



## Office of Inspector General's FY 2026 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) 2026, the same as our FY 2024 and FY 2025 requests. The OIG's mission is to (1) help prevent and detect fraud, waste, and abuse; (2) recommend ways to enhance the efficiency and effectiveness of Legal Services Corporation (LSC) operations and use of grant funds; and (3) inform key stakeholders of risks and challenges. OIG oversight activities help to safeguard federal funds appropriated to LSC and granted to 130 legal aid organizations, with attorneys and other legal staff located in more than 900 field offices across every U.S. state and territory. The OIG receives its funding through a separate line in the LSC appropriation.

Under the leadership of the Inspector General, the requested amount will enable us to build on a series of innovative change initiatives. These initiatives have better positioned the OIG to identify management vulnerabilities at LSC and its grantees, proactively combat fraud, and highlight opportunities for LSC to improve operations and more closely align with leading practices.

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 change and provide Congress and the LSC Board of Directors with reliable information and insights that they can use in executing their critical governance responsibilities. We also seek to be a model accountability organization that embraces innovation and continuous improvement.

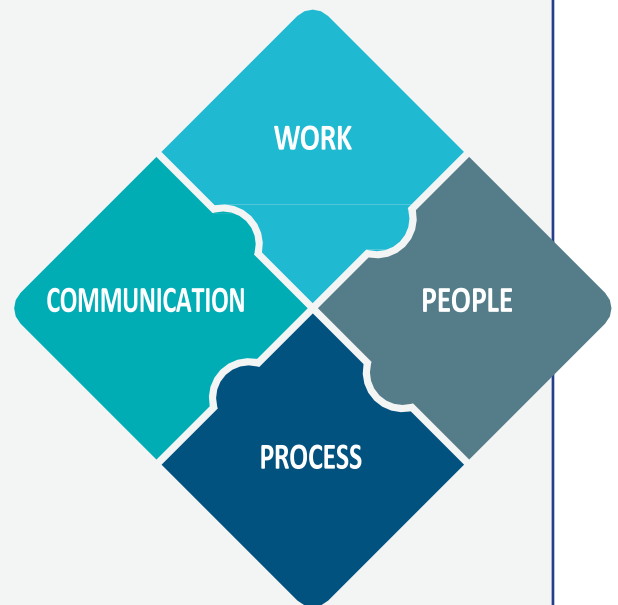
### ***OIG Initiatives to Enhance and Promote Agile Oversight and Continuous Improvement***

Beginning in 2023, the new Inspector General initiated a series of change initiatives, which we referred to as the "OIG Refresh." Going forward, we want to build on our successes and continue to enhance our oversight services, policies, and processes. We also want to ensure we are providing maximum value to a wide range of stakeholders by creating new work products and increasing other oversight services that demonstrably promote efficient and effective use of LSC funds.



## 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.



### Our FY 2026 budget request would support the following oversight products and services that align with our strategic goals:

- 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 capabilities over core LSC activities, such as LSC's core grant monitoring activities. We would also conduct assessments of information technology management and cyber security risks at LSC and its grantees.
- Increasing the number of grantee-focused internal control audits, which determine whether policies and processes are in place to support efficient and effective use of LSC funds. These audits make recommendations for corrective actions and often identify questioned costs.
- Enhancing our investigative capacity to agilely assess and report on fraud vulnerabilities and share best practices for fraud prevention among grantees—while never losing sight of working an active portfolio of investigative cases and partnering with law enforcement to hold wrongdoers accountable. Our proactive efforts would include expanding our new Fraud Prevention Review (FPR) program to additional LSC grantees. FPRs are proactive fraud assessments of higher risk LSC grantees. We would also enhance our program of fraud awareness briefings and training sessions to ensure that LSC grantees are aware of—and understand—common fraud schemes and ways to prevent wasteful spending. All of this would align with our comprehensive Fraud Prevention Strategy, which we issued in June 2024.

- Expanding our data analytics capabilities to improve risk-based analyses of LSC programs and operations to proactively inform stakeholders about emerging issues in LSC's and grantees' operating environments. Data analytics would also help inform our audit and investigative plans and priorities and target our efforts on emerging risks or vulnerabilities.
- Building on communications improvements. After recently completing a comprehensive overhaul of our OIG website (see <https://www.oig.lsc.gov/>), we would continue 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. This would include expanded use of webinars and training sessions to communicate our insights to a broader range of stakeholders.
- Enhancing our existing productive relationship with the U.S. Government Accountability Office (GAO) Center for Audit Excellence to provide high-quality training, mentoring and professional development, as well as policy and process improvement support.
- 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.

### ***Recent Accomplishments: Promoting Effective Governance and Preventing Fraud***

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 help provide greater assurance to Congress, the Board of Directors, and the public that taxpayer dollars are 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 2025 through 2027* 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, People, Process, and Communication.
- *Positively impacting LSC's and grantees' programs and operations.*
  - In FY 2024 we issued 67 grantee audit recommendations to improve their internal controls over LSC funds and closed 44 recommendations.
  - We oversaw and issued the FY 2024 LSC corporate financial statement audit. LSC received an unqualified opinion on the audit.
- *Enhancing our focus on LSC's administration of key programs* by conducting performance audits (1) on 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 and disseminating information to help grantees improve their fiscal stewardship.

- We reviewed annual financial statement audits of 130 LSC grant recipients issued by Independent Public Accountants (IPAs) and during FY 2024 we referred 28 significant findings to LSC management for corrective action. We actively monitor how LSC addresses our referrals.
  - We issued three audit reports focusing on the adequacy of three LSC grantees' internal controls, particularly with respect to their financial operations.
  - We issued a summary report on common findings and recommendations from our Quality Control Reviews (QCRs) of the IPA firms that conduct the congressional mandated financial statement audits of LSC grantees. The aim is to help improve the quality and rigor of their audit activities. We also hosted a virtual presentation for IPAs and grantees, which attracted over 180 attendees.
- *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 three recovery referrals to LSC management totaling \$1,653,908, one regulatory referral, one employee resignation, and a partial suspension of a grant.
    - We obtained a questioned cost determination totaling \$165,214.
    - We obtained financial adjustments at two LSC grantees totaling \$20,953 for misuse of the program credit card and improper purchases of meals, and a repayment to an LSC grantee totaling \$20,800 for improper student loan reimbursements.
    - We opened 40 investigative cases, closed 33 investigative cases, and issued 28 investigative reports during FY 2024 involving a variety of criminal and regulatory matters.
    - We maintained the nation-wide 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 providing practical information on how to respond to such risks. In FY 2024 we issued seven 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 Cyber Security Resources webpage to help increase grantees' awareness of developing trends that may pose a risk to their operations and to LSC funds including forward thinking alerts to include *Avoiding Artificial Intelligence Schemes in Civil Legal Aid*.

- We presented at LSC's OIG at LSC's Innovations in Technology Conference 2024 (ITC 24) to inform attendees how LSC grantees are targeted and highlight best practices to strengthen their cyber security environments.
- We presented nine Cybercrimes Awareness Briefings to promote awareness of our insights about cyber risks.
- Based on our IT Vulnerability Assessment Program, we issued a summary report highlighting prudent actions that grantees can take to avoid becoming victims of cyber-attacks.

### ***By the Numbers: Additional Resources for OIG Oversight***

This \$6.2 million<sup>1</sup> request level is needed to provide robust OIG oversight of fiscal and programmatic activity within LSC and its recipient network of 130 grantees. In recent years, funding for LSC management and the grant recipients has significantly increased, while the OIG has not received commensurate increases.

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.

Since FY 2017, the overall LSC appropriation has grown by \$174.3 million (45%),<sup>2</sup> including a Management and Grants Oversight (MGO) increase of \$7.2 million (38%), while the OIG line has increased \$700,000 (14%). Additionally, Congress appropriated a total of \$60 million to LSC 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 additional funding to oversee LSC's natural disaster-related or pandemic expenditures.

### ***Conclusion: Enhancing Our Oversight Potential in FY 2026***

We remain committed to ensuring that we provide independent, objective, and fact-based insights that help safeguard LSC funds and facilitate efficient and effective management and Board governance. Our requested appropriation for FY 2026 will enable us to enhance the amount and impact of our agile oversight efforts while maintaining our critical watchdog functions, including those related to fraud prevention and detection.

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

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<sup>1</sup> In FY 2023 and FY 2024 the OIG's appropriation was \$5.7 million.

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