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September 29, 2015

Andrea E. Loney  
Executive Director  
South Carolina Legal Services, Inc.  
2109 Bull Street  
Columbia, SC 29201

Dear Ms. Loney:

Enclosed is the Office of Inspector General's (OIG) final report for our audit of Selected Internal Controls at South Carolina 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.

The OIG considers the proposed actions to address Recommendations 1 through 12 in the report as responsive. Although the grantee only partially agreed with Recommendation 4, the OIG accepts the alternate control measure presented by the grantee. All 12 Recommendations will remain open until the OIG receives written notification that the proposed actions have been completed and the revised policies are approved by the SCLS Board of Directors.

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

Sincerely,



Jeffrey E. Schanz  
Inspector General



**Office of Inspector General**  
**Legal Services Corporation**

**Inspector General**  
Jeffrey E. Schanz

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**Enclosure**

**Cc:** Legal Services Corporation  
Jim Sandman, President

Lynn Jennings, Vice President  
For Grants Management

South Carolina Legal Services  
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Board Chairperson

Sent by E-mail to Board of Directors  
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**LEGAL SERVICES CORPORATION  
OFFICE OF INSPECTOR GENERAL**

**REPORT ON SELECTED INTERNAL  
CONTROLS**

**SOUTH CAROLINA LEGAL SERVICES, INC.**

**RNO 641030**

Report No. AU 15-11

September 2015

[www.oig.lsc.gov](http://www.oig.lsc.gov)

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## **INTRODUCTION**

The Legal Services Corporation (LSC) Office of Inspector General (OIG) assessed the adequacy of selected internal controls in place at South Carolina Legal Services, Inc. (SCLS or grantee) related to specific grantee operations and oversight. Audit work was conducted at the grantee's administrative office in Greenville, SC 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 recipient's 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**

South Carolina Legal Services (SCLS) is a statewide nonprofit corporation providing civil legal services in non-criminal proceedings to eligible low income residents of South Carolina. SCLS has nine offices and serves all 46 counties in South Carolina. SCLS is funded by grants from Legal Services Corporation (LSC), the South Carolina Bar Foundation, local United Ways, state court filing fees, and other federal, state and local funding sources.

According to the audited financial statements for the grantee's year ended December 31, 2014, approximately 58 percent of the grantee's total support funding was provided by LSC. SCLS received \$5,604,510 from LSC; \$1,079,802 from South Carolina Bar Foundation, \$1,450,672 from State of South Carolina-filing fees, and \$960,150 from South Carolina Help. The remainder of the funding was received from other grants and contracts and public support.

## **OBJECTIVE**

The overall objective was to assess the adequacy of selected internal controls in place at the grantee as the controls related to specific grantee operations and oversight, including program expenditures and fiscal accountability. Specifically, the audit evaluated select 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 and internal reporting and budgeting.

Our review determined that the grantee had adequate written policies in place, but needs improvement over supporting documentation, signatures and approvals. The test of disbursements noted that the transactions tested were allowable and appeared to be properly allocated to LSC funds. However, controls over approvals and supporting documentation need to be enhanced.

While many of SCLS's controls were adequately designed and properly implemented as the controls related to specific grantee operations and oversight, some controls need strengthening while others need to be formalized in writing.

### **DISBURSEMENTS**

Written policies relating to disbursements were generally in accordance with the *Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria)* contained in the LSC Accounting Guide. However, in our testing of disbursements, OIG found that the grantee needs to enhance its controls. Of the 84 disbursements tested, 41 disbursements had exceptions. Included in the exceptions were disbursements with no purchase orders, unapproved purchase orders, inadequately supported disbursements, disbursements without check request forms, and disbursement approvals with signatures that were not dated.

#### **Purchase Orders**

Purchase orders were not on file or not approved for six disbursements totaling \$24,043.

- Two disbursements, consisting of three invoices, totaling \$1,084 were not supported with a purchase order.

- Four disbursements, consisting of 47 purchase orders, totaling \$22,959 did not have an approval. The purchase orders were signed by the requester but there was no signature denoted for approval.

SCLS's written policies state that "the Office Manager or other designated staff working with the Managing Attorney or supervisor prepares a purchase order that is expected to supply the office for six months. Following the Managing Attorney or supervisor's approval, the purchase order will be forwarded to the Accounting office. Accounting staff will get the Executive Director (or Management Team designee) to approve the purchase and may order the supplies or will direct the office manager to order the supplies."

Management thought that they could locate the missing purchase orders but were unable to provide them to the OIG staff. With regard to the unapproved purchase orders, the Controller stated that those were routine orders, which only required approval of the Managing Attorney. However, there was no evidence of approval.

### Travel Forms

Travel Authorizations were not signed by staff, while some travel advances lacked adequate documentation.

- Four disbursements totaling \$854 had Travel Authorization forms that had been approved, however the staff did not sign the form as required.
- One travel advance totaling \$195 lacked adequate supporting documentation, such as confirmation of conferences, etc., to verify upcoming travel.

SCLS's written policies state that "An employee must submit a Travel/Training Authorization Request form to the Executive Director for any Conference/Training programs, whether or not an advance of funds is requested. The request must include a description of the training, the cost of registration, transportation, per diem, hotel/lodging, incidentals and the estimated departure and return time. Employees must attach to the request, on a separate sheet, how the training event will benefit clients and the staff person."

Management thought that they could locate the missing documents at the time of the OIG visit but were unable to provide them to the OIG staff.

Inadequate documentation can result in unauthorized disbursements. Employee signatures on Travel Authorizations act as an attestation of the information documented.

## Check Request Forms

Disbursements did not have requisite supporting documentation.

- Check request forms were lacking for one disbursement totaling \$551. The disbursement was made to SCLS Executive Director, and had six invoices that lacked a check request form. All the invoices had travel return forms indicating SCLS owed the employee money, however no check request form was attached.

In addition, one credit card disbursement made to BB&T Bank Card Corporation for bankruptcy filing fees, had transactions that were not supported with check request forms and not approved.

- Five transactions totaling \$870 did not have check request forms as required by the grantee's policies.
- One transaction totaling \$20 for a National Automobile Dealer Association (NADA) Guide was charged to the BB&T Bank Card. The BB&T credit card is supposed to be used solely for bankruptcy filing fees. In addition, there was no documentation indicating that the charge was approved.

SCLS's written policies state that "A law firm-wide Check Request should be attached for each separate expense to be paid by SCLS. If a training/conference is approved, the request will be forwarded to the Accounting office for check processing."

Management was aware that check requests are required, but they were unable to provide the missing check request forms.

Although not documented in the grantee's Accounting Manual, management stated that charges made for items relating to bankruptcy cases could be purchased with the BB&T credit card.

Failure to follow the disbursement process may result in payments made without the knowledge of appropriate management or at unacceptable prices or terms. There is also a potential risk for misuse and abuse of the credit card if it is used for purposes other than its intended purpose.

## Signatures not dated

During testing, review of supporting documentation noted that check request forms and authorization forms were signed as approved; however the date was not documented. Thirty three disbursements consisting of 54 transactions, totaling \$60,724, had forms in which signatures were not dated. In addition, two credit card disbursements totaling \$607 also had forms in which signatures were not dated.

LSC's Accounting Guide for LSC Recipients, Chapter 3, Section 3-5.4(a) Cash Disbursements, states that "Approval should be required at an appropriate level of management before commitment of resources is made." Without the signatures being dated there is no way to verify when approvals were actually made. Forms could also be copied and used numerous times with the same signature if not dated which could result in misuse of the approval.

Although management was aware this was happening, they did not provide OIG with a reason for the omitted dates.

**Recommendations:** The Executive Director should ensure:

Recommendation 1: procedures are enforced to ensure proper use and approval of purchase orders prior to purchase. In the event a Managing Attorney is the approver, a different requester should be designated.

Recommendation 2: all employees sign Travel Authorization forms as an attestation of the information documented.

Recommendation 3: all travel advances are supported by adequate documentation.

Recommendation 4: policies and procedures that require disbursements to be accompanied by check request forms are enforced.

Recommendation 5: approvals are signed and dated so as to document when the review process took place.

## **CREDIT CARDS**

### Written Policy

The grantee's written policies were generally in accordance with LSC's *Fundamental Criteria*, except the following areas need to be included in the grantee's Accounting Manual.

- Spending limits documented on the Sam's credit card.
- Policies and procedures for the use of the BB&T Visa credit card for bankruptcy filing fees.

### Gas Credit Cards

The grantee needs to strengthen their controls over the use of gas cards. Specifically, a review of the Greenville Office noted that the Office Manager did not have a process in place to track the use of gas credit cards and reconcile purchases prior to approval for

payment. In addition, the Office Manager did not confirm the employee's approval to use the vehicle prior to providing the gas card to the employee.

The grantee has 16 BP gas cards. Each office has at least one card and the gas cards are maintained by each Office Manager. According to the grantee, the gas cards are used by employees to fuel company vehicles for business travel. The Office Manager at the Greenville Office stated that she does not maintain a log of who is issued a gas card. The Office Manager stated that at the end of the month she matches the gas receipts to the mileage log that is kept in the vehicle. However, our review of the mileage log noted that it does not provide enough information to track the use of the gas card. The mileage log requires the date, staff signature, destination/purpose, beginning and ending mileage and gas level at the end of the trip; however it does not track whether the gas card was used to purchase gas, and if so, for how much. The Greenville Office Manager also stated that each employee documents travel on a shared Microsoft Office Calendar. She uses the calendar to track employees travel.

The grantee has 18 vehicles. According to the Accounting Manual, staff are encouraged to use the vehicles as often as possible for business use. According to the grantee's described practice, for pre-planned trips such as conferences and training, employees receive pre-approval for use of the vehicle from their supervisors and approval is documented on the Travel Authorization forms. The grantee stated that for shorter, impromptu trips, like to the court house, the Office Manager is responsible for approving and providing the car key to staff. Although the Office Manager does not obtain any type of documentation that approval was given for the use of the vehicle, the Managing Attorney reviews and approves the vehicle logs at the end of the month. While this method of control may be adequate, this practice was not documented in the grantee's Accounting Manual.

According the Executive Director, the grantee is in the process of making changes to this process to enhance the controls over the gas cards.

Properly controlling gas purchases through sound practices helps reduce the potential for misuse and protects the grantee's limited resources.

**Recommendations:** The Executive Director should:

Recommendation 6: update the grantee's Accounting Manual to document the spending limits of the Sam's Credit Card and the policies and procedures for the use of the BB&T credit card for bankruptcy filing fees. The policy should clearly delineate acceptable uses of the BB&T credit card.

Recommendation 7: develop a gas credit card system that ensures use of the gas credit card is properly accounted for and reconciled to the gas receipts. An example would be the use of a tracking log that captures the following information:

- a. Employee's name
- b. Date, Time of Departure and Return
- c. Destination
- d. Gas purchases
- e. Employee Signature

Recommendation 8: enhance procedures to ensure travel approval is obtained prior to the use of gas cards.

Recommendation 9: update the grantee's Accounting Manual to document the approval processes of vehicle usage for both short-term and long-term travel.

## **CONTRACTING**

The grantee's current written policies involving soliciting and awarding contracts are in accordance with the *Fundamental Criteria*.

While written policies were in place, we noted that contracting practices were not entirely adequate. The grantee's written policies state that any item with a total cost between \$2,500.01 and \$10,000 requires solicitation of written bids/quotes from a minimum of three (3) qualified sources of supply. We noted that three janitorial services, with annual payments ranging from \$3,600 to \$8,040, had no documentation of the process used to select the vendors. The contracts dated back to 2002, 2006 and 2013. The Controller explained that the older janitorial services were acquired prior to the merger. However, OIG noted there had been no re-bidding for those services to ensure the grantee was receiving the best available quote.

We also noted that not all payments for janitorial services were supported with invoices. Three disbursements made to one vendor, totaling \$958, did not have supporting invoices. The vendor in this instance was also an employee of the grantee. The check disbursements were supported by a check request form approved by a Managing Attorney; yet there were no invoices documenting the deliverables.

The LSC *Fundamental Criteria* section 3-5.16 requires that the process used for each contract action be fully documented and the documentation maintained in a central file. Any deviation from the approved contracting process should be fully documented, approved, and maintained in the contract file. In addition, the statement of work should be sufficiently detailed so that contract deliverables can be identified and monitored to ensure they are completed. Documents to support competition should be retained and kept with the contract files.

Contracting is a high-risk area for potential abuse. If not properly conducted, weak contracting practices can result in a waste of scarce funds, and supporting invoices aid in documenting that services were actually received.

**Recommendations:** The Executive Director should:

**Recommendation 10:** periodically evaluate the janitorial service agreements/contracts to ensure the grantee is receiving the best value and services by re-competing contracts or conducting market research to determine if the cost the grantee is paying is competitive.

**Recommendation 11:** ensure that contracting practices adhere to LSC requirements including:

- a. documentation for each contract detailing the process used to complete each contract action;
- b. adequate documentation of competition or documentation of the reason for sole sourcing of the contract; and
- c. maintain the documentation in a central file.

**Recommendation 12:** ensure all contractor payments are supported by an invoice documenting the deliverables.

## **SUMMARY OF GRANTEE MANAGEMENT COMMENTS**

Grantee management agreed with all the findings and recommendations contained in the report. The grantee noted in Recommendation 4 that they will continue to have some stand-alone disbursement forms that do not require check request forms, such as mileage and travel per diems. Management's complete response is included in Appendix II.

## **OIG EVALUATION OF GRANTEE MANAGEMENT COMMENTS**

The OIG considers the proposed actions to address Recommendations 1 through 12 in the report as responsive. Although the grantee only partially agreed with recommendation 4, the OIG accepts the alternate control measure presented by the grantee. All 12 Recommendations will remain open until the OIG receives written notification that the proposed actions have been completed and the revised policies are approved by the SCLS Board of Directors.

# APPENDIX I

## SCOPE AND METHODOLOGY

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

- Cash Disbursements,
- Contracting,
- Credit cards,
- Property and Equipment,
- Internal Management Reporting and Budgeting,
- Employee Benefits,
- General Ledger and Financial Controls,
- Derivative income, and
- Cost Allocation.

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 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 76 disbursements consisting of 197 transactions totaling \$273,635. The sample represented approximately 7 percent of the \$3,995,549 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 and vendor lists, and then 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 test controls over credit cards, we reviewed 8 credit card statements comprising 131 transactions, totaling \$9,964.80. The sample of credit card transactions was disbursed during the audit period January 1, 2014 to February 28, 2015. We assessed the appropriateness of the expenditures and the existence of approvals and adequate supporting documentation.

We evaluated and tested internal controls over the employee benefits, credit card use, contracting, property and equipment and internal management reporting and budgeting, as well as general ledger and financial controls by interviewing appropriate program personnel and examining related policies and procedures as applicable and selected specific transactions to review for adequacy.

To evaluate the adequacy of the cost allocation process, we discussed the cost allocation process with grantee management and requested, for review, the grantee's written cost allocation policies and procedures as required by the LSC Accounting Guide. We reviewed selected transactions to determine if the amounts allocated were in conformity with the documented SCLS allocation process and if the transactions were properly allocated in the accounting system.

Controls over derivative income were reviewed by examining current grantee practices in comparison with policies outlined in the LSC Accounting Guide. The attorneys' fees recorded by fund code on SCLS case records were compared with revenue recorded in the general ledger.

On-site fieldwork was conducted from April 13, 2015 through April 21, 2015. Our work was conducted at the grantee's central administrative office in Greenville, SC and at LSC headquarters in Washington, DC. Documents reviewed pertained 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.



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September 14, 2015

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

RE: Draft Report on Selected Internal Controls  
 South Carolina Legal Services Inc.  
 RNO 641030

Dear Mr. Seeba:

Thank you for providing South Carolina Legal Services (SCLS) with the opportunity to respond to your draft report. Our intent is to fully comply with your recommendations.

Our response and comments to the following recommendations from the Legal Services Office of the Inspector General draft can be found after the list of your recommendations below.

Recommendation 1: The Executive Director should ensure procedures are enforced to ensure proper use and approval of purchase orders prior to purchase. In the event a managing attorney is the approver, a different requester should be designated.

Recommendation 2: The Executive Director should ensure all employees sign Travel Authorization forms as an attestation of the information documented.

Recommendation 3: The Executive Director should ensure all travel advances are supported by adequate documentation.

Recommendation 4: The Executive Director should ensure policies and procedures that require disbursements to be accompanied by check request forms are enforced.

Recommendation 5: The Executive Director should ensure approvals are signed and dated so as to document when the review process took place.



Jim O. Suckey - Chairman; Carrington Wingard - Vice Chairman; Felva McDonald-Chandler - 1<sup>st</sup> Vice Chair; Maridolora Valentin - Secretary; Angela DeAnne Row - Treasurer

Mr. John M. Seeba  
September 9, 2015  
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We agree to implement the above recommendations. These recommendations do not require SCLS to develop new policies. A mandatory management meeting to address the various OIG issues and policy changes was held on September 1, 2015. The managing attorneys have been charged with reviewing the OIG recommendations and related amendments or new policies with their staff.

The Executive Director is thoroughly familiar with the concepts and requirements set out in the draft report. SCLS consulted with its outside auditor at Dixon Hughes Goodman for assistance with the necessary policies. Where necessary, existing policies have been strengthened. For example, the check request form has been revised to disallow approval by the same person who is the requestor. The governing board of SCLS will have a special session on the date of the October Board of Directors meeting to thoroughly review all relevant issues and, where necessary, to approve the new policies referenced in this response.

With respect to Recommendation 2, it is worth noting that when a staff signature is missing, through oversight, from a travel/training request, the staff member still must sign a reconciliation form at the conclusion of the travel.

With respect to Recommendation 3, SCLS will cause the required travel advance documentation to come in one batch so that all documentation is available for careful review by the person approving the travel. In a number of instances noted in your report, the travel documentation was attached to other check requests such as payments to conference registration.

With respect to Recommendation 4, SCLS will still have some stand-alone disbursement forms that do not require a check request form such as mileage, missing receipt affidavits and travel per diems. All of these forms require signatures, dates and approval.

With respect to Recommendation 5, SCLS is converting to an interactive approval process where electronic signatures are utilized. This change will increase the integrity and transparency of the approval process.

Recommendation 6: The Executive Director should update the grantee's Accounting Manual to document the spending limits of the Sam's Credit Card and the policies and procedures for the use of the BB&T credit card for bankruptcy filing fees. The policy should clearly delineate acceptable uses of the BB&T credit card.

SCLS agrees to update its policy on the use of the Sam's credit card, the BB&T credit cards, spending limits and acceptable uses. The draft policy sets forth the necessity of use of the various credit cards for restricted purposes. The cards cannot be used for purposes other than those specified in the policy, and only with the necessary management approval. Credit cards are limited to BP, Chase Visa, BB&T (bankruptcy and other court e-filing) and Sam's. SCLS management will present the revised policy to SCLS' Board of Directors at its October meeting for approval. The draft policy is attached for your review.  
(See pages 21-23)

Mr. John M. Seeba  
September 8, 2015  
Page 3

Recommendation 7: The Executive Director should develop a gas credit card system that ensures use of the gas credit card is properly accounted for and reconciled to the gas receipts. An example would be the use of a tracking log that captures the following information: (a) employee's name (b) date, time of departure and return (c) destination (d) gas purchases (e) employee signature.

SCLS will implement this recommendation. The activity logs have been amended to show approval for gas purchases and to confirm gas purchases by a named person on a named date. Both the employee and the Office Manager will sign upon return. While the existing policy already had features designed to assure careful stewardship of grantee funds, SCLS will present a revised policy to SCLS' Board of Directors at its October meeting for approval. The draft policy is attached for your review. (See page 22 and the miscellaneous forms section).

Recommendation 8: The Executive Director should enhance procedures to ensure travel approval is obtained prior to the use of gas credit cards.

With respect to Recommendation 8, the revised procedures will include a requirement that a SCLS-owned vehicle is required for all travel so permission is automatic. (Permission must be obtained to use a personal vehicle.) The use of the credit card follows the car. (See pages 22 & 39).

Recommendation 9: The Executive Director should update the grantee's Accounting Manual to document the approval processes of vehicle usage for both short-term and long-term travel.

As stated with respect to recommendations 8, the policy will mandate that use of company cars is automatic. (It is the use of a personal car that will require permission.) (See pages 22 & 39).

Recommendation 10: The Executive Director should periodically evaluate the janitorial service agreements/contracts to ensure the grantee is receiving the best value and services by re-competing contracts or conducting market research to determine if the cost the grantee is paying is competitive.

SCLS will implement this recommendation and will present a revised policy to SCLS' Board of Directors at its October meeting for approval. The draft policy is attached for your review. The draft policy allows for competitive bidding according to the monetary value of the contract. Jobs of less than \$3000 do not require competition; competition is required for jobs between \$3000 and \$10,000 and LSC approval is required for contracts in excess of \$10,000. The competitive bidding for janitorial services, nearing final completion, has been undertaken in all locations. The draft policy calls for the Executive Director to record written documentation supporting the rationale if a sole source is used in lieu of the bidding process. (See pages 67-69).

Mr. John M. Seeba  
September 8, 2015  
Page 4

Recommendation 11: The Executive Director should ensure that contracting practices adhere to LSC requirement including:

- a. Documentation for each contract detailing the process used to complete the contract action
- b. Adequate documentation of competition or documentation of the reason for the sole sourcing of the contract; and
- c. Maintain the documentation in a central file.

SCLS will implement this recommendation and will present a revised policy to SCLS' Board of Directors at its October meeting for approval. The draft policy is attached for your review. (See pages 67 – 69).

Recommendation 12: The Executive Director should ensure all contractor payments are supported by an invoice documenting the deliverables.

SCLS will implement this recommendation and will present a revised policy to SCLS' Board of Directors at its October meeting for approval. The draft policy is attached for your review. (See page 69)

In conclusion, I hope it is clear by this response that it is our intention to fully comply with your recommendations. If you feel that our response does not fully comply with your recommendations or have further suggestions based on the wording we have chosen, we request that you contact us. We would like to have the opportunity to make any further changes you may consider necessary before your final report is issued. Please also note that we have made revisions to our accounting policies that were not recommended by OIG. However, these policies will enhance our operations. Thank you for your consideration.

Sincerely,

  
Andrea E. Loney  
Executive Director

Enclosures