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LEGAL SERVICES CORPORATION

**OFFICE OF  
INSPECTOR GENERAL**

# OFFICE OF INSPECTOR GENERAL

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

## **Request:**

For FY 2021, the Office of Inspector General (OIG) is requesting \$5.6 million to continue providing comprehensive and effective oversight of the federal funds Congress provides to LSC. The OIG contributes to LSC's mission success by providing decision-makers with objective audits, investigations, and reviews aimed at strengthening governance and accountability and enhancing performance in LSC's and grant recipients' programs and operations.

## **Mission:**

The OIG was established under the IG Act of 1978, as amended, as an independent office to prevent and detect fraud, waste, and abuse, to promote economy, efficiency, and effectiveness in LSC and grantee programs and operations, and to review compliance with applicable laws and regulations. Since 1996, LSC's annual Congressional appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by Independent Public Accountants (IPAs) under the guidance of the OIG.

The OIG conducts audits, investigations, and reviews, as well as a variety of fraud prevention and outreach efforts, to protect and maximize federal taxpayer dollars invested in civil legal aid. While carrying out this work the OIG adheres to the audit and investigative standards of the Council of Inspectors General on Integrity and Efficiency (CIGIE) and other relevant governmental and professional organizations (including the Government Accountability Office).

## **Performance:**

The OIG request is \$300,000 more than the FY 2019 payment and will be used to increase OIG staff by two professional positions and to offset inflation. This amount is on par with increased funding and activity levels within LSC and its grant recipient network—placing more funds at risk—and will ensure proper OIG oversight. From FY 2017 to FY 2020, total direct federal funding to LSC has increased by \$54.7 million<sup>132</sup> to \$440 million; an additional \$30 million was provided in disaster-aid funding. In 2018, LSC grant recipients received approximately \$794 million in funding from non-LSC sources, an increase of approximately \$71 million from 2017.<sup>133</sup> The requested appropriation will enable the OIG to continue to help improve the integrity and accountability of LSC and its grant recipient programs and operations; LSC's recipient network includes 132 grantees in over 800 field offices in every U.S. state and territory.

### **In FY 2019 the OIG:**

- Audited controls over handling and use of LSC funds at grantees, providing 82 recommendations for grantee program and operational improvements via OIG grantee internal control audit reports.
- Reviewed 144 audits of LSC grant recipients and subrecipients issued by the IPAs, referring 48 significant findings to LSC for corrective action. Released a proactive Audit Bulletin on 2018 revisions to Government Auditing Standards.
- Provided oversight for the Corporation's 2018 financial statement audit. Continued IT vulnerability assessments of grant recipients' information technology networks.
- Completed 35 Quality Control Reviews (QCRs), assessing the quality of the grant recipient IPAs' audit work and provided an annual summary report. The QCR program is designed to assess all grant recipient IPAs' work over a four-year cycle, enabling the OIG to identify deficiencies in IPA work; advance IPAs' compliance with applicable standards and OIG guidance; and improve the overall effectiveness and quality of LSC grantee audits. The QCRs also have resulted in the OIG debarring four IPAs from performing LSC grantee audit work.
- Opened 41 and closed 60 investigations involving matters such as contract fraud, prohibited political activity, payroll fraud, time and attendance fraud, fraudulent travel claims, computer hacking, program integrity violations, unauthorized outside practice of law, diversion of prospective grantee clients for personal gain and other potential violations of LSC regulations.
- Cases arising from OIG investigations resulted in: one indictment; one guilty plea; the filing of two criminal charges (resulting in arrests during early FY 2020); one sentencing action; one personnel action resulting in termination; restitution orders totaling over \$20,500; \$10,727 in investigative questioned costs referred to LSC management; and an LSC management decision sustaining \$5,058 in investigative questioned costs from a previous referral.
- Conducted an active educational outreach and fraud prevention program, including: performing nine Fraud Vulnerability Assessments; nine Regulatory Vulnerability Assessments; four Fraud Awareness Briefings (FABs); and three FAB webinars for LSC recipients; and produced four grantee fraud advisories and online "Fraud Corner" articles to help prevent and minimize fraud, waste, and abuse.
- Since initiating the FAB program in 2009, the OIG has conducted 160 briefings for grantees and subgrantees in all 50 states, the District of Columbia, and five territories, as well as briefings for the LSC Board of Directors, LSC headquarters personnel, a presentation at a National Legal Aid and Defender Association annual conference, and nine webinars.

Overall, the work of the OIG reduces fraud, waste, and abuse and helps to ensure that LSC and its grantees are functioning as responsible stewards of taxpayer funds. These and other achievements are reported in the OIG's Semiannual Reports to Congress (<https://www.oig.lsc.gov/products/sar>).

### **Planned Activities:**

In FY 2021, guided by the *OIG Strategic Plan*, the OIG will use its continual risk assessments and annual work planning process to help allocate available OIG resources. The OIG will perform its statutory requirements, including activities furthering fraud prevention and detection, promoting economy and efficiency of LSC and its grant recipients, and oversight of the grantee audit process. The OIG will continue to respond timely to requests from the Congress, the Board of Directors, LSC management, and other interested parties.

A major component of the OIG's budget goes to the OIG's audit program, which carries out audits of LSC and grantee programs and operations, including the review of the LSC grant recipients' annual audits, covering financial statements, internal controls, and compliance with mandated restrictions and prohibitions. This appropriation will allow the OIG to continue its comprehensive audit quality control review program at a rate of 35 QCRs per year; assess the security of LSC and grantees' computer networks; and additional reviews of LSC, grant recipient, or subrecipient programs and operations. In addition, the OIG will continue to fund and oversee the annual audit of LSC's financial statements and issue updated audit guidance to recipients of LSC funds.

Also included in the budget is the OIG's investigative program. The OIG will conduct investigations of criminal and civil fraud committed against LSC and its grant recipients, and operate a national fraud, waste, and abuse reporting hotline. In addition, the OIG regularly conducts compliance investigations, administrative inquiries, fraud and regulatory vulnerability assessments, and fraud prevention briefings.

For FY 2021, the OIG is considering new or modified oversight programs, targeting high-risk operational areas for LSC and the grant recipients including the following OIG-identified LSC management challenge areas: performance management and accountability; grants management and procurement; governance and control systems; human capital management; and information technology management and security.

Further, the OIG will continue to improve effectiveness and efficiency in the operations of LSC and its grantees through its other reviews and advisories, and will provide comments on significant legislative, regulatory, management, and policy initiatives affecting LSC and grant recipients.

Internally, the OIG will continue to improve the effectiveness of its own operations by ensuring the recruitment and retention of a highly skilled, high-performing OIG workforce; the maintenance of secure technology systems; and the development of information management systems to facilitate the efficient and secure production of OIG work.

The request includes \$64,000 to satisfy foreseeable OIG professional training activities required to maintain the OIG professional credentials for FY 2021. The OIG also anticipates contributing \$17,000 to support the operations of the Council of the Inspectors General on Integrity and Efficiency.

In summary, the OIG requests \$5.6 million to effectively carry out its congressionally-mandated oversight activities and to help increase the efficiency and effectiveness of LSC's vital programs. The OIG greatly appreciates the continuing support of the Congress and the LSC Board as it carries out the Inspector General's mission at LSC.