

**LEGAL SERVICES CORPORATION**

**OFFICE OF INSPECTOR GENERAL**

**COMPLIANCE WITH SELECTED REGULATIONS  
PERFORMANCE AUDIT**

**Grantee: Neighborhood Legal Services Association  
Recipient No. 339060**

**Final Audit Report No. AU96-063E**

**September 1997**

**LEGAL SERVICES CORPORATION  
OFFICE OF INSPECTOR GENERAL  
COMPLIANCE WITH SELECTED REGULATIONS  
PERFORMANCE AUDIT  
PROJECT NO. 96-063**

GRANTEE: Neighborhood Legal Services Association (339060)  
Pittsburgh, Pennsylvania

**INTRODUCTION**

In Public Law 104-134<sup>1</sup>, the 1996 appropriation for the Legal Services Corporation (LSC), Congress imposed restrictions and prohibitions on the types of services LSC grantees may provide to clients and on the methods they may employ in providing those services. The law, enacted on April 26, 1996, required the grantees to discontinue servicing certain types of cases immediately. It also required grantees to divest of three other types of cases (class actions, prisoner litigation, and alien representation) no later than July 31, 1996. Congress required LSC to report whether grantees had divested of these cases within the time allotted.

In order to provide the LSC Board of Directors, management, and Congress with an independent assessment of the grantees' compliance with the new law, the LSC Office of Inspector General (OIG) initiated two types of limited scope audits covering 12 grantees. A performance audit tested: (1) whether the grantees had divested of the prohibited cases and were providing only those legal services permitted in restricted cases; and (2) whether the selected grantees had implemented the policies and procedures to ensure that case-related activities were within the new law. A financial related audit was designed to determine whether selected grantees were supporting prohibited or restricted activities through the grantee or alternative organizations. This report presents the results of the performance audit of Neighborhood Legal Services Association (NLSA).

**BACKGROUND**

NLSA received \$1,511,814 in Fiscal Year 1996. NLSA's main office is located in Pittsburgh, Pennsylvania, and there are four branch office locations. As of the date of field work, NLSA employed, in addition to the Executive Director, approximately 28 attorneys, 7 paralegals, and 25 other staff. In June 1996, NLSA reported nine class action suits, two of which were also prisoner litigation suits, and no alien representation cases, a total of nine cases to be divested by July 31, 1996.

---

<sup>1</sup> 110 Stat. 1321 (1996)

## OBJECTIVES

The specific objectives of the performance audit were to determine whether NLSA had:

- divested of class action, prisoner litigation, and restricted alien cases by the July 31, 1996, deadline as required by section 508(b)(2) of Public Law 104-134;
- continued representation after April 26, 1996 with respect to the prohibited and/or restricted case services in violation of the law; and
- adopted new policies and procedures to conform with the new law, and communicated those policies and procedures to its staff.

## SCOPE

The audit was conducted at the main office in Pittsburgh, Pennsylvania from November 18-20, 1996, and did not include any branch offices. Audit procedures were limited to the following six regulations and the applicable interim rules in effect for 1996:

Part 1617	Class Actions
Part 1626	Alien Representation
Part 1633	Drug-related Evictions
Part 1637	Prisoner Litigation
Part 1639	Welfare Reform
Part 1636	Plaintiff Statements of Fact/Client Identity

Relevant to the stated objectives, we reviewed cases and other matters existing prior and subsequent to April 26, 1996, through November 10, 1996. We did not review cases or other matters subsequent to the last date of fieldwork, except as they pertained to our follow-up of issues addressed in this report.

## METHODOLOGY

The OIG conducted the performance audit of NLSA in accordance with generally accepted government auditing standards. Audit procedures were limited to the following:

- conducting interviews with the executive director, managing attorneys and other case handlers to obtain an understanding of the policies, procedures and processes established to implement the regulatory requirements;
- examining documentation supporting management's assertion on its involvement in cases and other matters related to class actions, certain categories of aliens, and certain types of representation involving incarcerated persons;

- conducting a search for restricted cases that were not reported and not divested by July 31, 1996;
- examining a sample of case files opened prior to and after April 26, 1996 to ascertain whether there was continued involvement in restricted cases;
- determining whether the recipient established policies and procedures as required by the respective regulations and communicated those policies and procedures to its staff.

## **FINDINGS AND RECOMMENDATIONS**

With regard to the above-stated objectives, we provide the following findings.

- We found no evidence that NLSA did not divest of class action, prisoner litigation, and restricted alien cases by the July 31, 1996, deadline as required by section 508(b)(2) of Public Law 104-134.
- We found no evidence that NLSA continued representation after April 26, 1996, with respect to prohibited or restricted services in violation of the law.
- Except as noted below, NLSA established policies and procedures as required by the respective regulations and communicated those policies and procedures to its staff.

**FINDING 1** — Client signatures attesting to citizenship were not obtained in all cases as required by regulation.

Signature lines on the Intake Form had been noted by telephone intake workers as "Telephone Intake." Attorneys and/or paralegals did not always obtain the required client attestation when the service extended beyond the initial telephone contact.

## **RECOMMENDATION**

NLSA should improve procedures to ensure that citizenship attestation is obtained when service extends beyond the initial telephone contact.

**FINDING 2** — NLSA's procedures for completing the "Plaintiff Statement of Facts" were not sufficient to ensure the statements were consistently obtained.

The use of the "Plaintiff Statement of Facts" was inconsistent. In certain cases, paralegals and attorneys were not clear as to the circumstances under which the "Plaintiff Statement of Facts" were required, nor to which documentation otherwise on file would suffice as evidence that the "Statement of Facts" had been obtained. Some attorneys and paralegals

obtained statements and some staff used court filings in lieu of the required statements. The Executive Director stated that the regulation was not clear as to whether statements were required in administrative proceedings. The OIG sought and obtained an opinion from LSC management that statements were not required for administrative proceedings but would be required if the proceedings advanced to an appeal before a court under judicial review procedures. Further, LSC management stated that a written complaint enumerating the facts and signed by the client will suffice as a “Plaintiff Statement of Facts” under Part 1636.

## RECOMMENDATION

NLSA should refine their procedures to clarify the circumstances under which the statements of facts are required.

## **GRANTEE MANAGEMENT RESPONSE TO DRAFT AUDIT REPORTS**

NLSA management responded that they had implemented new procedures as recommended to correct both findings. Their responses are included in Appendices I and II.

# Neighborhood Legal Services Association

---

928 PENN AVENUE  
PITTSBURGH, PENNSYLVANIA 15222-3789  
(412) 255-6700

RAV. 450

March 5, 1997

Albert B. Puglia  
Acting Assistant  
Inspector General for Program Integrity  
Legal Services Corporation  
750 1<sup>st</sup> Street, N.E. 10<sup>th</sup> Floor  
Washington, DC 20002-4250

Re: Audit Project 96-063 Performance  
Audit of Neighborhood Legal  
Services Association 339060

Dear Mr. Puglia:

We have reviewed the draft report from the OTG performance audit of NLSA in November 1996.

With regard to Finding 1 client signatures attesting to citizenship not always obtained where the case originated as telephone intake - NLSA has revised its procedures to ensure compliance (please see attached). Telephone intake files are closed once the advice or referral is made. Clients whose questions require more attention are scheduled for appointments. At that time, new files are opened and all appropriate forms are signed.

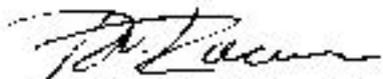
To remedy Finding 2 - that NLSA had insufficient procedures in place for ensuring that Client/Plaintiff Statement of Facts were consistently obtained - NLSA revised procedures and amended the Client Identification Form and Statement of Facts (please see attached). As revised, the procedures have been effective. Although not required at the administrative hearing stage, NLSA nevertheless does require that a Statement of Facts be signed.

Procedures concerning telephone intake and the Plaintiff Statement of Facts were revised following the performance audit consistent with the recommendations made at that time by the auditors.

Albert B. Puglia  
March 5, 1997  
Page Two

If you need additional information at this time, please contact me.

Sincerely,



Robert V. Racunas  
Executive Director

/sg  
Attachment

cc: James E. Mahood, NLSA President  
: Charles E. Gibbons, NLSA President-Elect  
: Administration

# Neighborhood Legal Services Association

928 PENN AVENUE  
PITTSBURGH, PENNSYLVANIA 15222 3785  
(412) 255-6700

November 25, 1996

To: All Staff

Re: NLSA Policies Effective Immediately

To insure program consistency and regulatory compliance, the following procedures are now in effect:

1. NLSA initial intake staff will place and attach a client Statement of Facts and Client Identification form in all pre-prepared files. It is the responsibility of each paralegal and attorney to have the document completed and signed in all appropriate cases in a timely fashion, i.e., at the time the client is interviewed. In all instances, the Statement of Facts must be completed and signed prior to initiating litigation or entering into pre-complaint settlement negotiations.

2. The Statement of Facts and Client Identification form will be completed in all instances in which NLSA is representing a petitioner or plaintiff, including all administrative hearings.

3. A signed petition attached to the Statement of Facts is no longer an alternative to the signed Statement of Facts.

4. Telephone intake will consist of brief service advice and should be immediately closed. An additional file will be prepared for each follow up in-person interview. The Statement of Facts should be signed at that time.

5. A copy of the signed Statement of Facts will be kept in the client's file; the original of the signed Statement of Facts will be kept on file in a central location. In Pittsburgh, that will be the 6<sup>th</sup> Floor (Sharon); in BBL and McKeesport as determined by the Managing Attorney.

6. Case review will now include a component to insure that all required forms and client signatures are contained in the file.

Sincerely,



Robert V. Raccugna  
Executive Director

jsj  
Attachment

# Neighborhood Legal Services Association

928 PENN AVENUE  
PITTSBURGH, PENNSYLVANIA 15222-3799  
(412) 255 8700

August 26, 1997

Alexis M. Stowe  
Assistant Inspector General  
for Audit  
Legal Services Corporation  
750 1st St., NE, 10th Floor  
Washington, D.C., 20002-4250

Re: Response to Second Draft, Audit  
Project 96-063, Performance Audit of  
Neighborhood Legal Services Association,  
Recipient No. 339060

Dear Ms. Stowe:

We have reviewed the second draft report from the OIG Performance Audit of NLSA, November, 1996. We noted only minor changes to the first draft. With the incorporation of our response, dated March 5, 1997 into this draft, we have no further comments.

If you have any questions, please contact my office (412-644-7451). Thank you.

Sincerely,



Robert V. Racunas,  
Executive Director

cc: James E. Mahood, President  
Charles B. Gibbons, President-Elect  
Administration