

# LEGAL SERVICES CORPORATION

## BOARD OF DIRECTORS

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For 25 years, America's  
Partner For Equal Justice

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SEMIANNUAL REPORT TO THE CONGRESS  
ON  
DECISIONS, FINAL ACTIONS, AND COMMENTS  
ON THE OFFICE OF INSPECTOR GENERAL'S  
SEMIANNUAL REPORT TO THE CONGRESS  
FOR THE PERIOD

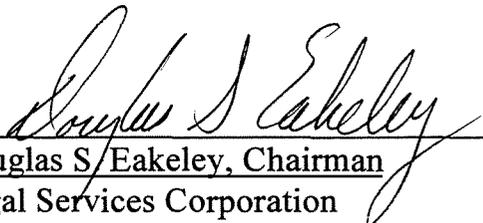
**April 1, 1999 – September 30, 1999**

November 1999

## FOREWORD

I am pleased to transmit the report of the Legal Services Corporation ("LSC" or "Corporation") regarding the Semiannual Report of LSC's Office of Inspector General ("OIG") for the six-month period of April 1, 1999 through September 30, 1999.

The Corporation's Board of Directors ("Board") recognizes the value of the Inspector General function and remains committed to working with the Inspector General to achieve our goal of providing high quality legal assistance to the poor of our nation.

  
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Douglas S. Eakeley, Chairman  
Legal Services Corporation

November 1999

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## MESSAGE OF THE BOARD OF DIRECTORS

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In July, the Legal Services Corporation (“LSC” or “the Corporation”) celebrated its 25th Anniversary with a White House ceremony and a Congressional reception, at which LSC was recognized as a model public-private partnership in its work to provide legal services to those who could not otherwise afford them. The Corporation will proudly carry this mandate into the new century. Significant progress was also achieved during this reporting period on a number of Management Initiatives. First, the Corporation’s state planning efforts resulted in significant reconfiguration of the service areas in nine states subject to competition for year 2000 grants. In addition, LSC provided over \$375,000 in technical assistance grants and contracts for a variety of state planning efforts during this reporting period. A second major initiative culminated in the first LSC-sponsored conference focusing on the legal needs of the Native American population and assessing how LSC grantees can better serve these needs. Based on the success of this conference, the Corporation intends to sponsor similar conferences to focus on the special legal needs of other vulnerable segments of the low-income population that it serves.

The Corporation also continued to devote substantial time, effort, and attention to improving the accuracy of the Case Service Reporting (“CSR”) system through which recipients of LSC funding report to the Corporation on the number and type of cases for which legal assistance was provided during the year. As a result of the audits by the Office of Inspector General and LSC’s routine on-site compliance visits, the Corporation had begun to identify and correct certain systemic problems with the CSR data during 1998. Despite these efforts, LSC was subjected to harsh – and, at times, unwarranted – criticism in the press and intense scrutiny by some members of Congress in the wake of LSC’s appropriations hearing on March 3, 1999. The Corporation has worked diligently with its grantees to improve their CSR data, and assisted the General Accounting Office in its review of this issue and the Corporation’s prior corrective action.

In September 1999, the House Judiciary Subcommittee on Commercial and Administrative Law, chaired by Congressman George W. Gekas (R-PA), held an oversight hearing on LSC, focusing particularly on the CSR issue. Congress has provided the Corporation with a clear mandate to improve its data collection system and the accuracy of its reports to Congress, which this Board is committed to carrying out. LSC’s priority will be to assess the data collection system and implement the changes necessary to ensure that the data are not only accurate but also a true measure of the services provided by the Corporation’s grantees.

## BACKGROUND

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### **The Legal Services Corporation**

LSC is a private, non-profit corporation established in the District of Columbia by the Legal Services Corporation Act of 1974, as amended ("the LSC Act"),<sup>1</sup> to provide financial support for legal assistance in civil proceedings to persons unable to afford legal services. Under the LSC Act, the Corporation is governed by an eleven-member bi-partisan Board of Directors appointed by the President of the United States, with the advice and consent of the Senate. The Board appoints the President of the Corporation, who serves as the Corporation's chief executive officer, subject to general policies established by the Board.

The 1988 Amendments to the Inspector General Act of 1978 required LSC to establish an Office of Inspector General ("OIG") and extended specific provisions of the 1978 Act to LSC. Accordingly, such an office was established by and for the Corporation. The Inspector General is appointed by, reports to and serves under the general supervision of the Corporation's Board of Directors.

### **Grant-Making Activities**

To carry out the purposes of the LSC Act, Congress appropriated to the Corporation \$300 million for fiscal year 1999 (Pub. L. 105-277), \$289 million of which the Corporation is using to fund 257 legal services programs to provide legal assistance to indigent persons throughout the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and Micronesia.

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<sup>1</sup> 42 U.S.C. §§ 2996-2996l.

## MANAGEMENT INITIATIVES

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During the reporting period, the Corporation continued its efforts to improve the efficiency of its competitive grant award system and the effectiveness of the delivery of legal assistance by its initiative for statewide planning and coordination of legal services. The Corporation continued to demonstrate its ability to ensure both compliance with program rules and regulations and the maintenance of high quality legal assistance to eligible clients.

### Competition and State Planning

The grant award process for the year 2000 grants was begun with the publication of the RFP in April, 1999. The Corporation solicited proposals for 217 service areas and received grant renewal applications for the remainder of its service areas. The states with service areas up for competition were separated into two groups as a result of decisions based on the state planning and coordination materials submitted in response to LSC's program letters issued in 1998. Potential applicants in the nine states in which the state planning materials called for the most significant reconfiguration of service areas were given additional time in which to submit their notices of intent to compete and their grant proposals. LSC received and processed 175 applications in response to its RFP. Despite the staggered scheduling, all grant proposals were timely and thoroughly assessed and grant determinations made during November, 1999. Five service areas attracted multiple applications for the grant, with a current recipient being awarded the grant for each of these service areas.

During this reporting period, the Corporation continued to work as an active partner with the planning groups as part of its ongoing state planning initiative. The purpose of the state planning initiative is to have all recipients take planning and implementation responsibility for statewide delivery issues with a goal of expanding access to legal services for low income people. LSC staff and consultants made more than 15 visits in furtherance of state planning in this period. As part of the state planning effort, LSC awarded 13 grants and 29 contracts on a one-time basis, in varying amounts of up to \$15,000, to provide technical assistance to states to advance the development of comprehensive, integrated statewide delivery systems. In all, over \$375,000 was provided for technical assistance grants and contracts for state planning efforts during the reporting period. The grants and contracts are designed to: improve intake systems; develop integrated technology systems; explore consolidations; and encourage coordinated state planning efforts. LSC is encouraged by the broad participation that the planning process is getting and by the effort being put into the process by grantees, bar associations and other participants in the planning process.

Compliance and Enforcement (“OCE”) staff also completed an on-site follow-up visit to the Legal Services of Northern Virginia, which had been the first CSR audit released by the OIG during the last reporting period.

During this period, the Inspector General also released four audits relating to 1998 CSR data. These reports continue to reflect unacceptably high error rates in the reporting of closed cases. The untimely closing of cases, counting applicants who receive no substantive legal assistance as a case, and the counting cases more than once, continue to be the primary contributors to the error rates. LSC’s written guidance with respect to the first two types of error apparently came too late in 1998 to have had an effect on the error rate. Written guidance with respect to the screening for duplicate cases was issued in 1998, but was to be applied for the 1999 reporting cycle. In one of the audits, the OIG reported for the first time a recipient’s failure to document the client name, which significantly contributed to that recipient’s error rate. OCE staff is working closely with these grantees to ensure effective corrective action is taken on all audit recommendations.

With regard to the one audit report in which the recipient asserted attorney-client privilege to deny the OIG auditors access to certain materials, OCE staff have been on-site at the Legal Aid Bureau (“LAB”) of Maryland and have agreed to procedures to ensure the access to materials necessary to a review of CSR compliance without implicating privileged materials. A follow-up visit is planned during the next reporting period to complete a CSR compliance review at LAB using the revised procedures.

Also during this reporting period, the OCE staff conducted six on-site reviews of compliance with CSR requirements, including visits to the New Center for Legal Advocacy, Legal Services of Western Carolina, Bexar County Legal Aid Association, Central California Legal Services, Central Minnesota Legal Services, and Florida Rural Legal Services, and returned to a seventh program, Legal Aid of Central Michigan (“LACM”), to follow-up on corrective action resulting from an earlier complaint and CSR compliance visit. LACM has been advised that the complaint is closed. Reports on the other CSR compliance visits are being drafted.

In addition to the OIG’s CSR audit reports and LSC’s own compliance visits, the Corporation, in June, received the results of the General Accounting Office (“GAO”) report of 1997 CSR data reported by five of LSC’s largest recipients. This report largely confirmed the findings of the OIG for 1997 CSR data and questioned approximately 34% of the open and closed cases reported by the five grantees. The GAO also attempted to quantify the documentation problems that existed with respect to client eligibility; in particular, the absence of financial eligibility documentation and signed citizenship attestation forms. As a result of these findings, the Corporation has clarified its documentation requirements and is working with these grantees to ensure effective corrective action is taken. During the

## **Regulatory Review**

During this period the Corporation continued consideration of proposed revisions to its rules on timekeeping and recipient fund balances. The revisions to the timekeeping rule, 45 CFR Part 1635, are intended to ensure that part-time employees do not engage in restricted activities during any time for which they are being compensated by the LSC grantee. The rule was republished on April 5, 1999, for additional comment on language that would require part-time attorneys and paralegals who also work for an organization that engages in restricted activities to certify that they did not engage in any restricted activities during the time for which they were compensated by the recipient. The fund balance rule was considered by the Operations and Regulations Committee on February 20, 1999 and again on June 11, 1999. It is anticipated that the Committee will recommend a final rule on both of these topics to the Board at its November 1999 meeting. As discussed in the Legislative and Regulatory Review section of the Inspector General's report for this period, the Board did adopt a final rule offered by the OIG, 45 CFR Part 1641, that implements the OIG's statutory authority to debar, suspend and remove auditors performing the annual financial and compliance audits of LSC grantees.

The Board and the Corporation's staff continue to work closely with the OIG on all of these regulatory efforts.

## **Technology**

The Corporation is responsible to Congress to assure Y2K compliance for its computer systems. LSC has taken steps to comply with all of the Y2K requirements expected of federal agencies, and the status of these efforts is regularly reported to OMB. LSC's computer network is Y2K compliant, thus assuring its capacity to function at the highest levels of technology for the future. In addition, the Corporation has bolstered the security of its system. In response to the potential threat posed by hackers and others intent on disrupting government and private industry computer operations, LSC has taken steps to secure its local area network by implementing a firewall security system as the first line of defense against undesired intruders.

Also during this period, the Corporation has revised its Internet website so as to assure that its message is delivered in a clear and consistent manner. The new website will, through enhanced technology, support LSC's efforts to provide immediate and accurate information to Congress and the public about the valuable work done by the Corporation. LSC continues its commitment to technology as an important tool, internally, to enhance the efficiencies of its work, and, externally, to explore the unbounded potential of technology to further the delivery of client services.

# PROGRAM INTEGRITY

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## Status of Findings and Recommendations

During this reporting period, the Office of the Inspector General completed audits of seven grantees' compliance with the Corporation's CSR system requirements. The OIG referred a total of 50 recommendations to the seven grantees. Corrective action has been completed or is substantially completed for four of grantees audited. The Corporation is awaiting a corrective action plan from one of the grantees and a revised correction plan from another. As noted above, a follow-up visit has been conducted to assess and resolve the corrective action regarding the four recommendations addressed to the access and other problems at the Legal Aid Bureau of Maryland. An additional on-site visit to this grantee is to be completed during the next reporting period.

As a result of action by Management during the last reporting period, the OIG closed one recommendation in this reporting period. The closure reflected Management's action resolving a recommendation concerning compliance with an interim class action regulation by one grantee and terminating a questioned cost proceeding.

Of the nine open recommendations to Management from prior reporting periods:

- ▶ The one timekeeping recommendation is addressed in a proposed rule first issued for public comment on October 22, 1998. As noted above in the section on Regulatory Review, this rule was republished on April 5, 1999, for additional comment on language that would require part-time attorneys and paralegals who also work for an organization that engages in restricted activities to certify that they did not engage in any restricted activities during the time for which they were compensated by the recipient and we anticipate that it will be adopted as a final regulation at the next Board meeting in November;
- ▶ The seven recommendations to improve the flexibility of the options allowed and the documentation required for approval of Alternative Work Arrangements, are, together with other revisions to the Corporation's Flexitime and Flexiplace policies, addressed in changes to the Corporation's personnel manual and policies, which are pending approval and may be presented to the Board during the next reporting period; and

# TABLE 1

## Management Report on Office of Inspector General Audits of Grantees Issued With Questioned Costs For the Six-Month Period Ending September 30, 1999

	Number of Reports	Questioned Costs	Unsupported Costs
A. Audit Reports for grantees on which no management decision had been made by the commencement of the reporting period.	0	\$ 0	\$ 0
B. Audit Reports issued during the reporting period.	0	\$ 0	\$ 0
Subtotals (A + B)	0	\$ 0	\$ 0
MINUS:			
C. Audit Reports for which a management decision was made during the reporting period:.	0	\$ 0	\$ 0
(i) dollar value of recommendations that were agreed to by management	0	\$ 0	\$ 0
(ii) dollar value of recommendations that were not agreed to by management	0	\$ 0	\$ 0
D. Audit Reports for which no management decision had been made by the end of the reporting period.	0	\$ 0	\$ 0
Audit Reports for which no management decision had been made within six months of issuance.	0	\$ 0	\$ 0

**TABLE 2****Management Report on Audit Reports Issued During  
the Six-Month Period Ending September 30, 1999  
With Recommendations That Funds Be Put to Better Use**

	Number of Reports	Dollar Value
A. Audit Reports for which no management decision has been made by the commencement of the reporting period.	0	\$ 0
B. Audit Reports issued during the reporting period.	0	\$ 0
Subtotals (A + B)	0	\$ 0
MINUS:		
C. Audit Reports for which a management decision was made during the reporting period:	0	\$ 0
(i) dollar value of recommendations that were agreed to by management	0	\$ 0
(ii) dollar value of recommendations that were not agreed to by management	0	\$ 0
D. Audit Reports for which no management decision had been made by the end of the reporting period.	0	\$ 0
Audit Reports for which no management decision had been made within six months of issuance.	0	\$ 0