



September 30, 2003

Ms. Jean A. Lastine
Executive Director
Central Minnesota Legal Services, Inc.
430 First Avenue, North
Suite 359
Minneapolis, MN 55401 - 1780

Dear Ms. Lastine:

Attached is our audit report on Central Minnesota Legal Services' transfer of funds and compliance with program integrity standards. Based on your comments on the draft report, we made some changes to the final report. Your comments are included in Appendix I.

Please provide this office a corrective action plan addressing the recommendations within 30 days. The corrective action plan should include a description of any action taken or planned to implement the recommendations and the date corrective action will be completed.

Copies of this report will be sent to the Chair of Central Minnesota Legal Services' Board of Directors, LSC management, and will be available to the public via the OIG's website.

If you have any questions, please contact Richard Adkins on (202) 295-1661 or me on (202) 295-1651. I appreciate the courtesy and cooperation you and your staff extended to my staff during the audit.

Sincerely,

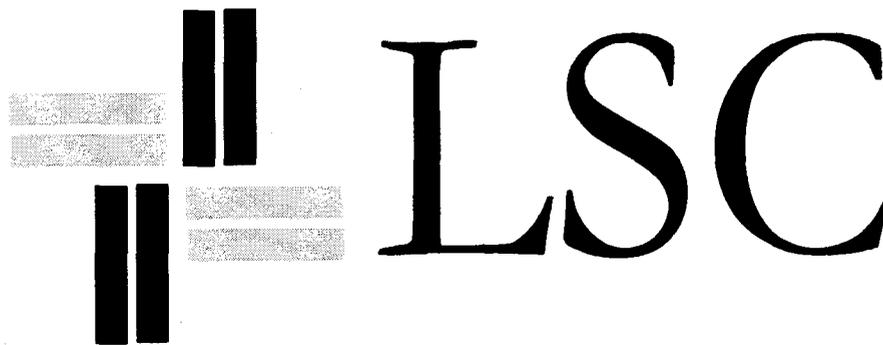
A handwritten signature in cursive script, appearing to read "Leonard J. Koczur".

Leonard J. Koczur
Acting Inspector General

Enclosure

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**REVIEW OF GRANTEE'S
TRANSFER OF FUNDS
AND COMPLIANCE WITH
PROGRAM INTEGRITY STANDARDS**



Grantee: Central Minnesota Legal Services, Inc.

Recipient No. 524020

**Report No. AU 03-06
September 2003**

www.oig.lsc.gov

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RESULTS OF AUDIT

The Legal Services Corporation (LSC) Office of Inspector General (OIG) conducted this audit to determine whether the Central Minnesota Legal Services (grantee) complied with certain requirements of 45 CFR Part 1610. This regulation requires grantees to maintain objective integrity from any organization that engages in activities prohibited by the LSC Act, LSC appropriations acts, and LSC regulations. To do so, grantees must be legally separate from such organizations, not transfer LSC funds to them, not subsidize any restricted activities with LSC funds, and maintain physical and financial separation from them. An exception applies for transfers of LSC funds solely for private attorney involvement (PAI) activities.

The audit provides reasonable, but not absolute, assurance that the grantee substantially complied with Part 1610 between July 1, 2001 and May 31, 2003, the period covered by our review. In its three offices, the grantee was co-located with an organization, Mid-Minnesota Legal Assistance, Inc. (MMLA), that engaged in restricted activities. With one exception, the grantee maintained separation between the two organizations and adhered to program integrity standards. In its Minneapolis office, the demarcation between the grantee's office space and MMLA's office space was not sufficient to meet LSC requirements for maintaining physical separation.

In addition, we identified an internal control that needed to be implemented to meet timekeeping requirements. The grantee did not have a formal process in place to determine whether part-time advocates needed to provide certifications concerning their outside activities. During the audit the Executive Director established a process that will correct this problem.

We also reviewed a sample of pleadings that had been filed with the courts. There were no indications that these cases involved restricted or prohibited activities.

Physical Separation

In its three offices, the grantee is co-located with Mid-Minnesota Legal Assistance, Inc. (MMLA), a legally separate organization that provides legal advice and representation to low-income clients in the same counties served by the grantee. Because MMLA engages in LSC-restricted activities, the grantee and MMLA have implemented measures to ensure that the grantee complies with LSC program integrity regulations. These measures included: maintaining separate staffs and boards of directors; instilling in both staffs an awareness of the LSC restrictions; ensuring that shared space and equipment costs are equitably allocated between the organizations; maintaining independent case

management and accounting systems; and, establishing separate letterhead, newsletters, logos, and program brochures. However, in its Minneapolis office the grantee did not maintain sufficient physical separation to clearly differentiate itself from MMLA.

LSC program integrity guidance states that while recipients should be cautious about sharing space and facilities with another organization which engages in restricted activity, it may be permissible so long as there is appropriate signage, separate entrances and other forms of identification distinguishing the two organizations.

At the grantee's St. Cloud branch office, the physical separation between the grantee offices and MMLA offices was adequate. However, at the Minneapolis office, signs and the physical layout of the offices were not adequate to clearly differentiate to potential LSC clients that the two organizations were separate. During our audit, we made the following observations at the Minneapolis office:

- The building directory at the entrance to the building identifies the space occupied by the grantee and MMLA as the same suite number.
- The sign on the door to the common waiting area does not separately identify the location of the grantee office space.
- Clients are escorted to the grantee office space through a locked door from the waiting room, but the sign on the entrance door does not identify the name of the grantee organization.
- Grantee offices and MMLA offices are not separate from one another. Although the grantee offices are located together along a corridor, there is no physical barrier or clear demarcation between MMLA offices and grantee offices.

The grantee needs to alter the physical arrangements to ensure that the public can differentiate between the grantee and MMLA. The signs in the lobby directory and door to the waiting area should identify the specific grantee office numbers. One of the doors to the grantee space (there are 2 entry doors from the waiting area and a separate unmarked external entrance) should be identified as the grantee entrance, and grantee clients escorted through this door. Also, there should be a clear demarcation by a door or some other means to separate grantee space from MMLA space.

Recommendations

We recommend that Central Minnesota Legal Services management take the following steps in its Minneapolis office to provide physical separation from MMLA:

1. Clearly distinguish through signs in the office building lobby and entrances that the grantee is a separate organization from MMLA.
2. Establish a clear demarcation between the grantee's office space and MMLA's office space through the use of a door or some other means.

Certifications for Part-time Staff

Five part-time paralegals and attorneys did not provide certifications that they did not engage in restricted activities while compensated by the grantee. They included three current part-time employees, one current full-time employee who was formerly part-time, and one former employee who was part-time during the audit period.

LSC regulation 45 CFR 1635 and Program Letter 2000-5 require grantees to obtain certifications from part-time attorneys and paralegals who work for organizations that engage in restricted activities. Part-time employees are required to certify at least quarterly that they (1) have not engaged in restricted activity during any time for which they were compensated by the grantee, and (2) have not used program resources for restricted activities.

The Executive Director stated that none of the above-referenced part-time employees worked for organizations that engaged in restricted activities while being compensated by the grantee. However, the Executive Director also stated that she had no documentary evidence to support her conclusion. Consequently, the Executive Director agreed that obtaining these certifications on a quarterly basis would provide sufficient documentation. During the audit, the Executive Director issued a memorandum to all employees establishing a new policy requiring the quarterly certification for part-time case handlers.

The OIG did not identify any instances in which an attorney or paralegal engaged in a restricted activity while compensated by the grantee or used grantee resources for restricted activities.

We are not making recommendations for this finding because no violations of the practice restrictions were found and the Executive Director took action to preclude future violations of 45 CFR Part 1635.

BACKGROUND

The Central Minnesota Legal Services (grantee) was established to provide legal services to indigents who meet applicable eligibility requirements. This grantee is headquartered in Minneapolis, Minnesota, and maintains two additional offices in St. Cloud, Minnesota, and Willmar, Minnesota. Staffing at the time of our audit included 11 attorneys, 4 paralegals, and 5 other employees who provide administrative support. LSC funding for 2002 and 2003 was \$1.385 million and \$1.086 million, respectively. Non-LSC funding for 2002 totaled \$65.9 thousand for self-representation programs, legal access for battered women in rural areas, the father law program, and language access services.

Mid-Minnesota Legal Assistance, Inc. (MMLA) provides legal advice and representation to low-income clients in the same counties served by the grantee. MMLA does not receive LSC funding and engages in LSC-restricted activities.

OBJECTIVES, SCOPE, AND METHODOLOGY

The focus of the audit was compliance with requirements established in 45 CFR, Part 1610, relating to program integrity standards, including the transfer of funds to other organizations (non-LSC). The onsite audit field work was performed from June 16, 2003, to June 25, 2003.

The audit covered the period from January 1, 2001, through May 31, 2003. The OIG reviewed materials pertaining to the grant, including Certifications of Program Integrity, audited financial statements, grant proposals and recipient profiles. The OIG also discussed issues pertaining to the grantee with LSC program and management officials. The OIG performed audit field work at the headquarters office in Minneapolis as well as the branch office in St. Cloud. In addition, the OIG interviewed the managing attorney and the staff attorney for the Willmar branch office, who both split time between the St. Cloud and Willmar offices.

During the on-site audit, the OIG interviewed and evaluated documentation provided by the Executive Director as well as attorneys and administrators. The OIG evaluated the grantee employees' familiarity with the guidelines set forth in Part 1610. The audit included an assessment of the grantee's policies and procedures in meeting the program integrity requirements, including procedures applicable to the transfer of funds to other organizations. The audit also included an evaluation of the client intake process. In addition, the OIG evaluated the grantee's controls for oversight of the Private Attorney Involvement Program.

The OIG reviewed a sample of the grantee's case files for each of the offices and programs to determine if financial, citizenship and other eligibility requirements were met. The OIG also tested a sample of court cases filed by the grantee's attorneys to determine if there were any prohibited representations. In addition, these court cases were traced to Part 1644 Reports (Disclosure of Case Information) to evaluate compliance with reporting requirements.

The OIG evaluated all significant agreements (grant funding instruments, leases and contracts) between the grantee and other organizations and individuals. This included reviewing documentation and interviewing grantee management to assess compliance with grant requirements.

The OIG evaluated accounting policies and procedures, including allocation of direct and indirect costs to LSC and non-LSC funding sources. The OIG also evaluated timekeeping procedures, including interviewing employees to verify compliance. The OIG tested samples of payments to vendors (contractors, consultants and employees) for both 2001 and 2002.

The OIG performed the audit in accordance with Government Auditing Standards established by the Comptroller General of the United States and under authority of the Inspector General Act of 1978, as amended and Public Law 106-553, incorporating by reference Public Law 104-134.

SUMMARY OF GRANTEE'S COMMENTS ON DRAFT REPORT AND THE OIG'S RESPONSE

The draft report described measures that the grantee and MMLA have implemented to ensure the grantee complies with LSC program integrity regulations. The grantee's response noted additional measures that were not described in the report.

The OIG agrees that the measures cited in the grantee's response help inform the public that the grantee and MMLA are separate organizations. A description of these measures has been added to the report.

The grantee described actions taken and planned regarding the issues with external signs for its Minneapolis office. It stated that the building directory at the entrance to its building had been changed and that it plans to identify the separate unmarked external entrance to the office space as a grantee entrance.

The OIG agrees that the described actions are responsive to our first recommendation.

The grantee indicated that it had already taken a measure to address the issue that the grantee and MMLA offices were not separate from one another. The grantee stated that it had a large sign clearly identifying grantee office space within the office suite.

The OIG did observe the large sign in the corridor where the grantee offices are located. However, the sign did not distinguish the grantee's offices from the MMLA offices. As our second recommendation states, the grantee needs to establish a clear demarcation between the grantee's office space and MMLA's office space. The grantee should take additional measures to establish this demarcation as stated in our second recommendation.

The grantee requested that the OIG delete from the report the statement that "staff from each office have unfettered access between the two programs." As rationale for deleting the statement, the response cited the benefits of coordinating its work with MMLA and the absence of restricted or prohibited activities in the sample pleadings reviewed.

The statement in question referred to the unfettered access to offices due to the physical proximity of both organizations' offices to each other. To clarify, we deleted the statement and replaced it with the following: "Although the grantee offices are located along a corridor, there is no physical barrier or clear demarcation between MMLA offices and grantee offices."



September 19, 2003

Minneapolis
serving Hennepin county

430 First Avenue North
Suite 359
Minneapolis, MN 55401
phone: (612) 332-8151
new clients: (612) 334-5970
fax: (612) 334-3402

St. Cloud
serving Benton, Chisago, Isanti,
Mille Lacs, Morrison, Sherburne,
Stearns, Todd, Wright counties

830 West St. Germain,
Suite 309
P.O. Box 1598
St. Cloud, MN 56302
phone: (320) 253-0138
new clients: 1-800-622-7773
fax: (320) 253-9208

Willmar
serving Big Stone, Chippewa,
Kandiyohi, Lac Qui Parle,
Lincoln, Lyon, Meeker, Renville,
Swift, Yellow Medicine counties

620 Litchfield Avenue SW,
Suite 101A
Willmar, MN 56201-3246
phone: (320) 235-7662
new clients: 1-800-622-4011
fax: (320) 235-9496

Leonard J. Koczur
Acting Inspector General
Legal Services Corporation
3333 K Street NW
Washington, DC 20007-3522

RE: Comments on Draft Report of Audit of Central Minnesota Legal Services, Inc.

Dear Mr. Koczur:

Thank you for the opportunity to comment on the draft OIG report. I have the following comments:

Physical Separation

The draft report describes measures that Central Minnesota Legal Services, Inc. (CMLS) and Mid-Minnesota Legal Assistance, Inc. (MMLA), an organization that engages in LSC-restricted activities, have implemented to ensure that CMLS complies with LSC Program Integrity Regulations. In addition to the measures described in your report, it should be noted that CMLS and MMLA have separate letterhead, produce separate newsletters with separate logos for each organization and have separate clearly identifiable program brochures. Samples of program brochures and letterhead for each organization were provide to the auditors. These measures also clearly differentiate CMLS from MMLA to the public.

The audit makes the following observations:

- **The building directory at the entrance to the building identifies the space occupied by the grantee and MMLA as the same suite number.**

The building management had already been asked repeatedly to correct this before the audit visit. The building directory at the entrance to our building has been corrected since the audit visit. The directory now correctly identifies CMLS as occupying

“Suite 359” and MMLA as occupying “Suite 300”.

- **The sign on the door to the common waiting area does not separately identify the location of the grantee office space.**

The sign on the door to the common waiting area clearly identifies that four Legal Services programs occupy "Suite 300 - 359". CMLS is Suite 359. While the number "359" is not directly beside the name "Central Minnesota Legal Services", Central Minnesota Legal Services is one of the four programs listed on the sign on the door as an occupant of the office suites.

- **Clients are escorted to the grantee office space through a locked door from the waiting room, but the sign on the entrance door does not identify the name of the grantee organization.**

CMLS will identify the separate unmarked external entrance to the office space as the CMLS entrance.

The draft report does not note that there currently exists a large sign which extends from the ceiling at the entrance to the CMLS offices located together along the corridor of the office suite that CMLS occupies. The sign clearly notifies the public that they are entering CMLS office space as they reach the corridor from either the common waiting room or the rear entrance door.

- **Grantee offices and MMLS (sic) offices are not separate from one another. Although the grantee offices are located together along a corridor, staff from each office have unfettered access between the two programs.**

As noted above, CMLS does have a large sign clearly identifying CMLS office space within the office suite. We will also improve signage on an external entrance that provides access to our office space by clearly identifying an entrance for CMLS.

In the section of the draft report called "Results of Audit", the report notes

"We also reviewed a sample of pleadings that have been filed with the courts. There were no indications that these cases involved restricted or prohibited activities."

We are pleased that the audit sample showed that CMLS staff are following LSC program regulations in providing legal services to clients. The "unfettered access between the two programs" has not impacted the fact that CMLS complies with LSC program regulations in providing legal services to clients.

The Legal Services Corporation has required its grantees to engage in state planning since 1998

Leonard J. Koczur
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and has issued a number of program letters directing grantees to develop systems to ensure that in each state there is a state wide, integrated, client-centered comprehensive delivery system. LSC has directed states to work to ensure the availability of equitable legal assistance capacities to clients—regardless of who the clients are, where they reside or the languages they speak. LSC has directed that each state system ensure that clients have equitable access to necessary assistance in all relevant forums. Further, LSC has directed that each Legal Services delivery system aspire to expand access and services to clients through coordination with providers throughout the state.

CMLS and MMLA serve the identical 20 counties in central Minnesota. Being co-located means that clients come to one Legal Services office for a full range of legal services the client may need. Further, being co-located means that staff from each organization have the ability to draw on the expertise of staff in the other organization and provide clients with high quality legal services. CMLS staff are following the LSC regulations in conducting legal work for clients and as the report notes there were no indications among the sample pleadings reviewed that the cases involved restricted or prohibited activities. Coordinating our work with MMLA and encouraging staff to contact their colleagues in other Legal Services programs help CMLS provide quality legal work for low-income and disadvantaged clients in our service area and is therefore consistent with LSC's directives regarding integrated comprehensive services with all providers in a state. For these reasons, CMLS requests that the statement that "staff from each office have unfettered access between the two programs" be deleted from the report.

Thank you for the opportunity to reply to the draft report.

Very truly yours, .

CENTRAL MINNESOTA LEGAL SERVICES



Jean A. Lastine
Executive Director

JAL/jh

OIG Staff Responsible for the Audit and the Report

Richard Adkins (Auditor-in-Charge)
Anthony Ramirez
David Gellman