



Office of Inspector General's FY 2025 Budget Request: Fully Implementing Our Strategic Oversight Vision

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

The Office of Inspector General (OIG) is requesting a \$6.2 million funding level for Fiscal Year (FY) 2025, the same as our FY 2024 request. The statutorily independent OIG receives its funding through a separate line in the LSC appropriation. A key budget consideration is that current FY 2023 OIG expenditures will exceed appropriated amounts and will require the use of carryover funds from prior years. Under the leadership of the newly appointed Inspector General, the requested amount will enable us to undertake a series of innovative change initiatives designed to better position the OIG to identify management vulnerabilities at LSC and its grantees, proactively combat fraud, and highlight opportunities for LSC to improve operations or more closely align with leading practices. The request will be used to expand oversight at LSC headquarters and grantee locations, hire subject matter experts on contract, retain and recruit high performing OIG staff, pay competitive wages, update internal management systems, enhance data analytics, and offset significant inflationary pressures in operating costs.

The OIG mission is to improve the efficiency and effectiveness of LSC programs and operations, as required by the Inspector General Act of 1978, as amended. OIG oversight activities help to safeguard federal funds appropriated to LSC and granted to 131 recipient programs, with attorneys and other legal staff located in more than 900 field offices across every U.S. state and territory. The OIG performs our mission by conducting audits, investigations, and other reviews that help LSC and its grantees achieve their goals and objectives, comply with statutory and regulatory requirements, and prevent fraud, waste, and abuse. In particular, we help LSC to advance its strategic goals, including the goal to achieve the highest standards of management, business operations, and fiscal responsibility.

Through our independent oversight work, we seek to drive positive change and provide the Congress and LSC Board of Directors with reliable information and insights they can use in executing their critical governance responsibilities. We also seek to be a model accountability organization that embraces innovation and continuous improvement. OIG's work is especially important in the civil legal aid environment, where the resources are limited, and the needs are so pressing.

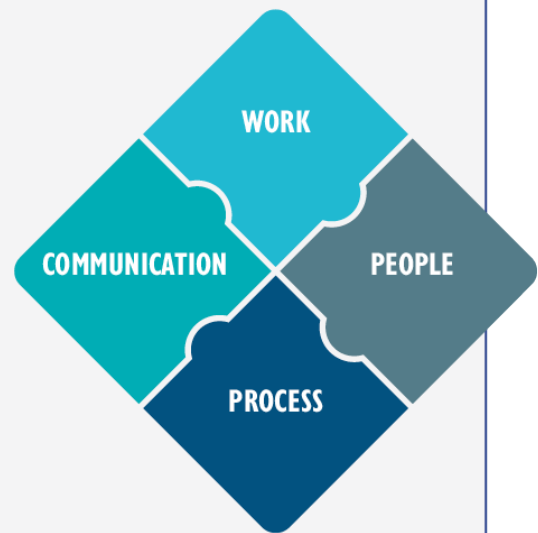
OIG Refresh: Implementing a New Framework for Conducting Agile Oversight and Embracing Continuous Improvement

The OIG is undertaking an innovative Refresh agenda, intended to be an ongoing effort to improve products, services, policies, and processes to ensure we are providing maximum value to a wide range of stakeholders. We seek to promote a culture of excellence, where we are continually looking for ways to help stakeholders stay ahead of emerging challenges, and effectively and timely address new requirements and expectations.



OUR STRATEGIC GOALS

1. **Work:** Make a difference through timely and high-impact oversight engagements.
2. **People:** Promote strong teamwork and performance by fostering a skilled and creative workforce.
3. **Process:** Advance effective operations by focusing on continuous improvement and innovation of internal policies, processes, and business practices.
4. **Communications:** Maximize OIG's impact by optimizing stakeholder engagement and innovatively and broadly promoting our insights and recommendations.



Key OIG Refresh initiatives include:

- Expand our capacity to perform performance audits and reviews of LSC operations and grantmaking processes by contracting with firms to augment our in-house auditing capabilities in the near term, while extending our in-house capabilities in the longer term.
- Increase our portfolio of work on LSC's distribution and monitoring of discretionary disaster and emergency relief grants.
- Enhance our investigative capacity to conduct and issue work products that assess and report on fraud vulnerabilities and share best practices among grantees to proactively mitigate risks, improve operations, and better ensure compliance with regulations.
- Expand our program of in-person fraud awareness briefings and training sessions to ensure that LSC grantees are aware of—and understand—common fraud schemes that could present significant financial, compliance, and reputational risks.
- Start developing an evaluation function to enable OIG to agilely report to LSC leadership, the Board of Directors, and grantees on risks and emerging challenges—and bigger picture governance issues—that warrant their consideration. This includes expanding our data analytics and risk assessment capabilities.
- Improve Information Technology (IT) security on a constant basis so that we stay on top of current and emerging threats to our independent OIG network and IT systems.
- Execute a comprehensive overhaul of our OIG website to ensure that our information, insights, and oversight products are accessible and appealing to a wide variety of audiences, including LSC, grantees, and congressional stakeholders.

- Engage with experts, including the U.S. Government Accountability Office Center for Audit Excellence, to help guide us through the OIG Refresh and to provide high quality training and process improvement support.
- Enhance our congressional and public affairs functions to ensure we are effectively and innovatively communicating the results of our work and proactively seeking input on our plans and priorities.

By the Numbers: Increased Need of OIG Oversight

This \$6.2 million request level is needed to provide robust OIG oversight of fiscal and programmatic activity within LSC and its grant recipient network. In recent years, funding to LSC and the grant recipients has significantly increased, while the OIG has not received commensurate increases. As displayed in the table below, increases in the appropriations for LSC overall and its Management and Grants Oversight (MGO) budget in particular have grown at a significantly faster pace than the OIG. Since FY 2017, the overall LSC appropriation has grown \$174.3 million (45%)¹, including an MGO increase of \$7.2 million (38%), while the OIG line has increased \$700 thousand dollars (14%). Additionally, Congress appropriated a total of \$60 million in funding for disaster-aid from 2020 through 2023 and \$50 million through supplemental COVID-19 pandemic funding in 2020. To date, the OIG has not received any additional funding to oversee LSC’s natural disaster-related or pandemic expenditures.

The additional funding within LSC and the recipient network has increased the opportunities as well as the need for further investment in innovative OIG oversight, which we have embarked upon through the OIG Refresh.

FY 2017 to FY 2023 Appropriation Comparison LSC, MGO, and OIG Budgets

FY	LSC	% Change	MGO	% Change	OIG	% Change
2017	\$385,000,000	2.7%	\$19,000,000	2.7%	\$5,000,000	0.0%
2018	\$410,000,000	6.5%	\$19,400,000	2.1%	\$5,100,000	2.0%
2019	\$415,000,000	1.2%	\$19,400,000	0.0%	\$5,100,000	0.0%
2020	\$440,000,000	6.0%	\$22,000,000	13.4%	\$5,300,000	3.9%
2021	\$465,000,000	5.7%	\$23,000,000	4.5%	\$5,500,000	3.8%
2022	\$489,000,000	5.2%	\$23,500,000	2.2%	\$5,500,000	0.0%
2023	\$560,000,000	14.5%	\$26,200,000	11.5%	\$5,700,000	3.6%
Total Increase	\$174,300,000		\$7,200,000		\$700,000	
Percentage Increase*	45%		38%		14%	

* - Percentage increase calculated from 2017 to 2023.

¹ Exclusive of OIG increases.

FY 2022 Accomplishments: Building on a Track Record of Promoting Effective Governance and Preventing Fraud

During FY 2022, OIG had a record of success in producing impactful audits, investigations, and other oversight reviews that fostered transparency and integrity in the expenditure of LSC funds. OIG's oversight efforts helped provide greater assurance that taxpayer dollars were used properly and maximized. Our OIG Refresh is oriented toward building on these successful efforts. Highlights of OIG's accomplishments over the past year include the following:

- Reported on LSC's distribution, use, and oversight of \$50,000,000 in funds provided under the Coronavirus Aid, Relief, and Economic Security (CARES) Act.
- Issued the LSC FY 2021 financial statement audit.
- Closed 73 grantee audit recommendations and 3 LSC audit recommendations.
- Reviewed 132 audits of LSC grant recipients issued by independent public accounting firms, referring forty-five significant findings to LSC management for corrective action—as required by federal appropriations law.
- Worked 35 investigations involving a variety of criminal and regulatory matters, including fraud and cyber fraud, theft, misuse of government funds, impermissible outside employment, and other potential violations of LSC statutes and regulations.
- Released five prevention advisories to help prevent cyberattacks, credit card fraud, and timekeeping fraud based on information gained through our investigative activities.
- Concluded investigations that resulted in two guilty pleas and two sentencing of former grantee employees related to the diversion of multiple eligible clients for payment of services not rendered.

Conclusion: Enhancing OIG's Work to Advance Program Integrity, Transparency, and Accountability

To date, our office has ably performed its critical oversight role—and during FY 2023 we have continued to build on prior accomplishments. Going forward, we are committed to ensuring that we provide independent, objective, and fact-based insights that help safeguard LSC funds and facilitate effective management and Board governance. In addition to our essential watchdog role, we will also highlight opportunities for LSC and its grantees to improve program operations, implement leading practices, and stay ahead of the curve in addressing emerging challenges. Our requested appropriation for FY 2025 will enable us to take things to the next level and enhance the impact of our oversight efforts, as well as enable us to modernize our approach to providing accessible information to a broad range of key stakeholders.

The OIG appreciates the continuing support of Congress and the LSC Board of Directors.