

Office of Inspector General

(This section was prepared by the OIG and included without change.)

Request

For FY 2018, the Office of Inspector General (OIG) is requesting \$5.3 million to continue its activities to provide congressionally mandated oversight of federal funds appropriated to LSC. The OIG contributes to LSC's mission success by providing decision-makers with objective reports and analysis to increase transparency and accountability, enhance performance, and provide proper governance and oversight of LSC and its grant recipients' programs and operations.

Mission

The OIG was established under the IG Act of 1978, as amended, as an independent office whose mission is to prevent and detect fraud, waste, and abuse, to promote economy, efficiency, and effectiveness in LSC and grantee programs and operations, and to help ensure compliance with applicable laws and regulations. The professional work of the OIG follows the standards of the Council of Inspectors General on Integrity and Efficiency (CIGIE) and other governmental and professional organizations. The OIG conducts audits, investigations, and special reviews, as well as a variety of fraud prevention and outreach efforts to protect and maximize Federal taxpayer dollars invested in civil legal aid. In FY 2016, LSC received \$385,000,000 in direct federal funding and in FY 2015, LSC grantees received approximately \$598,000,000 in non-LSC funding.

Performance

The FY 2018 request is an increment of \$300,000 over the FY 2016 appropriation amount for requisite inflationary personnel and travel cost increases. It will enable the OIG to bolster its record of accomplishments to help improve the integrity and accountability of LSC and its grantee programs and operations.

In FY 2016 the OIG

Audited over \$17,000,000 in LSC grant funds by performing audits of LSC and its 133 grantees. These audits resulted in the OIG issuing 129 formal recommendations for program and operational improvements to LSC grantees and for questioned cost recoveries. Questioned cost recommendations and LSC management decisions, sustaining prior OIG audit questioned costs, totaled more than \$147,000. The OIG issued a revised Compliance Supplement for use in the annual audits of all LSC recipients and released the Corporation's 2015 financial statement audit noting no significant deficiencies.

Closed 44 investigations involving matters such as theft of client funds, fraud, false claims and improper expenditures of LSC funds. Cases arising from OIG investigations resulted in six criminal referrals to prosecutorial authorities and one arrest; LSC management sustained or recovered questioned costs from

prior investigative referrals of \$77,000; and initiated new investigative questioned cost referrals of \$46,000.

Delivered a Compendium Report of all OIG findings and recommendations from the FY 2014 and 2015 audits of over \$65,500,000 in LSC grant funds, outlining 166 recommendations to improve internal controls at LSC grantees. The OIG also issued a memorandum highlighting OIG findings related to the high-risk area of grantee contracting and provided recommendations for contracting best practices. LSC Management subsequently issued expanded and improved procurement guidance to all LSC grantees, who expend tens of millions of LSC dollars in contracts annually.

Conducted an active educational outreach and fraud prevention program, including eight Fraud Vulnerability Assessments, seven Regulatory Vulnerability Assessments, and three Fraud Awareness Briefings. The OIG also produced a grantee advisory on preventing and minimizing fraud, waste, and abuse in client trust accounts.

In 2015, the OIG received the CIGIE Award for Excellence for the OIG's Fraud Prevention Program, which included completing and distributing a Fraud Prevention Guide and continuing to educate grantee employees at all LSC grantee programs.

Since 1996, LSC's annual Congressional appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by independent public accountants (IPAs) under the guidance of the OIG. The OIG reviewed all grant recipient audit reports and referred significant fiscal and compliance findings to LSC management for corrective action. Further, as the OIG is tasked with ensuring the quality of audits of LSC and its grantees, the OIG has an ongoing Quality Control Review (QCR) program, designed to assess all grantee IPAs' work over a four-year cycle or 35 per year. This program has enabled the OIG to identify deficiencies in IPA work, leading to the debarment of four IPAs for inadequate work (two in FY 2016); improve IPAs' compliance with applicable standards and OIG guidance; and improve the overall effectiveness and quality of LSC grantee audits.

In FY 2016, the OIG provided significant recommendations on the revision of LSC Strategic Plan for years 2017 to 2020 aimed at improving the effectiveness and efficiency of the legal services program. The OIG also provided comments and recommendations on several LSC regulations, policies, and practices including: Regulations on Recipient Purchasing and Property Management; Cost Standards and Procedures; Subgrants and Membership Fees; Procedures for Disclosure of Information Under the Freedom of Information Act; and Bonding of Recipients.

Internally, the OIG continued to modernize its information technology (IT) and management systems, improving operational efficiencies by moving to virtual and cloud computing environments, providing improved capabilities while reducing IT costs.

Overall, the work of the OIG helps to ensure that LSC and its grantees are functioning as responsible stewards of taxpayer funds, and reduces opportunities for fraud, waste, and abuse. These and other achievements are reported in the OIG's Semiannual Reports to Congress (<https://www.oig.lsc.gov/products/sar>).

Planned Activities

In FY 2018, guided by the OIG Strategic Plan for 2015-2019, the OIG will use its continual risk assessments and annual work planning process to help allocate available OIG resources. The OIG will perform its statutory requirements including fraud prevention and detection, promoting economy and efficiency of LSC and its grant recipients, and oversight of the grantee audit process. The OIG will respond to requests from the Congress, the Board of Directors, LSC management, and other interested parties. Reviews will target the following OIG-identified LSC management challenge areas: performance management and accountability; grants management and procurement; governance and control systems; human capital management; and information technology management and security.

A major component of the FY 2018 budget request is funding the OIG's operation of the LSC audit program. The OIG will continue to objectively audit LSC and grantee operations and review all LSC grant recipients' annual audits, including financial statements, internal controls, and compliance with mandated restrictions and prohibitions. The OIG refers significant audit findings to LSC Management for resolution and tracks corrective actions. The OIG continues to fund and oversee the annual audit of LSC's financial statements.

The OIG will conduct investigations of criminal and civil fraud committed against LSC and its grant recipients, and operate a national fraud, waste, and abuse reporting hotline. The OIG conducts compliance investigations, administrative inquiries, fraud and regulatory vulnerability assessments, and fraud prevention briefings.

Further, the OIG will continue to improve effectiveness and efficiency in grants management, administration, and operation of LSC and its grantees through its reviews and advisories, and will provide reviews and comments on significant legislative, regulatory, management, and policy initiatives affecting LSC.

If fully funded, this request will allow the OIG to perform additional reviews of grant recipient operations and subrecipient oversight, and to continue the comprehensive audit quality control review program at a rate of 35 QCRs per year. The OIG will expand reviews of client trust funds and continue its IT security vulnerability reviews of LSC grantees based on the initial results of these new programs. Internally, the OIG will continue to improve its own effective operations by ensuring the recruitment and retention of a highly skilled, high-performing OIG workforce; maintain IT systems support; and implement updated investigative and audit information systems to facilitate the efficient and secure production and timely delivery of professional OIG work.

The request includes \$60,000 to satisfy foreseeable OIG professional training requirements required to maintain the OIG professional credentials for FY 2018. The OIG also anticipates contributing \$15,000 to meet our obligations to support the operations of the Council of the Inspectors General on Integrity and Efficiency.

The submitted budget request is necessary for the LSC OIG to adequately perform the legislative missions required by the Inspector General Act, as amended, and to provide objective, relevant, and timely reporting to the Congress and LSC on core management challenges and oversight issues, thereby increasing public confidence in the proper expenditure of limited LSC funds. This funding amount is critical to maintain stability in OIG operations and performance.

The OIG greatly appreciates the continuing support of the Congress and the LSC Board as it carries out its mandated mission.