

**LEGAL SERVICES CORPORATION**

**OFFICE OF INSPECTOR GENERAL**

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

**Grantee: Legal Services Law Line of Vermont, Inc.  
Recipient No. 146010**

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

**September 1997**

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

GRANTEE: Legal Services Law Line of Vermont, Inc. (146010)  
Burlington, Vermont

**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 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 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

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

organizations. This report presents the results of the financial related audit of Legal Services Law Line of Vermont, Inc. (LSLLV).

## **BACKGROUND**

LSLLV received \$404,806 from LSC in Fiscal Year 1996. The LSLLV office is located in Burlington, Vermont. As of the date of field work, LSLLV employed, in addition to the Executive Director, approximately five attorneys, one paralegal, and two other staff. LSLLV is a new entity, having been created in January 1996 to handle cases permissible under LSC laws and regulations. LSLLV replaced the previous LSC grantee, Vermont Legal Aid, which continued to provide legal services including restricted and prohibited activities.

## **OBJECTIVES**

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

- LSLLV used funds to pay other 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;
- timekeeping records indicated continued involvement in restricted or prohibited cases.

## **SCOPE**

Field work was performed in the office in Burlington, Vermont from November 18-20, 1996.

The management of LSLLV provided a representation letter, but edited three specific representations that we requested. We considered the effects of these edits on the scope of our audit. In its response to the second draft audit report, the management of LSLLV provided

satisfactory alternative language addressing one of these three representations. This additional information has been taken into consideration in this report.

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 new rule and its application are beyond the scope of this audit.

## **METHODOLOGY**

The financial related audit of LSLLV was conducted in accordance with generally accepted government auditing standards. Audit procedures included interviews with LSC and LSLLV personnel, review of policies and procedures, and examination of LSLLV records.

## **FINDINGS, RECOMMENDATIONS AND CONCLUSIONS**

We provide the following conclusions and findings on the audit objectives.

### **CONCLUSION 1**

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

During the course of our fieldwork, we identified a condition that we believe to be a weakness in the internal control system.

**Finding 1** - We reviewed a sample of payments made to law firms and private attorneys by LSLLV and noted several instances where supporting documentation was not provided.

Advocates were reimbursed without specifying mileage or providing supporting documentation such as receipts for photocopies, postage, telephone calls, fax charges and meals. LSLLV explained that an effort would be made, such as revising the reimbursement form, to eliminate or minimize these types of exceptions from recurring.

*Recommendation 1* - LSLLV should ensure that all payments contain proper supporting documentation.

#### Management Comments

In its response to the second draft audit report, LSLLV did not dispute the finding, but added that the discrepancies noted were few and of small dollar amounts. LSLLV added that the attorneys receiving payments were pro bono private attorneys, and that being more stringent in requiring documentation would be counterproductive.

#### OIG Response

The OIG reiterates its recommendation and notes that sound business practices mandate such accountability.

#### **CONCLUSION 2**

- Because of the conditions identified in findings 3 and 5, we could not determine that current employees, terminated employees, or consultants did not work on restricted or prohibited cases and did not receive LSC funds for their services after restrictions and prohibitions took effect, and we express no opinion on this audit objective.

We could not determine that current employees, terminated employees, or consultants did not work on restricted or prohibited cases and did not receive LSC funds for their services after restrictions and prohibitions took effect because of the following conditions identified in findings 3 and 5: (1) a majority of LSLLV's attorney staff were part-time; (2) LSLLV did not have written policies governing employee alternative work arrangements including part-time employment; and (3) LSLLV's timekeeping records did not account for all hours worked and therefore were unreliable.

Additionally, during the course of our fieldwork, we identified conditions that we believe to be weaknesses in the internal control system.

**Finding 2** - LSLLV did not have written policies governing accrued vacation leave and sick leave.

A properly designed and implemented internal control system includes written procedures governing employee vacation, sick, and other leave.

LSLLV credited new employees with leave balances accrued at their previous employer, Vermont Legal Aid. Three LSLLV employees were credited with leave balances (annual vacation and sick) equal to the remaining leave balances at their date of departure from Vermont Legal Aid, the previous LSC recipient in the service area. LSLLV explained that this was a management decision to provide benefits to individuals who were leaving their old jobs and who felt insecure about losing their sick and vacation time. Vermont Legal Aid was obligated to pay the employees for the accrued vacation leave but not for the accrued sick leave. Thus, LSLLV assumed an obligation incurred by Vermont Legal Aid before LSLLV existed

*Recommendation 2* - LSLLV, with the participation of its board, should develop and implement written policies and procedures to govern accrued vacation leave and sick leave.

#### Management Comments

In its response to the second draft audit report, LSLLV agreed with the OIG's recommendation that LSLLV adopt written policies "simply as a good management practice", but added that there is no requirement that this be done. LSLLV did not provide a corrective action plan nor any additional information as to when it intended to implement the recommendation.

**Finding 3** - LSLLV did not have written policies governing employee alternative work arrangements.

A properly designed and implemented internal control system over employee work and benefits includes written procedures to ensure fair and equitable administration and appropriate expenditures.

The majority of LSSLV's attorney staff were part-time. LSSLV management stated that LSSLV's policy was that part-time staff were expected to work three 7.5 hour days per week and to receive 60% of the benefits received by full-time staff. However, LSSLV did not required fixed schedules for part-time work hours.

*Recommendation 3* - LSSLV, with the participation of its board, should develop and implement written policies and procedures to govern employee alternative work arrangements, such as part-time employment, and related benefits.

#### Management Comments

In its response to the second draft audit report, LSSLV agreed with the OIG's recommendation that it develop written policies. LSSLV added that this was not required by LSC regulations but is a good management practice. LSSLV stated that this policy was part of a comprehensive set of written policies that LSSLV was developing, but did not provide any additional information as to when it intended to implement the recommendation.

**Finding 4** - LSSLV maintained both written and unwritten employee benefits policies that had not been approved by its Board of Directors even though these policies benefitted LSSLV management.

One of the three employees credited with leave balances at the commencement of their employment with LSSLV was the Executive Director. There was no Board of Directors' resolution approving this action.

LSSLV maintained a written computer purchase loan policy to lend their employees up to \$1,500 for the purchase of computer hardware or software. As of the date of the field work, one of the two employees who received a computer purchase loan was the Executive Director. This policy was not submitted to the Board of Directors for its approval.

*Recommendation 4* - LSLLV's Board of Directors should develop and approve all employee benefits policies that impact on LSLLV's management and should specifically approve any action benefitting the Executive Director.

#### Management Comments

LSLLV stated that the computer loan policy is a written benefit provided to all LSLLV employees, and the Executive Director intended to submit this policy, along with other personnel policies, to the Board of Directors for its approval. LSLLV did not provide any information as to when this would be accomplished. LSLLV did not comment on the finding with respect to the awarding of additional leave to certain LSLLV employees.

### CONCLUSION 3

- Because of the conditions identified in findings 3 and 5, we were unable to determine from the timekeeping records that there was no continued involvement in restricted or prohibited cases, and we express no opinion on this audit objective.

As described below, during the course of our fieldwork, we identified a condition that we believe to be a weakness in the timekeeping system.

**Finding 5** - We reviewed a sample of LSLLV attorney time sheets and noted some instances where the daily reporting of hours did not add up to an LSLLV standard workday of 7.5 hours.

Because the LSLLV timekeeping records did not account for all hours worked, the timekeeping records were not reliable.

LSLLV stated that its timekeeping policy is to account for all time in the office, totaling 7.5 hours daily and 37.5 hours weekly. LSLLV stated that the discrepancies were due to errors by new employees.

*Recommendation 5* - LSLLV should review time sheets on a regular basis to ensure that all time sheets are completed in accordance with LSLLV's timekeeping policy to account for all time in the office totaling 7.5 hours daily and 37.5 hours weekly.

#### Management Comments

The Executive Director agreed with the OIG's recommendation that LSLLV review time sheets on a regular basis to ensure adherence to LSLLV's timekeeping policy. The Executive Director added that this was not required by LSC regulations but is a good management practice and has been in place for several months. This report has been revised to reflect the cause of the error identified by LSLLV management in its response.

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

The complete text of grantee management's response to the first and second draft reports are included as Appendix I and Appendix II (except for the attached copy of the first draft audit report), respectively.

## Legal Services Law Line of Vermont, Inc.

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Burlington, VT 05401  
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Fax (802) 651-4130

February 28, 1997

Albert B. Puglia  
Acting Assistant Inspector General for Program Integrity  
Legal Services Corporation  
750 First Street, NE, 10th Floor  
Washington, DC 20002-4250

Re: Audit Project 96-064, Financial-Related Audit of Legal Services Law Line of Vermont,  
Inc. 146010

Dear Mr. Puglia:

I have your draft audit report. I have nothing to add and no comments to make on the draft.

If you have any questions, please feel free to call. Thank you for your assistance.

Sincerely,



Thomas F. Garrett  
Executive Director

cc: John D. Shullenberger  
Lisa Shelkrot

## Legal Services Law Line of Vermont, Inc.

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July 31, 1997

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

Re: Audit Project 96-064, Financial-Related Audit of  
Legal Services Law Line of Vermont, Inc., Recipient No. 146010

Dear Ms. Stowe:

I wish to make the following comments on the second draft of your audit report.

### INTRODUCTION

I and the rest of the staff of Legal Services Law Line of Vermont, Inc. (LSLLV) responded fully and candidly to all inquiries from the Office of Inspector General (OIG). I was offered a management letter that contained overly broad, undefined terms that would have made my certification unclear and would have intruded into the private lives of LSLLV employees. I raised my concerns with the OIG but was given no explanation or guidance on these problems. I altered the management letter, not to be evasive, but to be clear and to be respectful of my obligations as an employer. The response I received was the First Draft of the OIG's Audit Report, which found no evidence of violations and concluded that LSLLV was in compliance with all LSC requirements and restrictions. Several months later I received a Second Draft of the Audit Report which implied, without any supporting evidence, that LSLLV was not in compliance with significant LSC requirements. I take very strong exception to the inferences contained in the Second Draft of the Audit Report. LSLLV employees were not and are not engaged in prohibited or restricted activities. LSLLV is not unduly influenced by Vermont Legal Aid board or management. The second draft of the audit report does not accurately or fairly reflect this organization.

### SCOPE AND FINDINGS

Field work was performed in our office in Burlington from November 18-20, 1996. During that time I and other staff made available all information and records that were requested and

responded fully and comprehensively to all questions. We followed up our responses and provided further information to questions posed in the two weeks after the field team's visit.

On February 11, 1997, I received a facsimile of a letter from Anthony Ramirez, senior auditor, attaching a management representation letter. (Copy attached.) The management representation letter contained three requests that had not been discussed at the field visit or at any other time. Those three requests concerned a) representations about activities of Law Line employees outside regular working hours; b) representations about activities of Law Line employees performed while "employed elsewhere"; and c) representations about whether Law Line is "influenced by" the board or management of Vermont Legal Aid (VLA). I spoke to Mr. Ramirez about concerns I had about these representations. I explained to Mr. Ramirez that I could not make a representation about non-work activities of LSLLV employees because I felt that would involve inquiries into their private lives which were outside my authority. I explained that I could not say I was not "influenced" by VLA management or board, as that word is broadly understood, because I consider it important to be able to consult with many people outside LSLLV, including the management and board of VLA. However, I most emphatically can certify that LSLLV is not controlled by VLA board or management nor is LSLLV influenced by VLA or any individual or organization to the extent we do not maintain an arms length relationship. I explained that I could certify that LSLLV employees were not engaged in LSC restricted activities as LSLLV employees. I summarized these issues in a letter that accompanied the management letter I returned to Mr. Ramirez, in which I modified those three issues. (Copies attached.)

On February 27, 1997, the Office of Inspector General issued a draft audit report which concluded that "LSLLV demonstrated substantial compliance with the requirements related to the prohibitions and restrictions on the use of LSC and non-LSC funds. The audit revealed no evidence to indicate that LSLLV supported prohibited or restricted activities, either directly or through alternative entities." (Copy attached.) I responded to this draft, saying that I had no additions or comments.

On July 18, 1997, the Office of Inspector General issued its second draft of the audit report, in which it found:

- 1) "OIG "could not determine that LSLLV did not use LSC funds to pay other organizations to handle prohibited or restricted cases and we express no opinion on this audit objective."
- 2) "LSLLV and Vermont Legal Aid appear to have some of the indicia of control, including the overlap of directors, contractual and financial relationships, and a history of a relationship. However, determining whether or not LSLLV and Vermont Legal Aid are interrelated organizations is beyond the scope of this audit, and we express no opinion on it."

- 3) A review of payments made to law firms and private attorneys made by LSLLV revealed "several instances where supporting documentation was not provided."
- 4) OIG "could not determine that current employees, terminated employees, or consultants did not work on restricted or prohibited cases and did not receive LSC funds for their services after restrictions and prohibitions took effect . . ."
- 5) "LSLLV did not have written policies governing accrued vacation leave and sick leave."
- 6) "LSLLV did not have written policies governing employee alternative work arrangements."
- 7) "LSLLV maintained both written and unwritten employee benefits policies that had not been approved by its Board of Directors even though these policies benefitted LSLLV management."
- 8) OIG was "unable to determine from the timekeeping records that there was no continued involvement in restricted or prohibited cases . . ."
- 9) Review of time sheets "noted some instances where the daily reporting of hours did not add up to an LSLLV standard workday of 7.5 hours."

## CONCLUSIONS AND RECOMMENDATIONS

- 1) "We could not determine that LSLLV did not use LSC funds to pay other organizations to handle prohibited or restricted cases and we express no opinion on this audit objective." Second Draft, Financial-Related Audit, page 2.

OIG bases this conclusion, that it could not find that LSLLV used LSC funds to pay other organizations to handle restricted cases, on the management letter and a finding that supporting documentation on payments to private attorneys and law firms was "not provided." The inference drawn, however, has no support in the management letter, the finding, or anywhere else. The finding is not accurate, nor does it support OIG's conclusion. As was found in the first draft of the audit report, there is no evidence that LSLLV has used LSC funds for prohibited activity and there is ample evidence that LSLLV is entirely separate from VLA and has at all time dealt at arms length with VLA.

When the management letter was proposed by OIG, I explained that the word "influence" was too broad. "Influence" means "the power or capacity of causing an effect in indirect or

intangible ways." Merriam-Webster, Springfield, Mass. 1995. As I explained, it was impossible to make such a broad certification for several reasons. In the first place, members of the VLA board are also on my board. Obviously, I am influenced by those individuals. Nor can I claim that I am not influenced, in a broad sense, by the management of other legal services programs, including VLA, with whom I must be able to consult about issues common to our clients. For example, in setting priorities, LSLIV must consider the availability of legal services by full service providers in Vermont. Our decisions, therefore, must be influenced by VLA decisions (as well as those of the Vermont Law School clinic and Vermont Protection and Advocacy, Inc.) as to what cases they will or will not undertake. It would be irresponsible not to consult with management of other legal services programs or to fail to be influenced by management decisions that affect the ability of our clients to receive full service legal representation. When OIG refused to respond to my request to narrow the question of influence or make it more specific, I attempted to do so myself. My purpose was not to conceal but to be accurate.

The 1986 LSC Audit and Accounting Guide, referenced in the second draft of the audit report, does not contain the broad prohibition against "influence" that the OIG requested in the management letter. Its prohibition is more narrow, against "influence . . . *to the extent that an arm's length transaction may not be achieved.*" (Second Draft, page 3, emphasis added.) Thus, the Audit Guide provides precisely the narrowing and specificity that I requested from the OIG. I was never asked, but would readily have certified, that LSLIV has never used LSC funds to pay other organizations to handle prohibited or restricted cases, and that LSLIV is not influenced by VLA management or board "to the extent that an arm's length transaction may not be achieved."

OIG also attempts to support its conclusion with a finding that there were "instances where the number of miles traveled by the advocate [for the private attorney or law firm] was not included on the case closure and attorney reimbursement form" and that "advocates were reimbursed without providing supporting documentation such as receipts for photocopies, postage, telephone calls, fax charges and meals." (Second Draft, page 3.) This finding does not support the OIG's conclusion. The discrepancies noted were few and minor. There were perhaps 2-3 instances in which we paid a pro bono attorney \$.30 per mile instead of \$.25 per mile and/or reimbursed small amounts of mileage without a statement of the total number of miles traveled. The amounts of money involved were very small, less than \$50 total. There is no suggestion of fraud or overbilling. Most significant, even if these discrepancies were substantial, none of the payments at issue could have been used improperly because none of the cases involved LSC prohibited activities.

These reimbursements were to private attorneys who were providing their services to low income Vermonters pro bono. None of these cases involved LSC prohibited activities. Very little money was involved. In all of the years that the Vermont Volunteer Lawyers Project has been in existence, it has tried to be accommodating to pro bono attorneys and has not insisted on excessive documentation from them. Flexibility is necessary in order to be able to

recruit busy private attorneys into the Vermont Volunteer Lawyers Project and get them to provide valuable free services for low income Vermonters. The system for reimbursement has been in place for almost twenty years and has passed several audits and reviews by LSC in that time. We can be more stringent in requiring documentation from private attorneys for their expenses. However, we do not believe greater stringency would gain as much as it would lose in good will and good relationships with pro bono attorneys.

2) "Because LSLIV was unable to provide specific written representations requested and because of the conditions identified in finding 2 below, we could not determine that current employees, terminated employees<sup>1</sup>, or consultants<sup>2</sup> did not work on restricted or prohibited cases and did not receive LSC funds for their services after restrictions and prohibitions took effect and we express no opinion on this audit objective." Second Draft, Financial-Related Audit, page 4.

In its proposed management letter, OIG asked me to certify that "[n]o full-time LSLIV employees perform LSC-prohibited activities during or outside LSLIV's regular working hours." This was not discussed with me during the field visit or at any time before I received the proposed management letter in February of 1997. I discussed with Mr. Ramirez my inability to certify that full-time employees were not engaging in LSC-prohibited activities while away from work. OIG's request went far beyond the limits of my authority over LSLIV employees. I cannot certify that LSLIV employees are not, from their homes, entirely outside of their work, writing letters to the editor or to their legislator, or making their political views known as is the right of every citizen. LSC regulations do not prohibit employees from engaging in LSC prohibited, legal activities away from their work. I did not receive a substantive response when I raised these concerns so I altered the management letter in an effort to meet OIG's needs in a way that was consistent with my obligations as an employer. I can certify that no LSLIV employee, whether full or part time, is engaging in LSC restricted activities while working at LSLIV or while on the premises at LSLIV, nor are they using any of our equipment, including copiers, telephones and computers, to engage in LSC prohibited activity. I will not attempt to certify anything about the private lives of LSLIV employees.

OIG's conclusion is not supported by its finding that "LSLIV did not have written policies governing accrued vacation leave and sick leave." (Second Draft, page 4.) While I agree with the OIG's recommendation that LSLIV adopt written policies on this issue, simply as a good management practice, there is no requirement that this be done and I see no basis for the

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<sup>1</sup>LSLIV had no terminated employees at the time of the field visit. I have never been asked to make any written representations about the activities of terminated employees.

<sup>2</sup>I have never been asked to make any representations about activities of consultants.

conclusion that the lack of these policies indicates support for or involvement in LSC restricted activities.

3) "Because LSLLV was unable to provide specific written representations requested and because of the conditions identified in Findings 3 and 5, we were unable to determine from the timekeeping records that there was no continued involvement in restricted or prohibited cases and we express no opinion on this audit objective. As described below, during the course of our fieldwork, we identified a condition that we believe to be a weakness in the timekeeping system." Second Draft, Financial-Related Audit, page 6.

This conclusion is not supported by the finding it is based on, nor is the finding itself accurate. As is discussed above, the written representations requested by OIG were overly broad and intruded on the rights of employees.

The finding on which OIG bases this conclusion, that there were "some instances where the daily reporting of hours did not add up to an LSLLV standard workday of 7.5 hours," misstates LSLLV policy. Our policy is to be flexible in dealing with the length of the workday for part time employees. With the permission of the Executive Director, part-time employees are allowed to work less than 7.5 hours in a given day, then make it up within the next few days either by working extra hours or working on a day not normally scheduled as a workday. LSLLV did not state that "the discrepancies were due to staff carelessness and failure to adhere to the policy." (Second Draft at page 6.) This statement is the OIG's, not LSLLV's. LSLLV did state that some of the short days may have been due to new employees making errors while becoming familiar with a new timekeeping system. However, even if the discrepancies noted were of significance, they do not indicate involvement in restricted cases and do not support the conclusion reached by OIG.

I agree with OIG's recommendation that "LSLLV should review time sheets in a timely manner to ensure that all time sheets are completed in accordance with LSLLV's timekeeping policy . . ." when that policy is properly understood. This is not required by LSC regulations but it is a good management practice and has in fact been the policy for several months.

OIG also argues that its conclusion is supported by a finding that LSLLV "did not have written policies governing employee alternative work arrangements." I agree with OIG's recommendation that we develop written policies in this area. Although not required by LSC regulations, it is a good management practice and is part of a comprehensive set of written policies that we are developing. However, this finding is not evidence of "continued involvement in restricted or prohibited cases" and does not support OIG's conclusions.

OIG also found that our computer loan policy benefited management and was not approved by the Board of Directors. To the contrary, the computer loan policy is a written benefit that all employees have seen and are aware of. I intend to submit this, along with other personnel

policies, to the Board of Directors for their approval. The fact that I, management, took advantage of the policy is nothing more than a coincidence. It is not an indication that the benefit, available to everyone, is restricted in any way. Furthermore, Angele Court is not management. She is responsible for the Vermont Volunteer Lawyers Project but she does not have supervisory, fiscal, or management responsibilities.

## SUMMARY

The changes I made in the management letter were not done out of intransigence or an effort to conceal. They were made because the OIG proposal failed to define "influence" and did not recognize the realities of responsible management. The inferences drawn from these changes are unfounded. I am very proud of our program. We have worked very hard to honor both the letter and the spirit of the LSC regulations and to provide individualized, high quality legal services for poor Vermonters.

I cannot regulate employee activities outside their employment and I must be able to consult with, listen to, and be influenced by other directors of legal services programs, along with many others. Legal Services Law Line of Vermont, Inc. is not engaged in any LSC prohibited activities, nor is it diverting LSC funds to any organization that does engage in LSC prohibited activities, nor is any of its equipment being used for LSC prohibited activities. I can certify to LSLLV's compliance with all applicable regulations. There is no evidence supporting any contrary findings or conclusions.

Thank you for the opportunity to respond to the Second Draft of our Financial-Related Audit. Please feel free to call if you wish to discuss any of this further.

Sincerely,



Thomas F. Garrett  
Executive Director

cc: John D. Shullenberger  
Lisa Shelkrot  
John Tull



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*OFFICE OF INSPECTOR GENERAL*

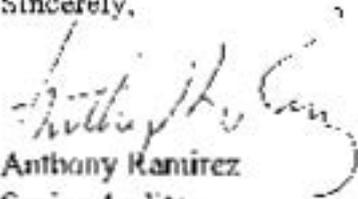
February 11, 1997

Mr. Thomas F. Garrett  
Executive Director  
Legal Services Law Line of Vermont  
264 North Winslow Avenue  
Burlington, Vermont 05401

Dear Mr. Garrett:

Enclosed is a draft of the management representation letter that we discussed during the exit conference. Please put the representation on Legal Services Law Line of Vermont, Inc. letterhead and date the letter November 20, 1996. If you have any questions regarding the representation letter, feel free to contact me at (202) 336-8872.

Sincerely,

  
Anthony Ramirez  
Senior Auditor

Enclosure

[LSLLV LETTERHEAD]

November 20, 1996

Mr. Anthony Ramirez  
Office of Inspector General  
Legal Services Corporation  
750 First Street, N.E.  
Washington, DC 20002-4250

Dear Mr. Ramirez:

In connection with your limited scope audit of Legal Services Law Line of Vermont, Inc.'s (LSLLV) use of Legal Services Corporation (LSC) funds for prohibited and restricted activities (pursuant to Public Law 104-134) during calendar year 1996, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit

1. We are responsible for administering LSLLV's LSC grant
2. We have made available to you all relevant:
  - a. Financial records and related data.
  - b. Case files.
  - c. Timekeeping records
  - d. Information concerning prior and current LSLLV performance of activities now prohibited by Public Law 104-134.
3. There have been no:
  - a. Irregularities involving management or employees who have significant roles in the internal control structure or management control structure
  - b. Irregularities involving other employees that could have a material effect on LSLLV's compliance with Public Law 104-134
  - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, case selection, acceptance, or continuation practices that could have a material effect on LSLLV's compliance with Public Law 104-134
  - d. Diversions of LSLLV funds, resources, personnel time, or assets to entities, persons, or organizations that perform activities prohibited by Public Law 104-134.

4. We have no plans or intentions that might affect LSLIV's continued and future compliance with Public Law 104-134.
5. The following have been properly recorded and disclosed to you in LSLIV's accounting, timekeeping, and case management files and records:
  - a. Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees to or from entities, persons, or organizations who are or might be performing activities prohibited by Public Law 104-134.
  - b. Agreements to repurchase assets previously sold.
  - c. Agreements to resume management of cases previously transferred.
6. There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure to LSC.
7. There are no material transactions that have not been properly recorded in LSLIV's accounting records, timekeeping records, or case management files.
8. No full-time LSLIV employees perform LSC-prohibited activities during or outside LSLIV's regular working hours.
9. No part-time LSLIV employees perform LSC-prohibited activities while working at LSLIV or while employed elsewhere.
10. LSLIV is neither controlled by nor influenced by the board or management of Vermont Legal Aid.
11. LSLIV neither receives funds or other resources from nor provides funds or other resources to Vermont Legal Aid.
12. We have complied with all aspects of our LSC agreement, LSC regulations, and applicable laws that would have a material effect on the financial statements in the event of noncompliance.
13. We will contact the Office of Inspector General if events occur subsequent to the date of this letter that would require adjustments to the representations made in this letter.

\_\_\_\_\_  
Thomas P. Garrett  
Executive Director

\_\_\_\_\_  
Angele Court  
Director of the Volunteer Lawyers  
Project

\_\_\_\_\_  
Cate MacLachlan  
Office Manager

## Legal Services Law Line of Vermont, Inc.

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February 21, 1997

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Legal Services Corporation  
750 1st Street, NE, 10th Floor  
Washington, DC 20002-4250

Re: Recipient No. 146010  
Limited Financial Audit - November 18-20, 1996

Dear Mr. Ramirez:

I have enclosed the management representation letter as you requested. I have made some modifications in your draft based upon my understanding of what the law and regulations require and what I can honestly certify.

I am unable to certify that Law Line employees are not performing LSC-prohibited activities when they are not working for Law Line. I do not believe the law or regulations impose such restrictions, nor do I think such a requirement would be within the proper scope of my responsibility as an employer. I have redrafted paragraphs nine and ten consistent with this understanding.

I cannot certify that I am not "influenced" by individuals on the board of or in the management of Vermont Legal Aid. However, I am not controlled by them. I have redrafted paragraph ten accordingly.

I have added clarifying language to paragraph eleven, consistent with 45 C.F.R. § 1610.2(g).

Finally, Cate MacLachlan does not have management responsibilities and I am unwilling to ask her to sign this letter.

If you have any further questions, please feel free to call.

Sincerely,

Thomas F. Garrett  
Executive Director

cc: John D. Shullenberger  
Lisa Shelkrot  
Angele Court

## Legal Services Law Line of Vermont, Inc.

264 North Winooski Avenue  
Burlington, VT 05401  
Tel (802) 863-7153  
(800) 639-8857  
Fax (802) 651-4130

November 20, 1996

Mr. Anthony Ramirez  
Office of Inspector General  
Legal Services Corporation  
750 First Street, N.E.  
Washington, DC 20002-4250

Dear Mr. Ramirez:

In connection with your limited scope audit of Legal Services Law Line of Vermont, Inc.'s (LSLLV) use of Legal Services Corporation (LSC) funds for prohibited and restricted activities (pursuant to Public Law 104-134) during the calendar year 1996, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. We are responsible for administering LSLLV's LSC grant.
2. We have made available to you all relevant:
  - a. Financial records and related data.
  - b. Case files.
  - c. Timekeeping records.
  - d. Information concerning prior and current LSLLV performance of activities now prohibited by Public Law 104-134.
3. There have been no:
  - a. Irregularities involving management or employees who have significant roles in the internal control structure or management control structure.
  - b. Irregularities involving other employees that could have a material effect on LSLLV's compliance with Public Law 104-134.
  - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, case selection, acceptance, or continuation practices that could have a material effect on LSLLV's compliance with Public Law 104-134.
  - d. Diversions of LSLLV funds, resources, personnel time, or assets to entities, persons, organizations that perform activities prohibited by Public Law 104-134.
4. We have no plans or intentions that might affect LSLLV's continued and future

compliance with Public Law 104-134.

5. The following have been properly recorded and disclosed to you in LSLLV's accounting, timekeeping, and case management files and records:
  - a. Related party transactions and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements, and guarantees to or from entities, persons, or organizations who are or might be performing activities prohibited by Public Law 104-134.
  - b. Agreements to repurchase assets previously sold.
  - c. Agreements to resume management of cases previously transferred.
6. There are no violations or possible violations of laws or regulations whose effects should be considered for disclosure to LSC.
7. There are no material transactions that have not been properly recorded in LSLLV's accounting records, timekeeping records, or case management files.
8. No full time LSLLV employees perform LSC-prohibited activities while in the employment of LSLLV.
9. No part time LSLLV employees perform LSC-prohibited activities while working at LSLLV.
10. LSLLV is not controlled by the board or management of Vermont Legal Aid.
11. LSLLV neither receives funds or other resources from nor provides funds or other resources to Vermont Legal Aid, except in connection with non-programmatic fee-for-service arrangements or payments for goods or services.
12. We have complied with all aspects of our LSC agreement, LSC regulations, and applicable laws that would have a material effect on the financial statements in the event of noncompliance.
13. We will contact the Office of Inspector General if events occur subsequent to the date of this letter that would require adjustments to the representations made in this letter.



Thomas F. Garrett  
Executive Director



Angele Court  
Director, Volunteer Lawyer's Project