

LEGAL SERVICES CORPORATION

BOARD OF DIRECTORS



SEMIANNUAL REPORT TO THE CONGRESS

FOR THE PERIOD

APRIL 1, 2001 – SEPTEMBER 30, 2001

NOVEMBER 30, 2001

FOREWORD

I am pleased to transmit the Semiannual Report of the Legal Services Corporation (“LSC” or “Corporation”) Board of Directors (“Board”), providing comments on the Semiannual Report of LSC’s Office of Inspector General (“OIG”) for the six-month period of April 1, 2001 through September 30, 2001, and providing further explanation of LSC’s activities during the reporting period.

LSC’s Board recognizes the value of the Inspector General function and remains committed to working with the OIG to achieve our goal of providing high quality legal assistance to the poor of our nation.

Douglas S. Eakeley, Chairman
Legal Services Corporation
November 30, 2001.

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MESSAGE OF THE BOARD OF DIRECTORS

During the reporting period, former President John McKay left his position to pursue an appointment as United States Attorney for the Western District of Washington. The LSC Board selected former Representative John N. Erlenborn to assume the LSC Presidency commencing on July 1, 2001. Representative Erlenborn (R-IL) served 10 terms in the United States House of Representatives from 1965 to 1984. Mr. Erlenborn has a longstanding commitment to civil legal services for the poor, having served as a House manager for the Legal Services Corporation Act of 1974. Mr. Erlenborn is currently serving his second term on the LSC Board, having been appointed by President Bush in 1989, and reappointed by President Clinton in 1995. The Board anticipates that Mr. Erlenborn will remain LSC's President on an interim basis until a successor is appointed.

LSC made continued progress in its State Planning Initiative during the reporting period. Over the past six months, LSC implemented structural changes in fifteen states in order to develop more effective and economical legal services delivery systems. The consolidation of service areas and programs¹ in these states has been designed to maximize economies of scale, evenly distribute access to services, and broaden the delivery of the services available to low-income clients. LSC also provided technical assistance to fourteen states to assist them in planning and implementing the structural and service delivery changes necessary to achieve state planning goals. Finally, LSC staff traveled to thirteen states to conduct evaluative and planning meetings with grantees and state equal justice planning bodies.

There are currently, in calendar year 2001, 205 LSC grant recipients for Basic Field-General, Basic Field-Migrant, and Basic Field-Native American service areas. LSC anticipates that there will be 170 grant recipients for these service areas at the beginning of calendar year 2002.

LSC's State Planning Initiative is premised on the belief that LSC-funded programs must:

- function as a statewide, concerted, coherent, closely-coordinated legal assistance delivery system;
- include other equal justice partners in the creation and implementation of this coordinated delivery system;
- develop additional resources to expand legal services;

¹ 'Programs', 'recipients', and 'grantees' are used interchangeably in this report to refer to recipients of LSC funding.

- incorporate the views of clients and key partners in making major decisions about how to design and implement a comprehensive system of high quality legal services; and
- target legal services resources to achieve the greatest measure of equal justice for clients and economically disadvantaged people.

LSC's ultimate goal in this regard is to help grantees create state communities of justice – integrated and coordinated legal services delivery systems which comprehensively improve grantees' delivery of services to clients. LSC has made significant progress in this effort and continues to assist recipients in improving the quality of legal services nationwide.

LSC has also continued to undertake a number of other initiatives to support its grantees and to improve the quality and accessibility of their services. To further its goal of expanding recipients' use of technology, LSC has recently completed its second round of Technology Initiative Grants ("TIG"). In addition to promoting the creation of statewide websites, the most recent TIG awards promote the sharing of technological resources on a national basis among recipients.

Some of LSC's additional efforts during the reporting period include program visits to discover innovative procedures that may serve as models for other programs; the continuation of 'The Results Project,' a new data collection process designed to capture information on the breadth of grantee accomplishments beyond case handling; the convening of a series of dialogues on diversity within the legal services community; the hosting of a client conference designed to empower clients to assist themselves; an information management project designed to identify model and innovative procedures used by grantees, which will be shared via the LSC website; the identification of characteristics of model intake systems, to be shared among all LSC grantees; and continued review of LSC regulations, including likely revisions to the regulations on financial eligibility, representation of aliens, and welfare reform. LSC also continues actively to monitor its grantees for compliance with federal law and LSC regulations, working closely with the Office of Inspector General.

BACKGROUND

Legal Services Corporation

The Legal Services Corporation is a private, non-profit corporation established in the District of Columbia by the Legal Services Corporation Act of 1974, as amended (the "LSC Act"),² to provide financial support for legal assistance in civil proceedings to persons unable to afford legal services. LSC is governed by an eleven-member bipartisan Board of Directors appointed by the President of the United States with the advice and consent of the Senate. The Board appoints LSC's President, who serves as the Corporation's chief executive officer, subject to general policies established by the Board.

The 1988 Amendments to the Inspector General Act of 1978 ("the 1978 Act") required LSC to establish an Office of Inspector General ("OIG") and extended specific provisions of the 1978 Act to LSC. Accordingly, such an office was established by and for LSC. The Inspector General is appointed by, reports to, and serves under the general supervision of, LSC's Board of Directors.

Funding and Grant-Making Activities

LSC provides funding to legal services programs serving indigent persons throughout the 50 states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam and Micronesia. To carry out the purpose of the LSC Act, Congress approved an appropriation of \$329,300,000 for LSC for fiscal year 2002 in the Commerce, Justice, State and the Judiciary appropriations bill.

² 42 U.S.C. §§ 2996-2996l.

MANAGEMENT INITIATIVES

During this reporting period, LSC continued its efforts to improve the efficiency of its competitive grant award system and the effectiveness of the delivery of legal assistance by its initiative for statewide planning and coordination of legal services. The Corporation continued to demonstrate its ability to ensure both compliance with program rules and regulations, and the maintenance of high quality legal assistance to eligible clients.

Strategic Directions

LSC's current, primary focus is addressing the goals of its strategic directions. Adopted by the Board of Directors on January 28, 2000, *Strategic Directions 2000-2005* commits LSC to increase dramatically access to legal services and ensure high quality services. All of the programs' initiatives discussed below should be understood in the context of these two goals.

State Planning

LSC continues to promote efforts by its grantees to develop comprehensive, integrated delivery systems that reach a greater number of persons, with a broader range of services. The state planning initiative requires grantees to work with other providers and stakeholders within each state, such as the courts, bar associations and client groups, to assure that a full range of high quality services are available to clients regardless of their location within a given state.

During the past reporting period, LSC implemented structural changes in the following fifteen states in order to develop more effective and economical systems for the provision of legal services to low-income clients: Arkansas, Illinois, Kentucky, Louisiana, Michigan, Mississippi, New Mexico, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, and Wisconsin. Consolidation of service areas and programs in these states will enable recipients to take advantage of economies of scale, evenly distribute access to services, and broaden the delivery of the services available to low-income clients.

LSC made technical assistance available to the following fourteen states to assist them in planning and implementing the structural and service delivery changes necessary to reach these goals: Arkansas, California, Iowa, Louisiana, Michigan, New Mexico, New York, North Carolina, Ohio, Pennsylvania, Tennessee, Texas, and West Virginia. State planning staff within LSC's Office of Program Performance ("OPP") also continued to assist programs involved in mergers. In conjunction with other LSC staff, state planning team members advised numerous programs and stakeholders about LSC's substantive and procedural requirements for mergers and consolidations, as well as LSC's expectations for the new delivery systems.

LSC state planning staff also traveled to the following thirteen states to conduct evaluative and planning meetings with grantees and state equal justice planning bodies: Alabama, Georgia, Massachusetts, Michigan, Mississippi, Missouri, Montana, New Jersey, North Dakota, Oregon, South Carolina, South Dakota, and Tennessee. Varying in length from several days to a week long, these visits inform LSC of the progress and challenges in these states. They also provide grantees and their partners with solid information about achievements in other jurisdictions, innovative ideas, and LSC's expectations.

Taken together, these efforts have resulted in significant, positive changes for LSC's clients throughout the country, including development of additional resources for civil legal services, new and more efficient ways of providing legal information and advice to low-income persons, and more effective and economical structures to assure equal justice to a greater number of Americans.

Competition

The competition process continues to evolve into an even more useful tool for capacity building within the legal services delivery structure, for identifying areas for further improvement, and for networking legal services programs into comprehensive integrated delivery systems.

The competitive grants process is fully automated, permitting analysis of a continuous stream of current information on legal needs, response strategies, and administrative and management systems. As a result, LSC can develop greater intelligence about the many strengths and potential weaknesses in the delivery system. Model program initiatives, advances in technology, programs diversity and training strategies, and new client-centered delivery strategies are being identified through the competition process so that they can be shared and replicated by legal services programs across the country.

The 2002 competition process is nearing completion. After an initial settling out period, nine service areas had more than one applicant. LSC expects to announce the results of this grant competition by the third week of November.

LSC is working to improve the competition process through refinements to the Request For Proposals ("RFP") procedure and simplification of the methods by which LSC obtains applicant information essential to the delivery of high quality, client-centered legal services. LSC's competitive grants process remains responsive to the Congressional requirement to award grants through a system of competition and to assure the most efficient and effective delivery of services to the client community.

Technology Efforts

During the reporting period, LSC completed the competition for its second round of Technology Initiative Grants (“TIG”). It received 95 applications totaling \$19.2 million in requests, and it awarded 55 grants with the \$7 million allotted for TIG in FY2001 by Congress.

One of LSC’s goals this year was to promote the creation of statewide websites using templates developed with FY2000 TIG awards. LSC encourages the inclusion on these sites of self-help materials and legal information for clients, materials for legal services advocates, and materials for pro bono attorneys. During the reporting period, LSC made grants to 28 states to accomplish this objective. As a result of the TIG awards, over 30 states will have statewide websites within two years. Several companies, including Pro Bono Net, Inc. and Kaivo, Inc., are assisting programs in the implementation of statewide websites.

Over the past six months LSC continued to encourage grantees to work cooperatively on statewide technology initiatives beyond statewide websites, and it awarded 13 grants for such purposes. Several such grants were for the creation of statewide intake systems, which will enable clients to access information and assistance through a single toll-free number. These grants will also assist states in improving access to their case management systems, thereby allowing the completion of intake from remote locations and by pro bono attorneys.

During the reporting period LSC made its first national TIG, for the creation of the National Technology Assistance Project (NTAP). This project will be coordinated by the Legal Aid Society of Orange County in California and will involve the assemblage of technology experts from grantees around the country, to assist programs with management and/or technology issues associated with their grants.

As a result of five important grants made during the reporting period and described below, several grantees are at the forefront of technological innovation in the delivery of legal services. These grantees will play an integral role in augmenting the use of technology in legal services delivery nationwide.

LSC recently awarded a grant to Legal Services of Southern Michigan (“LSSM”) to create a national web site (www.lstech.org) containing resources on legal services technology. This program will work closely with NTAP by, for example, allowing TIG recipients to request assistance from NTAP through the submission of questions to the LSSM automated help desk. LSSM is being assisted in the project by the University of Michigan, which will provide servers, and the National Legal Aid and Defender Association, which will provide content and technical assistance.

LSC also made a grant to the Legal Aid Society of Cincinnati (“LASC”) to assist programs with project evaluations by creating a national evaluation strategy to promote maximal assistance to clients through the use of technology. LASC will develop the

national evaluation strategy in conjunction with the Management Information Exchange and experts on the subject of evaluations.

To assist LSC recipients using the Pro Bono Net platforms for statewide websites, LSC is providing a technology grant to the Northwest Justice Project for two national 'circuit riders.' Under the supervision of the Northwest Justice Project, these 'circuit riders,' will provide assistance with content management and help programs create statewide websites that support the broader state justice communities.

During the reporting period, LSC awarded a technology initiative grant to Gulf Coast Legal Services in Houston to create a national legal services virtual conferencing center. This conferencing center will enable grantees to meet electronically using Webex hosting services. These meetings may be used for technology trainings, state planning sessions, and advocate trainings. The website for this virtual conferencing center is www.legalmeetings.org.

The five grants referenced above will assist programs in developing a range of *pro se* tools far beyond those that have been available in the past. LSTech, the national legal services resource website, and LegalMeetings, the legal services virtual conferencing center, will be available to all LSC grantees.

Program Visits

During the reporting period LSC has, as promised in its strategic plan, begun a process of visiting programs to assess their quality, address their problems, and uncover innovative procedures that may serve as models for other programs. LSC believes that these visits will enhance its understanding of programs' activities otherwise gleaned from competition applications, grant activity reports and anecdotal information.

Since April 1, 2001, teams consisting of LSC staff members and consultants have visited 9 of the 12 programs identified for assessment. Two of the programs were visited prior to the commencement of the reporting period. The twelfth visit will be completed by the end of November 2001.

'The Results Project'

LSC has begun a new data collection process to capture information on the work of LSC-funded programs that is not reflected in the case service reports (CSR's), which only report the handling of cases. This work, generally characterized as 'matters' on program timekeeping records, includes: referrals; community legal education (CLE) presentations; CLE materials, articles and web sites; *pro se* efforts; and other services such as collaborative training, mediation and alternative dispute resolution work. This information will be collected once a year as a supplement to the current Grant Activity Reports. The collection of this information has been designed to minimize the imposition of additional reporting burdens on LSC programs.

Initiated prior to the commencement of the reporting period, 'The Results Project' has continued on course during the past six months. After reviewing the results of a preliminary test of data collection, the information collection process was finalized and sent to all programs on May 15, 2001. On June 19, 2001, an on-line conference on the implementation of the 'matters' data collection was held for all programs wishing to participate. Data collection began on July 1, 2001.

Because of the newness of this process, LSC anticipates some imperfections in the first six months of data collection, as programs become accustomed to this new reporting requirement. Nevertheless, LSC expects the information collected during this period to be useful, and it further anticipates that programs will become fully acclimated to this process during 2002, the first full year of reporting, and produce accurate information which reflects the true breadth of accomplishments by LSC grantees.

Diversity

Over the past year, and in partnership with the National Legal Aid and Defender Association ("NLADA"), LSC has implemented a far-reaching diversity initiative, focused on gender, race and related issues. Through a series of formally organized and inclusive dialogues or "conversations" with staff, clients, and leaders in our community, LSC and NLADA have gathered data on concerns, experiences, and ideas for change that will help national organizations determine the best approaches to strengthening both services and delivery structures. Each conversation will result in a short report, and the initiative will culminate in a larger report containing recommendations.

With one exception, each conversation has been national in approach and organized around a large national conference, one of which drew many members of the legal services community. LSC launched the initiative in March 2001, immediately prior to the reporting period, with a conversation on gender and justice. In May 2001, LSC held a two-day conference on a broader range of diversity issues, including gender, race, ethnicity, disability, and sexual orientation and identity. In July 2001, LSC organized three conversations on gender, leadership, and recruiting and retaining people of color. These conversations were followed by a meeting in St. Louis, Missouri with program directors from the Midwest Region. Shortly after the close of the reporting period, in November 2001, LSC held an important, diversity conversation involving clients, in conjunction with the NLADA Annual Conference.

Client Conference

In April 2001, LSC held a three-day conference in Hershey, Pennsylvania, entitled "Creating Client-Centered State Communities of Justice." Clients and client advocates, members of the bench and academic community, LSC board members and staff, and other interested parties from 28 states comprised the 70 participants. The conference provided a forum for the exchange of ideas about methods by which the legal services community can better empower, strengthen and enhance the lives of legal services clients.

The following six themes emerged from the conference:

- The importance of involving clients in the delivery of legal services;
- The need for client capacity building (i.e. increasing clients' knowledge of their rights and responsibilities);
- The need for greater inclusiveness in client representation;
- The need for broader connections and new partnerships;
- The need to communicate the richness of what is going on at the program and state levels; and
- The need for continuing dialogue.

LSC believes that pursuit of these themes will promote its strategic planning goals of dramatically increasing access to assistance and assuring high quality representation. In June 2001, LSC published a final report detailing the topics covered at the conference, the opinions expressed, and the conclusions reached. LSC is producing a further response indicating the steps it will take to address the conferences themes.

Information Management

As noted above, LSC believes that the cross-fertilization of good ideas is an important step in addressing the goals of increased access to legal services and ensuring appropriate, high quality legal assistance. In furtherance of these goals, LSC's Office of Program Performance ("OPP") has initiated an information management project. The project will gather information about model and innovative legal services management and delivery approaches to afford greater access to the client community. LSC will place useful information on its website so that programs can implement and replicate promising models. LSC is currently gathering "best practices" and models within these areas and is looking at proven techniques and innovative projects. The website will also allow users to link to, and reference, worthy sources of material that already exist.

LSC does not intend to duplicate the quality work that is already being done in this realm. It will coordinate with other entities to the fullest extent possible. As a funding source, LSC wants to encourage national dialogue on finding and sharing the most effective approaches. LSC will assemble and share the information it collects for this project in order to assist programs and state planning partners.

Characteristics of Model Intake Systems

As part of its effort to encourage and promote innovative procedures, LSC is producing a list of draft characteristics of ideal telephone intake, advice, and referral

systems. These systems are relevant to LSC's goals of enhancing access to services and assuring high quality services in that they promote prompt client assistance, in a uniform manner.

Since May 2001, LSC has received many comments about the Draft Characteristics from recipients and other interested parties. Those comments are now being reviewed and considered by LSC staff. Appropriate changes may be made based on the comments received. The Characteristics will be finalized and reported to the public in January 2002.

Poverty Law Research Training

LSC has contracted with the National Center on Poverty Law ("NCPL") to provide training for programs in 10 states on legal research in poverty law. Programs in Alabama, Mississippi, Iowa, Oklahoma, Tennessee, South Dakota, Florida, Michigan, and Puerto Rico, as well as the Native American program in Arizona, will receive this training. The manual written by NCPL for this training will be made available to legal services attorneys nationwide on NCPL's website. Attorneys who have graduated from law school since 1998 will also receive a free subscription to the Clearinghouse Review, a poverty law journal, under this contract.

Rulemaking Activities

During the reporting period LSC decided to undertake three rulemakings. LSC announced its intention to conduct Negotiated Rulemakings to consider revisions to its regulations on eligibility (45 CFR Part 1611) and restriction on legal assistance to aliens (45 CFR Part 1626). Working Groups consisting of representatives from LSC, grantees and national organizations interested in legal services have been appointed. It is anticipated that the Working Groups will begin meeting under the direction of professional facilitators in January 2002. In addition, LSC announced that it would conduct a Notice and Comment Rulemaking to revise its regulations on welfare reform (45 CFR Part 1639) to incorporate changes necessitated by the United States Supreme Court decision in *Legal Services Corporation v. Velazquez, et al.*, Nos. 99-603 and 99-960, 121 S. Ct. 1043, 2001 WL 193738 (U.S., February 28, 2001).

LSC also continues work on the thorough review of its regulations. This project is consistent with the five-year strategic plan, "LSC Strategic Directions 2000 - 2005" which, among other things, requires reviewing LSC's regulatory compliance requirements for efficiency, unnecessary duplication and burden, and implications for the delivery of high quality, appropriate legal services. A final report of the staff task force reviewing the regulations was published for public comment in September 2001. LSC anticipates that the Board of Directors will consider the staff report and public comment at its November 2001 meeting.

Finally, LSC published a revised *Property Acquisition and Management Manual* in September 2001. The Manual, which became effective on October 15, 2001, provides

standards for the acquisition, management and disposition of property acquired, in whole or part, with LSC funds.

LSC Task Force to Study & Report on Configuration of Service Areas

In response to inquiries from the legal services community and Members of Congress, the LSC Board of Directors established the *LSC Task Force to Study and Report on Configuration of Service Areas* in June 2001. The Task Force was charged with reviewing "existing policies, standards, and procedures governing state planning and for defining service areas." Co-chaired by two LSC Board members, New Hampshire Supreme Court Justice John T. Broderick and Ernestine Watlington, the Task Force, on November 11, 2001, presented its final report to the LSC Board, which adopted the recommendations.

The action by the Board reaffirms its role in state planning and LSC's authority to define service areas for the provision of legal services to low-income clients. The Board action also codifies LSC's standards for reconfiguration of service areas and establishes a review process for disputed configuration decisions, giving great weight to the judgments of designated state planning bodies. In recognition of the crucial role played by equal justice stakeholders in every state, the Board resolved that LSC would override local decision-making only if there is "good and substantial reason" for the Corporation to substitute its judgment for that of state planners. Such reasons must be clearly articulated in writing and tied to LSC's published standards. LSC's State Planning Initiative has transformed and improved civil justice systems in a majority of states in America. The recent Board action carries forward that effort and ensures that LSC remains responsive to local stakeholders and the clients they represent.

TABLE 1
Management Report on
Office of Inspector General Audits of Grantees
Issued With Questioned Costs
For the Six Month Period Ending September 30, 2001

	Number of Reports	Disallowed Costs
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise.	0	\$0
(ii) Dollar value of disallowed costs that were written by management.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance	0	\$0

TABLE 2

**Management Report on Audit Reports Issued During
The Six Month Period Ending September 30, 2001,
With Recommendations That Funds Be Put to Better Use By Management
Agreed to in a Management Decision**

	Number of Reports	Dollar Value
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of recommendations that were actually completed.	0	\$0
(ii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance.	0	\$0