

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**REVIEW OF GRANTEE'S
TRANSFER OF FUNDS
AND COMPLIANCE WITH
PROGRAM INTEGRITY STANDARDS**



Grantee: Legal Aid of Southeastern Pennsylvania

Recipient No. 339141

Report No. 04-03

March 2004

www.oig.lsc.gov



March 9, 2004

Ms. Elizabeth Fritsch
Mr. Harvey Strauss
Co-Executive Directors
Legal Aid of Southeastern Pennsylvania
317 Swede Street
Norristown, Pennsylvania 19401

Dear Ms. Fritsch and Mr. Strauss:

Enclosed is our final audit report on Legal Aid of Southeastern Pennsylvania's compliance with the program integrity requirements of 45 CFR Part 1610. Your comments on the draft report are included as Appendix I. The final report contains no recommendations because you corrected the only problem the audit disclosed.

A copy of this report is also being sent to the Chair of the Board of Directors of your program and to LSC management.

Thank you and all the staff for the cooperation extended to the audit team. Please contact Richard Adkins at 202 295-1661 or me at 202 295-1651 if you have any questions.

Sincerely,

A handwritten signature in black ink that reads "Leonard J. Koczur". The signature is fluid and cursive, written in a professional style.

Leonard J. Koczur
Acting Inspector General

Enclosure

cc: Legal Services Corporation
Randi Youells, Vice President for Programs

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RESULTS OF AUDIT

The Legal Services Corporation (LSC) Office of Inspector General (OIG) conducted this audit to determine whether the Legal Aid of Southeastern Pennsylvania (grantee) complied with certain requirements of 45 CFR Part 1610. This regulation requires grantees to maintain objective integrity from any organization that engages in activities prohibited by the LSC Act, LSC appropriations acts, and LSC regulations. To do so, grantees must be legally separate from such organizations, not transfer LSC funds to them, not subsidize any restricted activities with LSC funds, and maintain physical and financial separation from them. An exception applies for transfers of LSC funds solely for private attorney involvement (PAI) activities.

The audit provides reasonable, but not absolute, assurance that the grantee substantially complied with Part 1610 between July 1, 2001 and October 31, 2003, the period covered by our review. During this time period, the grantee was not involved with organizations that engaged in restricted activities and LSC funds were not transferred to other legal organizations.

In addition, we reviewed the pleadings for several cases. The cases did not involve restricted or prohibited activities. However, we identified a case reporting deficiency that is not directly related to program integrity.

Court Cases Not Reported to LSC

The grantee did not report to LSC all cases filed in court as required by 45 CFR Part 1644 and its policies and procedures implementing the regulation. For the four semiannual periods from July 1, 2001 to June 30, 2003 the grantee reported that 158 cases were filed in the Chester County Court of Common Pleas. The OIG identified 89 additional cases that were not reported. None of the unreported cases were restricted or prohibited by LSC regulations.

Part 1644 of the regulations requires grantees to report to LSC certain information regarding each case filed in court by their attorneys. This requirement applies to all filed cases including those not funded by LSC. Part 1644 also requires each grantee to adopt written policies and procedures to implement the requirements of this part.

The grantee adopted policies and procedures in its Legal Work Staff Manual that implement Part 1644. The Manual provides guidance to staff on what legal actions are required to be disclosed and how the information on these actions should be collected and reported to LSC. In addition to cases filed by grantee attorneys, the Manual states that the disclosure requirements apply to

cases filed pro se whenever grantee attorneys “enter an appearance” in the case.

Grantee attorneys filed 51 cases between July 1, 2001 and June 30, 2003 that were not reported to LSC as required by Part 1644. An additional 38 pro se cases should have been reported under the grantee’s policies for reporting pro se cases whenever an attorney enters an appearance. None of the cases involved LSC restricted or prohibited activities.

The primary reason for the under-reporting was a breakdown in the grantee’s procedure for collecting case information. Grantee staff members were not submitting the required forms identifying cases to the Office Manager. This precluded the Office Manager from maintaining a complete central file of court cases. Internal controls were not in place to ensure all the forms were being submitted.

To correct this problem, the grantee implemented revised procedures effective January 1, 2004. Under these procedures, each branch office is responsible for maintaining a current list of reportable cases and the central office for maintaining a list of case disclosure forms that have been received. To ensure the central office has sufficient information to accurately meet its 1644 reporting requirements, the lists are to be periodically reconciled.

We are not making recommendations for this finding because the grantee’s actions should correct the problem.

SUMMARY OF GRANTEE’S COMMENTS

The grantee's response to the draft report concurred with the finding and described the steps it has taken to correct the reporting problem from occurring in the future. The grantee's comments are included in Appendix I.

BACKGROUND

Legal Aid of Southeastern Pennsylvania (grantee) is a nonprofit, nonstock corporation in the Commonwealth of Pennsylvania that provides legal services to low income, elderly, and disabled clients in Bucks, Chester, Delaware, and Montgomery Counties Pennsylvania. The grantee is headquartered in Norristown and maintains additional offices in Bristol, Doylestown, Chester, Pottstown, and West Chester, Pennsylvania. Staffing at the time of our audit included 25 attorneys, 5 paralegals, and 18 other employees who provide administrative support. LSC funding for 2003 was \$1.013 million.

OBJECTIVES, SCOPE, AND METHODOLOGY

The focus of the audit was compliance with requirements established in 45 CFR, Part 1610, relating to program integrity standards, including the transfer of funds to other organizations (non-LSC). The on-site audit field work was performed from November 13, 2003 to November 21, 2003.

The audit covered the period from July 1, 2001 through October 31, 2003. The OIG reviewed materials pertaining to the grant, including Certifications of Program Integrity, audited financial statements, grant proposals and recipient profiles. The OIG also discussed issues pertaining to the grantee with LSC program officials. The OIG performed audit field work at the headquarters office in Norristown as well as the branch offices in Bristol, Chester, and West Chester.

During the on-site audit, the OIG interviewed and evaluated documentation provided by the Executive Director as well as attorneys and administrators. The OIG evaluated the grantee employees' familiarity with the guidelines set forth in Part 1610. The audit included an assessment of the grantee's policies and procedures in meeting the program integrity requirements, including procedures applicable to the transfer of funds to other organizations. The audit also included an evaluation of the client intake process. In addition, the OIG evaluated the grantee's controls for oversight of the Private Attorney Involvement Program.

The OIG reviewed a sample of the grantee's case files to determine if financial, citizenship, and other eligibility requirements were met. The OIG also tested a sample of court cases filed by or associated with the grantee's attorneys to determine if there were any prohibited representations. In addition, to assess grantee compliance with its reporting procedures, we compared records maintained by the Chester Court of Common Pleas for the period from July 1, 2001 to June 30, 2003 with the grantee's Case Information Disclosure Reports submitted to LSC for the same courthouse and period.

The OIG evaluated all significant agreements (grant funding instruments, leases and contracts) between the grantee and other organizations and individuals. Our evaluation included reviewing documentation and interviewing grantee management to assess compliance with grant requirements.

The OIG evaluated accounting policies and procedures, including allocation of direct and indirect costs to LSC and non-LSC funding sources. The OIG also evaluated timekeeping procedures, including interviewing employees to verify compliance. The OIG tested samples of payments to vendors (contractors and consultants) and employees for both 2002 and 2003.

The OIG performed the audit in accordance with Government Auditing Standards established by the Comptroller General of the United States and under authority of the Inspector General Act of 1978, as amended and Public Law 108-7, incorporating by reference Public Law 104-134.

LEGAL AID OF SOUTHEASTERN PENNSYLVANIA

HARVEY F. STRAUSS, ESQ.
CO-EXECUTIVE DIRECTOR
(NORRISTOWN)ELIZABETH FRITSCH, ESQ.
CO-EXECUTIVE DIRECTOR
(BRISTOL)

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PLEASE REPLY TO: Norristown

March 1, 2004

Leonard J. Koczur
Acting Inspector General
Legal Services Corporation
3333 "K" Street, 3rd Floor
Washington, D.C. 20007-3522**RE: Legal Aid of Southeastern Pennsylvania (Recipient No. 339141)
Comments to OIG Draft Report**

Dear Mr. Koczur:

This will acknowledge receipt of your office's draft report on your audit of our program, Legal Aid of Southeastern Pennsylvania (LASP). We were very pleased that the primary purpose of your audit, the review of our program's transfer of funds and compliance with program integrity standards, indicated that LASP was not involved with organizations that engaged in restricted activities and that LSC funds were not transferred to other legal organizations. Further, your report indicated that our program is and was not involved in restricted or prohibited activities nor was there any subsidization or transfer of funds to organizations that engage in restricted activities. We believe that Page 4 of your draft report accurately depicts the very comprehensive nature of your audit and again finds our program in compliance with all applicable rules and regulations.

We do acknowledge that there was a deficiency in case reporting, not related to program integrity, described on Pages 3-4 of the draft report. As the report accurately states, the case information was compiled in the local office where the cases were handled, but there was a failure to transmit all of the case information to the central office where the report was generated for the Legal Services Corporation (LSC). It also should be noted that, for some of these cases, the actual/original court case was filed pro se and not by LSC staff, particularly in the case of some divorce or protection from abuse cases. We now understand that under General Counsel External Opinion 98-41, a case disclosure form/report need not be completed for these cases.

As your report indicates on Page 3, we have taken steps and implemented revised procedures effective 1/1/04 (copy attached), which we believe will correct the situation from that time forward. We have also met with our program's managing attorneys and other appropriate staff to review the situation and to further ensure that it does not occur in the future. We are

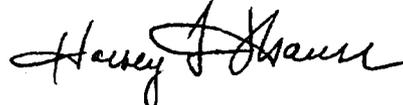
2.

pleased that your draft report indicates that our program's actions should correct this problem (Page 3) and that no recommendation for this finding is necessary.

Finally, we want to thank your auditors, Richard Adkins and Abel Ortunio. Rick and Abel were very professional and pleasant in their dealings with our staff and with us. They recognized and respected that any audit or monitoring can be disruptive to the normal schedule and work of a program and were considerate of this while still doing their work. We found them to be very congenial, interested in our program, its history and work, and appreciative of both their responsibilities and ours.

We understand that these comments will be attached in full to your final report. Thank you.

Very truly yours,



Harvey F. Strauss
On Behalf of Harvey F. Strauss and
Elizabeth W. Fritsch
Co-Executive Directors

HFS/mf

Enclosure

cc: Elizabeth W. Fritsch, Co-Exec. Director
Richard Adkins, Supervising Senior Auditor
Abel Ortunio, Supervising Senior Auditor
Dean P. Arthur, President LASP Board of Directors
Theodore Q. Thompson, Vice-President LASP Board of Directors
Donald J. Weiss, Treasurer LASP Board of Directors
Robert M. Mulhern, Jr., Secretary LASP Board of Directors
Cathy Herman, LASP Fiscal Manager

(Sent via Fax and First Class Mail)

LEGAL AID OF SOUTHEASTERN PENNSYLVANIA (LASP)
CASE DISCLOSURE FORM REPORTING PROCEDURES

In addition to the procedures set forth in A.13 of the Staff Manual on Disclosure of Case Information, the following procedures are to be instituted effective January 1, 2004 to ensure complete and accurate reporting of appropriate cases to LSC:

Each local office in LASP shall make a copy of all case disclosure forms completed by advocates working in that office and will keep that copy along with a list of such forms. That list will contain the name of the client and the date on which the form was sent to Norristown. The list will be updated daily. As these forms are received in the central office in Norristown, a similar list will be kept there with the name of the client and the date received. Periodically, staff in Norristown will compare their list to the lists being kept in the other offices to make sure that all forms have been sent and received. In the event Norristown's list does not reflect all the forms listed in the local office, the forms will be resent. This will allow easy tracking and easy correction of any omissions. This review will be double checked before each semi-annual report is due starting with the report due in late July 2004.

At the same time, LASP will work with others in the state to determine whether there is a way to use the case management software program, (Clients for Windows ("Kemps") which is used by all LSC funded programs in the state), to more accurately track and report on those cases in which disclosure is required. If a form could be developed in that program which could be generated automatically in appropriate cases, it might be possible for this information to be downloaded from the program in the central office into a report without the need for any transmission of forms from the other offices. This would take care of any forms which might go astray. LASP will work with others on development of such a capability.

Finally, LASP will investigate the use of county court dockets to see if it is feasible, or even possible, to use them to reveal cases in which a case disclosure form should have been completed and sent to LSC. Access to this information seems to be more easily obtainable from some counties than others, however, and this may not be an effective way to ensure compliance.

APPENDIX – II

OIG Staff Responsible for the Audit and the Report

Richard Adkins
Abel Ortunio