

## Office of Inspector General

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

### ***OIG Requests \$6.2 Million to Execute Our Critical and Mandatory Oversight Work***

The Office of Inspector General (OIG) is requesting \$6.2 million in funding for FY 2026,<sup>1</sup> the same as our FY 2024 and 2025 funding requests and the amount identified for the LSC OIG in the President's FY 2025 Budget. With this level of funding, we can maintain current operations while taking steps to elevate our impact and reach. A key budget consideration is that current FY 2024 OIG expenditures exceed appropriated amounts and will require the use of carryover funds.

OIG monies will be used to implement our innovative oversight agenda — which includes efforts to improve products, services, policies, and processes — while executing our critical and mandatory oversight work. Specifically, the funding will be used to recruit and retain high performing staff, pay salary adjustments, pay for contracted audit services, increase travel to grantee locations, improve internal management systems, enhance data analytics, and offset 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 LSC's stated strategic goal to achieve the highest standards of management, business operations, and fiscal responsibility.

### ***OIG Initiatives Promote Agile Oversight and Continuous Improvement***

Since 2023, we have been implementing a series of change initiatives, which we refer to as the OIG Refresh. Through our ongoing OIG Refresh, we promote a culture of excellence and continuous improvement. We look for ways to help stakeholders stay ahead of emerging challenges and to help them to address new requirements and expectations effectively and in a timely manner.

The U.S. Government Accountability Office (GAO) and other stakeholders have called for the significant enhancement in efforts to prevent fraud, waste, and mismanagement. To that end, we are committed to the following principle: by embracing change and continuous improvement, we will not only be more efficient and effective, but we will be more adaptable to change in a challenging and ever-evolving operating environment.

Key OIG budget priorities include:

- Expanding our capacity to perform performance audits and reviews of LSC operations and grantmaking processes by contracting with expert firms to augment our in-house auditing

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<sup>1</sup> The statutorily independent LSC OIG receives its funding through a separate line in the LSC appropriation.

capabilities over core LSC activities, such as grant monitoring and information technology management.

- Enhancing our investigative capacity to agilely assess and report on fraud vulnerabilities and share best practices among grantees through work products that help to proactively mitigate risks, improve operations, and ensure compliance with regulations. This will include enhancing our new Fraud Prevention Review program, which focuses on higher risk LSC grantees.
- Expanding 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.
- Expanding our data analytics capabilities to improve risk-based analyses of LSC programs and operations to proactively inform about emerging grantee issues. This effort would include exploring the development of an evaluation function that enables OIG to agilely report to LSC leadership and grantees on efficiency and effectiveness—and bigger picture governance issues—that warrant their consideration.
- Improving IT security on a continual basis so that we stay on top of current and emerging threats to our independent OIG network and IT systems.
- Completing 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.
- Strengthening our existing productive relationship with the GAO Center for Audit Excellence to provide high-quality training, mentoring and professional development, as well as policy and process improvement support.
- Continuing to use contractor support to ensure our products are clear and accessible and to ensure that the OIG Refresh is effectively implemented through change management and leadership development coaching.
- Expanding 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.

### *Ensuring OIG is Appropriately Resourced to Provide Comprehensive Oversight of LSC*

In recent years, additional funding within LSC and the recipient network has increased the opportunities as well as the need for further investment in OIG oversight. Over the last eight years, OIG funding has not kept pace with increases in LSC funding.

Since FY 2017, overall LSC appropriations have increased by \$174.3 million (45%)<sup>2</sup> primarily due to additional funding for grant programs, including \$7.2 million (38%) for LSC Management and Grants

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<sup>2</sup> Exclusive of OIG increases.

Oversight, while the OIG line has increased just \$700,000 (14%).

Fiscal Year	LSC	% Change from Previous Year	MGO	% Change from Previous Year	OIG	% Change from Previous Year
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%
2024	\$560,000,000	0.0%	\$26,200,000	0.0%	\$5,700,000	0.0%
Total Increase	\$174,300,000		\$7,200,000		\$700,000	
% Increase	45%		38%		14%	

In addition to annual appropriations funding, Congress appropriated to LSC a total of \$60 million in disaster-aid funding for disasters in 2020, 2021, and 2022 as well as \$50 million through supplemental CARES Act funding. To date, the OIG has not received any additional funding to oversee LSC’s pandemic or natural disaster-related expenditures but nonetheless we have provided oversight work of these funds out of our regular appropriation.

The \$6.2 million request level is required for the OIG to maintain our core watchdog functions, expand our preventive oversight work, and pursue our Refresh priorities—while remaining a fiscally prudent operation.

### *Expanding on a Track Record of Oversight Accomplishments*

OIG has a strong track record of maximizing our modest level of funding by producing impactful audits, investigations, and other oversight reviews that foster transparency and integrity in the expenditure of LSC funds. OIG’s oversight efforts helped provide greater assurance to Congress, the Board of Directors, and the public that taxpayer dollars were used properly, and their value maximized in addressing the civil justice gap. Highlights of OIG’s recent accomplishments include the following:

- *Issuing a new strategic plan for fiscal years 2024 through 2026* that aligns with our core values of accountability, teamwork, communication, integrity, and professionalism. The plan presents our goals and objectives in four key focus areas:
  - Work: make a difference through timely and high-impact oversight engagements.
  - People: promote strong teamwork and performance by fostering a skilled, and creative workforce.

- Process: advance effective operations by focusing on continuous improvement and innovation of internal policies, processes, and business practices.
  - Communication: maximize OIG's impact by optimizing stakeholder engagement and innovatively and broadly promoting our insights and recommendations.
- *Positively impacting LSC's and grantees' programs and operations.*
    - In FY 2023 we issued 47 grantee audit recommendations for improvement and closed 35.
    - We issued the FY 2023 LSC corporate financial statement audit.
  - *Enhancing our focus on LSC's administration of key programs* by initiating performance audits (1) of LSC's oversight of its interest in LSC-funded grantee real property and (2) on LSC's management and monitoring of its disaster grants programming.
  - *Carrying out our essential responsibility to review grantees' financial statement audit reports* as required by federal appropriations law. We reviewed annual financial statement audits of LSC's 131 grant recipients issued by Independent Public Accountants (IPAs) and during FY 2023 we referred 73 significant findings to LSC management for corrective action.
  - *Conducting investigative activities that promoted integrity and ethical use of U.S. taxpayer dollars*, including working with federal, state, and local authorities to hold wrongdoers accountable for their actions.
    - We obtained financial adjustments at two LSC grantees totaling \$20,953.
    - We obtained a recovery of \$29,700 of improper student loan reimbursements.
    - We opened 34 and closed 31 investigative cases during FY 2023 involving a variety of criminal and regulatory matters.
    - We maintained the OIG Hotline to intake allegations from LSC employees, grantees, and the general public—and investigated allegations as warranted.
  - *Issuing management and fraud advisories that assist LSC and grantees in being well-informed about current risks to their programs or client base* and provided practical information on how to respond to such risks. This year we issued advisories on many key topics that grantees have found useful in improving operations and servicing their client base.
  - *Helping grantees ensure effective and responsible management of information technology (IT) resources*, including mitigating cyber security risks.
    - We maintain a dedicated OIG webpage with links to cybersecurity resources for grantees.
    - We issued a compendium report stemming from our IT vulnerability assessment program, highlighting short- and longer-term recommendations to help grantees improve their IT security posture.

- We issued cyber advisories to grantees and conducted web briefings and presentations to spread the word about cyber risks to LSC grantees.

### *Conclusion: Enhancing Our Oversight Potential*

Our office has ably performed its critical oversight role—and during FY 2024 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 LSC Board of Directors governance. In addition to our essential watchdog role, we 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 2026 will enable us to enhance the impact of our agile oversight efforts, particularly related to prevention and detection.

The OIG appreciates the continuing support of the White House, Congress, and the LSC Board.