



BUDGET REQUEST

FY2024

LSC | America's Partner
for Equal Justice
LEGAL SERVICES CORPORATION

OFFICE OF INSPECTOR GENERAL

(This section was prepared by the OIG and included without change.)

Request

For FY 2024, the Office of Inspector General (OIG) is requesting \$6.2 million to continue providing independent, comprehensive, and effective oversight of the federal funds Congress provides to LSC. The OIG contributes to LSC's mission success by providing decision-makers with objective audits, investigations, and reviews aimed at strengthening governance and accountability and enhancing performance in LSC's and its grant recipients' programs and operations.

Mission

The OIG was established under the IG Act of 1978, as amended, as an independent office to prevent and detect fraud, waste, and abuse, to promote economy, efficiency, and effectiveness in LSC and grantee programs and operations, and to review compliance with applicable laws and regulations. Since 1996, LSC's annual Congressional appropriations have directed that grant recipient compliance with legal requirements be monitored through the annual grantee audits conducted by Independent Public Accountants (IPAs) under the guidance of the OIG.

The OIG conducts audits, investigations, and reviews, as well as a variety of fraud prevention and outreach efforts, to protect and maximize federal taxpayer dollars invested in civil legal aid. The professional work of the OIG follows the standards of the Council of the Inspectors General on Integrity and Efficiency (CIGIE) and the Government Accountability Office (GAO), as well as other professional organizations.

The OIG request (an increase of \$500,000 over the FY 2023 appropriation level) is needed to provide continuing robust OIG oversight of fiscal and programmatic activity for LSC and its grant recipients, which have experienced recent significant growth in funding and programmatic activities; fully staff the OIG at 32 positions; and offset rising significant inflationary pressures in personnel costs and travel associated with onsite reviews of grant recipients.

In recent years LSC and other federal funding to grantee programs have increased, placing more funds at risk within the LSC legal aid network:

- From FY 2017 to FY 2023, direct federal funding to LSC through its annual appropriation has increased by \$174.3 million²⁷⁰ (or 45%) to \$560 million dollars.
- Since FY 2018, Congress has appropriated an additional \$140 million²⁷¹ in CARES Act and disaster-aid funding.
- In 2021, LSC grant recipients received approximately \$227.7 million in other Federal grants funding, an increase of approximately \$90 million (or 65%) from the 2017 level of \$137.6 million.²⁷²
- In contrast, from FY 2017 to FY 2023, the OIG appropriation line increased \$700,000 to \$5.7 million (or 14%).²⁷³

Budget Background

The table below displays past appropriated amounts for the OIG and LSC for fiscal years 2017 to the FY2023 in actual dollars. Since FY 2017, increases in the overall LSC appropriation have grown at a significantly faster pace than the OIG appropriation line.

Table 8. OIG and LSC Appropriations FY 2017 to FY 2023 (in Actual Dollars)

FY	OIG Actual	% Change from Previous Year	LSC Actual	% Change from Previous Year
2017	\$5,000,000	0.0%	\$385,000,000	2.7%
2018	\$5,100,000	2.0%	\$410,000,000	6.5%
2019	\$5,100,000	0.0%	\$415,000,000	1.2%
2020	\$5,300,000	3.9%	\$440,000,000	6.0%
2021	\$5,500,000	3.8%	\$465,000,000	5.7%
2022	\$5,500,000	0.0%	\$489,000,000	5.2%
2023	\$5,700,000	3.6%	\$560,000,000	14.5%

In recent years LSC has made significant increased requests in the Basic Field line and, as additional funds enter the LSC grantee network, the need for OIG oversight and support activities also increases. To date, the OIG has not received any additional funding to oversee LSC's pandemic or natural disaster-related expenditures, although the OIG has performed and will continue to perform oversight of these funds.

The requested appropriation will enable the OIG to continue strong oversight activities to help to safeguard federal funds appropriated to LSC and granted to 132²⁷⁴ recipient programs with attorneys and other legal staff located in 900 field offices across every U.S. state and territory.

Performance

In FY 2022 the OIG continued working and adapting to the operational challenges posed by the COVID-19 pandemic and delivered the following performance results:

- The OIG performed an audit of LSC's distribution, use, and oversight of \$50 million in CARES Act funds. The OIG made six recommendations for improvements; LSC management agreed with all the recommendations.
- The OIG worked throughout the period on a revision to its Audit Guide for Recipients and Auditors and the accompanying Compliance Supplement for Audits of LSC Recipients, along with the companion appendices.

- The audit quality review program conducted 34 Quality Control Reviews (QCR) of audits covering a total of nearly \$139 million in grantee funds, assessing the quality of the grant recipient IPAs' audit work and provided an annual summary report. The QCR program is designed to assess all grant recipient IPAs' work over a four-year cycle, enabling the OIG to identify deficiencies in IPA work; advance IPAs' compliance with applicable standards and OIG guidance; and improve the overall effectiveness and quality of LSC grant recipient audits.

- The OIG reviewed 132 audits of LSC grant recipients and subrecipients issued by the IPAs, referring 45 significant findings to LSC for corrective action.

- The OIG closed out a total of 76 recommendations made in OIG audits conducted during the past year and in prior periods. Of these, 73 were recommendations made to grant recipients and 3 were to LSC management.

- The OIG conducted an audit of internal controls at an LSC grantee receiving over \$926,000 in annual LSC funding. The report identified areas where improvements were needed and made 24 recommendations. The grant recipient agreed or partially agreed with all the recommendations and reallocated funds based on an OIG questioned cost.

- The OIG contracted for and provided oversight of LSC's FY 2021 financial statement audit, conducted by an independent public accounting firm.
 - OIG investigations opened 35 cases involving a variety of criminal and regulatory matters, including allegations of fraud and cyber fraud, theft, misuse of government funds, impermissible outside employment, and other potential violations of LSC statutes and regulations. Investigations closed 33 cases in the year.
 - An OIG investigation, initiated based on information from LSC management, found that a grant recipient improperly allocated more than \$1.5 million to an unrestricted account, in violation of LSC regulations. The matter was referred to LSC management for potential recovery action.
 - The OIG worked closely with U.S. Attorneys and state and local authorities in prosecutions that arose from our investigations. Investigations also resulted in referrals for civil or administrative actions and recoveries.
 - During the period two individuals, formerly employed by a LSC grant recipient as paralegals, pled guilty to a combined total of 66 felony and five misdemeanor counts, following an OIG investigation of their diversion and defrauding of LSC clients. Both defendants were sentenced to jail time and ordered to pay restitution to the victims.
 - An OIG investigation, conducted jointly with the U.S. Secret Service, resulted in federal charges against the former IT manager of a grantee for unauthorized access and intentional damage to a protected computer. The prosecution was resolved with a pretrial diversion agreement with an order requiring the defendant to make full restitution for the grantee's losses.
 - The OIG conducted an active educational outreach and fraud prevention program. This year we performed 6 fraud and cybercrime awareness briefings for grant recipients, made widely available a recorded version of the fraud awareness briefing, and conducted 8 vulnerability assessments, including special assessments relating to grantees' use of CARES Act funds.
 - The OIG provided updated information on cybercrime events, risks, and response and mitigation strategies via its Cyber Security Resources webpage. The OIG added postings on ransomware attacks and highlighted an FBI warning and prevention recommendations.
 - The OIG issued 3 Hotline advisories, special alerts sent via email to grant recipients to provide prompt warning of incidents that have been reported to the OIG Hotline or otherwise have come to our attention. Advisories issued this period include phishing/malware attacks involving a type of accounting software; a business email compromise/fraud scheme targeting a grantee's banking and investment accounts; and time and attendance fraud by grantee employees engaged in simultaneous outside employment.
- Overall, the work of the OIG reduces fraud, waste, and abuse and helps to ensure that LSC and its grant recipients are functioning as responsible stewards of taxpayer funds. These and other achievements are reported in the OIG's Semiannual Reports to Congress (<https://www.oig.lsc.gov/products/sar>).

Planned Activities

In FY 2024, the OIG will use its risk-based approach to work planning to allocate available resources. The OIG will perform its statutory requirements, including activities furthering fraud prevention and detection, promoting economy and efficiency for LSC and its grant recipients, and oversight of the grantee audit process. The OIG will continue to

respond timely to requests from the Congress, the LSC Board of Directors, LSC management, and other interested parties. The OIG will continue to revise and consider additional oversight efforts in response to changing conditions, with a principal focus on high-risk operational areas for LSC and its grant recipients.

The OIG's audit program carries out audits of LSC and grantee programs and operations. The OIG reviews all LSC grant recipients' annual audits, covering financial statements, internal controls, and compliance with mandated restrictions and prohibitions. The OIG will continue its comprehensive audit quality control review program and in FY 2024 will issue updated audit guidance to recipients of LSC funds. The OIG will continue to perform in-depth audits assessing the adequacy of internal controls in place over select grantee operations and oversight, including program expenditures, fiscal accountability, and compliance with LSC regulations. The OIG will continue to fund and oversee the annual audit of LSC's financial statements.

In FY 2023, the OIG plans to commence an audit of the effectiveness and efficiency of LSC's oversight of interest in grant recipients' real property, reviewing fiscal accountability, compliance with LSC regulations and guidance, as well as LSC's compliance with accounting and financial reporting standards.

In response to the increasing incidence of cyberattacks, we will continue to enhance our cyber security activities. We will increase the number of IT vulnerability reviews of grantee computer networks and provide updated information on cybercrime events, risks, and response and mitigation strategies to help protect LSC's and its grant recipients' assets and operations.

The OIG will maintain a strong fraud prevention program, engaging in a variety of outreach and educational efforts intended to help protect LSC and its grantees from fraud by increasing awareness

of developing trends that may pose a risk to their operations, to their clients, and to LSC funds.

The OIG actively conducts investigations of criminal and civil fraud and other violations committed against LSC and its grant recipients, and operates a national fraud, waste, and abuse reporting hotline. The OIG regularly performs compliance investigations, administrative inquiries, fraud and regulatory vulnerability assessments, and fraud prevention briefings. We will continue to conduct assessments focusing on disaster relief and pandemic funding.

The OIG helps to improve effectiveness and efficiency in the operations of LSC and its grant recipients through its other reviews and advisories, and will provide comments on significant legislative, regulatory, management, and policy initiatives affecting LSC and grant recipients.

Internally, the OIG will continue to improve the effectiveness of its own operations by ensuring the recruitment and retention of a highly skilled, high-performing OIG workforce; we will leverage effective and secure technology systems to facilitate the efficient production of OIG work.

This request includes \$64,000 to satisfy foreseeable OIG professional training activities required to maintain the OIG professional credentials in FY 2024. The OIG also anticipates an assessment of \$25,000 to support the operations of the Council of the Inspectors General on Integrity and Efficiency.

The OIG appreciates the continuing support of the White House, Congress, and the LSC Board of Directors. The \$6.2 million funding request is needed to meet independent OIG mission requirements, to provide additional congressionally mandated oversight, and will allow the OIG to continue its role to safeguard critically needed funding for the vital programs of LSC and its grant recipients.

Hound Coloradans in Court for Debts They May Not Owe, Research Report December 2016, Center for Responsible Lending, Ellen Harnick, Lisa Stifler, and Safa Sajadi; Tom Feltner, Julia Barnard, and Lisa Stifler, Debt Collection Practices in Washington 2012–2016, Center for Responsible Lending, March 2019; Lisa Stifler, Tom Feltner, Safa Sajadi, Undue Burden. The Impact of Abusive Debt Collection Practices in Oregon, Center for Responsible Lending, April 2018; and Susan Shin and Claudia Wilner, The Debt Collection Racket in New York: How the Industry Violates Due Process and Perpetuates Economic Inequality, New Economy Project, 2013. PP.16-19.

²³⁶CFPB, Medical Debt Burden in the United States, February 2022, p.16; The Pew Charitable Trusts, How Debt Collectors Are Transforming the Business of State Courts, May 2020. C. Albin-Lackey, “Rubber Stamp Justice: US Courts, Debt Buying Corporations, and the Poor” (Human Rights Watch, 2016), https://www.hrw.org/sites/default/files/report_pdf/us0116_web.pdf.

²³⁷Ashley Lowe, Chief Executive Officer, Lakeshore Legal Aid (MI), Legal Services Corporation Board of Directors, Open Session, Delivery of Legal Services Committee, July 13, 2022.

²³⁸Colleen V. Chien, America’s Paper Prisons: The Second Chance Gap, 119 MICH. L. REV. 519, 563 (2020)

²³⁹Chidi Umez and Joshua Gaines, After the Sentence, More Consequences: A National Report of Barriers to Work (New York: The Council of State Governments Justice Center, 2021).

²⁴⁰Colleen V. Chien, America’s Paper Prisons: The Second Chance Gap, 119 MICH. L. REV. 519, 563 (2020)
Based on the Federal Bureau of Investigation Next Generation Identification (NGI) System Criminal Fingerprint Repository increases over time.

²⁴¹Chidi Umez and Joshua Gaines, After the Sentence, More Consequences: A National Report of Barriers to Work (New York: The Council of State Governments Justice Center, 2021).

²⁴²Chidi Umez and Joshua Gaines, After the Sentence, More Consequences: A National Report of Barriers to Work (New York: The Council of State Governments Justice Center, 2021).

²⁴³Ibid.

²⁴⁴Doleac, Jennifer L., et al. Center for Financial Security, Madison, WI, 2021, pp. 1–25, Criminal Justice Involvement and Well-Being in Old Age

²⁴⁵Colleen V. Chien, America’s Paper Prisons: The Second Chance Gap, 119 MICH. L. REV. 519, 563 (2020) Based on the Federal Bureau of Investigation Next Generation Identification (NGI) System Criminal Fingerprint Repository increases over time.

²⁴⁶Kimpel, Amy F. “Paying for a Clean Record.” Journal of Criminal Law and Criminology, vol. 112, no. 3, 2022, pp. 439–547. Summer, <https://doi.org/https://scholarlycommons.law.northwestern.edu/jclc/vol112/iss3/1>.

²⁴⁷Cohn, Caroline, et al. 2022, pp. 3, The High Cost of a Fresh Start: A State-by-State Analysis of Court Debt as a Bar to Record Clearing.

²⁴⁸Ibid.

²⁴⁹Kimpel, Amy F. “Paying for a Clean Record.” Journal of Criminal Law and Criminology, vol. 112, no. 3, 2022, pp. 439–547. Summer, <https://doi.org/https://scholarlycommons.law.northwestern.edu/jclc/vol112/iss3/1>.

²⁵⁰Cohn, Caroline, et al. 2022, pp. 9, The High Cost of a Fresh Start: A State-by-State Analysis of Court Debt as a Bar to Record Clearing.

²⁵¹Ibid.

²⁵²Boehner, Jessa, et al. National Record Clearing Project, Philadelphia, PA, 2021, Breaking Down Barriers to Record Clearing A Survey of the Field.

²⁵³U.S. Census Bureau. 2020. American Community Survey 5-Year Estimates Subject Tables, Table S1703: Selected Characteristics of People at Specified Levels of Poverty in the Past 12 Months.

²⁵⁴Legal Services Corporation. 2022. *The Justice Gap: The Unmet Civil Legal Needs of Low-income Americans*. Prepared by Mary C Slosar, Slosar Research, LLC.

²⁵⁵Ibid.

²⁵⁶Ibid.

²⁵⁷U.S. Census Bureau. 2020. American Community Survey 5-Year Estimates Subject Tables, Table S1703: Selected Characteristics of People at Specified Levels of Poverty in the Past 12 Months.

²⁵⁸U.S. Census Bureau. 2020. American Community Survey 5-Year Estimates Detailed Tables, Table B18140: Median Earnings in the Past 12 Months (in 2020 Inflation Adjusted Dollars) by Disability Status for the Civilian Noninstitutionalized Population 16 Years and Over with Earnings.

²⁵⁹U.S. Census Bureau. 2021. American Housing Survey. Generated by LSC staff using the American Housing Survey Table Creator. https://www.census.gov/programs-surveys/ahs/data/interactive/ahstablecreator.html?s_areas=00000&s_year=2021&s_tablename=TABLE8B&s_bygroup1=11&s_bygroup2=20&s_filtergroup1=1&s_filtergroup2=1 (November 2, 2022). This measure excludes households with zero or negative income.

²⁶⁰U.S. Census Bureau. 2020. American Community Survey 5-Year Estimates Subject Tables, Table S1811: Selected Economic Characteristics for the Civilian Noninstitutionalized Population by Disability Status.

²⁶¹Ibid.

²⁶²U.S. Department of Housing and Urban Development. October 2018. *The 2017 Annual Homeless Assessment Report (AHAR) to Congress, Part 2*.

²⁶³U.S. Department of Housing and Urban Development. February 2022. *The 2021 Annual Homeless Assessment Report (AHAR) to Congress, Part 1*.

²⁶⁴U.S. Census Bureau. 2021. American Community Survey 1-Year Estimates Detailed Tables, Table B21007: Age by Veteran Status by Poverty Status in the Past 12 Months by Disability Status for the Civilian Population 18 Years and Over.

²⁶⁵U.S. Department of Housing and Urban Development. July 2022. *The 2020 Annual Homeless Assessment Report (AHAR) to Congress, Part 2*.

²⁶⁶National Fair Housing Alliance. 2021. *Fair Housing Trends Report*.

²⁶⁷U.S. Equal Employment Opportunity Commission. 2021. Charge Statistics (Charges filed with EEOC) FY 1997 Through FY 2021.

²⁶⁸National Fair Housing Alliance. 2021. *Fair Housing Trends Report*.

²⁶⁹U.S. Equal Employment Opportunity Commission. 2021. Charge Statistics (Charges filed with EEOC) FY 1997 Through FY 2021.

²⁷⁰LSC: 2021 By the Numbers: The Data Underlying Legal Aid Programs; Table 1.1. Fiscal Year Appropriations for LSC, in Actual and Inflation-Adjusted Dollars, 1976-2021. The \$174.3 million increase in LSC appropriated dollars is calculated as (\$560 million in FY 2023-LSC funding minus \$385 million in FY 2017), minus the OIG increase of \$700,000 over the same time-period. Dollar amounts are in actual dollars and not inflation adjusted.

²⁷¹Dollar amounts are in actual dollars and not inflation adjusted.

²⁷²LSC: 2021 and 2019 By the Numbers: The Data Underlying Legal Aid Programs; Table 2.2. Detailed Funding for LSC Grantees by Source.

²⁷³As of the date of publication, Laurel Legal Services and Legal Services of Southwestern PA are merging operations. In the 2024 grant cycle, LSC expects to provide funding to 131 grantees.

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²⁷⁵As of the date of publication, Legal Services of Southwestern PA is providing services to their existing service area and the service area formerly covered by Laurel Legal Services.

Dollar amounts are in actual dollars and not inflation adjusted.



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LEGAL SERVICES CORPORATION

APPENDIX

B

**FY 2024 BUDGET
REQUEST TABLES**

LEGAL SERVICES CORPORATION

BUDGET REQUEST - FISCAL YEAR 2024

(dollars in thousands)

	FY 2023 REQUEST	FY 2023 FUNDING	FY 2024 REQUEST
I. DELIVERY OF LEGAL ASSISTANCE			
A. Program Services to Clients	1,220,000	519,485	1,535,384
B. Technology Initiative Grants	5,000	5,000	5,000
C. Pro Bono Innovation Funds	5,000	5,000	5,000
TOTAL: DELIVERY OF LEGAL ASSISTANCE	\$1,230,000	\$529,485	\$1,545,384
II. HERBERT S. GARTEN LOAN REPAYMENT ASSISTANCE PROGRAM	\$2,000	\$2,000	\$2,000
III. MANAGEMENT & GRANTS OVERSIGHT	\$26,200	\$26,200	\$26,200
IV. OFFICE OF THE INSPECTOR GENERAL	\$5,700	\$5,700	\$6,200
TOTAL ANNUAL APPROPRIATED FUNDS:	\$1,263,900	\$563,385	\$1,579,784
DISASTER SUPPLEMENTAL REQUEST:	\$-	\$-	\$-
TOTAL:	\$1,263,900	\$563,385	\$1,579,784

LEGAL SERVICES CORPORATION

OFFICE OF THE INSPECTOR GENERAL BY OPERATING EXPENSES

	ACTUALS FY 2022	BUDGET FY 2023	VARIANCE FY 2023 v FY 2022 (UNDER)/OVER
OPERATING EXPENSES			
Personnel	3,646	4,053	407
Employee Benefits & Payroll Taxes	978	1,099	121
Consulting	517	1,002	485
Travel	13	124	111
Communications	125	161	36
Occupancy	7	61	54
Printing	3	9	7
Other Operating	45	67	22
	5,333	6,576	1,243
Capital Expenditures	89	152	63
Total	5,422	6,728	1,306
SOURCES OF FUNDS			
Appropriation	5,500	5,700	200
Funds Carried Forward from Previous Year	2,373	2,461	88
Total	7,873	8,161	288

LEGAL SERVICES CORPORATION

STAFF POSITIONS* - FISCAL YEARS 2022, 2023, 2024

	2022	2023 Budget	Change from 2022	2024 Estimate	Change from 2023
OFFICE					
Executive	9	10	1	10	0
Legal Affairs	8	8	0	8	0
Government Relations/Public Affairs	9	9	0	9	0
Human Resources	7	7	0	7	0
Financial & Administrative Services	12	12	0	12	0
Information Technology	8	8	0	8	0
Program Performance	34	33	-1	33	0
Data Governance & Analysis	7	9	2	10	1
Compliance & Enforcement	30	30	0	30	0
Training & Technical Assistance**	0	6	6	7	1
	124	132	8	134	2
Office of the Inspector General	30	32	2	32	0
TOTAL	154	164	10	166	2

* Full Time Equivalents

** New Department as of October 1, 2023