges totaling \$4,639, including charges for two airline tickets that were not adequately supported, and unallowable purchases of flowers and other items for personal life events of employees that were made with LSC funds.

As a result of our audit, the OIG questioned \$18,482<sup>1</sup> charged to LSC funds for acquisitions over \$10,000 made without LSC prior approval, disbursements that were either unsupported or not allowed, and for missing equipment purchased with LSC funds. The questioned costs were referred to LSC management for review.

The OIG made nine recommendations. We recommended that duties be properly segregated in the areas of payroll, office supply purchases, maintenance of the vendor list, and IT equipment purchasing. We also recommended that payroll processing be properly supervised, including conducting detailed reviews of the payroll before submission for ADP processing, and that before payments are made for purchases, LSLA require a three-way match with the purchase order, invoice, and receiving report.

Other recommendations included the need to fully document the cost allocation process in the grantee's accounting manual; enforce policies to tag IT equipment; and securely store unissued IT equipment at all times. The OIG recommended that the executive director ensure that required LSC approvals be obtained before making individual purchases over \$10,000. The final two recommendations addressed the need to enforce policies and procedures requiring disbursements to be adequately supported before making payment and the need to ensure that LSLA staff are made aware of expenses considered allowable and unallowable under LSC funding.

The OIG considered grantee management's planned actions to be responsive to eight of the nine recommendations, and to be partially responsive to one recommendation

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<sup>1</sup>After referring the questioned costs to LSC management for review and based on an inquiry from LSC management, the OIG discovered two of the items listed in the report that were identified as software were in fact hardware maintenance and software maintenance. Under a recent LSC opinion, these items would not require advance approval of LSC before making the purchase. The underlying finding, recommendation, and management actions were not affected. However, the amount subject to questioned cost proceedings was reduced from \$45,762 to \$18,482. To more accurately report questioned costs processed by management, this summary and the Semiannual Report tables used to track and report questioned costs have been adjusted to reflect the updated questioned cost amount.

because management's comments did not address all aspects of that recommendation. The OIG considers four of the nine recommendations as closed.

Grantee management disagreed with the finding and questioned cost associated with obtaining prior approval from LSC for major acquisitions; however, management is taking action to fully implement the recommendation.

### **Community Legal Services – Audit of Selected Internal Controls**

The OIG assessed the adequacy of selected internal controls in place at Community Legal Services, Inc. (CLS), Phoenix, AZ, related to specific grantee operations and oversight, including program expenditures and fiscal accountability.

The OIG found that internal controls reviewed and tested at CLS were generally adequate; however, some controls and practices needed to be formalized and documented. We reported that disbursements tested were for the most part adequately supported, allowable, and appeared to be properly allocated to LSC funds. We found that controls reviewed were designed in a manner expected to ensure compliance with selected provisions of the LSC Act and regulations. We did find, however, several issues that needed management attention, as discussed more fully in the report.

The OIG found that:

- Four disbursements charged to LSC funds did not have adequate supporting documentation. The disbursements were for an airport shuttle, two restaurant charges, and office supplies.
- Policies and procedures needed to be fully developed, documented, and implemented with respect to soliciting, evaluating, and awarding individual contracts.
- The cost allocation system was not adequately documented in the grantee's accounting manual.

The OIG made four recommendations:

- Enforce the grantee's written policies and procedures requiring disbursements to be properly approved and fully supported.
- Formally document the grantee's policies and procedures related to contracting for personal and real property, and for consulting contracts.
- Create a centralized contract filing system whereby each contract file relates to a specific contract and contains all pertinent documents related to the solicitation, receipt, and evaluation of bids, and the award of that contract.

- Ensure that the cost allocation process is fully documented in CLS's accounting manual.

Grantee management agreed with all the recommendations and stated that they would implement them. Grantee management stated that they were in the process of securing documentation for the disbursements charged to LSC funds. The grantee stated that two of the managing attorneys responsible for the charges had retired or obtained other employment; the grantee was continuing to investigate and make efforts to secure the supporting documentation. The grantee agreed to reimburse LSC for the charges, using unrestricted non-LSC funds.

The OIG considered grantee management's planned actions to be responsive to all the findings and recommendations. All four recommendations will remain open until grantee management actions are completed and appropriate written notification is provided to the OIG.

### **Audits of Technology Initiative Grants**

OIG audits of grantees receiving Technology Initiative Grants (TIGs) focus on whether TIG expenditures were allowable and supported, and whether the stated purposes of the TIG have been achieved. This initiative is a follow-on to our FY 2011 audit report on the TIG program at LSC headquarters.

Because LSC does not normally maintain information on the actual expenditures charged to these grants, the OIG obtained expenditure information from grantees on completed and terminated TIGs. Since the TIGs selected for review have been closed, our reports are directed to LSC management rather than to the individual grantee. We do, however, provide our draft findings to grantee management and invite their comments as part of our report preparation process.

Our reports provide an opinion on the expenditures charged to the grant, refer any questioned costs to LSC management, if necessary, and render a conclusion as to whether the stated purpose of the grant had been accomplished. In addition, to the extent we can identify potential improvements to the overall program or areas for strengthening grant oversight, appropriate recommendations are made to LSC management.

### **Examination of Expenditures Incurred for the Performance of TIGs Awarded to Idaho Legal Aid Services**

The OIG examined expenditures incurred for the performance of TIGs awarded to Idaho Legal Aid Services (ILAS). The objectives of the examination were to determine whether the expenditures for five ILAS TIGs totaling \$511,755 were allowable and whether the stated purposes of the TIGs were achieved.

The OIG concluded that the stated purposes of the five TIGs appeared to have been met. However, the OIG also concluded that for the five grants, \$211,011 of personnel and fringe benefit expenditures were not supported by adequate documentation and \$4,040 represented unexpended TIG funds not returned to LSC.

The grantee's response indicated that, among other things, even though it was not told by LSC to keep labor distribution records, it did have these records and they were provided to the auditors for review. We reviewed the documentation provided on-site and with the grantee's written response, but found that the cost records and analysis did not meet the requirements of the grants and of LSC regulations, and therefore we continued to consider the amounts to be questioned costs. As a result of the audit, the OIG referred \$215,051 in questioned costs to LSC management.

### **FY 2012 Corporate Audit**

The FY 2012 LSC financial statement audit report was issued this reporting period and transmitted to LSC's Board of Directors. The Corporation's financial statement audit is conducted by an independent public accounting firm under contract and subject to general oversight by the OIG. The OIG reviewed the work of the firm and found it in compliance with generally accepted government auditing standards.

The *Independent Auditors' Report* stated that LSC's financial statements "present fairly, in all material respects, the financial position of LSC as of September 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended ...." The auditors' *Report on Internal Control over Financial Reporting and on Compliance and Other Matters* identified no material weaknesses in internal controls and no reportable noncompliance with laws and regulations.

The audit report did include a management letter prepared by the auditors that addressed a weakness in the controls over the bank reconciliation process and the voiding of checks. Management agreed to implement all recommendations and will conduct and document training of staff on the revised procedures.

## **Statistical Summary**

### **Audit Reports**

|  |   |
|--|---|
| Open at beginning of reporting period..... | 6 |
| Issued during reporting period.....        | 5 |
| Closed during reporting period .....       | 3 |
| Open at end of reporting period .....      | 8 |

### **Recommendations to LSC Grantees**

|   |    |
|---|----|
| Pending at beginning of reporting period..... | 25 |
| Issued during reporting period.....           | 21 |
| Closed during reporting period .....          | 10 |
| Pending at end of reporting period .....      | 36 |

### **Recommendations to LSC Management**

|   |   |
|---|---|
| Pending at beginning of reporting period..... | 0 |
| Issued during reporting period.....           | 0 |
| Closed during reporting period .....          | 0 |
| Pending at end of reporting period .....      | 0 |

## **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 of IPA audit reports and quality control reviews of IPA working papers.

### **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 whether recommendations have been acted upon and appropriate actions taken by the grantee. In addition, we use information from this 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**

We completed the second year of our Quality Control Review (QCR) initiative. The QCR initiative is 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 this office. The reviews are conducted by a CPA firm under contract to the OIG. The contractor also identifies issues that may require additional attention or any additional audit work by the IPA under review.

### **Second Year Results**

This reporting period the OIG issued 22 QCR reports to IPAs. Three additional QCRs have been completed by the contractor and are under review by the OIG prior to being issued to the IPAs. The QCRs resulted in two audits being classified as not meeting standards and 18 audits being classified as meeting standards but with exceptions. For

20 QCRs, the IPAs were required to provide the OIG with additional documentation to support the conclusions reached. For one QCR additional documentation was not required at this time, but the IPA needed to ensure that additional steps will be taken on future audits of LSC grantees. For one IPA report no deficiencies were noted in the QCR. The OIG will review additional documentation required to be provided by the IPAs to ensure that LSC grantees receive an acceptable audit.

The issues identified by QCRs in IPA audits classified as not meeting standards primarily related to instances in which the basis for the auditor's opinion on the financial statements, compliance, and associated internal controls over both financial reporting and compliance were unsupported or inadequately supported. The common exceptions identified in QCRs classified as meeting standards related to deficiencies in ensuring that LSC grantees complied with all of the requirements in their LSC grants.

Based on the findings of one QCR, the OIG issued a notice of proposed debarment to an IPA. Noting that the QCR found substantial deficiencies in the IPA's work, the OIG cited multiple violations of government auditing standards as grounds for the proposed action. The regulation governing debarment actions allows the IPA an opportunity to respond to the notice of proposed debarment. As of the end of the reporting period, the IPA was in the process of providing a response. The affected LSC grantee also provided comments in response to the notice, as contemplated by the regulation. The OIG will evaluate the response to determine whether it presents an issue of material fact requiring a hearing or further fact finding. Should the OIG ultimately decide to debar the IPA, the IPA would be prohibited from providing audit services to any LSC grantee for a period of three years.

### Advisory Memorandum

In addition to the individual QCR reports, the OIG issued an advisory memorandum for all IPAs and grantee executive directors. The purpose of the memorandum was to inform IPAs of the deficiencies identified so that this information can be used in planning and conducting future audits. We are hopeful that this will help in preventing similar types of deficiencies from occurring in the annual audits of LSC grantees.

The memorandum, with a complete list of the specific deficiencies identified, can be found at our website ([www.oig.lsc.gov](http://www.oig.lsc.gov)) under the heading, "Auditors Resource" and identified as "Advisory to Executive Directors and Grantee Independent Public Accountants re: Summary Results of Quality Control Reviews (QCRs) for FY 2011 Financial Statement Audits."

### 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 the grantee, LSC management advises the OIG and requests that the finding be closed. The OIG reviews management's request and decides independently whether sufficient basis exists to close the finding.

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

During the reporting period, the OIG reviewed 21 IPA audit reports of grantees with fiscal year ending dates from June 30, 2012, through September 30, 2012. The audit reports and the findings reflect the work of the IPAs, not the OIG. These audit reports contained four findings. The OIG reviewed the findings and determined that the four findings were either not significant or that corrective action had already been completed, and closed the findings. Therefore, no findings in the IPA reports reviewed during this reporting period were referred to LSC management for follow-up.

## **INVESTIGATIONS**

OIG investigations this reporting period resulted in one indictment, one guilty plea, and questioned costs totaling \$62,976. The OIG opened 17 investigations during the period. These included four criminal investigations, five compliance matters, four fraud vulnerability assessments, and four regulatory vulnerability assessments. The criminal investigations included allegations of fraudulent activity and financial irregularities at grantees and sub-grantees. The compliance investigations included allegations of violations of LSC statutes and regulations involving matters such as the outside practice of law, redistricting, providing legal assistance to aliens, and lobbying.

The OIG closed 13 investigations during the reporting period. These included three criminal investigations, four compliance matters, three fraud vulnerability assessments, and three regulatory vulnerability assessments. The OIG also issued 14 Inspector General subpoenas in connection with our ongoing work.

### **Criminal Proceedings**

#### **Former Grantee Employee Indicted and Pleads Guilty to Fraud**

A former employee of an LSC grantee was indicted on February 21, 2013, by a grand jury in the Northern District of West Virginia on federal charges stemming from a scheme to defraud the grantee. The defendant was employed as a caseworker, responsible for conducting outreach visits at nursing homes and other healthcare facilities. Our investigation found that the defendant habitually failed to conduct the visits, often simply remaining at home, yet continued to file salary and travel claims, and ultimately obtained over \$91,500 from the grantee through fraudulent claims. On March 21, 2013, the defendant entered a guilty plea to one count of federal program fraud in violation of 18 U.S.C. §666(a)(1)(A). The investigation was conducted jointly by the OIG and the Office of Inspector General, Department of Health and Human Services.

### **Regulatory Actions**

#### **Former Grantee Employee Violated LSC Regulations**

The OIG received a complaint that a grantee attorney was providing legal assistance to Immigration and Customs Enforcement detainees held for deportation. The OIG opened an investigation and found evidence that the grantee attorney had assisted hundreds of ineligible aliens since at least 2004. LSC regulations (45 CFR Part 1626) generally prohibits LSC grantees from providing legal assistance to an ineligible alien. The OIG also found evidence the grantee attorney submitted non-compliant time records in violation of LSC regulations (45 CFR Part 1635), and was paid mileage

reimbursements by the grantee for travel associated with the restricted activity. The grantee accepted the attorney's resignation. We referred the matter to LSC management for a determination of whether questioned cost proceedings should be initiated against the grantee to recover LSC funds spent in support of restricted activities.

### **Grantee Employees Engaged in Prohibited Activities**

An OIG investigation found evidence that several attorneys at one grantee engaged in redistricting activities, which are prohibited by LSC regulations (45 CFR Part 1632). The investigation determined that the grantee improperly charged approximately \$14,500 to LSC funds on activities associated with redistricting. The investigation also found evidence of additional restricted activities by grantee attorneys, including the outside practice of law (45 CFR Part 1604); lobbying (45 CFR Part 1612); and timekeeping (45 CFR Part 1635). We referred the matter to LSC management for a determination of whether questioned cost proceedings should be initiated against the grantee to recover LSC funds spent in support of restricted activities.

### **Recovery Actions**

### **Investigation Results in Questioned Cost Proceeding**

An OIG investigation, initially reported in our April 30, 2012, semiannual report, had found evidence that two attorneys working for an LSC grantee had been conducting outside practice of law for several years during grantee work hours without proper authorization and in violation of LSC regulations (45 CFR Part 1604). The OIG investigative findings were referred to LSC management and on February 15, 2013, LSC management issued a "Notice of Questioned Costs" to the grantee in the amount of \$21,421.35 for time the attorneys and the grantee charged to LSC funds while the attorneys were conducting their unauthorized outside practice of law.

### **Proactive 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, as described below, and provide fraud alerts and other information that we believe will help increase grantees' awareness of potential vulnerabilities.

## **Fraud Awareness Briefings**

Fraud awareness briefings (FABs), presented by OIG investigative staff, 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 be generally aware that fraud and abuse can occur at any organization, they may not be aware of the potential for such incidents to occur “close to home,” within their own programs. Moreover, we have found that program staff often think that if there is such wrongdoing, 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.

This reporting period the OIG conducted eight on-site fraud awareness briefings for LSC-funded programs in Wisconsin, Illinois (two), Louisiana, Florida (three), and California.

## **NLADA Conference**

The OIG also presented a FAB at the National Legal Aid and Defender Association 2012 Annual Conference in Chicago, Illinois. Attendees included representatives of LSC grantees and other conference participants. We received very positive feedback on the session.

## **Webinar**

This period we presented our second live FAB via Webinar. Webinar presentations are designed to expand our fraud prevention efforts to those who cannot attend briefings in person. All LSC grantee executive directors were sent an email invitation about the Webinar, encouraging them to invite their staff, board members, outside auditors, and sub-grantee executive directors to attend. Because of the easy accessibility of the Webinar format 65 individuals from 31 LSC grantees were able to participate, including 12 executive directors, one outside auditor, one board member, and one sub-grantee executive director.

## **Fraud Vulnerability Assessments**

The OIG's fraud vulnerability assessments (FVAs) are conducted on-site at individual grantee's offices and consist of a focused document review in any areas considered high risk, weak, or prone to abuse, and 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 keyed to their particular program. The FVAs can help grantees identify both existing vulnerabilities and potential problem areas.

The OIG continued to analyze per capita costs in program travel and office supply expenditures, areas that have often been focal points for diversion of program funds, and to conduct FVAs at programs with apparent anomalies in their spending patterns. Findings are incorporated into the FVA program on an on-going basis.

Two grantee FVAs were completed during the reporting period, in Wisconsin and Florida. The reviews did not disclose indicators of fraud but did identify several opportunities for improvement.

## **Summary Report on Fraud Vulnerability Assessments**

The OIG issued a summary report of 19 grantee FVAs conducted from October 1, 2009, through September 30, 2012. The FVAs found 43 deficiencies at the 19 grantees in the areas of travel, office supplies, petty cash, credit cards, as well as accounting issues such as bank reconciliations and voided checks. The deficiencies identified by the OIG during each assessment were discussed with the grantee's executive director, who in most instances took prompt corrective action and/or planned to take future action. The OIG also provided senior management and accounting staff at the grantee with guidance to improve fraud prevention and detection.

## **Fraud Vulnerability Assessment Conducted at LSC Headquarters**

The OIG conducted an FVA at LSC headquarters in Washington, D.C., at the request of the LSC President. The review did not disclose indicators of fraud but did identify several opportunities for improvement. LSC management responded to OIG suggestions by taking prompt action to make improvements in internal controls and operations with respect to certain payments and procedures.

## **Regulatory Vulnerability Assessments**

The OIG has been conducting a pilot program of regulatory vulnerability assessments (RVAs). Working on-site with grantees, we examine their compliance policies, procedures, and practices to identify any weaknesses that could lead to regulatory violations and increased exposure to fraud.

RVAs were triggered by our experience in recent years in investigating financial frauds in which grantees have been victimized. We found a recurring theme in that the failure to comply with, or laxity with respect to, certain LSC regulations, grant assurances, *Accounting Guide* provisions, and case documentation and reporting requirements contributed to an environment that increased the potential for fraud. We believe that focusing on certain key compliance areas enables grantees to apply the classic “ounce of prevention” and avoid both regulatory issues and broader financial vulnerabilities.

The pilot program consisted of six RVAs. Five reviews were conducted in the last two reporting periods and the final one was completed in New Jersey this reporting period. Based on the positive results of the pilot RVAs we have now fully incorporated the RVA program into our regular schedule of proactive and preventive initiatives.

The OIG completed two additional (post-pilot) RVAs this reporting period, in Louisiana and Florida. RVA results are provided to grantee executive directors as well as LSC management, as appropriate.

### **Summary Report on Regulatory Vulnerability Assessments**

The OIG issued a summary report on eight grantee RVAs conducted from January 2012 through December 2012. The RVAs found 35 deficiencies at the eight grantees in the areas of program integrity (45 CFR Part 1610), client eligibility (45 CFR Part 1611), private attorney involvement (45 Part 1614), bar membership (45 CFR Part 1616), sub-grants (45 CFR Part 1627), fidelity bonding (45 CFR Part 1629), timekeeping (45 CFR Part 1635), and contractual agreements (45 CFR Part 1640), as well as client trust accounts, travel, and paralegal oversight (areas subject to LSC guidelines in the *Accounting Guide* and *Case Service Report Handbook*). The deficiencies identified by the OIG during each RVA were discussed with the grantee’s executive director, who in most instances took prompt corrective action and/or planned to take future action. The OIG also provided senior management and accounting staff with guidance to improve fraud prevention and detection.

### **Fraud Alert Issued on Employer-paid Health Care**

During the reporting period, we issued a fraud alert to all LSC grantees to inform them about the risks of employees improperly enrolling ineligible persons on employer-paid health care plans, which can substantially increase benefit costs for the employer. The fraud alert was an outgrowth of two recent OIG investigations which identified over \$7,500 in improper health care premium payments. The investigations revealed that employees from two separate programs had claimed ineligible persons for employer-paid health care coverage. The OIG fraud alert provided additional information about these investigations and explained steps LSC grantees can take to reduce the risk of paying health care premiums for ineligible persons.

## **Hotline**

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

During this reporting period, the OIG received 63 Hotline contacts (compared to 80 for the previous period). Of these matters, eight were referred to LSC management for follow-up; two were opened as investigations; four are open pending further inquiry; and the remaining 49 were closed.

## **Statistical Summary**

### **Investigative Cases**

|                                      |    |
|--------------------------------------|----|
| Open at the beginning of period..... | 7  |
| Opened during period.....            | 17 |
| Closed during period .....           | 13 |
| Open at the end of period.....       | 11 |

### **Prosecutorial Activities**

|   |   |
|---|---|
| Referrals to prosecutive authorities..... | 2 |
| Indictments.....                          | 1 |
| Guilty pleas.....                         | 1 |

### **Investigative Activities**

|  |    |
|--|----|
| Inspector General subpoenas issued ..... | 14 |
|--|----|

### **Monetary Results**

|  |          |
|--|----------|
| Questioned costs referred to LSC management..... | \$62,976 |
|--|----------|

## **OTHER OIG ACTIVITIES**

### **Review of Proposed Legislation, Regulations and Policy**

Pursuant to our statutory responsibilities, the OIG reviews and, where appropriate, comments on statutory and regulatory provisions affecting LSC and/or the OIG, as well as LSC interpretive guidance and internal policies and procedures.

This period marked the culmination of longstanding efforts to enhance LSC's enforcement mechanisms. We have supported amendments to LSC's regulations that would lengthen maximum available suspension periods, authorize limited reductions in funding in cases of substantial noncompliance, and make explicit the Corporation's authority to impose special grant conditions during a grant term.

The OIG worked with LSC management to address our concerns in revisions to the proposed regulations published in an August 7, 2012, Further Notice of Proposed Rulemaking. Along with LSC management, the OIG supported adoption of these revised regulations, and on January 26, 2013, the LSC Board of Directors voted to adopt them as a Final Rule. The Final Rule was published in the Federal Register on February 13, 2013; the amendments became effective on March 15, 2013. The OIG believes these changes will provide LSC with important additional flexibility as a grant administrator and go a long way toward remedying shortcomings in LSC's previous enforcement capabilities.

### **Litigation**

On November 14, 2011, the United States District Court for the District of Columbia issued an order granting our petition for enforcement of an OIG subpoena issued to California Rural Legal Assistance (CRLA). The court held that the OIG's subpoena was issued for a lawful purpose and that the information sought was reasonably relevant to the OIG's investigative purpose. The court also concluded that the OIG's proposed review protocol could allow for adequate privilege review of the electronic data sought by the subpoena without overburdening CRLA. Subject to a protective order, the court enforced the subpoena as narrowed by agreement of the parties in the course of litigation and as requested by the OIG.

On December 13, 2011, CLRA appealed the district court's order granting enforcement of the OIG's subpoena. On January 12, 2012, the OIG filed a cross-appeal. Briefing of the case is now complete; oral argument is scheduled for April 11, 2013.

### **Congressional Requests**

The OIG regularly responds to a wide variety of Congressional requests and inquiries. This period we responded to the request of a joint Senate-House task force on climate

change for information on statutory, regulatory, or other requirements applicable to LSC with respect to climate change, and actions LSC might take in the area.

### **Management Information Memoranda**

The OIG issues Management Information Memoranda (MIMs) when we believe that issues uncovered in the course of ongoing OIG work should be brought promptly to management's attention, so that management may consider taking immediate corrective action. During this reporting period, the OIG issued a MIM entitled, Bank Deposit Insurance Coverage. The memorandum highlighted recent changes (effective January 1, 2013), effectively decreasing the limits of Federal Deposit Insurance Corporation (FDIC) coverage of bank deposits. We referenced findings of both our own site visits and of internal LSC reviews indicating that some grantee accounts exceeded the FDIC insurance limits, thereby putting funds potentially at risk. We recommended that LSC promote grantee awareness in this area, so that grantees could take precautionary measures where appropriate.

### **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, the OIG received eight FOIA requests; all were responded to 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 989C of Public Law 111-203 (July 21, 2010), the Dodd-Frank Wall Street Reform and Consumer Protection Act, amending the Inspector General Act of 1978 (the IG Act), 5 U.S.C. App 3. The references are to the newly added provisions of Section 5(a) of the IG Act.

(14)(B) – The last peer review of the OIG was conducted by the Office of Inspector General for the Corporation for Public Broadcasting, and was completed on September 30, 2011.

(15) – There are no outstanding recommendations from any peer review of the OIG conducted by another Office of Inspector General that have not been fully implemented.

(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 fully implemented.

## TABLE I

### Audit Reports and Quality Control Reviews Issued for the Period Ending March 31, 2013

#### 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 – Legal Aid and Defender Association  | 12/21/12           | \$0                     | \$0                            | \$0                      |
| Report on Selected Internal Controls—Lone Star Legal Aid   | 01/15/13           | \$18,482                | \$0                            | \$4,639                  |
| Legal Services Corporation FY 2012 Financial Statement Audit Report  | 01/03/13           | \$0                     | \$0                            | \$0                      |
| Report on Selected Internal Control—Community Legal Services   | 03/21/13           | \$0                     | \$0                            | \$0                      |
| Examination of Expenditures Incurred for the Performance of Technology Initiative Grants Awarded to Idaho Legal Aid Services | 03/28/13           | \$215,051               | \$0                            | \$215,051                |

## Quality Control Reviews

| <u>IPA</u> | <u>Recipient</u>                                | <u>Date Issued</u>                                |          |
|------------|---|---|----------|
| 1          | Barnes Dennig & Co.                             | Legal Aid Society of Greater Cincinnati           | 10/22/12 |
| 2          | Gilmore, Jasion, Mahler, Ltd.                   | Legal Aid Society of Western Ohio                 | 11/21/12 |
| 3          | Toski, Schaefer & Co.                           | Legal Assistance of Western New York              | 11/29/12 |
| 4          | Mahler Duessel, CPAs                            | Northwestern Legal Services                       | 01/22/13 |
| 5          | Mahler Duessel, CPAs                            | North Penn Legal Services                         | 01/22/13 |
| 6          | Mahler Duessel, CPAs                            | MidPenn Legal Services                            | 01/22/13 |
| 7          | Cook and Morehart, CPAs                         | Legal Services of North Louisiana                 | 01/22/13 |
| 8          | Mark Diak, CPA                                  | Land of Lincoln Legal Assistance Foundation       | 02/12/13 |
| 9          | VonLehman CPA                                   | Appalachian Research and Defense Fund             | 02/15/13 |
| 10         | Harrington Group, CPAs                          | Neighborhood Legal Services of Los Angeles County | 02/15/13 |
| 11         | Harrington Group,, CPAs                         | Legal Aid Foundation of Los Angeles               | 02/19/13 |
| 12         | Harrington Group, CPAs                          | California Rural Legal Assistance                 | 02/19/13 |
| 13         | Harrington Group, CPAs                          | Bay Area Legal Aid                                | 02/19/13 |
| 14         | Harrington Group, CPAs                          | California Indian Legal Services                  | 02/22/13 |
| 15         | Yoakum, Lovell & Co.                            | Center for Arkansas Legal Services                | 03/21/13 |
| 16         | Yoakum, Lovell & Co.                            | Legal Aid of Arkansas                             | 03/21/13 |
| 17         | Amato, Fox & Co.                                | Neighborhood Legal Services                       | 03/26/13 |
| 18         | Bachelor, Frechette,<br>McCrary, Michelor & Co. | Rhode Island Legal Services                       | 03/28/13 |
| 19         | Banks, Finley, White & Co.                      | North Mississippi Rural Legal Services            | 03/28/13 |
| 20         | Barcalow & Hart, PLLC                           | Legal Aid Society of Eastern Virginia             | 03/28/13 |
| 21         | Barcalow & Hart, PLLC                           | Legal Services of Northern Virginia               | 03/28/13 |
| 22         | Barcalow & Hart, PLLC                           | Blue Ridge Legal Services                         | 03/28/13 |

## TABLE II

### Audit Reports Issued with Questioned Costs for the Period Ending March 31, 2013

|  | <u>Number of<br/>Reports</u> | <u>Questioned Costs</u> | <u>Unsupported<br/>Costs</u> |
|--|------------------------------|-------------------------|------------------------------|
| A. For which no management decision has been made by the commencement of the reporting period. | 5                            | \$1,526,531             | \$141,700                    |
| B. Reports issued during the reporting period  | 2                            | \$233,533               | \$219,690                    |
| Subtotals (A + B)  | 7                            | \$1,760,064             | \$361,390                    |
| C. For which a management decision was made during the reporting period:                       | 3                            | \$103,310               | \$85,959                     |
| (i) dollar value of recommendations that were agreed to by management                          |                              | \$3,659                 | \$3,659                      |
| (ii) dollar value of recommendations that were not agreed to by management                     |                              | \$99,651                | \$82,300                     |
| D. For which no management decision had been made by the end of the reporting period           | 4                            | \$1,656,754             | \$275,431                    |
| Reports for which no management decision had been made within six months of issuance           | 2                            | \$1,423,221             | \$55,741                     |

### TABLE III

## Audit Reports Issued with Funds to Be Put to Better Use for the Period Ending March 31, 2013

|  | <u>Number of<br/>Reports</u> | <u>Dollar<br/>Value</u> |
|--|------------------------------|-------------------------|
| A. For which no management decision has been made by<br>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<br>reporting period:                      | 0                            | \$0                     |
| (i) dollar value of recommendations that were<br>agreed to by management                         | 0                            | \$0                     |
| (ii) dollar value of recommendations that were not<br>agreed to by management                    | 0                            | \$0                     |
| D. For which no management decision had been made by<br>the end of the reporting period          | 0                            | \$0                     |
| Reports for which no management decision had been<br>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>   |
|--|--------------------|-------------------------|---|
| Examination of Expenditures Incurred for the Performance of TIG Grants Awarded to Southeast Louisiana Legal Services | 07/10/12           | \$55,741                | Management decision provided to grantee in March. Awaiting end of 30-pay period for grantee to appeal decision. |
| Report on Selected Internal Controls – Inland County Legal Services  | 08/06/12           | \$1,367,480             | Questioned cost proceeding initiated.   |

### 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. | 09/30/11           | LSC management is working with the grantee to resolve all open recommendations. |
| Report on Selected Internal Controls: North Mississippi Rural Legal Services    | 03/30/12           | Corrective action in progress.  |
| Report on Selected Internal Controls: Texas RioGrande Legal Aid, Inc.           | 06/12/12           | Corrective action in progress.  |
| Report on Selected Internal Controls: South Jersey Legal Services               | 08/03/12           | Corrective action in progress.  |
| Report on Selected Internal Controls: Inland Counties Legal Services, Inc.      | 08/06/12           | Corrective action in progress.  |

## TABLE V

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

| <u>IG Act<br/>Reference*</u> | <u>Reporting Requirement</u>   | <u>Page</u> |
|------------------------------|--|-------------|
| Section 4(a)(2)              | Review of legislation and regulations.   | 22          |
| Section 5(a)(1)              | Significant problems, abuses, and deficiencies.  | 9-10        |
| Section 5(a)(2)              | Recommendations with respect to significant problems, abuses, and deficiencies.  | 9-10        |
| Section 5(a)(3)              | Prior significant recommendations on which corrective action has not been completed.   | 29          |
| Section 5(a)(4)              | Matters referred to prosecutive authorities.   | 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. | 25          |
| Section 5(a)(7)              | Summary of each particularly significant report.   | 9-10        |
| Section 5(a)(8)              | Statistical table showing number of audit reports and dollar value of questioned costs.  | 27          |
| Section 5(a)(9)              | Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.   | 28          |
| 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.  | 29          |
| Section 5(a)(11)             | Significant revised management decisions.  | None        |
| Section 5(a)(12)             | Significant management decisions with which the Inspector General disagrees.   | None        |
| Section<br>5(a)(14)-(16)     | Peer reviews.  | 24          |

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



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