

Fraud Prevention Review

Bay Area Legal Services (Florida)

RNO 610050

Report No. 24-0074-A-FV

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OFFICE OF INSPECTOR GENERAL

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LEGAL SERVICES CORPORATION

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Introduction to Fraud Prevention Reviews

The Office of Inspector General (OIG) for the Legal Services Corporation (LSC) periodically conducts 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 Bay Area Legal Services

The report provides a summary of an FPR conducted at Bay Area Legal Services (BALS) in Florida, 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 discussed with BALS management and are detailed in this report along with a response the OIG received from BALS.

In 2023, BALS received over \$14 million in combined LSC grant funds and non-LSC funding.

¹ The OIG conducts FPRs in accordance with OIG internal policy that aligns with the Council of the Inspectors General for 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.



In addition to the headquarters office located in Tampa, FL, BALS has nine offices in the state of Florida. Below is BALS's reported 2023 staffing and funding data:

Bay Area Legal Services 2023 Staffing and Funding Data		
Staffing	LSC Basic Field Grant Funding	Other (non-LSC) Funding
140	\$5,204,754	\$9,215,333

Suggestions for BALS and Good Practices Other Grantees Could Consider Adopting

The OIG offered BALS 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 BALS in their efforts to prevent and detect fraud, waste, and abuse. We appreciate the cooperation of BALS managers and staff as we conducted our FPR and appreciate their receptiveness to our suggestions.

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

Explanation of Fraud Prevention Suggestions and Good Practices Identified by OIG

Credit Card Purchases. BALS' Credit Card Policies are located within the BALS Accounting Manual. The policy details that credit cards are utilized for purchases such as court fees, online purchases, and other purchases that require payment to be processed with a credit card.

- The OIG noted BALS' policy regarding credit cards as a good practice in that it clearly indicates that personal use, cash advances, and ATM withdrawals are strictly prohibited. Any disallowed charges will be immediately reimbursed by the cardholder.



- The OIG suggested that BALS indicate in their credit card policy specific employees and/or job titles that are assigned a credit card.
- The OIG suggested that BALS add to the credit card policy examples of disallowed charges such as alcohol, gifts, late fees, and holiday cards. For more information on LSC's unallowable expenses, see LSC Financial Guide section 3.7.3 Disallowed Costs.
- The OIG suggested that BALS add the following guidance from the LSC Financial Guide section 3.2.4.c Credit and Debit Card Purchases to their credit card policy:
 - Properly document any deviations from the credit card policy, such as instructions on missing receipts, exigent circumstances may allow for purchases without the approval for certain threshold levels, and define deadlines for submitting documentation and reconciliation when using grantee credit and debit cards.
- The OIG also stressed the importance of a third-party reviewer's ability to trace transactions and identify which of BALS' grants paid for the cost, and if a shared cost, the percentage paid by each grant.

Cybersecurity Review. BALS does not have a computer banner, but they do have an equivalent written policy for employees. The OIG suggested that BALS include a banner when employees open their computers to state that there is no expectation of privacy as they use BALS computers.

- The OIG suggested that BALS ensure that a security risk assessment is conducted annually and that they adopt a cyber incident response plan and properly train staff that will have responsibilities under the plan.²
- The OIG informed BALS that their practice of having weekly phishing email tests for payroll staff was a good practice to ensure staff are properly trained in payroll cybersecurity risks.

Capital Purchasing and Vendor Review. BALS' procurement policies indicate that any single purchase of personal property and non-contracted services for less than \$25,000 is to be

² See Section 2.5.3 Electronic Data Processing and Cybersecurity, of the LSC Financial Guide for grantee cybersecurity requirements and best practices.



reasonable and necessary. Written quotes are not expressly required for this level of purchase, but BALS may seek internet comparisons and obtain verbal and written quotes.

The OIG suggested that BALS consider lowering their threshold level for purchases. The threshold is currently set at \$25,000, and no bids are required prior to purchase.³ The OIG believes this threshold level for competitive pricing is significantly higher than most LSC grantees as BALS obtains quotes for goods and services. The accounting department for BALS assured the OIG that even though bids are not required for purchases below \$25,000, BALS does request bids or reviews on-line quotes in an informal manner to ensure BALS receives the best value. To ensure receipt of best value and reduce risk, the OIG suggested BALS lower its dollar threshold level for competitive pricing and incorporate the practice of obtaining and documenting the use of informal quotes into BALS' policy.

Bank Reconciliations. BALS uses the [positive pay](#)⁴ feature with their bank and BALS accounting staff perform a monthly reconciliation of the bank statement. The BALS process is a good practice for fraud prevention and is helpful in identifying checks that are outstanding, lost, or misplaced and if a replacement check is required.

Annual Leave Requirement for Staff with Fiscal Responsibilities. The OIG promotes rotating accounting duties and requiring employees with fiscal responsibilities to take extended leave (at least one-week duration) each year as a safeguard to prevent and detect fraud. The BALS Accounting Manual does include an annual leave requirement policy requiring that "each finance employee is required to take at least one complete week of leave per year." The OIG suggested that BALS amend this policy to also require the Executive Director (ED) to take at least one complete week of leave per year.

Review and Approval of Executive Director's Expenditures. The BALS ED's expenditures are reviewed by a member of the BALS Board of Directors (Board). Board review of ED expenditures is a good practice to promote transparency and accountability. The OIG suggested that the ED provide the entire Board with at least a quarterly summary of her expenditures.

³ See additional guidance from LSC related to approval threshold levels as well as other contracting policy guidance, [Procurement Policy Drafting 101: Guidance for LSC Grantees | LSC - Legal Services Corporation: America's Partner for Equal Justice](#).

⁴ 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.



LSC Investment Requirements and Guidance (LSC [Program Letter 23-1](#)). The OIG's reviewed BALS compliance with the Federal Deposit Insurance Corporation (FDIC) insurance limit and with LSC investment policies. OIG's review disclosed that BALS' use of a sweep account⁵ at the bank used for its operating account is a good practice. The OIG's review of the BALS investment account disclosed that BALS funds were invested in accounts of \$250,000 or less at various FDIC insured banks.

Outside Practice of Law.⁶ The OIG provided BALS with best practices for detecting the Outside Practice of Law (OPL) if they suspected an attorney was engaging in unauthorized OPL. The OIG informed BALS that its policies to require separate forms for compensated and uncompensated OPL and an additional follow-up form were good practices.⁷

Outside Employment Policy Drafting Guidance (LSC [Program Letter 18-1](#)). The OIG informed BALS that its use of Outside Employment (OE) forms and its requirement to inform staff of the policy upon hire and on a yearly basis were good practices for overseeing OE.

45 CFR Part 1640 Application of Federal Laws to LSC Recipients.⁸ BALS was not substantially familiar with the requirements of Part 1640. The OIG provided BALS with a copy of the Federal laws and suggested that BALS provide notification to program employees and board members via email. The OIG suggested that BALS add this notification requirement to their onboarding and compliance training. The OIG also suggested that BALS add this requirement to its written compliance policies.

Grant Terms and Conditions #17 – Fraud Prevention Obligations and Procedures

⁵ 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).

⁶ 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.

⁷ All 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.

⁸ 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.

The BALS Accounting Manual currently requires that the OIG be notified of any loss of \$200 or more. The BALS policy does not reflect the updated requirements of LSC Grant Terms and Conditions #17, which requires LSC grantees to report any loss to the OIG. The OIG suggested that BALS revise the policy in its Accounting Manual to reflect the current requirements of LSC Grant Terms and Conditions #17.

Payroll Review. As part of the payroll review, the OIG inquired about the process for changing an employee's direct deposit information and validating the requested change. BALS informed the OIG that upon a direct deposit change, both the employee and the Human Resources (HR) staff are notified that a change has been made. Having the payroll system directly notify the employee and the administrative staff of payroll changes is a good practice to prevent fraud such as cyberattacks aimed at diverting payroll direct deposit payments.

45 CFR Part 1627 Subgrants. Part 1627 establishes requirements for subgrants of LSC funds from grantees to third parties. During the FPR, the OIG identified a good oversight practice. BALS conducts approximately four in-person visits per year at each of its two LSC approved subgrantees. The visits are conducted by BALS staff members and include training, case file reviews, and compliance checks.

45 C.F.R. Part 1629 Fidelity Bonding. Part 1629 requires that any program receiving LSC funds carry a minimum amount of fidelity bond coverage, and that the fidelity bond covers all employees, Board members, and volunteers. OIG's review disclosed that the BALS policy does not appear to include coverage of Board members. The OIG suggested that BALS work with their insurance provider to ensure Board member coverage.

Response from BALS

We thank BALS leadership and staff for the courtesies extended to us during the FPR. See Appendix B for BALS' response to the suggestions provided in the FPR. The OIG received BALS' response on September 10, 2025.



Appendix A

Fraud Prevention Good Practices Identified During the BALS FPR	
<i>Credit Card Purchases</i>	Indicate in the credit card policy that personal use, cash advances, and ATM withdrawals are strictly prohibited and that any disallowed charges will be immediately reimbursed by the cardholder.
<i>Credit Card Purchases</i>	Include in the credit card policy the names of the specific employees and/or titles that are assigned a credit card.
<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>	Include in the policy a specific timeframe for cardholders to submit individual statements and require documentation for any deviations from the credit card policy.
<i>Credit Card Purchases</i>	Ensure credit card supporting documentation allows for third-party reviewers to trace transactions and identify which grant paid for the cost, and if a shared cost, the percentage paid by each grant.
<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>	Ensure that a security risk assessment is conducted annually and that the grantee adopts a cyber incident response plan and properly trains staff that will have responsibilities under the plan.
<i>IT and Cybersecurity</i>	Conduct phishing email tests of staff with fiscal responsibilities including payroll.
<i>Capital Purchasing and Vendors</i>	Ensure that the threshold level as you acquire bids is reasonable and fits your business risk model.
<i>Bank Reconciliations</i>	Use positive pay with bank accounts to prevent check fraud.
<i>Annual Leave Requirement for Staff with Fiscal Responsibilities</i>	Require 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>	Require a board member to review ED expenditure at least quarterly and 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 good practices related to outside employment risks such as prohibiting outside employment that conflicts with program operations.
<i>Outside Employment</i>	Require staff to receive prior approval for outside employment through the submission of a form and inform staff of the prior approval requirement upon hire and annually.
<i>Part 1640 Application of Federal Laws to LSC Recipients</i>	Consider adopting an anti-fraud policy that includes language related to reporting suspected fraud to the OIG Hotline as required by LSC Grant Terms and Conditions and informing staff of Part 1640 requirements.
<i>Payroll</i>	Have your payroll service automatically notify the employee and HR staff when a request is made to change an employee's direct deposit information in order to prevent and detect cyberattacks aimed at diverting payroll direct deposit payments.
<i>45 CFR Part 1627 Subgrants</i>	Conduct periodic in-person visits of subgrants that include training, case file reviews, and compliance checks.
<i>45 CFR Part 1629 Fidelity Bond</i>	Ensure that the grantee's fidelity bond covers all employees, Board members, and volunteers.



Appendix B

Grantee Response



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Re: Bay Area Legal Services' Response to Report No. 24-0074-A-FV

On behalf of Bay Area Legal Services (BALS), we appreciated the Fraud Prevention Review visit looking at our practices and policies along with the cyber and fraud awareness presentation to staff. We have reviewed the report and have the following responses in suggested areas:

Credit Card Purchases

The OIG suggested that BALS indicate in their credit card policy specific employees and/or job titles that are assigned a credit card. **Response:** BALS will add the position titles for the credit card holders with the next accounting manual update.

The OIG suggested that BALS add to the credit card policy examples of disallowed charges such as alcohol, gifts, late fees, and holiday cards. **Response:** BALS will include a statement under the credit card section of the accounting manual to refer back to the LSC disallowed cost information noted in the cost allocation section of the manual.

The OIG suggested that BALS properly document any deviations from the credit card policy, such as instructions on missing receipts, exigent circumstances may allow for purchases without the approval for certain threshold levels, and define deadlines for submitting documentation and reconciliation when using grantee credit and debit cards. **Response:** BALS will include a statement that credit card receipts should be sent to fiscal within 7 days but not later than 45 days. Further, for missing credit card receipts BALS will document the known details/explanations which will then be approved by the relevant parties as per the normal credit card charge policy. If the charge is suspicious, we will follow the dispute process with the credit card company and follow BALS fraud reporting policies.

Cybersecurity Review

The OIG suggested that BALS include a banner when employees open their computers to state that there is no expectation of privacy as they use BALS computers. **Response:** BALS' IT department has implemented an interactive logon message which is controlled by a Window Active Directory Group Policy. Upon login, users must acknowledge the computer use policy before being able to continue.

The OIG suggested that BALS ensure that a security risk assessment is conducted annually and that they adopt a cyber incident response plan and properly train staff that will have responsibilities under the plan. **Response:** BALS has retained a third-party cyber security company. It performs an annual, comprehensive active/passive security assessment and provides a report identifying areas in need of improvement or remediation. BALS has completed security assessments in 2024 and 2025 and will continue to do so. BALS' IT has put in place a cyber incident response plan and keeps this plan current.

Capitol Purchasing and Vendor Review

The OIG suggested that BALS consider lowering their threshold level for purchases. The threshold is currently set at \$25,000, and no bids are required prior to purchase.[2] The OIG believes this threshold level for competitive pricing is significantly higher than most LSC grantees as BALS obtains quotes for goods and services. The accounting department for BALS assured the OIG that even though bids are not required for purchases below \$25,000, BALS does request bids or reviews on-line quotes in an informal manner to ensure BALS receives the best value. To ensure receipt of best value and reduce risk, the OIG

suggested BALS lower its dollar threshold level for competitive pricing and incorporate the practice of obtaining and documenting the use of informal quotes into BALS' policy. **Response:** BALS already has a policy for senior management review/approval of all expenditures over \$10,000, which would include reasonableness checks and discussions. We will review the policy in the coming months with regards to changes in the OMB policy thresholds.

Annual Leave Requirement for Staff with Fiscal Responsibilities

The BALS Accounting Manual does include an annual leave requirement policy requiring that "each finance employee is required to take at least one complete week of leave per year." The OIG suggested that BALS amend this policy to also require the Executive Director (ED) to take at least one complete week of leave per year. **Response:** In the next accounting manual update, BALS will add/include the CEO in the existing policy requiring the fiscal staff to take at least one-week leave duration. However, the CEO was already meeting the requirement in practice.

Review and Approval of Executive Director's Expenditures

The BALS ED's expenditures are reviewed by a member of the BALS Board of Directors (Board). Board review of ED expenditures is a good practice to promote transparency and accountability. The OIG suggested that the ED provide the entire Board with at least a quarterly summary of her expenditures. **Response:** In 2024, BALS CFO started providing a summary report of the CEO's expense reimbursements for the quarter to the BALS Board Finance and Audit Committee which is in accordance with the LSC Financial Guide section 2.5.1a Responsibilities of the Financial Oversight Committee(s). It is then the determination of the Chair of the Finance and Audit Committee if they choose to discuss during the full Board meeting.

45CFR Part 1640 Application of Federal Laws to LSC Recipients

The OIG suggested that BALS add this notification requirement to their onboarding and compliance training. The OIG also suggested that BALS add this requirement to its written compliance policies. **Response:** BALS has drafted a Policy Regarding Federal Criminal Laws and Reporting of Fraud Violations that will be implemented and shared with all staff. Shortly after the OIG Visit in May 2024, our LSC Compliance Attorney added additional information about the Application of Federal Laws to her LSC/LEP Training for New Hires.

Grant Terms and Conditions #17 – Fraud Prevention Obligations and Procedures

The BALS Accounting Manual currently requires that the OIG be notified of any loss of \$200 or more. The OIG suggested that BALS revise the policy in its Accounting Manual to reflect the current requirements of LSC Grant Terms and Conditions #17. **Response:** The BALS accounting manual was updated in 2024 to reflect the change to report any loss to the OIG.

45 C.F.R. Part 1629 Fidelity Bonding

Part 1629 requires that any program receiving LSC funds carry a minimum amount of fidelity bond coverage, and that the fidelity bond covers all employees, Board members, and volunteers. OIG's review disclosed that the BALS policy does not appear to include coverage of Board members. The OIG suggested that BALS work with their insurance provider to ensure Board member coverage. **Response:** BALS is in the process of obtaining fidelity bond coverage for Board members.