



Office of Inspector General
Legal Services Corporation

Inspector General
Jeffrey E. Schanz

3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
202.295.1660 (p) 202.337.6616 (f)
www.oig.lsc.gov

July 9, 2015

Mr. Donald Isaac
Executive Director
Florida Rural Legal Services, Inc.
1321 East Memorial Blvd.
Lakeland, FL 33801

Dear Mr. Isaac:

Enclosed is the Office of Inspector General's (OIG) final report for our audit of Selected Internal Controls at Florida Rural Legal Services, Inc. The OIG has reviewed your comments on the findings and recommendations in the draft report. Your comments are included in the final report as Appendix II.

Grantee Management accepted the recommendations discussed in the report. The OIG considers the corrective actions proposed in the letter and the new and revised policies as responsive to the OIG's recommendations. However, the OIG considers all recommendations open until the FRLS's Board of Directors has approved all the new policies and policy enhancements stated in the response and notified the OIG of those changes.

We thank you and your staff for your cooperation and assistance.

Sincerely,

Jeffrey E. Schanz
Inspector General

Enclosure

cc: Legal Services Corporation
Jim Sandman, President

Lynn Jennings, Vice President
For Grants Management

Florida Rural Legal Services, Inc.
Mark A. Perry, Esquire
Board Chairperson

LEGAL SERVICES CORPORATION

OFFICE OF INSPECTOR GENERAL

FINAL REPORT ON SELECTED INTERNAL CONTROLS

FLORIDA RURAL LEGAL SERVICES

RNO 610020

Report No. AU 15-09

July 2015

www.oig.lsc.gov

TABLE OF CONTENTS

INTRODUCTION 1

BACKGROUND 1

OBJECTIVE 2

AUDIT FINDINGS 2

Contracting..... 2

Recommendation 1 4

Property and Equipment 5

Recommendation 2 5

Recommendation 3 5

Internal Reporting and Budgeting 6

Recommendation 4 6

Derivative Income 6

Recommendation 5 7

Employee Benefits 7

Recommendation 6 8

Recommendation 7 8

SUMMARY OF GRANTEE MANAGEMENT COMMENTS 9

OIG EVALUATION OF GRANTEE MANAGEMENT COMMENTS 9

APPENDIX I - SCOPE AND METHODOLOGY I

APPENDIX II - GRANTEE MANAGEMENT COMMENTS II

INTRODUCTION

The Legal Services Corporation (LSC) Office of Inspector General (OIG) assessed the adequacy of selected internal controls in place at the Florida Rural Legal Services, Inc. (FRLS or grantee) related to specific grantee operations and oversight. Audit work was conducted at the grantee's program administration office in Lakeland, FL and at LSC headquarters in Washington, DC.

In accordance with the Legal Services Corporation Accounting Guide for LSC Recipients (2010 Edition) (Accounting Guide), Chapter 3, an LSC grantee "...is required to establish and maintain adequate accounting records and internal control procedures." The Accounting Guide defines internal control as follows:

[T]he process put in place, managed and maintained by the recipients' board of directors and management, which is designed to provide reasonable assurance of achieving the following objectives:

1. safeguarding of assets against unauthorized use or disposition;
2. reliability of financial information and reporting; and
3. compliance with regulations and laws that have a direct and material effect on the program.

Chapter 3 of the Accounting Guide further provides that each grantee "must rely ... upon its own system of internal accounting controls and procedures to address these concerns" such as preventing defalcations and meeting the complete financial information needs of its management.

BACKGROUND

Florida Rural Legal Services, Inc. is a non-profit corporation established in 1966. Its mission is to provide free quality legal advice, representation and education for the indigent families and low-income elderly people in thirteen counties of South Central Florida. FRLS also provides legal assistance to migrant workers throughout the state of Florida.

FRLS currently has 7 offices, with a staff of 55, including 21 attorneys. FRLS helps its clients with legal problems in consumer, employment, public benefits and economic stability, housing, elder and farm-worker law. FRLS also provides services in such areas as civil rights and family law.

According to the audited financial statements for the grantee's year ended December 31, 2013, the total LSC and non-LSC grant and contract funding received by the grantee was \$6,054,949. Approximately 61 percent of FRLS' grant and contract funding was provided by LSC (\$3,664,385) and approximately 39 percent from non-LSC funding sources (\$2,390,564).

OBJECTIVE

The overall objective was to assess the adequacy of selected internal controls in place at the grantee for controls related to specific grantee operations and oversight, including program expenditures and fiscal accountability. The audit evaluated selected financial and administrative areas and tested the related controls to ensure that costs were adequately supported and allowed under the LSC Act and LSC regulations.

AUDIT FINDINGS

To accomplish the audit objective, the OIG reviewed and tested internal controls related to cash disbursements, credit cards, cost allocation, contracting, fixed assets, derivative income, employee benefits, general ledger and financial controls, payroll and internal reporting and budgeting.

In general, the grantee had adequately designed and properly implemented controls for most of the areas we reviewed. However, some controls needed strengthening while other controls needed to be formalized in writing. The following control areas detail where controls or policies need to be improved.

CONTRACTING

The OIG examined FRLS' contracting process during the audit period and determined that the grantee's contracting practices did not fully adhere to LSC guidelines and, in some instances, to the grantee's own contracting policies. In addition, although the grantee's contracting policies relating to competition and approvals appear adequate, they did not contain all the elements required by the *Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria)* contained in the LSC Accounting Guide.

Contracting Policies

FRLS' written contracting policies did not address the documenting of contract procedures and contract actions required to secure a contract. Their written policies also did not have procedures for documenting deviations from approved contracting processes, including documenting sole-source justifications, as required by the *Fundamental Criteria*.

FRLS' written contracting policies on competition appear adequate, stating that bids will be solicited whenever possible and where vendors are available and requires that three (3) bids will be solicited for contracts for 12 months or longer and purchases of \$5,000 or greater. However, the policies are inadequate in other respects. The policies do not identify the contracting procedures applicable to different types of contracts. In addition, the grantee's written policies do not provide guidelines for the handling of contracts that should receive additional oversight such as consulting, personal services and sole-

sourced contracts, including a requirement for retaining documentation supporting the process used for each contract action.

LSC's *Fundamental Criteria* stipulates that grantee policies should identify the contracting procedures applicable to various types of contracts and should identify the dollar value of contracts requiring competition. The *Fundamental Criteria* also requires that documentation supporting every contract action be maintained in a central file. In addition, as part of an internal control structure, each grantee must develop a written accounting manual that describes the specific procedures to be followed by the grantee to comply with the *Fundamental Criteria* and the LSC Accounting Guide, which require that financial controls be established to safeguard program resources.

Without detailed written procedures, there could be a lack of transparency and consistency in the application of the methodology, especially in cases of staff turnover. Approved, documented policies and procedures represent management's intentions on how processes are to be handled and also serve as a method to document the design of controls, communicate the controls to the staff and help the grantee ensure that proper controls are followed. Also, as a result of inadequate policies, we found the grantee did not maintain all required supporting contract documentation.

According to the grantee's Director of Finance, FRLS' written policies for contracting did not include all the elements of the *Fundamental Criteria* because of a management oversight. Management acknowledged the need for enhancements to written policies related to contracting practices in response to the OIG's recommendations.

Contracting Test Work

The OIG judgmentally selected six contracts for testing. The contracts were tested for adequate documentation, evidence of competition, evidence of receipt of deliverables, and proper approval. The OIG's testing of consultant contracts revealed the following:

- Consultant contracts 1 and 2 had no written contract or agreement.
- Consultant contracts 3 and 6 had no sole source justification documented for contracts awarded without competition.
- Consultant contract 4 was competitively bid, but did not have documentation support for the competition.

Description of Consultant Contract	Contract Value	Missing Required Documentation		
		Written Contract or Agreement	Evidence of Competition	Sole Source Justification
1 Consultant to assist in screening candidates for the Deputy Director position	Unspecified	x		
2 Consultant to assist in screening candidates for the Deputy Director position	Unspecified	x		
3 Fundraising Planner and Consultant	\$5000 plus expenses			x
4 Communication Consultant for Migrant Farm Workers	Maximum of \$9,000		x	
5 Television Advertisement Consultant	\$3,000			
6 Web Design Services and Consultant	\$9,880			x

The exceptions detailed in the table above resulted from the grantee's contracting policy missing some of the key elements in the *Fundamental Criteria*, specifically in relation to documenting contract actions. Contracting is a high-risk area for potential abuse. As a result, contracting practices and procedures which do not fully comply with the *Fundamental Criteria* can result in improper use of funds.

Recommendation 1: The Executive Director should ensure that FRLS revise and enhance existing written contracting policies to ensure that they completely address the elements required by the *Fundamental Criteria* in the LSC Accounting Guide. The contracting policies should include the following:

- Guidelines for deviating from the approved contracting process, such as when the grantee decides to execute sole-source contracts rather than solicit competitive bids for a purchase of \$5,000 or more.
- Contracting procedures for different types of contracts, competition, required documentation and approvals.

- Creation of a centralized contract filing system ensuring that each contract file relates to a specific contract and contains all pertinent supporting documentation related to the contract, including:
 - the contract document;
 - solicitations;
 - receipt and evaluation of bids and documented contract actions taken; and
 - justification for selection of the vendor to be awarded the contract.

PROPERTY AND EQUIPMENT

The OIG reviewed the grantee's internal controls over fixed assets and determined they were generally in accordance with the *Fundamental Criteria*. We looked at the process and controls over non-capitalized assets and electronic devices such as laptops and cell phones. The grantee did have controls in place to properly track these items. We also determined that the grantee properly conducted a biannual physical inventory as suggested in LSC's *Fundamental Criteria*. However, we found that the grantee's property listing contained deficiencies.

FRLS' property listing did not include all of the components required by the LSC *Fundamental Criteria*. The required components missing were (1) check number, (2) fair value (if donated), (3) method of validation, (4) salvage value (if any), (5) estimated life, (6) depreciation method, and (7) disposition date.

In addition, some items on the property listing did not have tag numbers. The property listing provided to the OIG contained 18 items, of which 12 did not have tag numbers assigned to them.

FRLS property policies do not specify any of the property record fields suggested by Section 3-5.4, Cash Disbursements, Property Record as stated in the LSC's Accounting Guide. As such, the property records were not maintained in accordance with LSC's *Fundamental Criteria*. Also, Appendix II of LSC's Accounting Guide specifies that tag numbers should be included in the property records.

According to the grantee's Director of Finance, FRLS management did not include all the components of property records as required by the LSC Accounting Guide because of a management oversight. As a result, outdated and incomplete inventory records can result in loss of the grantee's resources.

Recommendations: The Executive Director should:

Recommendation 2: ensure that the property and equipment policies and procedures are enhanced to fully capture all the elements required by LSC's *Fundamental Criteria*.

Recommendation 3: ensure all inventory property and equipment items are properly tagged.

INTERNAL REPORTING AND BUDGETING

Our review of the grantee's written policies and procedures on Internal Management Reporting found that they need to be more detailed. The accounting manual contains adequate policies and procedures related to budgeting that conform to the *Fundamental Criteria*, however, currently there is only a small section in the accounting manual with respect to internal reporting, stating that one of the duties of the finance committee is reviewing monthly reports with the CFO and/or CPA. The grantee does have internal reporting practices in place that comply with the *Fundamental Criteria* including preparing monthly and quarterly reports for Finance Committee and Board of Directors' review. However, the written policies and procedures need to be more detailed in the accounting manual as the grantee's current written policy in this area is missing the following:

- timing of reporting;
- types of reports to be prepared;
- analysis performed on the reports and by whom; and
- distribution and presentation of the reports and time frame for both.

The grantee believed the section describing the finance committee's duties of reviewing monthly reports was adequate as written in its accounting manual. The grantee, however, agreed that the accounting manual could be expanded to include the items identified above.

Without detailed written procedures there could be a lack of transparency and consistency in the application of the reporting process, especially in cases of staff turnover.

Recommendation 4: The Executive Director should enhance the current written policy on internal management reporting to include the following:

- timing of reporting;
- types of reports to be prepared;
- analysis performed on the reports and by whom; and
- distribution and presentation of the reports and time frame for both.

DERIVATIVE INCOME

The grantee's derivative income is comprised of attorneys' fees, interest income and rent income. Overall, our test work revealed that FRLS has adequate internal control practices over derivative income that conforms to the *Fundamental Criteria*. While the OIG's review of the grantee's accounting manual found that the grantee did have adequate written policies on allocating attorneys' fees and interest income, there were no written policies or procedures over the allocation of rent and other income that could be classified as derivative income.

Failure to have a written policy or procedure may result in an improper allocation of the total amount of derivative income credited back to the appropriate funding source. In addition, there could be lack of transparency and consistency in the application of the methodology in cases of staff turnover. Approved documented policies and procedures represent management's intentions on how processes are to be handled and also serve as a method to document the design of controls, communicate the controls to the staff and help the grantee ensure that proper controls are followed.

Recommendation 5: The Executive Director should establish written policies for rental and other income. The policies should establish a methodology so that such income is properly accounted for and allocated to the related funding sources.

EMPLOYEE BENEFITS

The OIG reviewed salary advances and the student loan reimbursement plan. Our testing of salary advances revealed that the grantee's policy was adequate and in conformity with LSC's *Fundamental Criteria*. Salary advances were properly documented, issued and paid back in accordance with the policy. The OIG's review of the student loan reimbursement plan, however, revealed the following issues.

No Monitoring of Payback on Student Loan Reimbursements

Our review and testing of the Student Loan Reimbursement Plan revealed that FRLS does not have adequate practices and written policies in place to ensure that employees awarded this benefit use the funds to pay off their outstanding loan balances. Eligible attorneys employed by FRLS have the option to participate in the Student Loan Reimbursement Plan, which pays a monthly reimbursement of 60 percent of the employee's monthly student loan obligation up to a maximum monthly payment of \$350. In fiscal year 2014, 14 employees participated in the Student Loan Reimbursement Plan, 13 of those were attorneys and one was a non-attorney. FRLS' written policy stipulates that eligible employees must request the reimbursement and submit proof of an outstanding student loan annually, however there are no provisions in the policy on how the grantee should follow up to ensure the loans are being paid off.

Without confirmation that employees are using this money to pay down their student loan debt, the grantee cannot ensure compliance with this policy. By confirming whether employees are in fact paying down their outstanding student loans, the grantee can ensure that the Student Loan Reimbursement Plan funds are being used for their intended purpose.

No Policy on Student Loan Reimbursements for Non Attorneys

One of FRLS' non-attorney management personnel is currently receiving a monthly student loan reimbursement. That employee has unpaid school loans and is receiving funds from the grantee to help pay off her loans. The FRLS Collective Bargaining Agreement (CBA) with Workers Union Local #2 stipulates that monthly student loan

reimbursement payments are strictly for attorneys only. There are no provisions in the CBA for non-attorneys to receive this benefit and no written policy on this issue in the grantee's accounting manual or the personnel manual. The Executive Director made a decision to authorize the employee to receive student loan reimbursements in lieu of a salary increase. The Executive Director also added that he is considering drafting a policy to offer student loan reimbursements to other non-attorney management personnel.

Deviating from written policies and procedures may increase the risk of misuse and abuse of the grantee's financial resources.

Recommendations: The Executive Director should:

Recommendation 6: develop written policies and procedures to monitor student loan payments to ensure that employees receiving reimbursements are in fact paying off their student loans.

Recommendation 7: determine if non-attorney staff should participate in the student loan program, and if so, establish a policy authorizing the program.

SUMMARY OF GRANTEE MANAGEMENT COMMENTS

Grantee management agreed with all the findings and recommendations contained in the report.

Grantee management enhanced existing policies and procedures governing:

- Contracting;
- Property and Equipment; and
- Internal Management Reporting and Budgeting.

They also established new policies and procedures in the following areas:

- Derivative Income, specifically rental income and other income;
- Monitoring loan repayments for employees in the Student Loan Reimbursement Plan; and
- Allowing non attorney employees to participate in the Student Loan Reimbursement Plan.

Grantee Management's formal comments can be found in Appendix II

OIG EVALUATION OF GRANTEE MANGEMENT COMMENTS

The OIG considers the grantees corrective actions and the new and enhanced policies responsive to the OIGs recommendations. However, all of the recommendations will remain open until the OIG has been notified in writing that the enhanced and new established policies have been approved by FRLS's Board of Directors.

SCOPE AND METHODOLOGY

To accomplish the audit objective, the OIG identified, reviewed, evaluated and tested internal controls related to the following activities:

- Cash Disbursements and Credit Cards,
- Contracting,
- Cost Allocation,
- Derivative Income,
- General Ledger and Financial Controls,
- Internal Management Reporting and Budgeting,
- Property and Equipment,
- Employee Benefits, and
- Payroll

To obtain an understanding of the internal controls over the areas reviewed; grantee policies and procedures were reviewed including manuals, guidelines, memoranda and directives, setting forth current grantee practices. Grantee officials were interviewed to obtain an understanding of the internal control framework and management and staff were interviewed as to their knowledge and understanding of the processes in place. To review and evaluate internal controls, the grantee's internal control system and processes were compared to the guidelines in the *Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria)* contained in the LSC Accounting Guide. This review was limited in scope and was not sufficient for expressing an opinion on the entire system of grantee internal controls over financial operations.

We assessed the reliability of computer generated data the grantee provided by reviewing available supporting documentation for the entries selected for review, conducting interviews and making physical observations to determine data consistency and reasonableness. We determined the data were sufficiently reliable for the purposes of this report.

To test for the appropriateness of expenditures and the existence of adequate supporting documentation, disbursements from a judgmentally selected sample of employee and vendor files were reviewed. The sample consisted of 85 disbursements totaling \$97,206. The sample represented approximately 7 percent of the \$1,433,045 disbursed for expenses other than payroll during the period January 1, 2014 to February 28, 2015.

To assess the appropriateness of expenditures, we reviewed invoices, vendor lists and traced the expenditures to the general ledger. The appropriateness of those expenditures was evaluated on the basis of the grant agreements, applicable laws and regulations and LSC policy guidance.

To evaluate and test internal controls over employee benefits, contracting, property and equipment, general ledger and financial controls, internal management reporting and budgeting and payroll; we interviewed appropriate program personnel, examined related policies and procedures and selected specific transactions to review for adequacy.

To evaluate the adequacy of the cost allocation process, we discussed the cost allocation process for the scope period with grantee management and requested the grantee's written cost allocation policies and procedures for review as required by the LSC Accounting Guide. We tested the cost allocation amounts and reviewed the related reclassification entries using the information provided by the grantee.

Controls over derivative income were reviewed by examining current grantee practices and reviewing the written policies contained in the grantee's Accounting Policies manual.

The on-site fieldwork was conducted from March 23, 2015 through March 31, 2015. Our work was conducted at the grantee's program administration office in Lakeland, FL and at LSC headquarters in Washington, DC. We reviewed documents pertaining primarily to the period January 1, 2014 through February 28, 2015.

This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.



Law Offices of

Florida Rural Legal Services, Inc.

Servicios Legales de Florida Rural, S.A.
Legal Servis Riral De Florida, Inc.

APPENDIX II

Donald Isaac
Executive Director

Mark A. Perry
President, Board of Directors

Respond to:

- **Belle Glade**
1540 NW Avenue "L", Suite 103
Belle Glade, Florida 33430
561-993-0003
561-993-0004 fax
Toll Free Clients Only
1-888-993-0003
- **Ft. Myers**
3210 Cleveland Avenue,
Suite 101
Ft. Myers, Florida 33901
239-334-4554
239-334-3042 fax
239-936-7038 Admin fax
Toll Free Clients Only
1-800-476-8937
- Daniel Cruz**
Acting Managing Attorney
- Colin Abbott**
Managing Attorney
Migrant Farm Worker Unit
1-800-476-1837
- **Ft. Pierce**
510 South US Hwy 1, Suite 1
Fort Pierce, Florida 34950
772-466-4766
772-489-3176 fax
Toll Free Clients Only
1-888-582-3410
- Valencia Stubbs**
Managing Attorney
- **Lakeland**
1321 E. Memorial Blvd.
Lakeland, Florida 33801-2103
883-688-7376
883-683-7861 fax
863-683-7969 Admin fax only
Toll Free Clients Only
1-800-277-7680
- Phil Short**
Managing Attorney
- **Punta Gorda**
410 Taylor Road, Suite # 106
Punta Gorda, Florida 33950
941-505-9007
941-505-9628 fax
- **West Palm Beach**
3111 S. Dixie Hwy, Suite 140
W. Palm Beach, Florida 33405
561-820-8902
561-820-8892 fax
Toll Free Clients Only
1-800-284-4588
- Hazel Lucas**
Managing Attorney

www.frls.org

June 29, 2015

Mr. John M. Seeba
Assistant Inspector General for Audit
Office of Inspector General
Legal Services Corporation
3333 "K" Street, NW, 3rd Floor
Washington, DC 20007-3558

Re: Draft Report on Selected Internal Controls
Florida Rural Legal Services, Inc.
RNO 610020

Dear Mr. Seeba,

In response to the draft report on selected internal controls for Florida Rural Legal Services, Inc. we would like to offer the following comments:

Recommendation #1 Contracting, The Executive Director should ensure that FRLS revise and enhance existing written contracting policies to ensure that they completely address the elements required by the Fundamental Criteria in the LSC Accounting Guide.

FRLS Response: *FRLS agrees that it would be in their best interest to revise and enhance its policies for contracting. FRLS has written revised and enhanced policies to address the areas of concern noted in the report. FRLS Management will present the revised policy to FRLS's Board of Directors at its September meeting for approval. The draft policy is attached for your review.*

Recommendation #2 Property & Equipment, the Executive Director should ensure that the property and equipment policies and procedures are enhanced to fully capture all the elements required by LSC's Fundamental Criteria.

FRLS Response: *The missing components required by the LSC Fundamental Criteria have been added to FRLS's policy for maintenance of fixed assets. The property records are in the process of being up-dated. All items listed on the fixed asset register will be properly tagged. FRLS Management will present the revised policy to FRLS's Board of Directors at its September meeting for approval. The draft policy is attached for your review.*

Mr. John M. Seeba
Re: Draft Report on Selected Internal Controls – FRLS
Page #2

Recommendation #3 Property & Equipment, The Executive Director should ensure all inventory property and equipment items are properly tagged.

***FRLS Response:** All fixed assets are in the process of being tagged with a FRLS Property Tag. FRLS's policy on Fixed Assets has been up-dated to ensure that all Fixed Assets are tagged at the time of receipt. FRLS Management will present the revised policy to FRLS's Board of Directors at its September meeting for approval. The draft policy is attached for your review.*

Recommendation #4 Internal Reporting & Budgeting, The Executive Director should enhance the current written policy on internal management reporting to include the following: Timing of reporting;

- Types of reports to be prepared;
- Analysis performed on the reports and by whom; and
- Distribution and presentation of the reports and time frame for both.

***FRLS Response:** To document FRLS's practices for internal management reporting, FRLS has included a policy outlining the monthly reporting process to its Accounting Policies. FRLS Management will present the revised policy to FRLS's Board of Directors at its September meeting for approval. The draft policy is attached for your review.*

Recommendation #5 Derivative Income, The Executive Director should establish written policies for rental and other income. The policies should establish a methodology so that such income is properly accounting for and allocated to the related funding sources.

***FRLS Response:** To document FRLS's practices for recording rental and other income, FRLS has included a policy for recording rental and other income to its Accounting Policies. FRLS Management will present the revised policy to FRLS's Board of Directors at its September meeting for approval. The draft policy is attached for your review.*

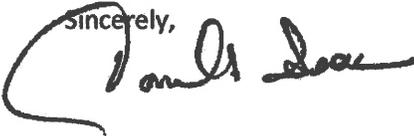
Recommendation #6 Employee Benefits, the Executive Director should develop written policies and procedures to monitor student loan payments to ensure that employees receiving reimbursement are in fact paying off their student loans.

Mr. John M. Seeba
Re: Draft Report on Selected Internal Controls – FRLS
Page #3

FRLS Response: To monitor FRLS's student loan payments to ensure that employees receiving reimbursement are in fact paying off their student loans. FRLS has revised its policy to include reporting and verification of loan balance semi-annually. The draft policy is attached for your review.

Recommendation #7 Employee Benefits, The Executive Director should determine if non-attorney staff should participate in the student loan program and if so, establish a policy authorizing the program.

FRLS Response: The Executive Director has determined that Management & Administrative staff can participate in the loan reimbursement program. FRLS's has developed a policy to documented student loan payments for Management & Administrative staff. FRLS Management will present the revised policy to FRLS's Board of Directors at its September meeting for approval. The draft policy is attached for your review.

Sincerely,


Don Isaac
Executive Director

Enclosure(s)

Draft policies for Board Approval

Purchasing

The purpose of this policy is to establish a process for making purchases at a reasonable cost, using an open, fair, documented, and competitive process. Florida Rural Legal Services seeks to establish consistent and effective practices for price solicitations and to obtain the best quality for the best value, to establish appropriate authorization for the purchase of supplies & equipment and to guide FRLS employees who are responsible for procuring the purchases of goods.

Purchases of general office supplies; toner, paper, pens, etc., to run the offices will be purchased through the administrative office. Vendor pricing will be reviewed annually and documented to ensure competitive pricing.

Office furniture & equipment will be purchased through the FRLS administrative office. Office furniture or equipment exceeding \$3,500 will require the solicitation and documentation of three (3) bids/proposals.

Contracting:

The purpose of this policy is to establish a process for awarding contracts using an open, fair, documented, and competitive process. Florida Rural Legal Services seeks to establish consistent and effective practices for price solicitations and contracting and to obtain the best quality for the best value, to establish appropriate authorization for the execution of contracts, and to guide FRLS employees who are responsible for procuring contracts for services.

Contracts in excess of \$3,500 shall be in writing and shall specify with sufficient detail the services to be rendered, duration or term of the contract, the full amount of the contract, including hourly rate if appropriate. Contracts must be inclusive and any related expenses, such as mileage and other reimbursable must be defined including rates that will be billed for such expenses.

Contract Amendments: Amendments must always be written and prepared as an amendment to the original contract.

- a. Amendments whose purpose is to change the contract expiration date (duration or term) may be administratively approved by the Executive Director.
- b. Amendments that result in the amended contract amount being in excess of the Executive Director's purchasing authority (\$10,000) will be presented to the Board of Directors for Approval.
- c. Amendments whose purpose is to change the scope of work may be administratively approved by the Executive Director if the original contract was a contract approved under the Executive Director's authority; otherwise, the amendment must be presented to the Board of Directors for approval.

Contracts for professional services or equipment for a period of greater than 12 months or in excess of \$3,500 will require the solicitation and documentation of three (3) bids/proposals.

An exception may be approved for reasons included but not limited to:

- a. The contract involves professional services of a specialized nature, technical or quality requirements, organization or personnel expertise, knowledge of the program, the lack of dependable vendors, or when there is an emergency or involve reduce fee (PAI) client representation or subcontracts to support volunteer attorney referral services;
- b. The number of qualified available providers of goods or services is limited.
- c. Lease agreement or landlords have in-house preferred contractors for Tenant Improvement work.
- d. There is an unusual, compelling and time sensitive urgency related to the contract or the underlying project.
- e. A special purpose grant funded project has its own specific contracting terms or a specified contractor or contractors are included as part of the special purpose grant.
- f. The contract is for continuation of the provision of goods and services previously provided by the contractor and it is impractical, unfeasible or inefficient to seek bids from other sources.

Sole Source Procurement: when there is only one source for the required services, FRLS may engage in direct negotiations with that individual or agency. Written justification as to sole source will be documented on the FRLS's Contracting & Approval Form.

Contract for Auditor Services: For efficiency purposes, contracts with Auditing CPA firms are required to be bid as determined by the Board of Directors.

Insurance Policies: Insurance policies are not covered by this policy and do not require a competitive bidding process.

Purchasing, Expenditure & Invoice Approval Authority

Contracts & Purchases of \$10,000 or greater	Board of Directors
Purchases over \$5,000	Executive Director or Two Management Staff (DD, DOAF, HR Director)
Executive Director Compensation & Benefits Board of Directors Package	Board of Directors
Hiring of Staff	Executive Director
Recurring Payment, Rents, Library & Etc.,	ED, DD, HR Director or DOFA
Litigation Costs	ED and/or DD

Grant Funds. When a purchase or contract involves the expenditure of grantor funds or the receipt of federal or State grants, purchasing shall be conducted in accordance with any applicable grant, federal or State laws or regulations. If the appropriate and relevant federal or State laws or regulations vary from these guidelines, such laws or regulations should be followed. Questions regarding potential conflicts shall be addressed by the Director of Finance & Accounting.

Prior approval is required from LSC for purchases or leases of equipment, furniture, or other personal, non-expendable property, if the current purchase price of any individual item of property exceeds \$10,000.

If Florida Bar Foundation funds are to be used for offices purchases or building construction or renovation exceeding \$20,000 prior approval must be obtained. Use of Foundation funds for the payment of consultant contract in excess of \$5,000 requires prior written approval of the Foundation.

The process & selection for bid solicitation & awards will be documented on FRLS's Contracting & Approval Form. Supporting documentation will be attached and maintained in the Vendor contract file by the Director of Finance & Accounting.

The Disclosure of Conflicts of Interest, or apparent or potential conflicts of interest.

No employee, officer, or director of the recipient with a financial or other interest in the transaction may participate in the selection, award or administration of a contact supported by FRLS funds, unless FRLS has determined that the interest is not substantial.

A conflict of interest is a transaction, contract, or relationship with any person, organization, firm or business ("transaction") that may compromise, or have the appearance of compromising, an individual's obligation to FRLS in favor of his or her personal, business, or other interests. In rendering services to FRLS, Covered Individuals must act at all time in the best interest of FRLS and not for personal or third-party benefit or financial enrichment.

Generally, a conflict of interest with respect to a FRLS transaction exists if a Covered Individual or a member of his or her family, as defined below, or an organization that employs or is about to employ any of the parties indicated herein, has a financial or other interest in the firm selected for an award. An apparent or potential conflict of interest is one that a skeptical viewer could reasonably believe might cause the Covered Individual's decision to be tainted by self-interest.

For purpose of this Policy, family members of a Covered Individual include his or her spouse, domestic partner, parents and child, sibling including step, or in-law by marriage or domestic partnership. Having a financial or other interest includes, but is not limited to, having an ownership interest in (except as may be part of a diversified mutual fund or diversified unit investment trust), or participating in the management of, being a former employee or founder of, or serving as a board member of, employee of, or consultant to an entity with which the recipient has or potentially will have a transaction, including current or potential vendors, contractors, or service providers. A Covered Individual shall communicate fully with FRLS's Executive Director regarding any such relationship or commitment that could affect, or be seen to affect, the impartial fulfillment of his/her role in connection with FRLS. Doubts about

whether a relationship warrants disclosure under the Policy should be resolved in favor of disclosure. Employees covered by this policy will sign the Conflict of Interest Acknowledgement & Disclosure Form.

Disclosure of an actual, apparent, or potential conflict is to be made to FRLS's Executive Director or (designee). The ED will discuss the potential conflict with the management team to determine if a conflict exists. If the Executive Director and Management Team Determines that the situation is subject to the Policy, including whether the involvement is sufficiently "Close" to have a financial interest, as defined above. The action of the Executive Director (or ED's designee) shall be recorded in writing. Such disclosures shall be noted on the FRLS's Contracting & Approval Form.

Documentation for Capitalized Property & Equipment

FRLS shall maintain property listings that include all the components required by the LSC Fundamental Criteria. Including description of the property, date acquired, check number, original cost, and fair value, method of valuation, salvage value, funding source, estimated life, depreciation method, identification number & location. Capitalized items will be properly tagged with a FRLS ID Tag.

Financial Reporting

Financial Reporting will be the responsibility of the Director of Finance & Accounting. The Director of Finance & Accounting will provide to the Executive Director monthly financial reports. The reports will be issued within 20 days after month-end. The reports provided will include a written analysis from the Director of Finance & Accounting of the financial position along with the Balance Sheet, Total Program Statement of Revenues & Expenditure that includes total budget vs. actual for the current month and year-to-date, Total Grant Statement of Revenues & Expenditures that includes individual grant budget vs. actual for the current month and year-to-date and a cash flow statement. Other reports may be provided from time-to-time as deemed necessary.

Derivative Income

Interest income earned on investments, account balance and/or by any other means will be allocated to the fund which earned the income. The fund will be determined by the fund balance in each respective fund and the grant requirement on derivative income.

Rental income earned will be allocated monthly to the funds that were billed rental expense.

Other Income & Donations earned will be credited to the fund and/or purpose indicated by the donor. If no project or purposes is indicated the funds will be credited to the general fund.

Attorney - Loan Repayment Assistance Plan (LRAP)

FRLS will maintain a Loan Repayment Assistance Program (LRAP). The Program will be in-house; meaning it will be managed by FRLS, and the funds distributed by FRLS directly to the employee.

- **Eligibility:** an associate shall become eligible after completing their probationary period of employment with FRLS or six (6) months, whichever is sooner. Any new employee who is already FL barred shall be eligible for student loan reimbursement immediately upon beginning their employment.
- **Process:** an associate shall complete a FRLS Application for Student Loan Assistance.
- **Monthly Student Loan Payment Obligation:** the amount required by the loan agency to keep the participant current on his or her debt obligation exclusive of any past due charges, late charges or other penalties.
- **Monthly Loan Reimbursement:** the amount of the monthly reimbursement shall be sixty (60%) of the associate's monthly student loan payment, up to a maximum monthly payment of three hundred and fifty dollars (\$350) per associate.
- **Monthly Loan Reimbursement Payment Method:** the eligible monthly reimbursement will be paid to associates in the first pay check of each month. Payments under the program are subject to taxation and will be reported to the IRS as income via the participant's W-2. FRLS will pay the employer FICA costs associated with the participant's loan payments.
- **Student Loan Verification:** the associate will be required to provide FRLS with documentation sufficient to verify the loan holder, loan balance and monthly payment.
- **Semi-Annual Loan Payment Verification:** associates participating under the LRAP will provide accounting with proof that loan payments have been made. This documentation can be in the form of cancelled checks, loan statement, or equivalent documentation acceptable to FRLS. Any amounts not documented as PAID against the loan balance shall become due as payable to FRLS.
- **Semi-Annual Loan Payment Verification Due Dates:** Loan payment verification documents will be due no later than July 30th and January 1st of each year.
- **Employee Suspension:** If it is determined that the employee has not applied the value of the payments received from FRLS to the employee's loan the employee will be suspended from the LRAP for a period of 3 months.
- **Reinstatement:** After the 3 month suspension, the employee will be eligible for reinstatement into the LRAP upon providing proof that three payments have been made to the employee's loan. Proof should be provided to the Director of Finance & Accounting. No retro LRAP payments will be provided to the employee by FRLS.

- **Yearly Cap & Payment Suspension:** FRLS will obligate a maximum cap of \$52,000 per calendar year. In the event that FRLS' \$52,000 calendar year obligations under this plan is reached, FRLS may cease payments under the plan for the balance of that calendar year, after giving 30 days written notice to each participant and to the union.
- **Employment Separation:** If an associate leaves his or her employment within the first year, the employer will require the associate to repay ALL monies received under the LRAP. If an associate leaves his or her employment between the first and second years of employment, the employer will require the associate to repay 50% of the amount received under the Loan Repayment Assistance Program.
- **Employee/Associate Obligation:** it shall be the associate's obligation to keep current with all loan payments so not to increase the amount owed with late fees or similar penalties.
- **Employee Notice Obligation:** the associate has a continuing obligation to report to FRLS any change in the monthly loan payment.
- **Employee Repayments:** All funds collected from employees who terminate their employment from FRLS during the first and second years of employment will be credited back to the LRAP fund for the year in which they are collected.
- **Alternative Loan Repayment Plans:** associates who participate in alternative loan repayment plans shall not be penalized by the FRLS plan so long as the total financed obligation to FRLS for loan repayment does not exceed \$52,000 per calendar year.

Loan Repayment Assistance Plan (LRAP) – Management & Administrative Personnel

FRLS will maintain a Loan Repayment Assistance Program (LRAP) for Management & Administrative Personnel. The Program will be in-house; meaning it will be managed by FRLS, and the funds distributed by FRLS directly to the employee.

- **Employee Eligibility:** an employee shall become eligible after completing their probationary period of employment with FRLS or six (6) months, whichever is sooner.
- **Loan Eligibility –** Only loans incurred to secure at least a Bachelor's Degree in the area which is relevant to the employee's position at FRLS and will enhance their ability to perform their job duties will be considered eligible.
- **Process:** an associate shall complete a FRLS Application for Student Loan Assistance.
- **Monthly Student Loan Payment Obligation:** the amount required by the loan agency to keep the participant current on his or her debt obligation exclusive of any past due charges, late charges or other penalties.
- **Monthly Loan Reimbursement:** the amount of the monthly reimbursement shall be sixty (60%) of the associate's monthly student loan payment, up to a maximum monthly payment of three hundred and fifty dollars (\$350) per associate.
- **Monthly Loan Reimbursement Payment Method:** the eligible monthly reimbursement will be paid to associates in the first pay check of each month. Payments under the program are subject to taxation and will be reported to the IRS as income via the participant's W-2. FRLS will pay the employer FICA costs associated with the participant's loan payments.
- **Student Loan Verification:** the associate will be required to provide FRLS with documentation sufficient to verify the loan holder, loan balance and monthly payment.
- **Semi-Annual Loan Payment Verification:** associates participating under the LRAP will provide accounting with proof that loan payments have been made. This documentation can be in the form of cancelled checks, loan statement, or equivalent documentation acceptable to FRLS. Any amounts not documented as PAID against the loan balance shall become due as payable to FRLS.
- **Semi-Annual Loan Payment Verification Due Dates:** Loan payment verification documents will be due no later than July 30th and January 1st of each year.
- **Employee Suspension:** If it is determined that the employee has not applied the value of the payments received from FRLS to the employee's loan the employee will be suspended from the LRAP for a period of 3 months.
- **Reinstatement:** After the 3 month suspension, the employee will be eligible for reinstatement into the LRAP upon providing proof that three payments have been made

to the employee's loan. Proof should be provided to the Director of Finance & Accounting. No retro LRAP payments will be provided to the employee by FRLS.

- **Yearly Cap & Payment Suspension:** FRLS will obligate a maximum cap of \$52,000 per calendar year. In the event that FRLS' \$52,000 calendar year obligations under this plan is reached, FRLS may cease payments under the plan for the balance of that calendar year, after giving 30 days written notice to each participant and to the union.
- **Employment Separation:** If an associate leaves his or her employment within the first year, the employer will require the associate to repay ALL monies received under the LRAP. If an associate leaves his or her employment between the first and second years of employment, the employer will require the associate to repay 50% of the amount received under the Loan Repayment Assistance Program.
- **Employee/Associate Obligation:** it shall be the associate's obligation to keep current with all loan payments so not to increase the amount owed with late fees or similar penalties.
- **Employee Notice Obligation:** the associate has a continuing obligation to report to FRLS any change in the monthly loan payment.
- **Employee Repayments:** All funds collected from employees who terminate their employment from FRLS during the first and second years of employment will be credited back to the LRAP fund for the year in which they are collected.
- **Alternative Loan Repayment Plans:** associates who participate in alternative loan repayment plans shall not be penalized by the FRLS plan so long as the total financed obligation to FRLS for loan repayment does not exceed \$52,000 per calendar year.