

**Legal Services Corporation
Office of Inspector General**

**Semiannual Report to the Congress
October 1, 2003 – March 31, 2004**

<http://www.oig.lsc.gov>

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April 30, 2004

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

This Semiannual Report on the activities of the Office of Inspector General of LSC covers the six-month period from October 1, 2003 through March 31, 2004. Section 5 of the Inspector General Act of 1978 requires the Board of Directors, as the designated Federal entity head, to transmit this report to the appropriate committees of the Congress within 30 days, together with its report commenting on the contents of the Report.

Leonard J. Koczur
Acting Inspector General

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EXECUTIVE SUMMARY

The OIG issued three audit reports on grantees' compliance with regulations governing relationships with entities that engage in prohibited activities. A report on another audit is being drafted. (Page 2)

Audits of two grantees' compliance with regulations governing the Private Attorney Involvement program were started and reports are being drafted.

The OIG has undertaken a project to evaluate mapping technology as a legal services management tool. Mapping enables operational data to be presented on a map by geographic location. Phase I of the project involving LSC's two grantees in Georgia – Atlanta Legal Aid Society and Georgia Legal Services Program – was completed and an evaluation report issued. Phase II of the project started with additional work being done in Georgia and with five LSC grantees in Southern California. (Page 6)

Two investigations were completed. (Page 8)

INTRODUCTION

Corporate Structure

The Board of Directors of the Legal Services Corporation (LSC or the Corporation) is composed of 11 members appointed by the President of the United States with the advice and consent of the Senate. The Board sets general policy and oversees the management of the Corporation. The Inspector General reports directly to the Board in its capacity as head of the entity. The Board also appoints the President of the Corporation, who serves as the principal management official of the Corporation.

Grant-Making Activities

The Corporation is authorized by Congress to make grants and contracts to support the provision of civil legal assistance to clients who meet eligibility requirements. The Corporation makes grants to entities that, in turn, provide legal assistance to indigent persons throughout the United States, Puerto Rico, the U.S. Virgin Islands, Guam, and Micronesia.

Certification of Independence

Inspector General operations in this period were free of personal or organizational impairment.

AUDITS

During this reporting period, the Office of Inspector General (OIG) issued three program integrity audits.

PROGRAM INTEGRITY AUDITS

The OIG is reviewing grantee operations to determine if they are in compliance with LSC requirements on relationships with entities that engage in prohibitive activities established in 45 CFR Part 1610. This regulation requires grantees to maintain objective integrity from any organization that engages in activities prohibited by the LSC Act, LSC appropriations acts, and LSC regulations. To do so, grantees must be legally separate from such organizations, not transfer LSC funds to them, not subsidize any restricted activities with LSC funds, and maintain physical and financial separation from them. An exception applies for transfers of LSC funds solely for private attorney involvement (PAI) activities. These audits are termed Program Integrity audits.

During this reporting period, the OIG issued audit reports on California Rural Legal Assistance, Legal Aid of Southeastern Pennsylvania, and Legal Aid Society of Greater Cincinnati.

California Rural Legal Assistance, Inc.

The grantee did not maintain objective integrity and independence from a legal organization that engaged in prohibited activities between January 1, 2000 and May 20, 2002, the period covered by our review. In addition, the grantee did not prepare statements of facts and identify clients in certain cases, and improperly made rental payments for an organization in violation of 45 CFR 1630.

The OIG found that the grantee did not comply with all program integrity requirements. Although the grantee did not improperly transfer LSC funds, it did subsidize restricted activities. Further, the grantee's close relationship with

the entity engaged in prohibited activities made it difficult to distinguish between the two organizations and resulted in a violation of the program integrity regulation. The specific problem areas were: co-counseled cases, shared staff, rent subsidy, and physical separation of facilities. The OIG made five recommendations to correct these problems.

In addition, the grantee did not prepare statements of facts nor identify all clients as required by 45 CFR 1636.2. The OIG recommended that the grantee implement procedures to ensure that statements of facts are prepared and clients identified for all required cases.

The OIG also ascertained that the grantee violated LSC Regulation Part 1630.3 by improperly paying rent for a separate organization, the San Luis Obispo Legal Alternatives Corporation, which is co-located with the grantee's branch office. The OIG made two recommendations to address the rent payment problem.

The grantee's Corrective Action Plan did not implement all recommendations. The grantee declined to implement four of the five recommendations related to Part 1610, Program Integrity and the recommendation on Part 1636, Statement of Facts. The grantee did, however, agree to implement the two recommendations to correct the Part 1630, Rent Payments, issue.

The OIG referred the audit report to the LSC Office of Compliance and Enforcement in accordance with the Audit Follow-up Process.

Legal Aid Society of Greater Cincinnati

The grantee generally complied with Part 1610 between July 1, 2001 and April 30, 2003, the period covered by our review. Although the audit found no violations of the program integrity regulation, in two cases grantee attorneys claimed attorneys fees in violation of the LSC regulation and grantee policy. The fees were not collected in either case.

The OIG made two recommendations in connection with attorneys' fees. The grantee submitted a Corrective Action Plan to implement the recommendations. The OIG has worked with the grantee on clarifying and refining the plan. The OIG anticipates closing the recommendations during the next reporting period.

Legal Aid of Southeastern Pennsylvania

The grantee generally complied with Part 1610 between July 1, 2001 and October 31, 2003, the period covered by our review. During this time period, the grantee was not involved with organizations that engaged in restricted activities and LSC funds were not transferred to other legal organizations.

The audit identified a case reporting deficiency that was not directly related to program integrity. The grantee did not report to LSC all cases filed in court as required by Part 1644. None of the unreported cases were restricted or prohibited by LSC regulations. The reporting problem was due primarily to a breakdown in the grantee's procedure for collecting case information. The grantee implemented revised procedures effective January 1, 2004 designed to correct the problem. The OIG did not make a recommendation on this finding because the grantee had already implemented sufficient corrective action.

Program Integrity Audits in Process

An audit of Volunteer Lawyers Project of the Boston Bar Association was initiated this reporting period. Field work was conducted in November 2003 and a follow-up field visit was conducted after this reporting period. A draft report will be issued early next period.

PRIVATE ATTORNEY INVOLVEMENT (PAI) AUDITS

The OIG is conducting a series of audits to evaluate the effectiveness of the PAI program and grantee compliance with LSC Regulation Part 1614. During this reporting period, the OIG initiated audits and conducted field work at Central California Legal Services and Legal Services of Northern California. Draft audit reports will be issued next reporting period. The OIG is scheduled to audit Western Michigan Legal Services next period.

CORPORATE AUDIT

The OIG contractor completed field work for the Fiscal Year 2003 financial statement audit of the Corporation and submitted the Corporate tax filing to IRS this period. The audit report will be issued next period.

AUDIT REPORTS

Open at beginning of reporting period	1
Issued during reporting period	3
Closed during reporting period	2
Open at end of reporting period	2

RECOMMENDATIONS TO LSC GRANTEES

Pending at beginning of reporting period	1
Reported during this period	10
Closed during this reporting period	8
Pending at end of reporting period	3

RECOMMENDATIONS TO LSC MANAGEMENT

Pending at beginning of reporting period	0
Reporting during this period	0
Closed during report period	0
Pending at end of reporting period	0

EVALUATION PROJECT

The OIG continued its project to evaluate mapping technology as a legal services management tool. Mapping allows operational data to be presented on a map by geographic location. For example, client addresses can be plotted to show where clients are concentrated within a grantee's service area.

In November, the OIG issued a report on Phase I of the project entitled "Legal Services in Georgia." The OIG worked closely with the two LSC grantees in Georgia, Atlanta Legal Aid Society–Georgia and Legal Services Program in Phase I. The report concluded that maps are a useful management tool with potential long-range programmatic benefits in the following strategic and operational areas:

- **Increasing access to legal services for low-income persons** – Maps offer a picture of the geographic distribution and movements of poverty and LSC income-eligible populations. When compared with clients served and legal services provided, the under-served can be identified and addressed;
- **Strengthening planning, resource and performance management** – Mapping provides a visible model of the legal services environment supporting service provision, priority setting, and deployment of office locations and staff. Maps have promise for measuring the success of grantees' various programs and outreach initiatives; and,
- **Improving program promotion** – Maps show potential funders the extent of the legal services contribution to the low-income community and help to document the unmet need for legal services. Maps effectively communicate the disproportionate size of the income-eligible population compared to the available resources. They are a persuasive tool that managers can use when seeking additional funding from federal, state, local and private sources.

Additional work is needed to fully evaluate mapping and develop it into a viable legal services management tool.

The OIG started Phase II of the project in Georgia and Southern California. The 2000 Census poverty data is being used to update the maps produced for the Georgia grantees and testing a refined set of maps. In Southern California, mapping is being validated in five grantees' services areas using methodologies improved by the lessons learned in Phase 1. In addition, we are developing methods for neighborhood-scale maps, matters mapping and documenting the use of mapping in evaluating the degree of access to Legal Services. Four million income eligible individuals live in the area served by these grantees.

INVESTIGATIVE ACTIVITIES

Two cases were closed and two cases were opened during this reporting period.

One closed case involved allegations that a grantee participated in a case in violation of the restrictions prohibiting involvement in desegregation and class action cases and that the grantee acted unilaterally in the cases rather than on behalf of the named parties to the litigation. The investigation substantiated the allegation that the grantee was improperly involved in a class action case, but not the other allegations. We recommended that the grantee remove itself from the case and it agreed to do so.

The second closed case involved 12 allegations regarding a grantee's hiring practices, the Executive Director's use of staff for personal errands, the grantee's timekeeping process and its Private Attorney Involvement Program. Eleven of the twelve allegations were either not substantiated or had been resolved during the period of review. One allegation was substantiated, but we concluded that no adverse consequences resulted. We recommended corrective action and the grantee informed us that it was taking such action.

The OIG maintained a Hotline for the reporting of thefts and improper activities by LSC grantees or corporate staff. Complaints and allegations are received via telephone, letter and e-mail. Ten telephone calls and 16 written contacts were received; of these 26 contacts, nine required follow-up.

INVESTIGATIVE CASES

Open at beginning of period	1
Open during the period	2
Closed during period	2
Open at the end of the period	1
Recommendations for Corrective Action	2

PROSECUTORIAL ACTIVITIES

Referred this period	0
Declined prior and this period	0
Pending	0

LEGAL REVIEW

No proposed regulations were under review this period.

SUBPOENA ENFORCEMENT ACTIVITIES

As previously reported, the OIG issued subpoenas to two grantees in 2000 for data required in connection with the OIG's assessment of the accuracy of grantees' 1999 case statistical data. The grantees, Legal Services of New York (LSNY) and Legal Aid Bureau of Maryland (LAB), had declined to provide the data, citing ethical rules and attorney-client privilege.

Two court cases resulted. In one, the OIG obtained enforcement of the subpoenas in the U.S. District Court for the District of Columbia, and LAB provided the data to the OIG. LSNY appealed and the ruling was affirmed. The matter was remanded to the District Court, which appointed a special master to hear particularized claims of attorney-client privilege. That process has been on hold pending the outcome of the second case, filed against LSC, the OIG, and LSNY in the U.S. District Court for the Southern District of New York by sub-grantees and an affiliated organization of LSNY. That Court ruled in favor of the defendants on cross-motions for summary judgment and the decision was affirmed on appeal. The plaintiffs filed a Petition for Writ of Certiorari with The U.S. Supreme Court. During this reporting period, the Supreme Court denied cert.

Given the age of the data and the probable lack of effect on the results of the OIG's assessment of the 1999 case statistics, the OIG is considering its options for obtaining the data and proceeding with the assessment.

TABLE I

**Audit Reports Issued with Questioned Costs
for the Period Ending March 31, 2004**

	NUMBER REPORTS	QUESTIONED COSTS	UNSUPPORTED COSTS
A. For which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
B. Reports issued during the reporting period	0	\$0	\$0
Subtotals (A + B)	0	\$0	\$0
LESS:			
C. For which a management decision was made during the reporting period:	0	\$0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period	0	\$0	\$0
Reports for which no management decision had been made within six months of issuance	0	\$0	\$0

TABLE II

**Audit Reports Issued with Funds to be Put to Better Use
for the Period Ending March 31, 2004**

	NUMBER REPORTS	DOLLAR VALUE
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
LESS:		
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
Reports for which no management decision had been made within six months of issuance	0	\$0

TABLE III**Index to Reporting Requirements
of the Inspector General**

IG ACT*** REFERENCE	REPORTING REQUIREMENT	PAGE
Section 4(a)(2)	Review of legislation and regulations	10
Section 5(a)(1)	Significant problems, abuses, and deficiencies	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	None
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	None
Section 5(a)(4)	Matters referred to prosecutive authorities	None
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	11
Section 5(a)(7)	Summary of each particularly significant report	2
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs	11
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	12
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by the end of the reporting period	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	None

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