

**LEGAL SERVICES CORPORATION**

**BOARD OF DIRECTORS**

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**SEMIANNUAL REPORT TO THE CONGRESS**

**FOR THE PERIOD**

**OCTOBER 1, 2004 – MARCH 31, 2005**

**MAY 31, 2005**

## FOREWORD

We are pleased to transmit the Semiannual Report of the Legal Services Corporation (“LSC”) Board of Directors (“Board”), providing comments on the Semiannual Report of LSC’s Office of Inspector General (“OIG”) for the six-month period of October 1, 2004, through March 31, 2005, and providing further explanation of LSC’s activities during the reporting period.

LSC’s Board recognizes the value of the Inspector General function. Since LSC became subject to the Inspector General Act through the 1988 amendments to the Act, LSC has always worked closely with its OIG to achieve the goal of providing high quality legal assistance to the poor, and it remains committed to doing so.

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Frank B. Strickland, Chairman  
Legal Services Corporation  
May 31, 2005

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## MESSAGE OF THE BOARD OF DIRECTORS

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The Board is pleased to have the opportunity to address the Congress and share its perspective on the current state of federally-funded civil legal services for low-income Americans. While LSC and its grantees<sup>1</sup> continue their efforts to maximize the cost-effective use of limited federal resources and to leverage those resources to raise funds from state and local governments, foundations and private sources, the significant unmet need for civil legal assistance in the United States reminds us starkly that we are far from achieving our national commitment of "equal justice for all."

On November 30, and December 1, 2004, LSC celebrated its 30th Anniversary at a two-day conference in Washington, D.C. For virtually the first time in three decades, the directors of nearly every federally funded legal services program gathered together, along with many trailblazers and longtime leaders from the equal justice community.

New York Chief Judge Judith S. Kaye and American Bar Association President Robert J. Grey, Jr. delivered keynote speeches. Justice Earl Johnson of California; first LSC President Thomas Ehrlich; Howard Dana, a former LSC Board member and currently a member of the Supreme Court of Maine; former LSC Vice Chair LaVeeda Morgan Battle; and Gwendolyn Johnson, a client board member from the Legal Aid Bureau of Maryland, recounted LSC's long history of service to low-income Americans in need. Senators Pete Domenici (R-NM) and Hillary Rodham Clinton (D-NY) sent recorded video greetings, acknowledging the significant accomplishments of the Legal Services Corporation and the 400 legal aid leaders who assembled in the capital for the conference's opening session.

LSC President Helaine M. Barnett hosted the event and narrated a video highlighting the essential work of LSC-funded programs across the country. LSC Chairman Frank B. Strickland discussed the Corporation's progress in achieving bipartisan support and called for continued private bar support for LSC in the new millennium.

On the second day of the conference, attendees took part in substantive panels on leadership, quality performance, and strategic communication. The Executive Directors of the LSC grantees also discussed trends affecting legal services and had an opportunity to share their thoughts on current issues with LSC President Barnett. The conference provided a helpful opportunity for members of the legal services community from throughout the nation to convene, share best practices and concerns, and become reinvigorated in their service to the poor of our nation.

During the reporting period, LSC continued work on important initiatives to promote the sustainability of its grantees and to improve the quality and accessibility of

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<sup>1</sup>"Programs," "recipients," and "grantees" are used interchangeably in this report to refer to recipients of LSC funding.

services for the indigent. LSC has made continued progress on its Pilot Loan Repayment Assistance Program, which will be launched during the upcoming reporting period, and which strives to enhance the ability of grantees to recruit and retain high-quality lawyers who have substantial law school debt. Similarly, it has made important progress on its pilot leadership mentoring program, which will also be launched during the next reporting period, and which seeks to develop a diverse and well-trained corps of future leaders in the legal services community. Other significant projects include continued efforts to improve services to applicants with limited English proficiency and the indigent in rural communities; an effort to measure current unmet legal needs among income-eligible Americans; and attempts to better define and measure quality in the operation of legal services programs and the provision of legal assistance to eligible clients consistent with the requirements of Congress. In addition to these special initiatives, LSC continued during the reporting period to monitor its grantees to ensure compliance with all Congressionally-mandated rules and restrictions.

## RESPONSE TO OFFICE OF INSPECTOR GENERAL'S REPORT

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### *Response to "A Message from the Inspector General"*

LSC has always been receptive to legitimate and well-founded criticism and suggestions for improvement from the OIG and welcomes opportunities to respond to such criticism and suggestions. As a federally-funded entity, LSC understands the need to operate with a level of transparency that provides sufficient accountability to the Congress and the American public, and it has always been guided by the principle of transparency in its operations. LSC constantly strives to improve its own efficiency and effectiveness and understands the OIG's ability to contribute to this improvement.

LSC has worked with an OIG for over 15 years. Although LSC is becoming acquainted with a new Inspector General, it has been well aware of the statutorily-mandated roles and responsibilities of the OIG for more than a decade and a half.

LSC recognizes that it is the responsibility of the OIG to provide timely, accurate and fact-based audits, inspections, and investigations to assist LSC in carrying out its mission of providing financial support for legal assistance to the poor, as well as to review the annual audits of each grantee. However, LSC has the primary responsibility to oversee compliance with restrictions placed on grantees to refrain from certain activities and otherwise abide by Congressional mandates. LSC is fully committed to the effective exercise of this responsibility.

### *OIG's Audit of Technology Initiative Grant Program*

In the Audit Reports section of its Semiannual Report to Congress, the OIG reported on an audit of a Technology Initiative Grant ("TIG Grant") in which the OIG concluded that the grantee did not fully comply with grant requirements to measure the impact of the grant.

LSC Management respectfully disagrees with the conclusion that the grantee did not fully comply with the grant requirements to measure the impact of the grant. LSC has responded that the grantee did comply fully with the grant requirement for evaluation as negotiated and agreed to by the grantee and LSC staff.

The audited grant was one that was awarded in the first year of the Technology Initiative Grants program when standards, procedures and documentation for the program were still being developed. LSC recognizes that not all of those early grants fully documented negotiated changes between the proposal and the final grant project. For the last several years, there has been documentation of grant requirements when the final grant is different from the actual proposal.

*Private Attorney Involvement (“PAI”) Audit*

In the Audit Reports section of its Semiannual Report to Congress, the OIG indicated that it issued final reports of PAI audits to two grantees, in which it identified issues including the need to improve “the accuracy of statistical data reported and [ensure] that supporting documentation is complete.” The OIG thereafter provided a letter to LSC management consolidating observations about the PAI program obtained through these and prior PAI audits. LSC management agrees with several of the recommendations in the OIG’s letter and will refine procedures to improve the accuracy of the data reported and the documentation collected.

## BACKGROUND

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### **The Legal Services Corporation**

The Legal Services Corporation 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>2</sup> to provide financial support for legal assistance in civil proceedings to persons unable to afford legal services. LSC 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 LSC’s President, who serves as LSC’s chief executive officer, subject to general policies established by the Board.

The 1988 Amendments to the Inspector General Act of 1978 (“the 1978 Act”) 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 LSC. The Inspector General is appointed by, reports to, and serves under the general supervision of, LSC’s Board of Directors.

### **Funding and Grant-Making Activities**

LSC provides funding to civil legal services programs serving indigent persons throughout the fifty states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, Micronesia and American Samoa. To carry out the purposes of the LSC Act, LSC received an appropriation of \$330,803,705 for Fiscal Year (“FY”) 2005. For FY 2006, LSC submitted a budget request for \$363,809,000. Most of the requested increase would be used to provide additional funding to LSC’s basic field programs and would bring LSC’s appropriation in line with inflationary increases over the past three years. The increase would position LSC’s 140 grantees to respond to the rising numbers of low-income Americans eligible for federally funded legal assistance. From 1990 to 2000, the number of people living in poverty increased by 5.74%. However, LSC’s appropriations have not kept pace with this increase in eligible clients.

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<sup>2</sup> 42 U.S.C. §§ 2996-2996l.

## MANAGEMENT INITIATIVES

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During this reporting period, LSC continued its efforts to improve the efficiency of its competitive grant award system and the effectiveness of the delivery of legal assistance to eligible clients. LSC 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 in conformity with Congressional mandates.

### Competition

LSC received and evaluated seventy-three (73) qualified grant applications for service areas in twenty-four (24) states and the Commonwealth of Puerto Rico for calendar year 2005 grants, in response to a comprehensive and detailed Request for Proposals (“RFP”). Of the grant applications received, there were two competing grant applications for service area MI-14<sup>3</sup> in Michigan and two competing grant applications for service area MA-10 in Massachusetts.

LSC conducted onsite capability assessments of the applicants competing for service area MI-14, in addition to evaluating the grant applications and other information available for that service area. LSC also convened a review panel, as required by 45 C.F.R. §§1634.2(b) and 1634.8(a)(5), to assess the capacities of the competing applicants for the service area.

For service area MA-10 in Massachusetts, LSC received one application from the Massachusetts Justice Project, the current LSC grantee for that area, and one from the Fatherhood Coalition, a non-LSC funded organization. Following a thorough review of the Fatherhood Coalition’s application, LSC determined that it was unresponsive to the RFP and that application was rejected.

In addition to the on-site visits to the Michigan grant applicants referenced above, LSC staff conducted on-site visits to three other applicants for funding during the FY2005 grant cycle. These visits were to legal services programs that were existing LSC grantees at the time of application, and the visits were designed to further assess the applicants’ ability to provide quality legal services. All three applicants received grant awards for 2005.

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<sup>3</sup> MI-14 is a recently reconfigured service area which includes fourteen counties in east-central Michigan. The applications were received from the current LSC grantee, Legal Services of Eastern Michigan (LSEM), and a previous grantee, Lakeshore Legal Aid (LLA). Prior to March 2003, both applicants were funded by LSC to provide legal services in the counties that now make up service area MI-14.

All grant applications were evaluated based on the requirements of LSC's RFP, the American Bar Association Standards for the Provision of Civil Legal Services to the Poor, LSC's Performance Criteria, and LSC's regulations.

The funding recommendations for single and multiple applicant service areas from LSC staff, as well as the review panel's funding recommendation for service area MI-14, were presented to the LSC President in November 2004. The President's funding decisions were announced in December 2004, and initial 2005 grant award checks were distributed during the first week of January 2005.

In addition to staff's evaluation of the grant applications, LSC provided all successful grant applicants with "feedback letters," which assess the strengths and weaknesses of applicants' proposed delivery strategies based on their applications. The feedback letters are intended to improve program performance and the quality of future grant applications.

The LSC competitive grants process remains responsive to the Congressional requirement to award grants through a system of competition, and to assure the most efficient and effective delivery of services to eligible, low-income people. An overview of the competitive grants process, the RFP, application instructions and resource materials are available from the LSC bulletin board at [www.ain.lsc.gov](http://www.ain.lsc.gov).

## **Program Visits to Assess Quality and Compliance**

During the reporting period, LSC continued visiting programs to assess quality; ensure compliance with applicable statutes and regulations; provide technical assistance; review progress in achieving a comprehensive delivery system in recently reconfigured service areas; address problems; evaluate innovative procedures which may serve as models for other programs; and communicate LSC's expectations directly to grantees. These visits expand LSC's understanding of programs' activities otherwise gleaned from competition applications, grant activity reports, and anecdotal information. They also enable LSC to help programs enhance the quality of services delivered to clients and promote efficiency and effectiveness in delivery systems.

LSC conscientiously follows up on program visits that it has made in the past. Typically, LSC staff call programs to check on progress with planned changes. Additionally, after program visits, LSC often provides programs with materials describing "best practices" and innovative strategies to assist in improving the effectiveness of their delivery systems.

From October 1, 2004, through March 31, 2005, staff from LSC's Office of Program Performance ("OPP") and consultants visited the following eight programs: Blue Ridge Legal Services (VA); Legal Aid of East Tennessee; Legal Aid Service of Oklahoma; Legal Aid Society of Mid-New York; Legal Assistance of Western New York; Massachusetts Justice Project; Nassau-Suffolk Law Services (NY); and the South Carolina Centers for Equal Justice.

When LSC examines program quality, it reviews program operations in areas that include the establishment of priorities, intake systems, legal work management and supervision, governance, Private Attorney Involvement (PAI), resource development, and strategic planning, in order to evaluate comprehensively the efficiency and effectiveness of programs. Post-reconfiguration on-site reviews, which typically occur two years following the reconfiguration of a service area, involve an assessment of the grantee's progress in creating an efficient and effective integrated program that strives to provide high quality legal assistance. Following a program visit, it is customary for LSC staff to prepare and send a report to the program detailing their findings and recommendations.

From October 1, 2004, through March 31, 2005, LSC's Office of Compliance and Enforcement ("OCE") made visits to the following programs for the purpose of assessing general compliance with all LSC rules and regulations, and to assess Case Service Reporting ("CSR") and Case Management Systems ("CMS") in particular: Central California Legal Services; Dakota Plains Legal Services; Idaho Legal Aid Services, Inc.; Legal Aid Society of Mid-New York; Legal Services of Eastern Michigan; North Penn Legal Services, Inc.; South Middlesex Legal Services; and Three Rivers Legal Services, Inc.. After making CSR/CMS visits to programs, OCE sends reports of its findings to the programs. Two such reports are being completed, and the remainder were sent during the reporting period. During the reporting period, OCE also visited Community Legal Aid Services to follow-up on a previous CSR/CMS visit.

OCE provided accountability training on CSR and LSC regulations to Legal Aid Society of Eastern Virginia, Legal Services of Alabama, and Ocean Monmouth Legal Services.

During the reporting period, OCE provided training on compliance with LSC regulations to a new Executive Director at the Legal Aid Society of Eastern Virginia.

OCE conducted a technical assistance review and accountability training for Legal Services of Alabama during the reporting period and thereafter sent a report of its findings to the program.

During the previous reporting period, LSC launched a new protocol for LSC program visits to more effectively coordinate the work of OPP and OCE. LSC staff from OPP and OCE developed a new visit protocol that includes an on-site examination of program quality, case management reporting, and case management system issues. The purposes of the new visit protocol are 1) to minimize the number of visits to LSC grantees through a more efficient process; 2) to identify and incorporate new areas of inquiry that represent indicia of quality in legal services delivery; and 3) to bring to bear the perspectives and experiences of both offices in the performance of LSC's core functions. Some of the quality standards that were identified and examined during the visits included streamlined and effective case management systems; competent and motivated staff; peer review; successful local and state resource development; consistently strong client outcomes; and a high degree of client satisfaction. Other

quality standards under examination included effective leadership; client involvement; workforce diversity; client accessibility; strategic use of scarce resources to meet the most critical needs of the client community; effective use of technology; ongoing training; and continued self-examination. The new protocol continues to be tested. During the reporting period, OPP and OCE made joint visits to the Massachusetts Justice Project and Nassau-Suffolk Law Services as part of this protocol.

## **Quality Initiative**

The Legal Services Corporation Act requires LSC to ensure that the programs it funds are of the highest quality and meet professional standards. Although quality is difficult to define, it includes a program's various capacities, the processes it follows, and the outcomes it achieves, including both the results for individual clients and the extent to which it is successful in securing outcomes which assist in improving opportunities for low-income persons. In seeking to ensure quality among its grantees, LSC must determine how to define quality, how to measure quality, and the role of a national funder in ensuring that its grantees provide -- and clients receive -- quality legal services. LSC is currently working on several projects designed to define and measure quality in these contexts.

An initial component of LSC's Quality Initiative is reconsideration of the *LSC Performance Criteria*, which were originally drafted in 1993. The LSC Performance Criteria ("the Criteria") provide a framework upon which LSC grantees model their services. The Criteria call for effectiveness in identifying and targeting a program's resources; effectiveness in engaging and serving the client community; effectiveness in legal representation and other program activities intended to benefit clients; and effectiveness in administration and governance. LSC uses the Criteria much as it uses the American Bar Association ("ABA") Standards for Providers of Civil Legal Services to the Poor. LSC uses the ABA Standards in every aspect of its quality review work, including the application information it seeks in its Request for Proposals; the guidelines it uses to evaluate grant applications; the Standards it uses to make funding decisions; and the criteria it uses to evaluate programs through on-site visits.

LSC's Quality Initiative also involves work with a task force of the ABA's Standing Committee on Legal Aid and Indigent Defenders that is updating and revising the *ABA Standards for Providers of Civil Legal Services to the Poor*. LSC President Helaine Barnett serves on the task force. The ABA Standards were adopted in the 1960's and last went through a major revision in 1986. The Standards are principally designed to guide organizations providing civil legal assistance to the poor, regardless of an organization's method of delivery or source of funds. Some of the Standards focus primarily on the responsibilities of provider organizations, such as the Standards for internal systems and procedures, provider effectiveness, and governance. Others, such as the Standards on representation functions, address the role of the practitioner representing indigent clients.

LSC is currently working with a group of national leaders in the delivery of civil legal services to the poor to consider whether the Criteria reflect the existing legal services environment and whether the standards are current and appropriate to achieve high quality, effective and client-centered representation. LSC will examine how the Criteria are affected by -- among other things -- emerging realities in the low-income population, such as the tremendous increase in clients with limited English proficiency, the effects of technology on the delivery of legal services, and the emerging concepts of limited representation and unbundled representation and assistance to self-represented (*pro se*) litigants. During this reporting period, the committee met several times by telephone and is in the process of drafting suggested changes to the Criteria to reflect developments that have occurred in the delivery of legal services since the Criteria were first written.

In addition, in order to facilitate the development of the quality agenda, LSC convened the first of what will be several conversations with legal services community leaders. The conversation provided useful ideas on the role that LSC should play in enhancing program quality and performance. A number of such conversations are already scheduled for the next reporting period.

## **Measuring the Justice Gap**

Although 43 million Americans qualify for civil legal assistance provided by LSC-funded programs, there are only 3,700 full-time attorneys among LSC's 140 grantees. Despite grantees' significant efforts and the services provided by non-LSC programs, *pro bono* attorneys, and law schools, the supply of attorneys for low-income Americans with civil legal problems is far exceeded by the demand.

The last national survey on the legal needs of low and moderate income Americans was conducted by the American Bar Association ("ABA") in 1994. That study found that about 80% of the civil legal needs of poor Americans are unmet. Nine state studies have been conducted since 2000, and while the results have varied, they all confirm that most civil legal needs of the poor are unmet.

In order to obtain more current information on the status of unmet civil legal needs, LSC launched the Justice Gap initiative in conjunction with the ABA's Standing Committee on Legal Aid and Indigent Defendants ("SCLAID") and the National Legal Aid and Defender Association ("NLADA"). The Justice Gap initiative will take a multi-faceted approach to collecting relevant data on unmet needs, measuring declinations (i.e., eligible applicants who LSC grantees are unable to serve or unable to fully serve); analyzing recent state needs studies; comparing the number of lawyers available to low-income persons in legal services programs and in the general population; and looking at statistics on the number of low-income unrepresented persons in court or administrative forums for selected case types.

As part of its Justice Gap initiative, LSC is collecting data from its grantees on the number of potential, eligible clients that grantees must turn away due to lack of resources,

and the number of cases in which programs are able to provide some level of services, but less service than what the client actually needs. This method has the advantage of counting actual potential clients rather than projecting theoretical numbers of legal needs based on surveys. LSC recognizes that this methodology is not perfect in that it does not count the number of poor persons with civil legal needs who do not contact grantees for one reason or another. Nevertheless, this data collection effort will provide a more current, comprehensive picture of unmet civil legal needs than is otherwise available. LSC expects to receive this data from programs by June 1, 2005.

Another component of the Justice Gap initiative is the collection of current data on the number of active attorneys in a state as a percentage of the total state population, as compared to the number of legal services attorneys available to serve the population of the state eligible for federally-funded legal services. LSC is also engaging in a secondary analysis of ten recent state legal needs studies to see if a common picture of unmet legal needs emerges from the studies, despite methodological differences. Finally, LSC and the other organizations engaged in this endeavor to document the Justice Gap will attempt to collect data from states on low-income, self-represented litigants by case type.

## **Technology Efforts**

### *Administration of Technology Initiative Grants Program*

LSC's technology efforts consist primarily of the administration of the Technology Initiative Grants program ("the TIG program"), and the awarding of grants through this program. The TIG program promotes and funds innovative technology initiatives to help grantees provide assistance to low income persons who would otherwise not receive legal assistance. This is accomplished by means of technologically enhanced *pro se* and community legal education efforts, and also by enhancing state justice systems' technology infrastructures to allow centralized telephone intake and delivery systems. This use of technology also allows greater coordination among grantees.

Last year LSC awarded \$2.9 million in grants through the TIG program for the following purposes and in the following amounts: Infrastructure, \$359,313; Intake Systems, \$126,881; Training and Technical Assistance, \$495,534; *Pro Se* Technology Efforts, \$ 862,058; and Website Development, \$1,143,174.

### *Grants Awarded in the 2004 TIG cycle*

During the reporting period, LSC received and reviewed TIG applications for the 2004 funding cycle. After careful review of all applications, LSC awarded 52 grants. The following are brief summaries highlighting a few of the grants awarded during the reporting period.

- *Pro Se Forms Partnership with Idaho Supreme Court*      \$154,581

The Idaho Legal Aid program and the Idaho Supreme Court will partner to create over 300 legal forms using the HotDocs document assembly product. The Court has agreed to approve these forms and make them available on the Idaho Supreme Court website in addition to the program's statewide website.

- *“Live Help Button” for Statewide Websites* \$172,652

Montana Legal Services and Iowa Legal Aid will create a “Live Help” initiative which will pilot the use of “web collaboration technology” to provide live navigational assistance to website users. At the click of a mouse, a user will be able to initiate a live telephone or chat help session for assistance with navigation and/or form completion.

- *Pro Se Eviction Pleadings for Massachusetts* \$117,037

Massachusetts Justice Project will replicate the successful ICAN! kiosk system (originally used in Orange County, CA) in housing courts in Central and Western Massachusetts. For the first time, *pro se* litigants will be able to complete “file-ready” Answers to Eviction Pleadings. The system will be web-based and has the potential – if successful – to be replicated throughout the state.

- *Centralized Telephone and Intake System For Arizona* \$126,037

Community Legal Services in Phoenix, Arizona will create a statewide infrastructure that will support a centralized telephone system and upgraded intake system, a centralized document assembly database, and a statewide database to support the Volunteer Lawyer Programs integrated with the statewide website.

- *Video Conferencing for the Virgin Islands* \$32,037

With this grant, Legal Services of the Virgin Islands, Inc. (“LSVI”) will provide video conferencing capacity between St. Croix and St. Thomas, the two islands on which the grantee has offices. The goals of the project are to provide quality videoconferencing services to the client community, stakeholders and partner organizations, to reduce travel costs, and to minimize travel time associated with meetings. This project will also include the use of a document scanner to allow users to share documents and to allow LSVI staff to assist remote clients with filing essential paperwork.

- *Upgrade Telephone/Intake & Statewide Case Management* \$46,004

Legal Services Corporation of Delaware, Inc. will develop a Virtual

Private Network, upgrade its telephone and intake system, and implement a statewide case management system, resulting in a more effective and efficient program, increasing the capacity of the intake system, and thereby increasing the ability to serve more clients.

### *Preparation for, and Changes to, the 2005 Grant Cycle*

In response to reduced funding for the TIG program for 2005, LSC carefully reviewed its priorities in order to maximize available resources for technology projects. LSC has chosen to focus on maintaining the development of statewide websites and focus on projects that support technology implementation and evaluation, while reserving some money for small and focused, innovative initiatives.

For the first time in the history of the TIG program, applicants will submit letters of intent during the current grant cycle. LSC has determined that the submission and review of letters of intent will enable prospective applicants to vet their proposed projects with TIG staff, who can then identify the projects that have a reasonable possibility of success in the full competitive grants process. Providing the results of this review to prospective applicants will ensure that those with little likelihood of success will not unnecessarily expend scarce resources and those of their potential partners to develop a proposal that ultimately would not be successful. Based on LSC's analysis of the information provided in the letters of intent, LSC will solicit full proposals only for those projects that have a reasonable likelihood of success in the competition process. Letters of Intent for the 2005 TIG Cycle were due to LSC on April 8, 2005, just beyond the reporting period. Invitations to complete full applications will be made in May of 2005, with a deadline to submit a completed full application in mid-June of 2005. It is expected that award decisions will be announced in August.

### *TIG Conference*

The annual TIG conference was held on January 26-28, 2005. This conference serves as the primary technology conference for the legal services community, and it continues to foster expertise and support for technologists and innovations in legal services programs. The conference was attended by representatives from 50 LSC grantees and had a total attendance of 111 including staff and presenters. For the first time, this year's conference featured two hands-on computer labs hosting day long trainings on Internet security, and two days of training on Adobe's PDF software.

Participants' evaluations of the 2004 TIG Conference indicated that the event continues to play a very valuable role in supporting LSC grantees' use of technology necessary to improve the effectiveness and efficiency of the legal services delivery system. Approximately 90% of those submitting evaluations agreed or strongly agreed that the conference sessions were helpful and informative. Many attendees emphasized that the combination of substantive workshops and opportunities for networking and discussions, in addition to the full schedule of formal sessions, enhances their abilities to implement and use emerging technologies in their programs. Because of the benefits

conference participation provided, attendees urged LSC to continue hosting the conference on an annual basis.

## **Pilot Loan Repayment Assistance Program**

The burden of law school debt, which now averages \$80,000, prevents many recent graduates from considering a career in legal services where the average starting salary nationally is \$33,000 a year.

LSC's FY2005 appropriation contained a provision "to allow LSC to spend up to \$1,000,000 from a carryover fund balance for a law school student loan repayment pilot program in fiscal year 2005." In working to establish such a Pilot Program, the LSC Task Force on Loan Repayment Assistance Program ("LRAP") continued its work during the reporting period to determine how LSC can best help its grantees to recruit and retain attorneys who have substantial law school debt. The Task Force is comprised of individuals who have extensive experience with, and knowledge of, LRAP, including representatives from the American Bar Association, the National Legal Aid and Defender Association, Equal Justice Works, LSC grantees, law school representatives, state bar leaders and IOLTA program directors. The Task Force convened by telephone several times to continue its efforts to advise LSC on the design of an LRAP Pilot Program that will be of greatest benefit to grantees in hiring and retaining attorneys with substantial law school debt. On January 7, 2005, LSC submitted a report describing the Pilot Program to Congress.

LSC and the Task Force continue to develop the necessary announcements and application forms that will be the foundation of the Pilot Program. LSC anticipates that the Pilot Program will be launched in the summer or fall of 2005.

## **Leadership and Diversity Project**

Relying on its training module, *Leadership and Diversity: The Link That Promotes Effective Delivery of Legal Services*, LSC continues to emphasize the importance of diversity and leadership skills in rendering high quality legal assistance. During this reporting period, LSC provided a day-long diversity training at the Midwest Legal Administrator's Conference. LSC staff also contributed to workshops and panels on board governance and leadership presented by the National Legal Aid & Defender Association ("NLADA") at its annual meeting in November 2004.

In December 2004, LSC issued Program Letter 04-2, *Guidance to LSC Programs for Serving Client Eligible Individuals with Limited English Proficiency ("LEP")*. LSC felt it appropriate to issue guidance to its grantees on this subject in light of its awareness of the increasing number of indigent, legal residents and United States citizens who are not proficient in English, but who need legal assistance. The Program Letter offers guidance to grantees for improving access to services for applicants with limited English proficiency, as well as more general direction to grantees on LEP developments.

Since June 2004, in response to direction from the Board of Directors, LSC has worked diligently to address the growing need to develop future leaders in the legal services community. Towards this end, LSC has developed the *Leadership Mentoring Pilot Program*, an 18-month structured series of processes and trainings designed to create effective mentoring relationships and guide leadership learning. An objective of this program is to identify the elements of a mentoring program that are most likely to produce a diverse corps of future leaders for LSC programs. The Pilot Program will begin in the fall of 2005.

The Pilot Program will help LSC gather information needed to develop a model leadership mentoring program that may be used at the national level or by grantees. It will also help to identify core competencies required to be an effective leader, and principles of leadership of legal services programs. Finally, it will identify challenges to developing diverse leadership and seek strategies to overcome those challenges. LSC will conduct evaluations throughout the 18 month process to examine outcomes of the mentoring project.

### **Centralized Telephone Brief Advice and Referral Intake Systems**

During the reporting period, LSC continued efforts to promote the use of coordinated telephone intake, advice and referral systems used by its grantees. These unique delivery systems maximize client access and improve the quality of legal services by increasing efficiencies in program operations and management, simplifying application procedures, expediting responses to applicants, and allowing experienced staff to concentrate on legal problems requiring extensive representation.

LSC's Intake Focus Team provides individualized technical assistance to grantees and LSC staff on the implementation and management of telephone-based delivery systems. The Intake Focus Team is able to assist with all stages of development of a centralized telephone intake system. This assistance frequently includes responding to questions about proper staffing, office location, integrating telephone and computer technologies, program-wide coordination, and collaboration with community partners. In addition to helping establish new intake systems, the Intake Focus Team assists grantees improve upon their existing telephone intake systems.

Programs with existing, well-established intake systems are increasingly requesting technical assistance with such systems from LSC. These programs seek ways to redesign or further enhance operations through improvements to their intake systems. In response to such requests, LSC provides advanced technical assistance focused on innovations in client services, specialized training, upgraded technology, and/or expanding the effective use of well-trained volunteers. During this reporting period, the Intake Focus Team provided technical assistance to programs in Alabama, California, Connecticut, Massachusetts, New York and Wisconsin.

## **LSC Resource Initiative**

LSC continues to promote high quality legal assistance by sharing best practices in the legal services community and encouraging replication when appropriate. To further this goal, the Office of Program Performance (“OPP”) oversees the LSC Resource Initiative (“LRI”), a project that has successfully gathered information about innovative legal services management approaches and delivery techniques and systems since its inception in June 2001. The accompanying website, the LSC Resource Library, has been online since October 2002, and can be viewed at <http://www.lri.lsc.gov>.

Some of the topics featured on the website include technology, diversity, intake, management practices, and loan repayment assistance. Noteworthy practices of many LSC-funded recipients are featured on the website. To avoid duplication, the website links to several other websites and existing sources of information. The website also includes announcements and training opportunities available to the staff of legal services programs.

LSC has had the opportunity to coordinate and work with other entities through LRI. During the reporting period, in December 2004, the LRI staff collaborated with the Management Information Exchange and the American Association of Retired Persons to conduct a workshop at the National Legal Aid and Defender Association Annual Meeting. The workshop, “Innovations in Civil Legal Services,” was very well attended. A manual prepared for the workshop is posted on the LRI website.

LRI staff members continuously add content to the website and explore ways to make improvements. Staff members distribute an LRI newsletter that shares content from the website and seek suggestions and submission of information.

## **Rural Initiative**

LSC continues to work with grantees to improve the delivery of legal services in rural areas. In December 2004, LSC participated in a meeting attended by representatives of 13 grantees with substantial rural practices, at which the participants discussed issues affecting the efficient and effective delivery of services in rural areas. The group decided to sponsor a meeting at the Equal Justice Conference in May 2005, just beyond the reporting period, which would feature effective strategies for the delivery of services in rural areas. A committee, including LSC staff, was selected to plan this meeting, which 80 participants were expected to attend. This meeting will include panels focusing on: 1) recruitment and retention of high quality, diverse advocates; 2) building programs’ substantive capacities in areas such as economic development, employment law, consumer issues, affordable housing, and complex litigation; 3) resource development; and 4) building community partnerships. The focus of the plenary presentation will be the maintenance of legal representation and program presence in rural areas. Three LSC Program Counsel are assigned to work with grantees on rural delivery efforts.

## **Civil Asset Forfeiture Reform Act**

During the year 2000, Congress enacted the Civil Asset Forfeiture Reform Act (“CAFRA”), Pub. L. 106-185, 114 Stat. 202. Among other things, CAFRA provides that indigent persons whose homes are subject to civil forfeiture under federal law shall be entitled to be “represented by an attorney for the Legal Services Corporation.” 18 U.S.C. §983(b). LSC has responded to requests from claimants or courts by evaluating whether statutory counsel is appropriate, and if so, obtaining counsel in the jurisdiction for each eligible client. During the reporting period, LSC obtained representation for a claimant in California.

## **Rulemaking Activities**

During this reporting period, LSC continued consideration of the open rulemaking on its regulation on financial eligibility, appearing at 45 C.F.R. Part 1611. The OIG provided comments on the rulemaking to the Operations and Regulations Committee (“the Committee”) of the Board of Directors during the reporting period. During April, the Committee and the Board carefully considered the OIG’s comments. Although LSC will publish a new proposed revision to the Part 1611 regulation for comment during the next reporting period (which will include a detailed statement of LSC’s authority and policy bases for its proposed changes), LSC nonetheless wishes to respond to the OIG’s comments.

First, the OIG has expressed its view that neither the LSC Act itself, nor the legislative history, supports the premise that LSC may permit representation of groups that are not composed of eligible clients. Although LSC appreciates the OIG’s comments, LSC believes that the proposed regulatory requirements are consistent with the applicable laws; however, the Board, in due course and after public comment, will come to a final conclusion regarding the proposed rule. The LSC Act, on its face, does not prohibit the representation of groups other than those composed of otherwise eligible individuals. In addition, LSC believes that the legislative history of the Act and the 1977 amendments support the position that Congress contemplated the provision of legal assistance to groups providing services to eligible clients.

The Board carefully considered the OIG’s expression of concern that by not providing eligibility criteria sufficient to ensure that groups seeking LSC-funded legal assistance qualify for such legal assistance, the proposed rule could violate the LSC Act. Although LSC believes that the existing financial eligibility standards for groups -- which have been in place for 28 years -- sufficiently effectuate the requirements of the LSC Act, LSC does believe that the standards for determining the eligibility of groups can and should be more specific than those set forth in the November 2002 NPRM. LSC anticipates proposing standards for determining group eligibility which require recipients to specifically consider information relevant to the long established eligibility criteria, including considering the resources available to the group.

During the reporting period LSC also undertook consideration of a petition for rulemaking received from a citizen requesting that LSC initiate a rulemaking to consider changes to its regulation on limitations on class action lawsuits. LSC conducted a factual inquiry into the involvement of LSC grantees with non-adversarial post-order activities in class actions lawsuits in which the grantee had been counsel of record prior to the implementation of the prohibition on participation in class actions. Just beyond the reporting period, The Board was briefed on the results of the inquiry and took formal action denying the petition.

## **Additional Work of the Office of Compliance and Enforcement**

LSC's Office of Compliance and Enforcement ("OCE") is charged with a number of functions which ensure that recipients are in compliance with the LSC Act and Regulations. These obligations currently include complaint investigations, prior approvals of some expenditures of LSC funds by grantees and activities by grantees, on-site visits to examine compliance with regulations, and the provision of technical assistance and training to recipients.

### *A-50 Follow-Up*

During the reporting period, four (4) findings were referred for A-50 follow-up. Management reviewed and closed all but one referred finding after the subject programs took appropriate, corrective actions. The outstanding referral, involving Wyoming Legal Services' policies implementing LSC regulations, is pending as LSC schedules a follow up visit with the program to assess compliance.

### *Prior Approval Under 45 C.F.R. Part 1630*

During the reporting period, OCE approved nine (9) requests totaling approximately \$723,568 to lease or purchase personal/non-expendable property, one (1) request totaling \$60,000 to renovate real property and one (1) request totaling \$1,875,000 to purchase real property pursuant to 45 C.F.R. Part 1630.

### *Private Attorney Involvement Under 45 C.F.R. Part 1614*

LSC's Private Attorney Involvement ("PAI") regulation, 45 C.F.R. Part 1614, requires that all recipients devote an amount equal to at least 12.5% of their respective Basic Field grants to involve private attorneys in the delivery of legal assistance to eligible clients. A provision of this regulation (i.e., 45 C.F.R. § 1614.6) allows recipients to request either a partial or complete waiver of this requirement in circumstances in which they have been unable to meet the obligation during a given year. If a recipient's circumstances warrant a waiver, OCE will either waive the requirement and adjust the requirement for that year by the amount of the shortfall, or increase the next year's requirement by the amount of the shortfall.

During the reporting period, OCE granted nineteen (19) partial waivers and one (1) complete waiver. OCE denied one (1) waiver request, and one (1) request is pending as OCE awaits additional information to be provided pursuant to 45 C.F.R. § 1614.6.

All follow-up on PAI compliance is conducted during the review of the recipient's audit report for the following grant year, and if necessary, the PAI program is reviewed as part of the CSR/CMS review.

#### *Subgrants Under 45 C.F.R. Part 1627*

Pursuant to 45 C.F.R. § 1627.1, a recipient may subgrant a portion of its LSC funding to another entity to conduct certain activities related to the recipient's programmatic activities. Such activities include those that would otherwise be undertaken by the recipient itself, such as representation of eligible clients, or activities which provide direct support to a recipient's legal assistance activities, such as a PAI component.

OCE approved fifty-three (53) recipient subgrants for a total amount of \$4,556,555 during the reporting period.

#### *Fund Balances Under 45 C.F.R. Part 1628*

LSC recipients whose annual audits report fund balances in excess of ten percent (10%) of their total LSC annualized support, are required to request a waiver from LSC pursuant to 45 C.F.R. § 1628.4, in order to carry over the excess balance to the following year. Recipients may request a waiver to retain fund balances in excess of twenty-five (25%) of LSC support only for extraordinary and compelling reasons. In the absence of a waiver, LSC is required to recover the excess fund balance pursuant to 45 C.F.R. § 1628.3.

During the reporting period, OCE granted two (2) fund balance waiver requests totaling \$74,241.

When OCE grants a fund balance waiver, it informs the relevant program that the excess fund balance should be reported separately in the recipient's next audit, either as a separate fund or by a supplemental schedule in the audit report. The separate reporting is by line item expense to show exactly how the excess fund balance was spent. OCE ensures that the excess fund balance is reported appropriately through its review of the recipient's annual audit.

#### *Complaint Investigations*

OCE is responsible for the review, investigation and disposition of complaints filed by members of the public (e.g. applicants, clients, local recipients, staff and Board members, opposing counsel/parties, taxpayers, etc.) related to the activities of LSC recipients.

During the reporting period, forty-two (42) such complaints were closed. The majority of the complaints closed during the reporting period involved denial of services (i.e. complaints from applicants who were financially ineligible, outside of program priorities, or requesting assistance with fee-generating cases or other cases prohibited by Congressional restrictions).

### *Audit Reports*

The fiscal year cycle adhered to by LSC grantees differs from program to program. While the majority of grantees operate on the fiscal year cycle that ends on December 31st of each year, others adhere to cycles that end on January 31st, March 31st, May 31st, June 30th, or September 30th respectively. LSC grantees must submit their audit reports (including audited financial statements) to LSC's OIG within 120 days of the end of their respective fiscal years.

The OIG ensures that all grantees submit their audit reports to LSC in a timely fashion. OCE then reviews the audited financial statements for compliance with the Accounting Guide for LSC Recipients (issued in August 1997) and LSC financial-related regulations (i.e., 45 C.F.R. Parts 1610, 1614, 1627, 1628, 1630, 1631, and 1642).

After the OIG reviews and processes grantees' audit reports in its audit tracking system ("AIMS"), a copy of each grantee's audit report is sent to OCE. During the reporting period, OCE reviewed fifty-nine (59) audit reports forwarded to it by the OIG.

### *Disaster Relief*

LSC, when requested, may make emergency grants to assist programs in federally-declared disaster areas. In accordance with the instructions in Federal Register Vol. 69, No. 61, March 2004, LSC recipients that have special needs resulting from a disaster may apply for emergency disaster relief funding.

During the reporting period, OCE recommended and received the LSC President's approval to grant two (2) requests for disaster relief totaling \$159,000.

## **Conclusion**

LSC appreciates this opportunity to comment on the Office of Inspector General's Semiannual Report to Congress and to provide additional information detailing many of the initiatives and accomplishments of LSC and its grantees. LSC is committed to ensuring compliance with all Congressional requirements imposed on LSC funds and promoting the highest quality of legal assistance to the poor.

**TABLE 1**  
**Management Report on**  
**Office of Inspector General Audit Reports of Grantees**  
**Issued With Questioned Costs**  
**For the Six Month Period**  
**Ending March 31, 2005**

	Number of Reports	Disallowed Costs
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise.	0	\$0
(ii) Dollar value of disallowed costs that were written by management.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance	0	\$0

**TABLE 2**

**Management Report on Audit Reports Issued During  
The Six Month Period Ending March 31, 2005,  
With Recommendations That Funds Be Put to Better Use By Management  
Agreed to in a Management Decision**

	Number of Reports	Dollar Value
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of recommendations that were actually completed.	0	\$0
(ii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance.	0	\$0