



Office of Inspector General
Legal Services Corporation

Inspector General

Jeffrey E. Schanz

3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
202.295.1660 (p) 202.337.6616 (f)
www.oig.lsc.gov

FRAUD ALERT
15-01

TO: Executive Directors

FROM: Jeffrey E. Schanz, 
Inspector General 

DATE: April 9, 2015

SUBJECT: Advisory Bulletin on Grantees' Prompt Reporting of Potential Fraud Indicators to the Office of Inspector General

The purpose of this Fraud Alert is to highlight the importance of alerting the Office of Inspector General (OIG) to potential indicators of fraud, waste, and abuse of program funds.

Legal Services Corporation (LSC) Grant Assurances require grantees to notify the LSC OIG Hotline within two business days (1) of the discovery of any information that gives it reason to believe that a loss of \$200 or more has occurred resulting from any willful misrepresentation or theft of time, crime, fraud, misappropriation, embezzlement, or theft of funds; (2) when the grantee has contacted local, state, or Federal law enforcement officials about a crime; or (3) it has been the victim of a theft of items such as credit cards, check stock, passwords, or electronic access codes that could lead to a loss of \$200 or more.

LSC Grant Assurances provide a broad overview of issues that should be reported to the OIG. Our investigative work has disclosed the following patterns that have led to the theft or misuse of program funds which should also be reported to the OIG.

Mismanagement indicators

- Conflicts of interest and nepotism between employees, board members, contractors, consultants, and vendors (related party transactions).

- Abusive or dominant fiscal managers that refuse to delegate work or take time off.
- Refusal or reluctance of employees to provide fiscal documents.
- Employees who charge items or make purchases or travel claims to the program that appear to be for personal benefit.
- Mismanagement, including; inappropriate relationships, misuse of program resources, outside employment, or lack of supervision.
- Reports or complaints from clients or the courts indicating program employees who are consistently late, leaving early, or absent.
- Reports of the destruction of documents in violation of the program's retention and destruction policy or during an ongoing investigation.
- Inadequate approval, oversight, or supporting documentation to validate travel, timekeeping, credit card, and any other reimbursements.

Questionable Practices

- Lack of Board approval or minutes to support changes in compensation including bonuses, deferred compensation, and executive pay.
- Reimbursements or benefits that only apply to a select employee or group of employees for items such as cellular phones, home internet, private vehicle, or relocation expenses.
- Vague contracts that require minimal performance, documentation, or timeline.

Accounting Indicators (Internal Controls)

- Irregular fiscal issues dealing with banking including; bank reconciliations, timeliness of cash deposits, and postings to client trust.
- Payments made without adequate approval or approval by unauthorized persons.
- Program records and documents that are missing or appear to be altered including: receipts, invoices, and expense forms.
- Salary advances and employee loans inconsistent with program policy.
- Lack of procedures to request and approve overtime or compensatory time.
- Individuals or a select group of individuals receiving excessive or unsupported overtime or compensatory time.
- Lack of competition in the selection of vendors, contractors, or persons being paid with program funds.
- Excessive use of grantee funds to pay client litigation expenses in conjunction with weak controls and procedures in handling client funds (cash received from clients).

Our intent is to inform you of these indicators to assist you in protecting your grant funding from fraud, waste and abuse. Reporting these matters to the OIG can further help protect grantee funds. We encourage you to distribute this fraud alert to your staff. In addition, we welcome requests for OIG training to increase awareness of potential fraud indicators in LSC programs.

I hope you find this Fraud Alert useful. Our Fraud Hotline telephone number is 800-678-8868 or 202-295-1670; email hotline@oig.lsc.gov; fax 202-337-7155.

For any questions concerning this Fraud Alert, please contact Dan O'Rourke, Assistant Inspector General for Investigations, LSC OIG, and 202-295-1651; email dorourke@oig.lsc.gov.

For more information on the topics listed above please refer to our Fraud Prevention Guide:<http://www.oig.lsc.gov/fraud/Fraud%20Guide%20Pamphlet%20for%20LSC%20Grantees.pdf>