



**Office of Inspector General**  
**Legal Services Corporation**

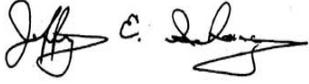
**Inspector General**

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**FRAUD ALERT**  
**17-02**

**TO:** Executive Directors

**FROM:** Jeffrey E. Schanz,   
Inspector General

**DATE:** September 8, 2017

**SUBJECT:** Non-Attorney Outside Employment

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The purpose of this Fraud Alert is to inform you of prior Legal Services Corporation (LSC), Office of Inspector General (OIG) investigations dealing with the risk of fraud, waste and abuse associated with Non-Attorney Outside Employment. Outside employment includes any form of employment, business relationship, or activity involving the provision of personal services, whether paid or unpaid.

The OIG has identified trends relating to non-attorney staff failing to notify management of their outside employment, diverting potential income eligible clients to their outside employment to collect illicit fees (theft), advising clients they are attorneys when they are not, working their outside employment job during grantee business hours (time and attendance fraud), using the guise of required grantee travel for the benefit of their outside employment (travel fraud); and misusing program resources and equipment (theft) for their outside employment.

**Background**

Regulation 45 C.F.R. Part 1604 requires all LSC grantees to adopt written policies for the Outside Practice of Law (OPL) by full-time grantee attorneys, but does not provide specific guidance on outside employment for non-attorney staff. Based on OIG field visits, the OIG

has found that grantees have provisions in their policies for OPL, but little, if any, guidance for outside employment for non-attorney employees.

Below are three examples of investigations completed by the OIG that led to timekeeping fraud, theft, and/or diversion of potential program clients to an outside business.

In one scheme, the employee was a community worker/paralegal that conducted outreach, but also had outside employment at a private law firm as a paralegal. Under the guise of taking vacation, she actually worked at her outside employment and never submitted leave for this absence.

In another case, a grantee paralegal started a firm with a former paralegal who had been forced to resign from the same program some years prior. The two paralegals diverted and accepted money from potential clients for work that should have been done for free by the grantee. The paralegals led the potential clients to believe they were associated with the grantee and were receiving a lower rate due to that association. The Executive Director became aware of the scheme when the potential clients complained to the program regarding the inactivity on their cases.

In another instance, a grantee employee defrauded the program by working as an interpreter for another agency on grantee time. The employee never disclosed this outside employment to management nor did she take annual or personal leave for this outside employment.

## **Indicators of Fraud**

The OIG has investigated several significant cases of fraud related to outside employment. Our investigations have disclosed the following indicators that may be useful in identifying suspicious activities in connection with outside employment:

- complaints from grantee clients regarding inactivity on client's case;
- telephone calls received from individuals who identify themselves as a grantee client but who are not found in the grantee's case management system;
- frequent absences from work, failure to complete work on time, untimely entry of work hours by the employee into the recipient's case management system;
- inadequate supervision of the employee's time keeping records or entries in the case management system;
- the employee's contemporaneous time does not correspond to the files, court dockets, or travel vouchers and timesheets;
- routine review of employee email activity reveals significant outside employment work;
- use of employee's position or title to coerce another person into providing a service to benefit the employee;
- use of non-public grantee information to further their outside employment or private interests;

- internet searches of the employee's name reveal connections to law firms and other organizations, and
- internet searches list an area of expertise, such as translation services or notary public services that may be conducive to outside employment.

### **Best practices**

The following best practices may prevent potential conflicts of interest, theft of program resources or diversion of clients by non-attorneys with outside employment:

- adopt policies which require disclosure and written approval for outside employment for all employees;
- on a yearly basis, remind all full-time employees of the program's outside employment policy;
- create an outside employment form requiring staff members to certify that the outside employment will not conflict with the program mission or work hours;
- require disclosure of the type of outside employment, the relevant business name, and projected work hours, and
- send an annual survey to supervisors asking if they have knowledge of any employees in the office with outside employment.

Our intent is to inform you of these practices to assist you in protecting program funds 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](mailto:hotline@oig.lsc.gov), and fax number is 202-337-7155.

For any questions concerning this Fraud Alert please contact Dan O'Rourke, Assistant Inspector General for Investigations, LSC OIG telephone 202-295-1651 or by email at [dorourke@oig.lsc.gov](mailto:dorourke@oig.lsc.gov).