

# Office of Inspector General

Semiannual Report to the Congress  
April 1, 2002- September 30, 2002

*CORRECTED*

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October 30, 2002

**TO THE BOARD OF DIRECTORS  
OF THE LEGAL SERVICES CORPORATION (LSC)  
AND  
THE UNITED STATES CONGRESS**

*This Semiannual Report on the activities of the Office of Inspector General of LSC covers the six-month period from April 1, 2002 through September 30, 2002. Section 5 of the Inspector General Act of 1978 requires that the Board of Directors, as the designated Federal entity head, transmit this report to the appropriate committees of the Congress within 30 days of its receipt, together with its report commenting on the contents of the Report.*

**Leonard J. Koczur  
Acting Inspector General**

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## **EXECUTIVE SUMMARY**

The OIG issued a summary report on the Recipient Audit Reports for 2001. Two on-site audits of grantees' compliance with regulations governing relationships with entities that engage in prohibited activities were completed. Reports are being drafted. Recommendations in two previously issued audit reports were closed. In addition, a project evaluating mapping technology was completed, except for issuing the project report. (Page 2)

Eight reports on Audit Service Reviews (ASRs) were issued. The ASRs determine whether the audits conducted by independent public accountants properly reviewed grantees compliance with restrictions and prohibitions. (Page 3)

Three Client Trust Fund Inspection Reports were issued. (Page 7)

# **INTRODUCTION**

## **Corporate Structure**

The Board of Directors of the Legal Services Corporation (LSC or the Corporation) is composed of 11 members appointed by the President of the United States with the advice and consent of the Senate. The Board sets general policy and oversees the management of the Corporation. The Inspector General reports directly to the Board in its capacity as head of the entity. The Board also appoints the President of the Corporation, who serves as the principal management official of the Corporation.

## **Grant-Making Activities**

The Corporation is authorized by Congress to make grants and contracts to support the provision of civil legal assistance to clients who meet eligibility requirements. The Corporation makes grants to entities that, in turn, provide legal assistance to indigent persons throughout the United States, Puerto Rico, the U.S. Virgin Islands, Guam, and Micronesia.

## **Certification of Independence**

Inspector General operations in this period were free of personal or organizational impairment.

# AUDITS

During this reporting period, the Office of Inspector General issued a summary report on the Recipient Audit Reports for year 2001. Two Program Integrity audits were in process. The Audit Service Review (ASR) program continued and eight reports were issued. A contractor began work on the Corporation's financial statement audit.

## **SUMMARY REPORT ON RESULTS OF RECIPIENTS' AUDITS**

The OIG issued a report summarizing the results of the 212 recipient audit reports for the year ended December 31, 2001. These reports contained 75 findings. The OIG reviewed the findings and concluded that 39 were significant and referred them to LSC management for follow-up. A significant number of findings related to internal control weaknesses such as a failure to follow procedures or delays in processing financial transactions. The second highest number of findings were for missing or unsigned documents. None of the findings reported that the grantees failed to comply with prohibitions and restrictions on the provision of legal services. This report is a summary of the work done by the IPAs and, therefore, does not meet the criteria for inclusion in the accompanying statistical summary of audit reports issued.

## **PROGRAM INTEGRITY AUDITS**

The OIG is reviewing grantee operations to determine if they are complying with LSC requirements on relationships with entities that engage in prohibited activities. During this reporting period, the OIG completed on-site audit work at two grantees - California Rural Legal Assistance and Legal Aid Society of Middle Tennessee and the Cumberlandds. Audit reports were being prepared at the end of the reporting period. In addition, the OIG closed the recommendations in the previously-issued audit reports on Lane County Legal Aid Service and Central Virginia Legal Aid Society.

## **AUDIT SERVICE REVIEW REPORTS**

Audit Service Reviews (ASRs) examine the working papers of the independent public accountants (IPAs) who conduct the annual financial and compliance audits of LSC grantees. The objective of the ASRs is to determine if the independent public accountants properly reviewed grantee's compliance with 14 restrictions and prohibitions imposed by Congress.

The OIG issued eight ASR reports during this period. All the reviews found that the IPAs adequately tested the grantees' compliance with LSC regulations and that the audit reports provided reasonable assurance that the grantees complied with LSC regulations. However, five reviews found minor testing and documentation deficiencies that did not invalidate the audits. The OIG required the IPAs to ensure that the deficiencies did not reoccur on future audits.

**CORPORATE AUDIT**

In September work started on the Corporation's Fiscal Year 2002 financial statement audit. The audit firm, M.D. Oppenheim and Co., conducted an entrance conference with the Office of the Comptroller and OIG and started fieldwork. The audit will be completed during the next reporting period.

**AUDIT REPORTS**

Open at beginning of reporting period	2
Issued during reporting period	0
Closed during reporting period	2
Open at end of reporting period	0

**AUDIT SERVICE REVIEW REPORTS**

Pending at beginning of reporting period	0
Issued during reporting period	8
Closed during reporting period	8
Pending at end of reporting period	0

**RECOMMENDATIONS TO LSC GRANTEEES**

Pending at beginning of reporting period	15
Reported during this period	0
Closed during this reporting period	15
Pending at end of reporting period	0

**RECOMMENDATIONS TO LSC MANAGEMENT**

Pending at beginning of reporting period	0
Reporting during this period	0
Closed during report period	0
Pending at end of reporting period	0

**AUDIT SERVICE REVIEW REPORTS ISSUED**

North Penn Legal Services  
Virginia Legal Aid Society  
LAS of San Diego  
California Indian LS  
L.A. of North Dakota  
LSC of Iowa  
Cape-Atlantic LS  
Kansas LS

**OTHER REPORTS**

Summary Report on Results of  
Recipients' Audits

1

## EVALUATION PROJECT

The OIG has undertaken a project to evaluate mapping technology as a legal services management tool. Mapping enables operational data to be presented on a map by geographic location. For example, client addresses can be plotted to show where clients are concentrated within a grantees' service area. This helps grantee managers evaluate the appropriateness of office locations and resource deployments.

Our approach is a pilot project done in cooperation with LSC's two grantees in Georgia - Atlanta Legal Aid Society and Georgia Legal Services Program. This project is evaluating mapping technology for its utility in supporting a wide range of stakeholder interests, including:

- 1) Access to legal services for the needy through identification of income-eligible population, clients served, and the under-served;
- 2) Grantee management information to support resource acquisition and planning, and placement of office locations and staff;
- 3) Program planning and oversight by various LSC components; and,
- 4) Strategic information for LSC Board of Directors.

The project's primary objective is to determine the usefulness of geographic information systems for operational and strategic planning at the local and national levels and for reporting of grantees' accomplishments. A wide range of maps will be produced including ones that show; income-eligible population locations, client locations and shifts in location over time, areas of intense demand and low demand. Our goal is to identify and prototype the maps and information that will be valuable to decision-makers at various levels in the legal services environment. A report will be prepared for grantee and LSC management with maps and an analysis of how they can be used as a tool to improve services clients are provided.

The technical work of producing maps and evaluating their usefulness was completed this reporting period. An evaluation report is being drafted and will be issued next reporting period.

## INVESTIGATIVE ACTIVITIES

Two cases were opened during this reporting period and two were closed.

The OIG maintains a telephone Hotline for the reporting of improper activities by LSC grantees or corporate staff. One hundred and fifteen telephone calls were received and resolved. All calls were resolved without an investigation being initiated.

### INVESTIGATIVE CASES

Open at beginning of period	1
Opened during the period	2
Closed during reporting period	2
Open at end of the period	1
Recommendations to MGT for Corrective Action	0

### PROSECUTORIAL ACTIVITIES

Referred this period	0
Declined prior and this period	0
Pending	0
Convictions	0

## INSPECTION ACTIVITIES

Three inspection reports were issued during this reporting period. All three inspections found that the grantees were not in full compliance with LSC Accounting Guide requirements. Specific suggestions were made for correcting these deficiencies and improving internal controls. The grantees agreed to implement the suggestions and the inspections were closed.

### CLIENT TRUST FUND INSPECTION REPORTS

Open at beginning of reporting period	0
Issued during reporting period	3
Closed during reporting period	3
Open at end of reporting period	0

### REPORTS ISSUED

Neighborhood Legal Services Association (Pittsburgh, PA)  
Legal Aid Society of Columbus (Ohio)  
Legal Services of Cape Cod and the Islands (Hyannis, MA)

# **LEGISLATIVE AND REGULATORY REVIEW**

## **LEGAL REVIEW**

The OIG reviewed and commented on statutory and regulatory provisions affecting LSC and the OIG. Comments were provided on the proposed revisions to CFR 1611 (Eligibility) and CFR 1626 (Restrictions on Legal assistance to Aliens). The OIG Counsel participated in the task forces that reviewed the regulations and drafted revisions.

## **SUBPOENA ENFORCEMENT ACTIVITIES**

Two court cases resulting from the OIG's issuance of subpoenas remain pending. These cases arose out of the OIG's assessment of the accuracy of grantees' 1999 case statistical data.

In the first case, two grantees, Legal Aid Bureau of Maryland (LAB) and Legal Services of New York (LSNY), declined to provide data the OIG requested, citing ethical rules and attorney-client privilege. The OIG subpoenaed the data and sought and obtained enforcement of the subpoenas in the U.S. District Court for the District of Columbia. LAB provided the data but LSNY appealed the verdict. The court's order was affirmed on appeal and the case was remanded. The District Court appointed a special master to hear particularized claims of attorney-client privilege by LSNY and that process is on hold pending the outcome of a related case discussed below.

The second case was brought against LSC, OIG, and LSNY by subgrantees and an affiliated organization of LSNY in the U.S. District Court for the Southern District of New York. On August 7, 2002, the Court ruled in the defendant's favor on cross motions for summary judgment. The Court held that the subgrantees are required to provide the requested case data to LSNY for LSNY to provide to the OIG. Section 509(h) of LSC's 1996 appropriation act, as amended, requires disclosure, as do the grant assurances and subgrant contracts. The Court rejected the argument that 509(h) was unconstitutional and that the IG Act was unconstitutional. The plaintiffs appealed the decision.

**TABLE I**

**Audit Reports Issued with Questioned Costs  
for the Period Ending September 30, 2002**

		<b>NUMBER REPORTS</b>	<b>QUESTIONED COSTS</b>	<b>UNSUPPORTE D COSTS</b>
A.	For which no management decision has been made by the commencement of the reporting period.	0	\$0	\$0
B.	Reports issued during the reporting period	0	\$0	\$0
	Subtotals (A + B)	0	\$0	\$0
<b>LESS:</b>				
C.	For which a management decision was made during the reporting period:	0	\$0	\$0
	(i) dollar value of recommendations that were agreed to by management	0	\$0	\$0
	(ii) dollar value of recommendations that were not agreed to by management	0	\$0	\$0
D.	For which no management decision had been made by the end of the reporting period	0	\$0	\$0
	Reports for which no management decision had been made within six months of issuance	0	\$0	\$0

**TABLE II**

**Audit Reports Issued with Funds to be Put to Better Use  
for the Period Ending September 30, 2002**

	NUMBER REPORTS	DOLLAR VALUE
A. For which no management decision has been made by the commencement of the reporting period.	0	\$0
B. Reports issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
<b>LESS:</b>		
C. For which a management decision was made during the reporting period:	0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision had been made by the end of the reporting period	0	\$0
Reports for which no management decision had been made within six months of issuance	0	\$0

**TABLE III**

**Index to Reporting Requirements  
of the Inspector General**

IG ACT*** REFERENCE	REPORTING REQUIREMENT	PAGE
Section 4(a)(2)	Review of legislation and regulations	7
Section 5(a)(1)	Significant problems, abuses, and deficiencies	None
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies	None
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed	None
Section 5(a)(4)	Matters referred to prosecutive authorities	None
Section 5(a)(5)	Summary of instances where information was refused	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and funds to be put to better use	8
Section 5(a)(7)	Summary of each particularly significant report	2
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs	8
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use	9
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by the end of the reporting period	None
Section 5(a)(11)	Significant revised management decisions	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees	None

\*\*\*Refers to sections in the Inspector General Act of 1978, as amended.