

**LEGAL SERVICES CORPORATION**

**OFFICE OF INSPECTOR GENERAL**

**USE OF FUNDS FOR PROHIBITED OR RESTRICTED ACTIVITIES  
FINANCIAL RELATED AUDIT**

**Grantee: Florida Rural Legal Services, Inc.  
Recipient No. 610020**

**Final Audit Report No. AU96-064C**

**September 1997**

**LEGAL SERVICES CORPORATION  
OFFICE OF INSPECTOR GENERAL  
USE OF FUNDS FOR PROHIBITED OR RESTRICTED ACTIVITIES  
FINANCIAL RELATED AUDIT  
PROJECT NO. 96-064-C**

GRANTEE: Florida Rural Legal Services, Inc. (610020)  
Lakeland, Florida

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 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 limited scope audits covering 12 grantees. A performance audit tested: (1) whether 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 within the grantee or through alternative organizations. Florida Rural Legal Services, Inc. (FRLS) was included in both the performance and the financial related audits. This report presents the results of the financial related audit of FRLS.

## **BACKGROUND**

FRLS received \$2,485,203 in Fiscal Year 1996. FRLS's main office is located in Lakeland, Florida, with six branch office locations. As of the date of the field work, FRLS employed, in addition to the Executive Director, approximately 16 attorneys, 17 paralegals, and 29 other staff.

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

## **OBJECTIVES**

The specific objectives of the financial related audit were to determine whether:

- FRLS used funds to pay other legal organizations to handle prohibited or restricted cases;
- current employees, terminated employees, and consultants continued to work on restricted or prohibited cases and received LSC funds for their services after restrictions and prohibitions took effect;
- time and attendance records indicated continued involvement in restricted or prohibited cases after FRLS ceased official involvement with the cases.

## **SCOPE AND METHODOLOGY**

The financial related audit of FRLS was conducted in accordance with generally accepted government auditing standards. Field work was performed in the office in Lakeland, Florida from December 4-6, 1996. Audit procedures included interviews with LSC and FRLS personnel, review of FRLS policies and procedures, and examination of FRLS documents and financial records.

The revised regulation 45 CFR 1610 became effective on June 20, 1997. A component of this rule addresses program integrity as it relates to independence from another entity. This rule and its application are beyond the scope of this audit.

## **FINDINGS, RECOMMENDATIONS AND CONCLUSIONS**

With regard to the specific objectives detailed above, we provide the following conclusions.

### **CONCLUSION 1**

- We found no evidence that FRLS used funds to pay other organizations to handle prohibited or restricted cases.

### **CONCLUSION 2**

- We found no evidence that current employees, terminated employees and consultants continued to work on restricted or prohibited cases and received LSC funds for their services after restrictions and prohibitions took effect.

### **CONCLUSION 3**

- We found no evidence in the timekeeping records to indicate that current employees continued involvement in restricted or prohibited cases after FRLS was required to cease official involvement with the cases.

## **GRANTEE MANAGEMENT COMMENTS TO THE DRAFT AUDIT REPORTS**

FRLS agreed with the conclusions in this report, but provided comments on the management letter. The complete text of FRLS' responses to the first and second draft audit reports are included as Appendix I and II, respectively.

## **MANAGEMENT LETTER**

We have issued a separate letter to FRLS management concerning an immaterial finding resulting from this audit.



LAW OFFICES  
**Florida Rural  
Legal Services, Inc.**

REPLY TO: Lakeland

March 13, 1997

William M. Moyette, III  
PRESIDENT, BOARD OF DIRECTORS

Peter F. Helwig  
EXECUTIVE DIRECTOR

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VIA FACSIMILE

Albert B. Puglia  
Acting Assistant Inspector General  
for Program Integrity  
Office of the Inspector General  
Legal Services Corporation  
750 First Street, N.E., 10th Floor  
Washington, D.C. 20002 4250

Re. Audit Projects 96-063 and 96-064

Dear Mr. Puglia,

Thank you for providing us with copies of the draft audit reports covering the above two projects.

We have reviewed the draft reports and generally concur with the findings therein. I write only to advise you of corrective measures we have taken, with regard to your Recommendation which follows Finding 2 of the report on Project 96-063.

As described in my letter of February 17, 1996 to John Tull, copied to Ms. Charmaine Romuar of your office, we are installing a new computerized case management system which will eliminate the problems described in Finding 2. The new system is now operational in our Lakeland office, and will be implemented in our other offices shortly. Under this system, it will no longer be possible for an attorney to do an intake without entering the case into the case management system, and backlogs will be eliminated because the data will be entered automatically at the time of intake.

Thank you for the time, attention and courtesy of your team in their two visits to our program.

Sincerely,  
  
Peter F. Helwig



# Florida Rural Legal Services Inc.

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September 19, 1997

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

SEP 29 1997

Re: Audit Project 96-064 (Financial Related Audit)

Dear Ms. Stowe:

Thank you for giving us the opportunity to comment on the second draft of your reports on our performance audit and financial related audit. With the exception of the comment herein regarding the Management Letter accompanying the financial related audit, we have no disagreement with regard to either report.

In the Management Letter accompanying the financial related audit, it was recommended that we change our personnel policies to disallow the accrual of employee fringe benefits while employees are on uncompensated administrative leave, except as required by law. We believe that this recommendation is unwarranted, as more fully set out below.

The factual setting which gave rise to this recommendation is as follows: During 1996-97, two of our full-time paralegal employees took uncompensated annual leave, on a small number of occasions, and performed work for another employer. That work consisted, in one case, of paid employment to translate for a non-LSC legal aid program which was providing legal assistance to immigrants. In the other case, it consisted of paid employment for a private law firm, to assist on a pending class action lawsuit.

In both cases, the work which was done would have been impermissible if done by the workers in the course of their employment with us. In both cases, the workers' FRLS paychecks were reduced by the amount of administrative leave which they took in order to do this other work for the outside organizations. In neither case was the work done in our offices.

As you note in the management letter, our personnel policies provide that employees continue to accrue full fringe benefits while on administrative leave. This

Alexis M. Stowe  
September 23, 1997

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policy is found in our collective bargaining agreement, and has been in effect for many years. It has been consistently and neutrally applied, regardless of the purpose for which the employee was taking administrative leave.

It would be impractical and inequitable to adopt the policy recommended in the management letter. Especially in the case of health insurance benefits, it has never been our practice, nor should it be, to stop and start coverage depending on whether an otherwise full-time employee falls below 30 hours in a given week. This does occur on occasion, as employees run out of sick leave or decide to extend vacation or other leave without pay. When an employee exhausts her accrued leave because of an illness, unpaid administrative leave would have to be utilized if she become ill again shortly thereafter. Terminating her health benefits in such a case would not only be poor management policy, it would be cruel and possibly dangerous. Finally, staff sometimes take leave which is their legal right under the Family and Medical Leave Act. As your recommendation anticipates, continuation of health insurance is a legal requirement in that situation.

The only policy which makes practical sense, and is consistent with institutional integrity, is a policy which is uniformly applied, and is neutral as to the purpose for which the leave is taken. In our view, it is not our business how a staff member spends her vacation, medical leave or administrative leave, so long as she does not act in the name of FRI.S. We are not about to, nor do the restrictions require that we monitor the off-work behavior of our staff, or scrutinize their church and other community activities to see if some LSC-ineligible immigrant benefits from them.

We can imagine some situations in which the accrual of benefits would be a legitimate concern. For example, if benefits accrued during leave for LSC-ineligible activities, but not for other activities; or if a policy were on its face neutral, but was adopted recently in response to the new restrictions; these might well suggest some minimal support for restricted activities with LSC funds.

However, neither situation is presented here. Our policy is that benefits accrue during any administrative leave. It is applied consistently and without regard to the purpose for which leave is taken. It is a policy of long standing at FRI.S, and was not adopted in order to evade the new restrictions. Moreover, it furthers the legitimate purpose of simplicity and consistency of administration, as such a policy is legally required in some cases. I hope you will reconsider your position on this issue and allow us to continue this policy.

Sincerely,  
  
Peter F. Helwig