

Fraud Prevention Review

Neighborhood Legal Services Association
(Pennsylvania)
RNO 339060

Report No. 24-0068-A-FV
March 2024



OFFICE OF INSPECTOR GENERAL
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Introduction to Fraud Prevention Reviews

The Office of Inspector General (OIG) for the Legal Services Corporation (LSC) periodically conducts and reports on Fraud Prevention Reviews (FPRs) at LSC grantees, as time and resources allow. The aim is to proactively identify potential financial and regulatory vulnerabilities that could result in fraud, waste, or abuse, if not addressed. We report on vulnerabilities and offer suggestions to help the grantee address any risk(s) we identified. As warranted, we also highlight good practices during an FPR that other LSC grantees could consider adopting to mitigate fraud risks. FPRs are agile oversight reviews that are focused on *prevention* of fraud, waste, and abuse.

During FPRs, the OIG conducts informational interviews and focused document reviews of grantee's financial transactions, including accounting, travel, credit cards, payroll, and office expenditure records. The OIG also reviews grantee internal policies and procedures used to protect against fraud.¹ The FPR focuses on fiscal and regulatory areas considered high-risk or prone to fraud, waste, and abuse. If the OIG identifies indications of actual fraud or noncompliance during an FPR, then the OIG will initiate a separate inquiry and conduct investigative activities as appropriate. In the interest of exercising due professional care as called for in federal OIG investigative standards, any such investigative inquiry will not be documented in an FPR report.

In keeping with our mission to promote good fraud prevention practices and transparency, the OIG places completed FPR reports on our OIG website. These reports are available to our key stakeholders and the public and are meant to be a resource for LSC grantees conducting risk assessments or reviewing internal policies.

The FPR of Neighborhood Legal Services Association

The report provides a summary of an FPR conducted at Neighborhood Legal Services Association (NLSA) in Pennsylvania, which is one of 130 grantees that LSC currently funds to provide civil legal aid to low-income Americans. The areas reviewed during the FPR were

¹ The OIG conducts FPRs in accordance with OIG internal policy that aligns with the Council of the Inspectors General on Integrity and Efficiency (CIGIE) Quality Standards for Federal Offices of Inspector General (Silver Book). The suggestions we report on are not considered to be formal recommendations for corrective action.



discussed with NLSA management and are detailed in this report along with any responses the OIG received from NLSA.

In 2023, NLSA received over \$8 million in combined LSC grant funds and non-LSC funding. In addition to the NLSA headquarters office located in Pittsburgh, Pennsylvania, NLSA has two other offices in the state. Below is NLSA's reported 2023 staffing and funding data:

NLSA 2023 Staffing and Funding Data		
Staffing	LSC Basic Field Grant Funding	Other (non-LSC) Funding
81	\$2,200,219	\$5,828,034

Suggestions for NLSA and Good Practices Other Grantees Could Consider Adopting

The OIG offered NLSA suggestions to address potential fraud risks at their program. In addition, other LSC grantees may consider replicating the following suggestions and good practices employed by NLSA in their efforts to prevent and detect fraud, waste, and abuse. We appreciate the cooperation of NLSA managers and staff as we conducted our FPR and appreciate their receptiveness to our suggestions. We conducted this review in March 2024.

For a chart of all the good practices discussed in this report, see [Appendix A: List of All OIG Fraud Prevention Practices Identified During FPR at NLSA.](#)

Explanation of Fraud Prevention Suggestions and Good Practices Identified by OIG

Credit Card Purchases. The NLSA policies on credit cards are located in the grantee's Financial Policies Manual. This manual was in draft form at the time of our review, as NLSA was in the process of updating its fiscal policies.



- Regarding credit card policies, the OIG informed NLSA of the LSC requirement for grantees to have guidelines on cash advances and ATM withdrawals. The OIG suggested NLSA establish guidelines that prohibit cash advances unless there is a business need and also suggested removing the availability for cash advances.
- The OIG suggested NLSA require employees to document a business purpose for all transactions in order to validate expenses are allowable.
- The OIG suggested that NLSA document the appropriate allocation code during the reconciliation process and also suggested that NLSA reference section 3.7.3, Disallowed Costs, of the [LSC Financial Guide](#) in order to inform employees regarding what purchases are not permitted with LSC funds.

Client Trust. The OIG suggested that NLSA ensure that every client who provides funds to NLSA receives a receipt. The OIG also suggested that NLSA only use one receipt book dedicated to providing clients with receipts.

Information Technology (IT) and Cybersecurity Review. NLSA possesses cyber insurance coverage and was developing a draft cyber incident response plan (CIRP), both good practices for responding to cyber incidents.

- The OIG suggested that NLSA's CIRP discuss the scope of their cyber insurance coverage in the case of a cyber incident. The OIG also suggested that their CIRP should describe specific actions that should be taken in the event of an attack. The OIG provided NLSA with its [Fraud Advisory](#) on CIRPs.
- The OIG suggested that NLSP include a banner when employees open their computers to indicate that there is no expectation of privacy as they use NLSP computers.

Capital Purchasing and Vendor Review. NLSA's procurement policies discussed potential concerns with conflict of interest, and this is considered a good practice for fraud prevention. The OIG suggested NLSA define "immediate family" in their procurement policies regarding conflict of interest.

- The OIG noted that the NLSA procurement policies do not require competitive bids/cost analysis for procurement actions under \$5,000. The OIG suggested that some level of cost comparison or competitive pricing analysis should be considered, even for purchases under \$5,000. The OIG also noted that NLSA policies state that "some form" of price or cost analysis should be performed for procurement actions over \$5,000 but



under \$10,000. The OIG suggested that the policy go into greater detail as to what type of analysis should be performed for purchases over \$5,000.

Bank Reconciliations. The OIG suggested that [positive pay](#)² would be an option to ensure that NLSA's bank does not negotiate any checks unless the check number, payee, and amount provided to the bank by NLSA agrees with the same information appearing on the negotiated check.

Annual Leave Requirement for Staff with Fiscal Responsibilities. The OIG promotes rotating accounting duties and requiring employees with accounting responsibilities, including the Executive Director (ED), to take extended leave (at least one-week duration) each year as a safeguard to prevent and detect fraud. NLSA's new Accounting Manual did not include an annual leave requirement policy for those employees involved in accounting duties. The OIG suggested that NLSA include an annual leave requirement policy in their new accounting manual for these employees.

Review and Approval of Executive Director's Expenditures. Review by the NLSA Board of Directors of ED expenditures is a good practice to promote transparency, integrity, and accountability. The OIG suggested that the ED provide the entire board with at least a quarterly summary of her expenditures. The NLSA ED indicated that she would consider preparing a quarterly report for the entire Board and updating the Financial Policies Manual to include the most current NLSA practice.

LSC Investment Requirements and Guidance (LSC [Program Letter 23-1](#)). The OIG's review of NLSA's Federal Deposit Insurance Corporation (FDIC) insurance limit showed that NLSA consistently had a balance in noninterest-bearing accounts that exceeded the FDIC insurance limit. NLSA informed the OIG it would be looking into starting a sweep account³ which would give NLSA the assurance that all funds were invested in fully insured accounts.

Outside Practice of Law.⁴ The OIG suggested NLSA implement an outside practice of law (OPL) request form for each employee for permitted compensated and uncompensated OPL

² Positive pay allows a company and its financial institution to work together to detect check fraud by identifying items presented for payment that the company did not issue. Positive pay enables the bank to review checks presented for payment and compare them against a supplied list of checks issued.

³ A sweep account is an account held pursuant to a contract between an insured depository institution and its customer involving the prearranged, automated transfer of funds from a deposit account to either another account or investment vehicle located within the depository institution (internal sweep account), or an investment vehicle located outside the depository institution (external sweep account).

⁴ Outside practice of law means the provision of legal assistance to a client who is not receiving that legal assistance from the employer of the full-time attorney rendering assistance.



and to develop an additional notification form when the OPL is completed.⁵ The OIG discussed its [fraud advisory](#) on outside practice of law and employment, which contains additional resources provided by the OIG and LSC for policy drafting and fraud prevention.

Outside Employment Policy Drafting Guidance (LSC [Program Letter 18-1](#)). The OIG suggested NLSA include in their outside employment policy a requirement that full time employees notify their managing attorney or supervisor when requesting outside employment (OE). The OIG suggested that the OE request should include the name of the secondary employer, description of job duties, and hours and length of employment. The OIG suggested NLSA add language to their policy that employees may not perform OE during NLSA scheduled work hours. The OIG also suggested NLSA develop an OE form similar to the one suggested for OPL that tracks requested OE and NLSA's approval/denial of the requests.

45 CFR Part 1640 Application of Federal Laws to LSC Recipients.⁶ The OIG found that NLSA's anti-fraud policy reflected a good practice but suggested adding language to report suspected fraud to the OIG Hotline as required by [LSC Grant Terms and Conditions](#). The OIG also determined that the NLSA Personnel Policy does not include reference to Part 1640 and suggested adding it. The OIG also suggested an annual reminder to all staff and the NLSA Board related to Part 1640.

Conflict of Interest, Whistleblower, and Nepotism Policies (LSC [Program Letter 20-1](#))⁷. NLSA does not have a nepotism policy. The OIG suggested NLSA adopt a nepotism policy. In addition, the OIG suggested the policy should define what constitutes a family member relationship. The OIG suggested adding to the NLSA conflict of interest policy the requirement of all staff to disclose any direct or indirect personal interest through the conflict-of-interest questionnaire and not limit it to only board members and managers. The OIG suggested that NLSA remind its staff and Board of the whistleblower, nepotism, and conflict of interest policies at least on an annual basis.

⁵All LSC grantees are required to adopt written policies that are consistent with 45 CFR Part 1604 governing the outside practice of law by full-time attorneys. The grantee's policies may permit outside practice of law by full-time attorneys, only to the extent allowed by Part 1604, but may impose additional restrictions, as necessary, to meet the grantee's responsibilities to clients.

⁶ Part 1640 is meant to ensure that grantees use LSC funds in accordance with Federal law related to the proper use of Federal funds. Part 1640 provides notice of the consequences of a violation of such Federal laws by a grantee, its employees or board members. The grantee must certify that they have informed their employees and board members about these laws and the individual and organizational consequences of violating them.



Response from NLSA

We thank NLSA leadership and staff for the courtesies extended to us during the FPR. See Appendix B for NLSA's response to the suggestions provided in the FPR. The OIG received NLSA's response on June 4, 2025.

Appendix A

Fraud Prevention Good Practices Identified During the NLSA FPR	
<i>Credit Card Purchases</i>	Create an authorized user form for credit card holders to acknowledge, through signature, the credit card policies.
<i>Credit Card Purchases</i>	Credit card policies should include a section detailing expenses that may not be charged to LSC, such as penalties, fines, late fees, alcoholic beverages, flowers, and gifts.
<i>Credit Card Purchases</i>	Document business purpose for all transactions.
<i>Credit Card Purchases</i>	Grantee guidelines should not allow cash advances unless there is a business need and suggested removing cash advance availability as a best practice.
<i>IT and Cybersecurity</i>	Include a banner when employees open their program issued computers to indicate that there is no expectation of privacy.
<i>IT and Cybersecurity</i>	Provide details in the cyber incident response plan of specific actions to be taken in the event of an attack.
<i>Capital Purchasing and Vendors</i>	Define "immediate family" in the policy.
<i>Capital Purchasing and Vendors</i>	Require some level of cost comparison or competitive pricing analysis be performed, even for purchases under \$5,000.
<i>Capital Purchasing and Vendors</i>	Include more detail as to what type of analysis should be performed for purchases over \$5,000.
<i>Bank Reconciliations</i>	Use positive pay with bank accounts to prevent check fraud.
<i>Annual Leave Requirement for Staff with Fiscal Responsibilities</i>	Include an annual leave policy for employees with accounting responsibilities, including the ED, to take extended leave (at least one-week duration) each year.



<i>Review and Approval of ED's Expenditures</i>	Consider providing the entire board with a summary of the ED's expenditures.
<i>FDIC Insurance</i>	Use sweep accounts to ensure that program funds are invested in fully insured accounts.
<i>Outside Practice of Law</i>	Consider requiring separate forms for compensated and uncompensated OPL and an additional form when the OPL is completed.
<i>Outside Employment</i>	Include in the policy detailed practices related to outside employment risks such as prohibiting outside employment that conflicts with program operations.
<i>Outside Employment</i>	Develop an OE form similar to the one suggested for OPL that tracks requested OE and NLSA's approval/denial of the requests.
<i>Part 1630 Cost Standards and Procedures</i>	Include in your purchasing policy guidance from LSC's Financial Guide on disallowed costs.
<i>Part 1640 Application of Federal Laws to LSC Recipients</i>	Provide an annual reminder to all staff and the NLSA Board of Directors related to Part 1640 and notice of the consequences of a violation of such Federal laws by a grantee, its employees or board members.
<i>Conflict of Interest, Whistleblower, and Nepotism Policies.</i>	Include a nepotism policy, either separately or within the conflict of interest policy, that includes language that no NLSA employee or Board member may make, participate in, or attempt to influence employment or other business decisions involving a family member or pressure or cause others to do so.
<i>Fraud, Waste, and Abuse Policy</i>	Anti-fraud policies are a best practice. The OIG suggested adding language related to reporting suspected fraud to the OIG Hotline as required by LSC Grant Terms and Conditions.



Appendix B

Grantee Response



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NEIGHBORHOOD LEGAL SERVICES

Because Justice is for All

██████████
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Legal Services Corporation
Office of Inspector General, Investigations
██████████
████████████████████

Dear ██████████,

On behalf of Neighborhood Legal Services Association, I would like to thank you and the other OIG staff who visited NLSA for a productive and helpful fraud prevention review. We are very appreciative of the exceptional professionalism of the OIG staff and courtesy you all extended to us during your visit. I particularly appreciated that OIG staff not only looked at our current policies, but took the time to look the policy revisions we were drafting and offered suggestions to improve those proposed policies. This was very helpful to us as we review and update our policies. I have read through the report, and offer the following responses to the changes you suggested:

Credit Card Policies

NLSA agrees that NLSA policy should prohibit using company credit cards for cash advances or ATM withdrawals. We have included this prohibition in the new Accounting Manual our board approved in October. A copy of that policy is attached to this letter. We have also removed the cash advance option from the company credit cards.

NLSA agrees that all credit card transactions should have a documented business purpose. This is our current policy, and we will work to ensure that all employees with a company credit card are aware of the policy and documenting the business purpose.

NLSA agrees that NLSA should document the appropriate allocation code during the reconciliation process and use section 3.7.3, Disallowed Costs, of the [LSC Financial Guide](#) in order to inform employees regarding what purchases are not permitted with LSC funds. NLS will provide training for employees regarding allowable costs.

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1-866-761-6572



412-355-0168



WWW.NLSA.US

Client Trust

NLSA will ensure that every client who provides funds to NLSA receives a receipt. This is the current policy in our revised accounting manual. NLSA currently uses two receipt books for client funds because the employees who are responsible for accepting client funds are in different locations and have different schedules. NLSA will revise our processes for receiving client funds in order to consolidate all our client fund receipts into one book.

Information Technology (IT) and Cybersecurity Review

NLSA now has a cyber incident response plan (CIRP) in our technology policy. A copy of the plan is attached to this letter. In December of 2024, we hired a managed service provider (MSP) to provide all of our tech services. We are working with the MSP to review and revise our technology policies. NLSA will include a discussion of our cyber insurance coverage in our revised CIRP.

NLSA will work with our MSP to include a notice when employees open their computers that there is no expectation of privacy when they use NLSA equipment.

Capital Purchasing and Vendor Review

NLS agrees with the changes suggested for the purchasing policy. NLS will amend its purchasing policy to include a definition of immediate family members covered by our conflict of interest policy.

NLS will amend its policy to provide more detail regarding the purchasing analysis and factors for purchases between \$5,000 and \$10,000.

Bank Reconciliations

NLS has implemented positive pay for its checking accounts.

Annual Leave Requirement for Staff with Fiscal Responsibilities

Although this requirement is a practice at NLSA, it is not codified in the NLSA accounting manual. NLSA will revise its Accounting Manual to include a policy requiring staff with accounting duties to take five consecutive days of leave.

Review and Approval of Executive Director's Expenditures

NLSA's Executive Director will prepare quarterly summaries of her expenses for the Board of Directors.

LSC Investment Requirements and Guidance

NLSA is in the middle of moving to new accounting software. Once that software is in place, NLSA will work on creating a sweep account.

Outside Practice of Law

NLSA will create a form for attorneys requesting the outside practice of law. NLSA will also create a second form for attorneys to use when the outside practice of law is completed.

Outside Employment Policy Drafting Guidance

NLSA agrees that NLSA should have an outside employment policy that requires full time employees to notify their supervisor when requesting outside employment, including the name of the secondary employer, description of job duties, and hours and length of employment. NLS will work to draft an appropriate policy with a form for employees track outside work approvals.

45 CFR Part 1640 Application of Federal Laws to LSC Recipients

NLSA will amend its anti-fraud policy to include language encouraging employees to report suspected fraud to the OIG hotline. NLSA will also add a section on 45 CFR Part 1640 to its personnel manual. NLSA already conducts a yearly training on LSC regulations every fall, which includes the provisions of Part 1640.

Conflict of Interest, Whistleblower, and Nepotism Policies

NLS does have a nepotism policy, which is attached to this letter. However, this policy has not been updated for many years and is not easily accessible to employees. NLS will work to revise the policy to include the appropriate definitions. NLSA will add the nepotism, whistleblower, and conflict of interest policies to our yearly training on the LSC regulations. However, NLSA believes that requiring every staff member to fill out the conflict of questionnaire on an annual basis is both unduly burdensome, and unnecessary as there are practically no staff outside the managers and fiscal staff who are able to sign contracts or authorize purchases.

Once again, thank you for all the hard work that the OIG office put into this review. We genuinely appreciate the opportunity to strengthen our policies and practices in order to prevent potential fraud.

Sincerely,



I. Kristine Bergstrom, Esq.
Executive Director