OFFICE OF INSPECTOR GENERAL

USE OF FUNDS FOR PROHIBITED OR RESTRICTED ACTIVITIES
FINANCIAL RELATED AUDIT

Grantee: Legal Services Corporation of Delaware
Recipient No. 308010

Final Audit Report No. AU96-064H

September 1997
INTRODUCTION

In Public Law 104-134, the 1996 appropriation for the Legal Services Corporation (LSC), Congress imposed restrictions and prohibitions on the types of services LSC grantees may provide to clients and on the methods they may employ in providing those services. The law required the grantees to discontinue servicing certain types of cases immediately. It also required grantees to divest of three other types of cases (class actions, prisoner litigation, and alien representation) no later than July 31, 1996. Congress required LSC to report whether grantees had divested of these cases within the time allotted.

In order to provide the LSC Board of Directors, management, and Congress with an independent assessment of the grantees’ compliance with the new law, the LSC Office of Inspector General (OIG) initiated two types of limited scope audits covering 12 grantees. A performance audit tested: (1) whether grantees had divested of the prohibited cases and were providing only those legal services permitted in restricted cases; and (2) whether the selected grantees had implemented the policies and procedures to ensure that case-related activities were within the new law. A financial related audit was designed to determine whether selected grantees were supporting prohibited or restricted activities through the grantee or alternative organizations. This report presents the results of the financial related audit of Legal Services Corporation of Delaware, Inc. (LSCDI).

BACKGROUND

LSCDI received $413,964 in Fiscal Year 1996. The main office is located in Wilmington, Delaware, and there is one branch office located in Kent County, Delaware. As of the date of field work, LSCDI employed, in addition to the Executive Director, four attorneys and one paralegal.

1 110 Stat. 1321 (1996)
OBJECTIVES

The specific objectives of the financial related audit were to determine whether:

☐ LSCDI used funds to pay other legal organizations to handle prohibited or restricted cases;

☐ current employees, terminated employees, or consultants continued to work on restricted or prohibited cases and received LSC funds for their services after restrictions and prohibitions took effect;

☐ time and attendance records indicated continued involvement in restricted or prohibited cases after LSCDI ceased official involvement with the cases.

SCOPE AND METHODOLOGY

The financial related audit of LSCDI was conducted in accordance with generally accepted government auditing standards. Field work was performed in the main office in Wilmington from December 2-4, 1996. Audit procedures included interviews with LSC and LSCDI personnel, review of LSCDI policies and procedures, and examination of LSCDI documents and financial records.

The revised regulation 45 CFR 1610 became effective on June 20, 1997. A component of this rule addresses program integrity as it relates to independence from another entity. This rule and its application are beyond the scope of this audit.

FINDINGS AND RECOMMENDATIONS

We found no evidence that LSCDI used funds to pay other legal organizations to handle prohibited or restricted cases.

We found no evidence that current employees, terminated employees, or consultants continued to work on restricted or prohibited cases while receiving LSC funds for their services after restrictions and prohibitions took effect.

We found no evidence in the time and attendance records to indicate continued involvement in restricted or prohibited cases after LSCDI ceased official involvement with the cases.

GRANTEE MANAGEMENT’S COMMENTS TO THE DRAFT AUDIT REPORTS

LSCDI’s management agreed with the contents of the draft audit reports. The complete text of LSCDI’s responses to the first and second draft audit reports are included as Appendix I.
and II, respectively.
March 19, 1997

Mr. Reginald Brockington
Legal Services Corporation
750 1st Street, NE, 10th Floor
Washington, D.C. 20002-4250

VIA FAX: (202) 336-8955

Re: Financial Related Audit of Legal Services Corporation of Delaware, Inc.

Dear Mr. Brockington:

I have reviewed the Draft of the Report of the Financial-Related Audit of Legal Services Corporation of Delaware, Inc., which was sent to us on February 27, 1997. I have reviewed the Draft Report and the Findings and Recommendations contained in the Draft Report. I agree with those Findings and Recommendations contained in that Draft Report. If there is anything further that you need, please do not hesitate to contact me.

Yours truly,

Douglas B. Canfield
Executive Director

DBC

vmd
Mr. Reginald Brockington  
Legal Services Corporation  
750 1st Street, NE, 10th Floor  
Washington, D.C. 20002-4250

Re: Financial Related Audit of Legal Services Corporation of Delaware, Inc. - 308010

Dear Mr. Brockington:

I have reviewed the 2nd Draft of the Report of the Financial-Related Audit of Legal Services Corporation of Delaware, Inc., which was sent to us on June 30, 1997. I have reviewed the Draft Report and the Findings and Recommendations contained in the Draft Report. I agree with those Findings and Recommendations contained in that Draft Report. If there is anything further that you need, please do not hesitate to contact me.

Yours truly,

Douglas B. Canfield  
Executive Director