

LEGAL SERVICES CORPORATION



Office of
Inspector General



Semiannual Report to the Congress
October 1, 2016 – March 31, 2017

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**TO THE BOARD OF DIRECTORS OF THE
LEGAL SERVICES CORPORATION
AND TO THE UNITED STATES CONGRESS**

A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit this report on the activities and accomplishments of LSC's Office of Inspector General (OIG) for the period October 1, 2016, through March 31, 2017.

During this reporting period we issued six audit reports, as well as a special report on grantee computer security vulnerabilities. Five of our audit reports focused on the adequacy of LSC grantees' internal controls, particularly with respect to financial operations. The reports documented specific control weaknesses and areas of concern and made recommendations for corrective action. Notably, the grantees agreed with all our report recommendations. We also provided oversight for the Corporation's 2016 financial statement audit, issued during the period. The Corporation received a "clean opinion," with no significant deficiencies, material weaknesses, or reportable noncompliance issues noted.

We continued the sixth year of our Quality Control Review (QCR) initiative to provide enhanced oversight of the independent audits required annually of LSC grantees. During the period we issued 27 QCRs.

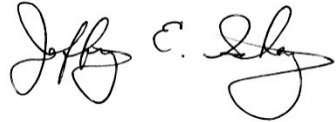
We concluded proceedings against an independent public accountant (IPA) whose work failed to meet requisite standards. Through a QCR examination we found the IPA's work to be so deficient as to warrant rejection of the audit report. The IPA withdrew as auditor for the recipient and refunded \$10,750, the total cost of the audit, to the grantee.

We opened 21 new investigations and closed 15 investigations during the reporting period. The investigations involved a variety of criminal and regulatory matters, including fraud, false claims, and the improper use of LSC funds. We made four referrals to federal and local authorities for criminal prosecution.

We continued to emphasize outreach and education as part of our ongoing efforts to help prevent fraud and abuse in LSC-funded programs, and maintained an active calendar of grantee outreach visits.

I wish to express my continuing appreciation to all the members of the Board of Directors for the interest and support they have shown for the work of the OIG. I also remain deeply appreciative to the Congress for its steadfast support of this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey E. Schanz". The signature is fluid and cursive, with the first name "Jeffrey" being the most prominent part.

Jeffrey E. Schanz
Inspector General
April 28, 2017

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OFFICE OF INSPECTOR GENERAL OVERVIEW

The LSC Office of Inspector General operates under the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3. The OIG has two principal missions: (1) to promote economy and efficiency in the activities and operations of LSC and its grantees; and (2) to prevent and detect fraud and abuse.

Our primary tool for achieving these missions is objective and independent fact-finding. We perform financial and other types of audits, evaluations, and reviews, and conduct criminal and regulatory compliance investigations. Our fact-finding activities enable us to develop recommendations for LSC and its grantees, as well as for Congress, for actions that will correct problems, better safeguard the integrity of funds, and increase the economy, efficiency, and effectiveness of LSC programs.

The OIG is also tasked with ensuring the quality of audits of LSC and its grantees, and with reviewing proposed and existing regulations and legislation affecting the operations and activities of LSC and the programs it funds.

In addition, since 1996, LSC's annual appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by independent public accountants, under guidance provided by the OIG. Congress has also specified that the OIG has authority to conduct its own reviews of grantees.

LSC's 2016 appropriation (exclusive of OIG operations) was \$380 million. The Corporation provides funding to 133 independent nonprofit legal aid programs throughout the nation and in U.S. territories.

The OIG is headed by an Inspector General (IG), who reports to and is under the general supervision of the LSC Board of Directors. The IG has broad authority to manage the organization, including setting OIG priorities, directing OIG activities, and hiring OIG personnel and contractors.

To ensure objectivity, the IG Act grants the LSC IG independent authority to determine what audits, investigations, and other reviews are performed, to gain access to all necessary documents and information, and to report OIG findings and recommendations to LSC management, its Board of Directors, and directly to Congress.

The IG Act also prohibits LSC from assigning to its IG any of LSC's own "program operating responsibilities." This means that the OIG does not perform functions assigned to LSC by the Legal Services Corporation Act, 42 U.S.C. §§2996 *et seq.*, other than those transferred to the OIG under the IG Act and those otherwise assigned by Congress, for example in LSC's annual appropriations acts.

The IG reports serious problems to the LSC Board of Directors and must also report to appropriate law enforcement authorities when, through audit, investigation, or otherwise, the IG finds that there are reasonable grounds to believe that a crime has occurred. The IG is required by law to keep Congress informed of the activities of the office through semiannual reports and other means. The IG also provides periodic reports to the board and management of LSC and, when appropriate, to the boards of directors and management of LSC grantees. Some of these reports will be specific (*e.g.*, an audit of a particular grantee or an investigation of a theft or embezzlement), while others will be of broader application and may address more general or systemic issues.

Within their different statutory roles, the OIG and LSC management share a common commitment to improving the federal legal services program and increasing the availability and effectiveness of legal services for low-income persons.

AUDITS

As discussed below, during this reporting period the OIG issued seven reports: five audit reports with respect to grantee operations and internal controls; a report on common grantee computer security vulnerabilities, including recommended best practices for addressing them; and a year-end financial statement audit of LSC. At the conclusion of the period we had five projects underway, in various stages of completion.

We are particularly pleased to note that this period grantees agreed with 100% of our report recommendations. We also wish to give special recognition to one grantee, Community Legal Aid, Inc. (CLA), which initiated immediate corrective action, while our audit team was on-site, to address each issue identified. As a result, all findings and recommendations were resolved and closed by the audit's end. While we have generally found all LSC grantees to be highly responsive to our audit findings, CLA's interest in taking such immediate action was exceptional and highly commendable.

The OIG has responsibility for overseeing the independent public accountant (IPA) audits performed annually at each grantee. During the reporting period, the OIG reviewed 20 IPA reports, with fiscal year ending dates ranging from June 30, 2016, through September 30, 2016.

We issued 27 Quality Control Review (QCR) reports this period. The goal of the QCR initiative is to improve the overall quality of the IPA audits and to ensure that all audits are conducted in accordance with applicable standards and with the guidance provided by the OIG.

Southwestern Pennsylvania Legal Services

The OIG assessed the adequacy of selected internal controls in place at Southwestern Pennsylvania Legal Services (SPLAS). We found that some controls were adequately designed and properly implemented, but many needed to be strengthened and to be formalized in writing. We identified the following as areas needing improvement:

- There were no written policies and procedures regarding the various contract types, dollar thresholds, and processes and procedures necessary to administer contracts, nor regarding requirements for competitive bidding and selection of vendors.
- SPLAS had inadequate contracting and bidding documentation:
 - Out of 10 vendor files reviewed, seven contained inadequate contracting documentation: two of the files did not have an agreement or contract on file for the audit period; four had written contracts in place that did not have a contractual period noted within the contract; and one had supporting

documentation for contracted fees that did not agree with the invoices tested.

- Nine of the contracts reviewed had inadequate documentation supporting the contract actions. There were also sole sourced contracts that did not have sole source justifications documented in the file.
- SPLAS did not maintain its contracts and associated documentation in a central location.
- SPLAS's written disbursement policies were generally comparable to the Fundamental Criteria provisions of the LSC Accounting Guide, but did not include internal controls relating to use of the grantee's EZ Pass.
- Some disbursements tested lacked both appropriate approvals and adequate supporting documentation. There were four disbursements within the review period, totaling \$5,713, with no documented pre-approvals. Thirteen disbursements relating to IT and janitorial services, totaling \$8,424, did not have contracts in place to support recurring monthly payments.
- SPLAS did not perform the three-way match procedure, a recommended disbursement control that involves comparing the purchase order to the packing slip and the packing slip to the invoice.
- SPLAS had no detailed documented credit card policies and procedures. In addition, the grantee did not have any documentation for issuance of the VISA credit card showing acknowledgement of receipt and responsibilities of the cardholder.
- SPLAS's credit card practices lacked supporting documentation and documented pre-approvals:
 - Four transactions totaling \$175 did not have a receipt or invoice.
 - Forty-two transactions totaling \$6,636 had no documented pre-approvals, including eight hotel expenses totaling \$2,676 with no documented reason for the expense.
- There were no written policies relating to the treatment of attorneys' fees and interest income. The income was allocated in the same proportion as the funds in the account; however, the formula used was not documented.
- Grantee disbursement functions did not reflect proper segregation of duties. The fiscal manager is the only user of the accounting system and is responsible for invoice posting, check processing and bank reconciliations. The same individual is also responsible for maintaining the master vendor list and can add, edit, and delete vendors without any additional review.

- SPLAS's written policies relating to fixed assets did not include the following:
 - list of elements required by the Fundamental Criteria for property records;
 - policies and procedures for tracking sensitive electronics that are not capitalized;
 - procedures on disposal of obsolete fixed assets; and
 - dollar value for capitalization of fixed assets.
- There was no evidence that the grantee's inventory was reconciled to the accounting/property records as required by the LSC Accounting Guide.
- Grantee property records were not fully updated. The total dollar value of individual items capitalized did not equal the property control account balance in the general ledger. In addition, the property records did not contain several required elements.
- SPLAS received temporary title to the building they occupy, however no mortgage payments were to be made until a separate non-profit entity was formed to take over ownership and govern the building. This arrangement was unusual. Although a portion of the rent and expenses was paid with LSC funds, and will be under the new ownership structure, LSC did not appear to have any reversionary interest in the property. The OIG referred the arrangement to LSC management for further review.

The OIG made 13 recommendations:

- One recommendation for internal controls over contracting was to ensure that contracting procedures adhere to LSC's Fundamental Criteria. Specifically, all contracts for services are to be fully documented with periods of performance and reviewed periodically to ensure the written terms are defined and current; the process for each contract action is to be fully documented in writing, including sole source justification or documentation of competition, if competitively bid; and a centralized filing system for contracts is to be maintained, with a file established for each specific contract, containing all pertinent documents relating to contract solicitation and award.
- Three recommendations related to internal controls over disbursements: ensuring that policies governing the use and approval process of the EZ Pass are documented in the grantee's manual; updating written policies to ensure adequate pre-approvals for purchases are obtained and documented, and that documented approvals are retained for office supplies over \$750; and developing written policies for purchase orders and ensuring that before payments are processed, orders are documented and compared to invoices and receiving documents.

- Two recommendations were made regarding internal controls over credit cards: ensuring that all supporting documentation is retained, and enhancing the written credit card policy to include provisions covering:
 - the issuance and deactivation of credit cards;
 - documenting the issuance of credit cards to staff members, showing receipt, acknowledgement of responsibilities, and signature of the cardholder; and
 - instructions on documenting required approvals and procedures involving the use of credit cards.

- Two recommendations related to income allocation: developing a written derivative income policy that covers all types of derivative income received by the grantee, as well as a written attorneys' fees policy that mirrors the requirements contained in 45 CFR Part 1609, and ensuring that the interest income allocation formula is adequately documented in writing to enable the auditors and others to follow and test.

- Two recommendations related to improving the segregation of duties: ensuring that duties related to making payments and performing reconciliations are adequately segregated, or are reviewed periodically by another person where segregation is not feasible, and ensuring that duties involving maintenance of the master vendor list and vendor payment processing are adequately segregated, and that the vendor list is kept current.

- Three recommendations related to strengthening controls over physical inventory and accounting for fixed assets: enhancing written policies and procedures to include accounting for sensitive electronics and guidance on disposal of fixed assets; ensuring a complete master property record is maintained that includes the dollar value of capitalized items and reconciles to the fixed assets account balances in the general ledger; and ensuring the physical inventory is conducted every two years and reconciled to the accounting property records.

The OIG considers the grantee's proposed actions to address all recommendations as responsive. The recommendations will remain open until the OIG receives written confirmation that the proposed actions have been completed.

Essex-Newark Legal Services Project, Inc.

The OIG assessed the adequacy of selected internal controls at Essex-Newark Legal Services Project, Inc. (ENLS). We found that while many of ENLS's controls were adequately designed and properly implemented, some controls related to contracting needed to be strengthened and others needed to be formalized in writing.

We reported that the following areas needed to be improved:

- The ENLS accounting manual did not contain written contracting policies covering matters such as the dollar threshold that triggers competitive bidding; the different types of contracts; competitive bidding requirements, including the minimum number of bids required and the selection process; and requirements for sole source acquisitions.
- Two of the six ENLS contracts selected for testing, one for security services and the other for parking services, did not have a written contract or agreement in place.
- Two ENLS contracts were missing adequate supporting documentation with respect to the contracting process. Documentation was not maintained showing whether the contract for security services was competitively bid, and a sole source contract for parking services was awarded without a documented justification.

The OIG made three recommendations to ensure that:

- The grantee's accounting manual includes written policies and procedures covering competitive bidding, sole-sourcing, and documentation of contract actions.
- Written contracts are prepared and maintained to show all terms of the contract, specifically including price and agreement on services to be performed.
- Appropriate documentation pertaining to contract actions, including solicitation of competitive bids, vendor selection process, and sole source justification, is prepared and retained.

ENLS management fully agreed with all recommendations and associated findings. The OIG considers the grantee's planned actions responsive to all three recommendations in the report. The recommendations will remain open until ENLS's board of directors approves the revised policy and the OIG receives written notification that the policies have been approved and implemented.

Legal Aid Services of Oklahoma, Inc.

The OIG assessed the adequacy of selected internal controls at Legal Aid Services of Oklahoma, Inc. (LASO). We found that while many of LASO's controls were adequately designed and properly implemented, some controls needed to be strengthened and others needed to be formalized in writing.

We identified the following as areas needing improvement:

- LASO policies and procedures related to general ledger and financial controls did not address the separation of receipts and disbursements between LSC and non-LSC funds or how stale-dated checks are handled.
- LASO contracting policies and procedures omitted information detailing the dollar thresholds for contracts requiring competition, as well as the requirement that all documentation related to a contract be centrally filed.
- LASO had no written policies related to interest income or potential derivative income.
- LASO policies and procedures related to fixed assets lacked details regarding procedures and controls over the disposal of assets, the depreciation method used, and multiple key elements required in the property records.
- LASO's accounting manual did not contain a policy addressing the issuance and use of credit cards.
- LASO's cash disbursements policy did not include controls and procedures over the master vendor list.
- LASO had no documented policy governing budgeting.
- LASO policies and procedures related to payroll omitted some steps in the process of the payroll function. LASO also needed to incorporate its new procedure, requiring the director of operations' review of hourly rates, into the accounting manual.
- LASO's policy on the school loan repayment assistance program, as documented in its accounting manual, was outdated.
- LASO's master inventory listing had not been updated and there was a lack of segregation of duties over the maintenance of the master vendor list.
- Thirteen items on LASO's inventory listing could not be located or traced to a specific person or location. Seven of the 13 items missing were laptops; the other six included small electronic devices and furniture.
- Of 85 disbursements tested, 12 disbursements had invoices that were not approved before the disbursement check was processed. Thirty-eight disbursements with approved invoices had approvals that were not dated.
- Of 20 contracts tested, six contracts were not approved, seven contracts had approvals that were not dated, and the approval status of one contract could not be determined because the contract was not available.

- LASO failed to follow its own policy requiring that contracts greater than \$3000 be competitively bid. Of the 20 contracts tested, all were sole sourced, yet no sole source justifications were prepared or on file for any of the contracts.
- LASO's accounting system did not provide for password expiration and lacked a requirement that passwords be changed after a certain period of time.
- Although LASO's formal written policies regarding attorneys' fees generally met applicable requirements, in actual practice its allocation methodology for attorneys' fees was not in conformance with LSC regulations.
- LASO had no process in place to determine if funds awarded under the Loan Repayment Assistance Program (LRAP) were being used to pay down students' outstanding loans. There was also no monitoring done by the grantee to ensure that the loan balance was being paid down.
- LASO did not provide adequate segregation of duties between payroll and human resources.

The OIG made 15 recommendations:

- One recommendation related to establishing or updating written policies over general ledger and financial controls, contracting, derivative income, fixed assets, credit cards and cash disbursements, budgeting, payroll, and employee benefits.
- Three recommendations related to internal controls over fixed assets, addressing the need to ensure that a complete physical inventory is conducted in all locations and reconciled with the property records; to update the grantee's master inventory list with adequate information, ensuring all fields are completed with accurate information; and to further investigate and resolve the issue of missing laptop computers.
- Three recommendations related to internal controls over disbursements and credit card purchases, addressing the need to ensure that purchases are reviewed and approved at an appropriate level of management before disbursements are processed; that approvals are dated to document when they occurred and whether they were made timely; and that the accounts payable clerk's duties are properly segregated with respect to master vendor list responsibilities and access.
- Three recommendations related to internal controls over contracting, addressing the need to ensure that contracts that had not been approved are reviewed, approved, and properly dated; that contract service dates shown on a particular contract be revised or modified to reflect the actual services dates intended to be covered; and that contracts are competed, when required, to obtain the best available price and service, and if appropriate to sole source a contract, an adequate justification is prepared and maintained in the file.

- One recommendation related to strengthening the general ledger and financial controls by requiring that passwords to the accounting system expire and be changed at regular intervals.
- One recommendation related to internal controls over derivative income, addressing the need to ensure that attorneys' fees are allocated in accordance with the requirements specified in 45 CFR §1609.4.
- Two recommendations related to internal controls over employee benefits, addressing the need to ensure that a process to monitor employee outstanding loan balances is implemented, and that a maximum total dollar amount that can be paid an individual employee for LRAP is set.
- One recommendation related to internal controls over payroll, to ensure that the human resources and payroll functions are adequately segregated and restricted.

LASO management fully agreed with all the findings and accepted all 15 recommendations.

The OIG considers the actions taken or proposed responsive to all 15 of the recommendations. Four recommendations are considered closed. The remaining recommendations will remain open until the grantee takes the required corrective actions and provides supporting documentation to the OIG.

Neighborhood Legal Services Program of the District of Columbia

The OIG assessed the adequacy of selected internal controls in place at the Neighborhood Legal Services Program of the District of Columbia (NLSP). We found that while some of the controls were adequately designed and properly implemented, many controls needed to be strengthened and formalized in writing.

We identified the following as areas needing improvement:

- A number of areas in the grantee's accounting manual needed enhancement, including policies relating to contracting, derivative income, disbursements, employee benefits, fixed assets, general ledger/financial controls, and cost allocation.
- NLSP's accounting system is not set up by, and does not reflect, funding sources. Accordingly, we were unable to determine whether proper allocations were performed, whether consistent methodology was used, and whether LSC was charged its proper and equitable share of costs.

- The grantee’s annual budget is not built from cost centers or funding sources, impairing management’s ability to adequately plan for and control program expenditures.
- Of 10 vendor files tested for compliance with the Fundamental Criteria:
 - Management was unable to locate a documented contractual agreement in six of the files.
 - Seven did not have supporting documentation as to how the vendor was selected.
 - Support for management’s recommendation to the board of directors was not provided for one of the vendors, and there was no documentation of board approval for two of the vendors.
 - One of the four contracts did not include a start date, and payments made per the invoice selected did not agree with the rates included within the contract.
- Of 70 disbursements randomly selected for testing:
 - Seven lacked proper supporting documentation.
 - Forty-five had prior approvals that could not be verified.
 - Three were approved after the check was written.
- There was a lack of adequate control over disbursements to prevent duplicate payments.
- Testing of 12 debit card transactions revealed a number of controls that needed strengthening, as follows:
 - The grantee had one debit card, which still bore the name of the prior executive director.
 - There was no set limit to the number of users that could use the debit card.
 - Seven transactions had no documented prior approval.
 - One purchase made by the executive director should have had a second approval, based on NLSP’s written disbursement requirements for purchases of \$5,000 or greater.
 - Funding source allocations were not documented.
 - Memos were not attached with receipts, as required by NLSP’s accounting manual.
- A significant proportion of employee timesheets and leave requests were processed without a supervisor’s approval.

- In practice, the grantee's internal controls over purchasing, recording, physical inventory, and disposal of fixed assets were inadequate and did not fully adhere to LSC regulations and guidelines or the NLSP's own written policies. For example:
 - The property record did not contain all required elements.
 - The grantee's only fixed asset record is the depreciation schedule and is not reconcilable to the physical inventory record.
 - Physical inventory was not performed at all locations when required.
 - The items included on the physical inventory did not include capitalized items.
 - NLSP did not have a tracking system for sensitive electronic items.
- There was a lack of segregation of duties in several areas, including with respect to staff having responsibility for accounting system data entry/access and for endorsing/depositing checks.
- Cash receipts were not accounted for immediately upon receipt.
- Six of the 10 bank reconciliation summaries sampled did not contain signatures/dates indicating they had been reviewed or approved. Several checks on the bank reconciliation were outstanding for more than six months.

The OIG made 22 recommendations:

- One recommendation was to ensure that all written policies and procedures are included within the grantee's accounting manual and describe the processes and controls in sufficient detail to accord with LSC's Accounting Guide and Fundamental Criteria.
- One recommendation was to have the accounting system set up to allocate expenses by funding source, allowing the grantee to produce budgets derived by cost centers, generate flexible reports by funding source detail, and provide an adequate audit trail.
- Two related to cost allocations, recommending establishment of a cost allocation methodology in accordance with LSC requirements, and ensuring that an audit trail is established with supporting documentation for all allocation schedules, formulae, and transactions allocated to funding sources.
- Four recommendations related to strengthening controls over contracting, addressing the need to ensure that contracts fully document and include the agreed upon terms, selling price, and payment terms, and are reviewed periodically to ensure that written terms are defined and current; that the process for each contract action is fully documented in writing; that all supporting

documentation is maintained regarding recommended selections provided to the board as well as regarding board approval; and that a centralized filing system for all contracts is maintained containing all pertinent documents.

- Three recommendations related to internal controls over disbursements, addressing the need to ensure that all disbursements have the proper supporting documentation; that pre-approvals for purchases are documented and retained; and that staff consistently mark disbursement documents as “paid” to avoid duplicate payment.
- Three related to debit cards, recommending that a new card be obtained in the name of an appropriate individual; that the debit card policy be enhanced; and ensuring that all disbursements, including debit card expenses, have the proper supporting documentation.
- One recommendation was to ensure that management follow its own timesheet policies and procedures by documenting formal review and approval of timesheets.
- Three recommendations concerned fixed assets, recommending that a subsidiary property record be created that includes all the required property criteria; that a physical inventory count be conducted every two years, including all grantee offices, capitalized items, and reconciliation to the accounting property records; and that procedures be developed and implemented to track IT equipment, such as laptops, which may contain sensitive information.
- Two recommendations regarded the need to ensure adequate segregation of duties between those with access to the accounting system and those responsible for making deposits, and to ensure that cash items are immediately recorded.
- Two recommendations regarded the need to ensure bank reconciliations are reviewed and documented as required, and that checks outstanding for more than six months are followed up on, in accordance with the grantee’s written policies.

Grantee management agreed with the recommendations and outlined the ways in which the recommendations would be addressed. The OIG considers the proposed actions to address 20 of the 22 recommendations as responsive. Fifteen of the recommendations were considered closed. Five of the recommendations will remain open until the OIG receives appropriate supporting documentation. Grantee management’s response did not specify the steps being taken with respect to two of the recommendations; these will be addressed in the resolution process.

Community Legal Aid, Inc.

The OIG assessed the adequacy of selected internal controls in place at Community Legal Aid, Inc. (CLA), located in Worcester, Massachusetts. We found that the grantee's controls were generally adequate in design and operation, with the following exceptions:

- Internal controls over credit cards were generally deemed adequate, except for a manager's occasional use of the executive director's American Express credit card information to make purchases without prior or documented approval.
- Although their practices were adequate, the grantee had no written policies and procedures in place related to management reporting and budgeting, or regarding disposal of assets and electronic devices containing sensitive information. (Based on the OIG's review, CLA prepared and provided the OIG's on-site team with draft policies addressing these areas.)
- Written policies over disbursements were mostly comparable to the Fundamental Criteria, except there was no documented policy requiring that invoices be reviewed and approved before checks are issued.
- Tested disbursements were allowable; however, some either lacked documented approvals prior to check generation or did not have dated approvals. Of 141 transactions:
 - 68 transactions, totaling \$243,912, did not have documented approvals prior to check generation;
 - 47 transactions, totaling \$71,530, were approved but not dated by the approving manager, thus the OIG could not determine if the transactions were approved prior to generating the checks.

(Prior to the on-site exit conference, the grantee had begun implementing the OIG recommendation to document review of the invoices and date the approvals.)

- There was inadequate segregation of duties with respect to access rights to the accounting system. All users of the grantee's accounting system had supervisory rights and thus user access to all modules of the system.

(Prior to the on-site exit conference, CLA implemented a change to the user access rights, segregating individuals with user rights from those with supervisory rights. Since grantee management corrected the issue, no recommendation was made related to this finding.)

The OIG made three recommendations:

- One recommendation was to either authorize the issuance of a credit card, if necessary, to other CLS manager(s) for business use, or develop a prior approval process if others are to use the executive director's credit card.
- One recommendation was to ensure that draft policies for management reporting and budgeting and disposal of assets and electronic devices are submitted to the grantee's board of directors for approval and are incorporated into the grantee's accounting manual.
- One recommendation was to ensure that written disbursement policies are enhanced to include the review and proper approval of invoices by the appropriate level of management before grantee resources are committed.

The OIG considers the proposed actions to address all recommendations as responsive. All three recommendations are considered closed as grantee management took immediate actions to resolve the issues.

Vulnerability Assessment of Grantee Computer Networks

During calendar year 2016, the OIG hired an IT contractor to perform vulnerability assessments of selected grantees' computer networks. The assessment team performed tests necessary to identify weaknesses in the architecture, technologies, and processes that could potentially compromise the target systems. The assessment took place over a 10-month period and covered six grantee sites, geographically dispersed across the continental U.S. and its territories. The tests scanned for potential weaknesses from both outside and within the grantees' networks.

The assessment found that the grantee sites tested generally did not present a high level of risk of exposure from outside their networks. No critical or high-level vulnerabilities were found in the external boundary of any network space. Where open ports were found they related to common services and necessary operations for those grantee sites. No malware vulnerabilities were identified during the scanning process.

The more critical vulnerabilities discovered at each grantee site were internal to the network environments. These principally resulted from out-of-date operating systems, patches, and updates. All sites had multiple systems missing Microsoft and third-party software updates. However, since the completion of the site assessments and out-briefs, many grantees have initiated remedial action. As of the issuance of the report, almost every site either had plans in place or was in the process of upgrading unsupported components.

The OIG transmitted a report to all grantee executive directors providing a summary of the assessment findings and resulting recommendations. While each grantee reviewed was different in size and complexity as to their network configurations, the report identified common security issues and provided a listing of best practices to mitigate these vulnerabilities. The issues noted were intended to provide insight into common problem areas that may affect LSC grantees and to identify ways to strengthen their network security.

FY 2016 Corporate Audit

The FY 2016 LSC financial statement audit report was issued this reporting period and transmitted to LSC's Board of Directors. The Corporation's financial statement audit is conducted by an independent public accounting firm under contract and subject to general oversight by the OIG. The OIG reviewed the work of the firm and found it in compliance with generally accepted government auditing standards. The Corporation received an unqualified opinion on the audit of its financial statements. The auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters identified no material weaknesses in internal controls and no reportable noncompliance with laws and regulations.

Statistical Summary

Audits

Open at beginning of reporting period	4
Opened during the period	7
Audit reports issued or closed during reporting period	6
Open at end of reporting period.....	5

Recommendations to LSC Grantees

Pending at beginning of reporting period.....	121
Issued during reporting period	56
Closed during reporting period	73
Pending at end of reporting period	104

Recommendations to LSC Management

Pending at beginning of reporting period.....	0
Issued during reporting period	0
Closed during reporting period	0
Pending at end of reporting period	0

Oversight of IPA Audits

Independent Audits of Grantees

Since 1996, LSC's annual appropriations acts have required that each person or entity receiving financial assistance from the Corporation be subject to an annual audit, to be conducted by an independent public accountant (IPA). Each grantee contracts directly with an IPA to conduct the required audit in accordance with generally accepted government auditing standards and the OIG Audit Guide for Recipients and Auditors (including the Compliance Supplement), which incorporates most requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

The OIG provides guidance to the IPAs and grantees, as well as general oversight of the IPA process. Our oversight activities, detailed below, include desk reviews and a quality control program, which includes independent onsite reviews.

Desk Reviews of IPA Reports

The OIG conducts desk reviews of all IPA reports issued to grantees. This process enables us to identify and forward significant IPA findings to LSC management as necessary. We also track recommendations to determine whether appropriate responsive actions have been taken. We use information from the review of the IPA reports as part of our risk assessment and planning processes, identifying potential problems or concerns that may warrant follow-up via audit, investigation, or other review.

Quality Control Reviews

We continued the sixth year of our Quality Control Review (QCR) initiative. Under this program IPA firms performing grantee audits are subject to review to determine whether their work is being conducted in accordance with applicable standards and with the instructions issued by our office. The reviews are conducted by a CPA firm under contract to the OIG. The contractor also identifies issues that may require further attention or additional audit work by the IPA under review.

During this reporting period, we conducted 27 QCRs. Nine of the QCRs met standards with no deficiencies.

Seventeen met standards with one or more exceptions. Of the 17 meeting standards with exceptions, 12 required the IPA to perform additional work and provide documentation to support their conclusions. Of the 12 QCRs for which additional work was required, eight IPAs performed additional work and provided documentation to the OIG for review during this reporting period. We evaluated the corrective action for seven and determined that it addressed the recommendations in the QCR reports. The OIG's evaluation of the

corrective action performed by one IPA is ongoing. The OIG has not yet received documentation of the additional work performed by the remaining four IPAs. For five of the 17 QCRs that met standards with exceptions, the OIG issued recommendations to the IPAs to implement in future audits of the grantees.

One QCR conducted during the reporting period found that a grantee financial statement audit did not meet standards. The OIG issued a notice to the IPA requiring them to perform corrective action and provide additional information to address the deficiencies. The IPA responded during the reporting period. The OIG evaluated the additional work performed by the IPA and determined that it satisfied the recommendations in the QCR report.

Through a QCR of the FY2014 financial statement audit of a grantee, performed in a prior period, the OIG found substantial issues with the work of an IPA. The OIG rejected the audit and required the IPA to perform corrective action to address the recommendations in the QCR. In the previous reporting period, the IPA performed additional work and submitted documentation to the OIG. The OIG found that the corrective actions performed by the IPA did not address the recommendations in the QCR and that the audit still did not meet standards. In this reporting period, the OIG accepted the IPA's withdrawal from the contract as auditors for the LSC grantee. The OIG required the IPA to refund the total cost of the FY2014 financial statement audit to the recipient. As a result, the IPA refunded the total amount of \$10,750 to the grantee.

Follow-up Process

LSC's annual appropriations acts have specifically required that LSC follow-up on significant findings identified by the IPAs and reported to the Corporation's management by the OIG. IPA audit reports are submitted to the OIG within 120 days of the close of each grantee's fiscal year. As noted above, through our desk review process the OIG reviews each report and refers appropriate findings and recommendations to LSC management for follow-up. LSC management is responsible for ensuring that grantees submit appropriate corrective action plans for all material findings, recommendations, and questioned costs identified by the IPAs and referred by the OIG to management.

After corrective action has been taken by a grantee, LSC management notifies the OIG and requests that the finding(s) be closed. The OIG reviews management's request and decides independently whether it will agree to close the finding(s).

Review of Grantees' Annual Audit Reports: IPA Audit Findings

In order to provide more complete information in our semiannual reports to Congress, the OIG customarily includes a summary of significant findings and the status of follow-up on significant findings reported by the IPAs as part of the grantee oversight process. The audit reports and the findings reflect the work of the IPAs, not the OIG.

During the reporting period, the OIG reviewed a total of 20 IPA audits of grantees with fiscal year ending dates from June 30, 2016 through September 30, 2016. Of the 20 audits, one is a sub-recipient of LSC funds. These audit reports contained nine findings. The OIG reviewed the findings and determined that eight were either not significant, or that corrective action had already been completed. The remaining one finding was referred to LSC management during the period for follow-up. The tables below present information on the finding.

Summary of Findings Reported in Grantee Financial Statement Audits with Fiscal Years Ending June 30, 2016.

Total Number of Findings Referred	1
Number of Findings with Corrective Action Accepted by LSC Management.....	0
Number of Findings Awaiting LSC Management Review.....	1

Types of Findings Referred to LSC Management for Follow-up

<u>Category</u>	<u>Number of Findings</u>
Financial Transactions and Reporting	1
TOTAL	1

INVESTIGATIONS

During this period, OIG investigations resulted in three personnel actions and an LSC management decision to recover funds based on our questioned cost referral. The OIG also made three new questioned cost referrals to LSC management for potentially unreasonable and/or unauthorized expenditures by grantees totaling more than \$43,000.

The OIG opened 21 cases during the period. These included 14 investigative cases, three Regulatory Vulnerability Assessments, and four Fraud Vulnerability Assessments. The investigative cases included allegations of fraudulent travel claims, theft of client funds, time and attendance fraud, abuse of a program credit card, misappropriation of LSC funds, and potential violations of LSC statutes and regulations.

The OIG closed 15 cases during the reporting period. These included 10 investigative cases, two Regulatory Vulnerability Assessments, and three Fraud Vulnerability Assessments.

Personnel Actions

Resignation of an Executive Director and Program Official

An OIG investigation, last reported in our April 29, 2016, Semiannual Report to Congress, identified potential unallowable expenses incurred by a grantee for purchasing imprinted shot glasses, paying a part-time employee who was not required to submit timesheets, and allowing an employee to directly pay her spouse for casual labor. A second investigation this period related to allegations against the same grantee's executive director involving potential misuse of funds, possible conflicts between the executive director and vendors, and mismanagement.

Prior to the completion of the second investigation, the executive director and a program coordinator resigned from the program. Upon completion of the second investigation, the results of which were reported to LSC, LSC management selected a replacement grantee to provide legal services in that geographic area.

Termination of Grantee Employee

An executive director reported possible time and attendance issues with an employee to the OIG. The executive director also advised that the employee was suspended from duties for 90 days while the issues were being investigated.

An OIG investigation identified questionable travel reimbursement claims for mileage, inconsistent time records for outreach events and meetings with other grantee staff, and duplicate timesheet entries.

The OIG provided a letter containing the OIG's findings for the executive director's review and verification. After receipt of the OIG letter, the executive director terminated the employee.

Recovery Actions

OIG Investigation Results in LSC Recovery for Unallowable Expenses

An OIG investigation, last reported in our October 31, 2016, Semiannual Report to Congress, identified potential unallowable expenses incurred by a grantee for providing employees bonuses in the form of gift cards. Our investigation determined that the grantee spent \$10,121 on employee bonus gift cards from 2011 through 2015 to reward employees at the end of each year. The investigative findings were referred to LSC management.

LSC management made a final determination to disallow \$3,950 of the \$10,121. This amount represented the portion of the gift cards funded by LSC. The grantee provided LSC with a check for \$3,950 as reimbursement for these expenses.

Questioned Cost Referral Regarding Employee Meals and Gifts

An OIG investigation identified potential unreasonable meal and gift purchases by grantee employees using their program credit cards.

From 2011 through 2015, grantee employees spent \$58,055 on local lunches for executive and senior employees, staff holiday gifts, and other potentially unallowable purchases, using grantee credit cards. The OIG determined that \$17,730 of the \$58,055 was LSC-funded.

Due to the five-year limitation period, the OIG was able to refer \$13,834 of the \$17,730 as potential questioned costs to LSC management.

Questioned Cost Referral Regarding Private Attorney Involvement and Attorneys' Fees

An OIG investigation identified potential unallowable expenses incurred by a grantee in paying a contract private attorney two times for the same hours.

The grantee contracted with a private attorney to work grantee cases at the hourly rate of \$75.00 per hour. The grantee paid the attorney \$17,925 for 239 hours at the \$75.00 hourly rate for her services. When the case was settled, the grantee also paid the attorney \$48,460 in attorneys' fees arising from the settlement, which were based on the same

239 hours. The OIG determined that approximately \$11,782 of the \$17,925 was LSC-funded.

As a result, the OIG referred \$11,782 in potential questioned costs to LSC management.

Questioned Cost Referral Regarding Private Attorney Involvement Expenses

An OIG investigation identified potentially unreasonable and unnecessary purchases made by a grantee using LSC grant funds.

The OIG identified purchases made with LSC funds related to an office party, flower arrangements, musical entertainment, and cake orders. The purchases were made in support of pro bono efforts related to private attorney involvement. Although the executive director explained the practice by indicating a competitive market exists among legal service providers in the area and that such activities assist in recruiting and retaining pro bono attorneys, the expenditures appeared unallowable under 45 C.F.R. Part 1630, Cost Standards and Procedures.

The OIG referred \$17,896.22 as potential questioned costs to LSC management.

Other Matters

Referral Regarding Restrictive Terms in Medical Legal Partnership

An OIG investigation determined that under the terms of a grantee's medical legal partnership contract with a health care system, the grantee was precluded from providing legal counsel or representation to the health care system's patients in certain matters. The contract was found to have a uniquely restrictive clause in comparison with other medical legal partnerships in the area.

Due to the restrictive clause, the grantee declined at least twenty-four cases in which the healthcare system was an adverse party. In the majority of these cases, eligible clients were denied services because the healthcare system was listed as a creditor or had placed a lien against these individuals. The arrangement appeared potentially inconsistent with grant objectives, local consumer protection law, and the LSC Act.

In view of the questions raised by the arrangement, the OIG referred the issue to LSC management. Subsequent to the referral, the grantee informed the OIG that the restrictive clause had been removed.

Fraud Prevention Initiatives

The OIG maintains an active fraud prevention program, engaging in a variety of outreach and educational efforts intended to help protect LSC and its grantees from fraud and abuse. We regularly conduct Fraud Awareness Briefings (FABs), Fraud Vulnerability Assessments (FVAs), and Regulatory Vulnerability Assessments (RVAs). We provide fraud alerts and other information to help increase grantees' awareness of developing trends that may pose a risk to LSC funds.

Fraud Awareness Briefings

FABs are presented by experienced OIG investigative staff and cover topics such as who commits fraud, what conditions create an environment conducive to fraud, how fraud can be prevented or detected, and what to do if fraud is suspected.

While employees at LSC-funded programs may generally be aware that fraud and abuse can occur at any organization, they may not be aware of the potential for such incidents to occur within their own programs. FABs highlight the unfortunate truth that a number of LSC-funded programs have been victimized by frauds involving hundreds of thousands of dollars, and in one case the diversion of over a million dollars in grant funds.

The FABs describe common types of fraud, with particular focus on the various schemes that have been perpetrated against LSC grantees and the conditions that helped facilitate the losses. The briefings aim to foster a dialogue with staff and to engender suggestions for ways to help protect their own programs from fraud and abuse.

Since initiating the FAB program in 2009, we have conducted 149 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 four webinars that reached multiple grantees.

Eight new grantee executive directors were provided FAB webinars during this reporting period. In addition to the FAB, a copy of the OIG's Fraud Prevention Guide was provided to the new grantee executive directors for more specific guidance on preventing and detecting fraud and regulatory violations.

Fraud Vulnerability Assessments

FVAs are conducted at LSC grantee offices and include a focused document review in areas considered high risk or prone to abuse. We also review the grantee's internal control policies and the degree to which they are complied with in practice. Finally, we conduct a personal briefing for the executive director and principal financial officer on fraud detection and prevention measures appropriate to their particular program.

A typical FVA can include reviews of credit card transactions, petty cash, bank account reconciliations, travel claims, office supply expenses, and other selected areas that have been linked to the commission of fraud at grantee programs. FVAs can help grantees identify both existing vulnerabilities and potential problem areas. FVAs sometimes detect ongoing fraud or abuse which may result in further investigation. FVAs also serve as a deterrent by helping grantee staff members become aware of the potential for fraud and reminding them that the OIG will investigate and seek to prosecute cases involving fraud or misuse of LSC grant funds.

Three FVAs were closed during the reporting period.

Regulatory Vulnerability Assessments

We began conducting RVAs based our experience in investigating numerous financial frauds in which grantees were victimized. We often found that noncompliance or laxity with respect to certain regulatory and other requirements contributed to an environment that increased the potential for fraud. RVAs, conducted at grantee offices, seek to determine whether the grantee is following applicable provisions of the LSC Act, LSC regulations, grant assurances, provisions of the Accounting Guide, and case documentation and reporting requirements as set forth in LSC's Case Service Report Handbook. We have found that by focusing our reviews on certain key areas, we are able to assist grantees in identifying regulatory compliance issues that could also lead to broader potential financial vulnerabilities.

Two RVAs were closed during the reporting period.

Hotline

The OIG maintains a Hotline for reporting illegal or improper activities involving LSC or its grantees. Information may be provided by telephone, fax, email, or regular mail. Upon request, a provider's identity will be kept confidential. Reports may also be made anonymously.

During this reporting period, the OIG received 47 Hotline contacts. Of these matters, 10 were referred to LSC management for follow-up, 10 were opened as investigations, and the remaining 27 were closed.

Statistical Summary

Investigative Cases

Open at the beginning of period	32
Opened during period.....	21
Closed during period	15
Open at the end of period	38
Investigative reports issued.....	12

Prosecutorial Activities

Persons referred to DOJ for criminal prosecution	3
Persons referred to state and local prosecuting authorities for criminal prosecution	1
Indictments and informations this period resulting from criminal referrals.....	0

Investigative Activities

Inspector General subpoenas issued.....	11
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Personnel Actions

Separation from employment	3
----------------------------------	---

Monetary Results

LSC decisions to disallow costs based on referrals from prior periods	\$3,950
Questioned costs referred to LSC management	\$43,512.64

Metrics

Data reflected in the statistical summary were compiled based on direct counts.

OTHER OIG ACTIVITIES

Legislative, Regulatory, and Policy Reviews

Pursuant to our statutory responsibilities, the OIG reviews and, where appropriate, comments on statutory and regulatory provisions affecting LSC and/or the OIG, as well as LSC interpretive guidance and internal policies and procedures.

LSC Regulations. We participated with LSC management in connection with their rule-making proposals relating to the following regulations:

- 45 CFR Part 1627 (Subgrants and Membership Fees or Dues)
- 45 CFR Part 1629 (Bonding of Recipients)

LSC Policies. The OIG reviewed proposed revisions to LSC's 2018 grant assurances, redrafted by LSC management as explicit terms and conditions of the LSC grant. LSC is proposing substantial modification to the language of the current assurances, although the proposed terms and conditions remain similar in substance to the 2017 grant assurances. Overall, the OIG found the revised terms and conditions to be a marked improvement, likely to enhance grantees' understanding of the conditions of the grant and, consequently, grantee compliance. The OIG provided specific comments, which generally were accepted into LSC management's proposal.

Freedom of Information Act

The OIG is committed to complying fully with the requirements of the Freedom of Information Act (FOIA). During this reporting period the OIG received six FOIA requests. We responded timely to all requests requiring response within the reporting period.

Professional Activities and Assistance

The OIG participates in and otherwise supports various activities and efforts of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), as well other inter-agency and professional groups. The IG serves as a member of the CIGIE Audit Committee, which focuses on government auditing standards and cross-cutting audit issues.

Senior OIG officials are active participants in IG community peer groups in the areas of audits, investigations, inspections and evaluations, public affairs, new media, and legal counsel. The groups provide forums for collaboration and are responsible for such initiatives as developing and issuing professional standards, establishing protocols for and coordinating peer reviews, providing training programs, and promulgating best practices. The OIG also routinely responds to requests for information or assistance from other IG offices.

APPENDIX – PEER REVIEWS

The following information is provided pursuant to the requirements of section 5(a) of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 §5(a)(14)(B):

The last peer review of the OIG was conducted by the Federal Housing Finance Agency, Office of Inspector General. Its report was issued on September 5, 2014.

TABLE I
Audit Reports, Other Reports, and Quality Control Reviews

Part A
Audit Reports

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Funds Put to Better Use</u>	<u>Unsupported Costs</u>
Report on Selected Internal Controls – Southwestern Pennsylvania Legal Services	12/20/2016	\$0	\$0	\$0
LSC 2016 Fiscal Year Audit of the Corporation	02/16/2017	\$0	\$0	\$0
Report on Selected Internal Controls – Essex-Newark Legal Services	03/9/2017	\$0	\$0	\$0
Report on Selected Internal Controls – Community Legal Aid, Inc.	03/22/17	\$0	\$0	\$0
Report on Selected Internal Controls – Legal Aid Services of Oklahoma, Inc.	03/23/17	\$0	\$0	\$0
Report on Selected Internal Controls – Neighborhood Legal Services of D.C.	03/28/17	\$0	\$0	\$0

Part B
Other Reports

<u>Report Title</u>	<u>Date Issued</u>	<u>Description</u>
LSC OIG Grantee Site Vulnerability Assessment – Management Analysis Report	03/28/2017	Special report by a contractor for the OIG, presenting findings of vulnerability assessments of grantee computer networks, with recommended best practices for mitigating risks.

TABLE I
Part C
Quality Control Reviews

<u>IPA</u>	<u>Recipient</u>	<u>Date Issued</u>	
1	Wiss & Company, LLP	Legal Services of Northwest Jersey	10/27/2016
2	Wiss & Company, LLP	Central Jersey Legal Services, Inc.	10/27/2016
3	Berberich Trahan & Co., P.A.	Kansas Legal Services, Inc.	11/7/2016
4	Barnes Dennig & Co., Ltd	Appalachian Research and Defense Fund of Kentucky	11/10/2016
5	Harrington Langer & Associates	Central Minnesota Legal Services, Inc.	11/16/2016
6	Harrington Langer & Associates	Southern Minnesota Regional Legal Services, Inc.	11/16/2016
7	C.J. Schlosser & Company, LLC	Land of Lincoln Legal Assistance Foundation, Inc.	11/17/2016
8	Crowe Horwath LLP	Indiana Legal Services, Inc.	11/28/2016
9	GBQ Partners LLC	Ohio State Legal Services	11/28/2016
10	Green & Associates LLC	Colorado Legal Services	12/6/2016
11	Green & Associates LLC	Legal Aid of Wyoming, Inc.	12/6/2016
12	Daniel Dennis & Company, LLP	Volunteer Lawyers Project of the Boston Bar Association	1/10/2017
13	Roy & Rurak, LLC	Northeast Legal Aid, Inc.	1/12/2017
14	Yeo & Yeo, P.C.	Michigan Advocacy Program	1/12/2017
15	Yeo & Yeo, P.C.	Legal Services of Eastern Michigan	1/12/2017
16	James Moore & Co., P.L.	Community Legal Services of Mid-Florida, Inc.	2/13/2017
17	Gilmore, Jasion & Mahler, LTD	Legal Aid of Western Ohio, Inc.	3/2/2017
18	Ahern Adcock Devlin LLP	Inland Counties Legal Services, Inc.	3/7/2017
19	Brown Armstrong Accountancy Corporation	Greater Bakersfield Legal Assistance	3/7/2017
20	JMM & Associates	Legal Services Law Line of Vermont, Inc.	3/7/2017
21	Burt and Company CPAs LLC	New Mexico Legal Aid	3/7/2017
22	C.J. Schlosser & Company, LLC	Land of Lincoln Legal Assistance Foundation, Inc.	3/9/2017
23	Harrington Group, CPAs, LLP	Legal Services of Northern California, Inc.	3/13/2017
24	Harrington Group, CPAs, LLP	California Indian Legal Services, Inc.	3/14/2017
25	Cook and Morehart, CPAs	Legal Services of North Louisiana, Inc.	3/30/2017
26	AGH, LLC	Atlanta Legal Aid Society	3/30/2017
27	Brunson, Wilkerson, Bowden & Associates	Legal Services Alabama, Inc.	3/30/2017

TABLE II

Audit Reports Issued with Questioned Costs

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period.	2	\$80,167	\$0
B. Reports issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	2	\$80,167	\$0
C. For which a management decision was made during the reporting period:	1	\$47,553	\$0
(i) dollar value of recommendations that were agreed to by management	1	\$31,246	\$0
(ii) dollar value of recommendations that were not agreed to by management	1	\$16,307	\$0
D. For which no management decision had been made by the end of the reporting period	1	\$32,614	\$0
Reports for which no management decision had been made within six months of issuance	1	\$32,614	\$0

TABLE III

Audit Reports Issued with Funds to Be Put to Better Use

	<u>Number of Reports</u>	<u>Dollar Value</u>
A. For which no management decision has been made by the commencement of the reporting period	0	\$0
B. Reports issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
C. For which a management decision was made during the reporting period:	0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision had been made by the end of the reporting period	0	\$0
For which no management decision had been made within six months of issuance	0	\$0

TABLE IV

(A) Audit Reports Issued Before this Reporting Period for Which No Management Decision Was Made by the End of the Reporting Period

<u>Report Title</u>	<u>Date Issued</u>	<u>Comments</u>
Legal Aid Society of Eastern VA	9/27/16	The grantee partially responded to four recommendations and disagreed with taking corrective action for three recommendations. The OIG has referred the seven outstanding recommendations to LSC management for resolution.

TABLE IV

(B) Audit Reports Issued Before this Reporting Period with Unimplemented Recommendations as of the End of the Reporting Period

<u>Report Title</u>	<u>Date Issued</u>	<u>Findings Summary</u> ¹	<u>Comments</u>
Central VA Legal Aid Society	9/30/13	A, B, D, E, F, G, N	Corrective action in process. LSC management is working to resolve all seven remaining open recommendations.
Land of Lincoln Legal Assistance Foundation	3/24/14	A, I, L	Corrective action in process.
Acadiana Legal Services Corporation	9/30/15	B, C, E, F, H, K, M	Corrective action in process. Seven recommendations closed this period; one recommendation remains open.
Ohio State Legal Services Association	3/14/16	B, C, D, E, F, G, H,	Corrective action in process. Seven recommendations closed this period; three recommendations remain open.
Rhode Island Legal Services, Inc.	3/30/16	A, C, D, E, F, J	Corrective action in process.
Mississippi Center Legal Services	7/20/16	B, C, D, F, H, K, L	Corrective action in process. Eleven recommendations closed this period; two recommendations remain open.
Legal Aid Society of Eastern Virginia, Inc.	9/27/16	A, B, C, D, E, G, H, I, K	Corrective action in process. LSC management is working to resolve seven recommendations.
Legal Aid of Southeastern Pennsylvania	9/28/16	A, B, C, D, H	Corrective action in process.
DNA People's Legal Services	9/30/16	A, B, C, D, E, G, H, K, O	Corrective action in process.

Legend:

A = Written Policies & Procedures	B = Disbursements	C = Contracting	D = Fixed Assets	E = Derivative Income
F = Credit Cards	G = Cost Allocation	H = General Ledger & Financial Controls	I = Client Trust Funds	J = Segregation of Duties
K = Internal Reporting & Budgeting	L = Accounting System Access	M = Vehicles	N = Job Descriptions	O = Employee Benefits

¹There are no quantified potential cost savings associated with these open recommendations.

TABLE V

Index to Reporting Requirements of the Inspector General Act

<u>IG Act Reference*</u>	<u>Reporting Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of and recommendations regarding legislation and regulations.	27
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	3-16, 21-23
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	3-16
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	34
Section 5(a)(4)	Matters referred to prosecutive authorities.	26
Section 5(a)(5)	Summary of instances where information was refused.	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and funds to be put to better use.	29
Section 5(a)(7)	Summary of each particularly significant report.	3-16
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs.	31
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	32
Section 5(a)(10)(A)	Summary of each audit issued before this period for which no management decision was made by the end of the period.	33
Section 5(a)(10)(B)	Audit reports with no establishment comment within 60 days.	None
Section 5(a)(10)(C)	Audit reports issued before this period with unimplemented recommendations as of the end of the period.	34
Section 5(a)(11)	Significant revised management decisions.	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	None
Section 5(a)(14)-(16)	Peer reviews.	28

Section 5(a)(17)-(18)	Statistical tables on investigations.	26
Section 5(a)(19)	Investigations involving senior employees where allegations of misconduct are substantiated.	None
Section 5(a)(20)	Instances of whistleblower retaliation.	None
Section 5(a)(21)	Attempts by the establishment to interfere with OIG independence.	None
Section 5(a)(22)	Specified matters closed and not disclosed to the public.	None

*Refers to provisions of the Inspector General Act of 1978, as amended.

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IF YOU SUSPECT-

FRAUD INVOLVING LSC GRANTS OR OTHER FUNDS

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