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## ADVISORY

To: All Executive Directors  
Grantee Independent Public Accountants

From: Roxanne Caruso *Roxanne Caruso*  
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Subject: Results of Quality Control Reviews of Fiscal Year 2019 and Fiscal Year 2020 Financial Statement Audits Performed by Independent Public Accountants

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Since 1996, the Legal Services Corporation's (LSC) annual appropriations acts have required that each person or entity receiving financial assistance from the Corporation be subject to an annual audit, conducted by an Independent Public Accountant (IPA). Each grantee contracts directly with an IPA to conduct the required audit in accordance with Generally Accepted Government Auditing Standards (GAGAS), American Institute of Certified Public Accountants (AICPA) standards, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance), and the Office of Inspector General's (OIG) Audit Guide for Recipients and Auditors, which includes Appendix A: Compliance Supplement for Audits of LSC Recipients (Compliance Supplement).

The OIG provides guidance to Independent Public Accountants (IPAs) and grantees as well as general oversight of the IPA process. Our oversight activities include Quality Control Reviews (QCRs), which are independent reviews of financial statement audits conducted either on-site at IPAs' offices or virtually by McBride, Lock and Associates, LLC, a Certified Public Accounting firm contracted by the OIG. The primary purpose of a QCR is to determine whether the financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance are conducted in accordance with applicable standards and OIG guidance.

The information presented below is a summary of the results of QCRs of Fiscal Year 2019 and Fiscal Year 2020 financial statement audits conducted by IPAs. We encourage IPAs and Executive Directors to use the summary information in planning and conducting audits of LSC grantees.

During this cycle, we conducted a total of 35 QCRs. Following are the overall results:

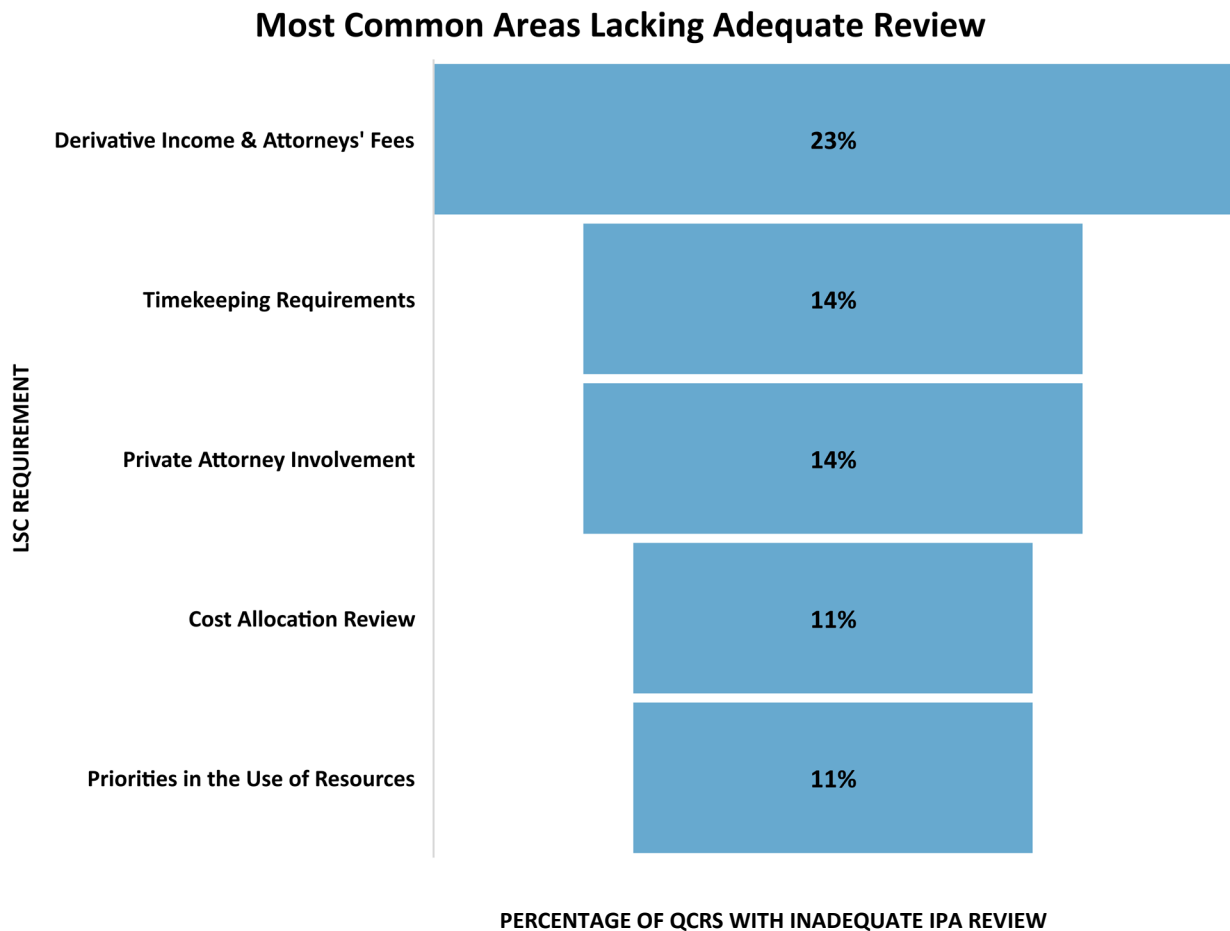
- Sixteen met standards with no exceptions.
- Nineteen met standards with one or more exceptions.

### **QCR Findings**

#### **Some IPAs Did Not Adequately Review and/or Document Evaluation of Compliance with LSC Requirements**

The most common issues noted in the QCRs related to IPAs inadequately applying the suggested audit procedures contained in the Compliance Supplement to evaluate grantees' compliance with LSC requirements, as well as inadequate documentation of the IPAs' review.

The following chart illustrates the most common findings for which QCRs noted issues concerning the adequacy of the IPAs' review as well as documentation of their evaluation of compliance with the requirement.



## **Some IPAs' Work Did Not Adequately Demonstrate Compliance with Uniform Guidance**

- In one instance the IPA did not perform audit efforts for a program that was identified as a "major program."

## **Causality**

The causes for the noted issues primarily resulted from either inadequate documentation of the efforts performed or inattention to the detail in the LSC Compliance Supplement. It was also noted that on occasion the auditor demonstrated a lack of understanding of the requirements.

## **Recommendations for IPAs**

### **General Recommendations**

We recommend that IPAs:

1. Ensure that financial statement and compliance audit work, as well as the associated review of internal controls, are conducted in accordance with applicable standards and OIG guidance.
2. Gain a thorough understanding of the LSC program and the nature of LSC requirements during the planning phase of the audit to adequately evaluate compliance with the requirements and document the results.
3. **Completely** perform the suggested audit procedures contained in the Compliance Supplement and document their assurance that they have addressed each direct and material Compliance Supplement element.

### **Recommendations to Address Most Common Findings**

We recommend that IPAs:

1. Review the results of audit work pertaining to attorneys' fees and ensure the results are consistent with disclosures made in the audit report. There were multiple instances where an IPA indicated in the workpapers that the recipient had not accepted any fee generating cases. However, the audit reported the acceptance of such fees.
2. Ensure that tests of recipient timekeeping processes include considerations of the contemporaneous posting of time to each case, matter, or supporting activity.<sup>1</sup>
3. Document interviews with the recipient's Executive Director and appropriate staff regarding timekeeping.

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<sup>1</sup> Effective January 1, 2022, the contemporaneous timekeeping requirement will be changed. The regulation will not use the term "contemporaneous," and will require time records to be incorporated into the recipient's official records no later than the end of the employee's pay period.

4. Evaluate the design of case file tests and interviews (including those of staff, executive director, intake staff, and timekeeping personnel), as well as the review of reporting and recordkeeping efforts, to ensure compliance with LSC requirements.
5. Obtain the recipient's private attorney involvement (PAI) plan and review the processes to ensure compliance with the plan.
6. Obtain, review, and test recipient's processes for allocating costs and income and thoroughly document the results.
7. Strengthen testing of recipients' compliance with Part 1620 – Priorities in the Use of Resources. Testing should include an analysis of non-priority or emergency cases as well as "matters" to ensure these items are properly considered in the audit. The IPAs should adequately document this evaluation.

If you have any questions regarding this Advisory, please contact me by phone at 202-295-1582 or by email [rcarus@oig.lsc.gov](mailto:rcarus@oig.lsc.gov). Thank you for your attention to these matters.