

LEGAL SERVICES CORPORATION



REPORT TO THE CONGRESS

FROM THE BOARD OF DIRECTORS

FOR THE PERIOD

OCTOBER 1, 2006 – MARCH 31, 2006

INTRODUCTION

The Legal Services Corporation Board of Directors (Board) is pleased to have the opportunity to address the Congress and share its perspective on the current state of federally-funded civil legal services for low-income Americans. In keeping with the Board's previous observations that the United States is far from reaching its goal of "justice for all," during the reporting period the Legal Services Corporation (LSC) published a report on its study of the current unmet civil legal needs of the poor, entitled "*Documenting the Justice Gap in America – The Current Unmet Civil Legal Needs of Low-Income Americans*" (the Report). The Report concludes that only fifty percent of eligible applicants who seek civil legal assistance from LSC grantees² receive such help as a result of the lack of resources. Additionally, the Report suggests that the percentage of legal problems for which poor persons do not receive assistance may be greater than 80%, considering that many poor people are unaware of programs for free legal services and do not apply for such help.

During the reporting period LSC's Board adopted *Strategic Directions 2006-2010* a document outlining the Corporation's goals for the next five years and the strategies to be used to achieve them. LSC's *Strategic Directions 2006-2010* establishes two strategic goals and one support goal for the organization. LSC's strategic goals are to (1) Increase public awareness of and support for civil legal services to low-income persons in order to respond appropriately to more of their legal needs; and (2) Enhance the quality and compliance of legal services programs. In addition, LSC's support goal is to ensure that LSC operates efficiently and effectively. LSC's *Strategic Directions 2006-2010* also sets forth specific objectives and strategies for achieving those goals, as well as some initial performance measures to be used to gauge LSC's progress in meeting its goals. For further information on LSC's *Strategic Directions 2006-2010*, visit: www.lsc.gov/foia2/pdfs/epr/LSCStrategicDirections20062010.pdf.

During the reporting period, LSC continued work on important initiatives to improve the quality and accessibility of legal services for low-income persons. LSC undertook and, in April 2006, completed a revision of the LSC Performance Criteria, guidance that reflects LSC's sense of best practices that promote delivery of high quality legal services. LSC also undertook an expanded focus on improving and expanding private attorney involvement in the delivery of legal services by grantees. LSC implemented its Pilot Loan Repayment Assistance Program which strives to enhance the ability of grantees to recruit and retain high-quality lawyers who have substantial law school debt. Similarly, LSC continued with its leadership and diversity projects, such as the Pilot Leadership Mentoring Program, which seeks to develop a diverse and well-trained corps of future leaders in the legal services community.

Other significant initiatives include continued efforts to improve services to eligible clients in rural communities; the promotion of improved intake, advice and referral systems; and the continued use of technology to expand services to low-income persons. In addition to these

² "Grantees," "programs" and "recipients" are used interchangeably in this report to refer to recipients of LSC funding.

special initiatives, LSC continued during the reporting period to monitor its grantees to ensure compliance with all Congressionally-mandated rules and restrictions.

LSC also continued to provide support to grantees affected by Hurricane Katrina and to the indigent communities served by those grantees. In addition to convening regular conference calls with affected grantees and providing formal guidance on assistance to hurricane victims, LSC continued, in partnership with the American Bar Association (ABA), the National Legal Aid and Defender Association (NLADA), and Pro Bono Net, to administer the “Katrina Legal Aid Resource Center,” a web-based clearinghouse for hurricane victims and their advocates.

The Legal Services Corporation

LSC is a private, non-profit corporation established in the District of Columbia by the Legal Services Corporation Act of 1974, as amended (the LSC Act),³ to provide financial support for legal assistance in civil proceedings to persons unable to afford legal services. LSC is governed by an eleven-member, bi-partisan Board of Directors appointed by the President of the United States with the advice and consent of the Senate. The Board appoints LSC’s President, who serves as LSC’s chief executive officer, subject to general policies established by the Board.

The 1988 Amendments to the Inspector General Act of 1978 (the 1978 Act) required LSC to establish an Office of Inspector General (OIG) and extended specific provisions of the 1978 Act to LSC. Accordingly, such an office was established by and for LSC. The Inspector General is appointed by, reports to, and serves under the general supervision of, LSC’s Board of Directors.

LSC provides funding to civil legal services programs serving indigent persons throughout the fifty states, the District of Columbia, Puerto Rico, the U.S. Virgin Islands, Guam, Micronesia and American Samoa. To carry out the purposes of the LSC Act, LSC received an appropriation of \$326,577,984 for Fiscal Year (FY) 2006. For FY 2007, LSC submitted a budget request for \$411,800,000, an increase of \$47,991,000 over the FY 2006 request and \$85,222,016 over the final FY 2006 appropriation. Over 95 percent of the proposed increase is for grants to the 138 basic field programs to address the significant gap in the current unmet civil legal needs of low-income Americans and to improve grantee efficiency and effectiveness through innovative and expanded use of technology.

³ 42 U.S.C. §§ 2996-2996l.

LSC INITIATIVES

During this reporting period, LSC continued its efforts to improve the efficiency of its competitive grant award system and the effectiveness of the delivery of legal assistance to eligible clients. LSC continued to demonstrate its ability to ensure both compliance with program rules and regulations, and the maintenance of high quality legal assistance to eligible clients in conformity with Congressional mandates.

Documenting the Justice Gap

On October 17, 2005, the Legal Services Corporation released “*Documenting the Justice Gap in America – The Current Unmet Civil Legal Needs of Low-Income Americans.*” The Report details LSC’s study of civil legal needs that had been undertaken at the request of the LSC Board during (and reported on) during the last reporting period. The study used three different methodologies to examine this question. First, LSC asked its grantees over a two-month period, from March 14, 2005 to May 13, 2005, to document the potential eligible clients that came to their offices that the programs could not serve due to lack of resources. Second, LSC carefully analyzed the nine studies undertaken over the last five years in individual states about the civil legal problems faced by their low-income residents, examining them for nationally applicable conclusions. Finally, LSC totaled the number of legal aid lawyers – those in both LSC and non-LSC funded programs – and compared that to the total number of attorneys providing civil legal assistance to the general population in this country.

All three methodologies demonstrated that there was a significant shortage of civil legal assistance available to low-income Americans. The LSC “unable to serve” study, the first comprehensive national statistical study ever undertaken, established that for every client who receives service, one applicant was turned away, indicating that 50 percent of the potential clients requesting assistance from an LSC grantee were turned away for lack of resources on the part of the program. Because only those with LSC-eligible cases who contacted the program for assistance were counted, the study underestimated the unmet need. It is known that many people do not contact a program either because they do not know they have a legal problem, or they do not know that the program can help them. The two other methodologies suggest a higher unmet need. In particular, the nine recent state studies demonstrated that less than 20 percent of the legal needs of low-income Americans were being met.

In summary, the justice gap is significant and large. LSC funded programs were only able to assist fifty percent of the people with eligible cases who came to them seeking assistance. The legal needs survey studies indicate that an even larger percentage of low income people – eighty percent – do not get help.

Although state and private support for legal assistance to the poor have increased in the last two decades, level (or declining after factoring in inflation) federal funding and an increased poverty population have served to increase the unmet demand. Assuming that state and private funding increases were to keep pace, it would take a doubling of LSC’s current funding of the basic field grant just to serve those currently requesting help from LSC-funded programs.

LSC distributed the Report to its grantees, Members of Congress, the leaders of the state judicial systems, the ABA and state bar associations, the various state access to justice commissions, and other interested parties. LSC believes the Report will make a valuable and important contribution both at the national and state levels toward resolving the unmet need for civil legal assistance to low-income Americans.

Program Visits to Assess Quality and Compliance

During the reporting period, staff from the Office of Program Performance (OPP) and the Office of Compliance and Enforcement (OCE) conducted 16 visits to LSC grantees. LSC engaged in these visits to grantee programs to assess quality, ensure compliance with applicable statutes and regulations, provide technical assistance, review progress in achieving a comprehensive delivery system in recently reconfigured service areas, evaluate programs' responses to challenges, evaluate innovative procedures which may serve as models for other programs, and communicate LSC's expectations directly to grantees. These visits also enabled LSC to help programs enhance the quality of services delivered to clients and promote efficiency and effectiveness in delivery systems.

Following a program visit, it is customary for OPP staff to prepare and send a report to the program detailing their findings and recommendations. LSC thereafter follows up on program visits that it has made in the past. Typically, LSC staff members call programs to check on progress with planned changes. Additionally, after program visits, LSC often provides programs with materials describing "best practices" and innovative strategies to assist in improving the effectiveness of their delivery systems. Programs are also frequently referred to the LSC Library Resource Initiative site on the LSC website to obtain materials on best practices and other helpful information.

OCE full compliance program visits result in reports in which OCE staff detail recommendations and corrective actions, which require affirmative, corrective response by grantees. The OCE compliance review system undertakes a review of hundreds of case files, is a thorough review of program-wide intake and a comprehensive evaluation of a program's compliance system. Unlike the IPA checking, the OCE review system is geared to evaluate, instruct, educate and assist programs in correcting compliance deficiencies. Visit outcomes may be identification of compliance training needs, including executive director training, and a plan for a follow-up visit to assess and ensure the implementation of the required corrective actions. These full compliance reviews are not duplicative of the annual work of the Independent Public Accountants (IPA).⁴

Two of the program visits during the reporting period were made by OPP and OCE staff jointly, pursuant to a pilot joint program visit initiative begun in 2004. Joint program visits are intended to coordinate more effectively the work of OPP and OCE and to provide a more comprehensive review of the visited programs. During the reporting period, a preliminary evaluation of the pilot project was presented to LSC's President, and staff are making

⁴ See, Legal Services Corporation, Office of Inspector General, Semi-Annual Report to Congress for the Period October 1, 2005 – March 31, 2006, p.3.

adjustments to the joint visit report protocols. LSC has committed to completing two more joint visits during this calendar year and is planning a more ambitious joint visit schedule for calendar year 2007.

The OCE staff also conducts a variety of activities in addition to the regularly scheduled program visits discussed above. These activities include compliance investigations, approvals of waiver requests in compliance with certain regulations, A-50 audit follow up, prior approvals of certain expenditures and activities by grantees, and compliance training. These compliance activities are critical components to the LSC oversight of LSC-funded programs and consequently, significant compliance staff time is committed to these activities to ensure full compliance by LSC grantees.

Quality Initiative

Performance Criteria

During the reporting period LSC continued to work on several components of its Quality Initiative. The Legal Services Corporation Act requires LSC to ensure that the programs it funds are of the highest quality and meet professional standards. An assessment of quality includes a program's various capacities, the processes it follows, and the outcomes it achieves – including both the results for individual clients and the extent to which it is successful in securing outcomes that assist in improving opportunities for low-income persons.

The centerpiece of LSC's Quality Initiative is the revision of the *LSC Performance Criteria* (Criteria). Originally adopted in 1993, the Criteria were in need of revision to reflect the significant changes to the legal services delivery system over the past thirteen years. LSC, with the assistance of a broad-based advisory committee, undertook a thorough review and revision of the Criteria. The draft revised Criteria were distributed for comment to grantees, other funding organizations, and made available on LSC's website. After reviewing the comments received, LSC finalized the Criteria and issued the revised Criteria in April 2006.

The Criteria provide a framework upon which LSC grantees model their services. LSC will continue to use the Criteria to guide its assessments of program performance and as important guidance for the competitive grants process. In addition, LSC intends that the Criteria will provide a useful framework for internal grantee self-evaluations and program development.

Private Attorney Involvement

Another significant component of the quality initiative is enhanced private attorney involvement. During this reporting period, the LSC Board of Directors initiated a focus on the ways that LSC-funded programs use private attorneys in the delivery of legal services to eligible clients. This has led to a continued exploration of what is currently being done by programs and ways in which programs can increase the role of private attorneys in their legal services delivery. The anticipated outcomes include additional guidance to LSC programs on private attorney involvement best practices, improved implementation of the private attorney involvement regulation by programs, and expanded access to legal services.

Pilot Loan Repayment Assistance Program

During the reporting period LSC continued its implementation of the Pilot Loan Repayment Assistance Program (LRAP). Under the LRAP program, selected participants receive loans to help pay existing law school educational debts. They will have their loans forgiven at the end of the program year if they have remained in good standing with their respective legal services programs during the entire year. LSC solicited loan applications from attorneys in the 15 participating programs that were selected for the pilot program. LSC awarded loans for the first year of the LRAP pilot program to 25 attorneys in amounts ranging from \$1,564 to \$5,000.⁵ Additional loan applications will be processed during the next reporting period. There is an ongoing evaluation component to this pilot program.

Leadership Mentoring Pilot Program

During the reporting period LSC continued to implement the *Leadership Mentoring Pilot Program*, (Mentoring Pilot) an 18-month structured series of activities and trainings designed to create effective mentoring relationships and guide leadership learning by combining elements of one-on-one training and group training interactions. This Mentoring Pilot, launched during the last reporting period, is intended to help address the growing need to develop well-trained future leaders in the legal services community. Objectives of the Mentoring Pilot are to identify core competencies and principles of leadership required to be an effective leader within legal services programs and to identify the elements of a mentoring program that are most likely to produce a diverse corps of future leaders for LSC programs and which can be replicated by LSC grantees.

During this reporting period, 10 mentors and 10 protégés from LSC-funded programs were selected to participate in the pilot program. Each protégé has been assigned a mentor to assist with mentoring and professional development. LSC is also providing training opportunities for all of the participants in the Mentoring Pilot. The first training, held in November 2005, focused on leadership and teambuilding skills. The second training, held in March 2006 focused on financial management and evaluation. This training was held in conjunction with the Management Information Exchange's biennial conference for legal services managers in San Antonio, Texas in which all mentor and protégés participated, both as trainees and as presenters.

LSC will conduct evaluations throughout the 18-month process to examine outcomes of the Mentoring Pilot.

⁵ \$5,000 is the maximum yearly loan amount available. Each recipient must file a new application each year to participate in the second and third years of this three-year pilot program.

Program Guidance

Violence Against Women Act – 2006 Amendments

During this reporting period LSC released Program Letter 06-2, *Violence Against Women Act 2006 Amendments*, an important guidance document to LSC programs on the changes in the Violence Against Women and Department of Justice Reauthorization Act. The changes allow LSC-funded representation of certain immigrants who are the victims of human trafficking. This guidance was necessary to assist programs in implementing the appropriate screening protocols when determining specific eligibility under this law for persons who might otherwise not be eligible for LSC-funded services.

Serving Client-Eligible Persons with Limited English Proficiency

During the reporting period LSC's OPP began to review programs' activities on behalf of the Limited English Proficiency (LEP) populations they serve. The review is based on guidance given to programs in LSC Program Letter 04-2, *Services to Client-Eligible Individuals with Limited English Proficiency* and the accompanying *Guidance to LSC Programs for Serving Client-Eligible Individuals with Limited English Proficiency*. In annual grant applications, applicants are now being asked to describe their efforts to reach and serve LEP-eligible individuals. During on-site visits to assess program performance, LSC grantees' periodic legal needs assessments are being reviewed to determine the extent to which they include an assessment of the legal needs of LEP eligible individuals and LEP communities. Additionally, program staffing and language capacity to serve LEP populations in their service areas are reviewed. Models of exemplary LEP plans and policies submitted to LSC are being posted on LSC's Resource Library at www.lri.lsc.gov.

Ongoing Response to Hurricane Katrina

During the reporting period LSC continued to work on issues related to Hurricane Katrina and its aftermath. LSC continues to hold bi-monthly national conference calls with its programs and partners - the ABA, NLADA, and Pro Bono Net. LSC and our partners hosted a telephone training event on bankruptcy on January 6, 2006, which brought together national experts in the area of bankruptcy with a number of grantee programs. In addition to these national calls, LSC continues to host bi-monthly conference calls with its partners in order to plan for the future of disaster relief as it applies to legal services clients and programs, and to help facilitate the creation of a permanent support system for future disasters.

The KatrinaLegalAid.org web site, jointly created and maintained by LSC, the ABA, NLADA and Pro Bono Net, continues to serve as a valuable informational resource for people who need help, legal aid and defender programs and pro bono volunteers. Since the site launch on September 27, 2005, there have been approximately 40,000 library downloads, 44,000 page views, and 8,000 unique visitors. In order to further publicize the web site, LSC has printed over 10,000 flyers in both English and Spanish that were distributed in mid-February to the 23 LSC-funded programs in the hurricane affected region. LSC and its partners continue to update the site's content on an almost daily basis.

Technology and Legal Services

Technology Initiative Grants

The Technology Initiative Grants (TIG) program promotes and funds innovative technology initiatives to help grantees provide assistance to low income persons who would otherwise not receive legal assistance. This is accomplished by means of technologically enhanced *pro se* and community legal education efforts, and also by enhancing state justice systems' technology infrastructures to allow centralized telephone intake and delivery systems. This use of technology also allows greater coordination among grantees.

During the reporting period, LSC reviewed 52 TIG applications for the 2005 funding cycle. After careful review of all applications, LSC awarded 28 grants for a total of \$1,374,500. These grants can be broadly categorized as: Infrastructure, \$85,800; Intake, \$170,552; Training and Technical Assistance, \$570,100; Pro Se, \$163,248 and Web Sites, \$384,800. The following summaries highlight three of the grants awarded during the reporting period.

- *Using Mapping to Display Client Outcomes*

Legal Aid of East Tennessee, in partnership with the University of Tennessee, will create a web-based system to allow our programs to simply and easily create ten maps illustrating the impact of a program's legal work. This grant addresses the strong need by the poverty law community to understand, use, and create visual representations of complicated data for the purposes of fundraising, management, advocacy development, and working with partners. The GIS National Mapping Server Grant will enable legal aid programs, through the use of special software, to generate ten relevant maps (for example; cases closed, cases opened, poverty population, pro bono cases closed, rejected cases, etc.), which will visually show trends in service, outcomes of delivery systems, areas for management improvement, and areas for funding. These maps will be generated simply via the submission by a legal aid program of their case data to the mapping server.

- *Video Conferencing for Victim's of Domestic Violence*

Legal Services of Eastern Michigan received a grant to install low cost web cameras in their offices, courts, and domestic violence shelters in two Michigan counties to provide access to a family law attorney and to court appearances while victims remain in safety at the shelters. This grant will test the viability of low cost web cameras while increasing the safety for domestic violence victims.

- *I-CAN! EIC Project*

This grant continues TIG funding so that low income wage earners will have free, web-based software to allow them to file for the Earned Income Tax Credit.

Those using the ICAN! EIC system received over \$5.6 million in federal income tax refunds for the 2005 tax year. Those using the ICAN! system for state taxes in three states received another \$405,000 in state tax refunds.

LSC held the annual TIG conference on January 23 to 25, 2006. This conference serves as the primary technology conference for the legal services community. It continues to foster the sharing of expertise and support for technologists and innovations in legal services programs. Participants' evaluations indicated that this event continues to play a valuable role in supporting LSC grantees' use of technology necessary to improve and expand the effectiveness and efficiency of the legal services delivery system.

Other Technology

LSC continued efforts to promote the use of coordinated telephone intake, advice and referral systems used by its grantees. These delivery tools maximize client access and improve the quality of legal services by increasing efficiencies in program operations and management, simplifying application procedures, expediting responses to applicants, and allowing experienced staff to concentrate on legal problems requiring extended representation.

LSC's Intake Focus Team provides individualized technical assistance to grantees on developing and operating telephone-based delivery systems. The Intake Focus Team assists legal services programs in their creation, development, and implementation of a centralized telephone intake system. As programs upgrade or purchase new telecommunications systems, LSC provides technical assistance about these advanced telecommunications systems, responds to inquiries on delivery issues, provides specialized training for program staff, as well provides assistance on collaborations with court based self-help projects. Specialized assistance was provided to programs in Alabama, New York, and South Carolina.

LSC Resource Initiative

During the reporting period LSC continued to administer the LSC Resource Initiative (LRI) in order to promote high quality legal assistance by sharing best practices in the legal services community and encouraging replication when appropriate. LRI is a project that has successfully gathered information about innovative legal services management approaches and delivery techniques and systems since its inception in June 2001. LRI staff members continuously add content to the website and explore ways to make improvements. Staff members distribute an LRI newsletter that shares content from the website and seek suggestions and submission of information. The accompanying website, the LSC Resource Library, has been online since October 2002, and can be viewed at www.lri.lsc.gov.

Noteworthy practices of many LSC-funded recipients are featured on the website including a manual titled "*Innovations in Civil Legal Services.*" Some of the other topics featured on the website include technology, diversity, intake, management practices, and loan repayment assistance. To avoid duplication, the website links to several other websites and existing sources of information. The website also includes announcements and training opportunities available to the staff of legal services programs.

Rural Initiative

LSC continued to demonstrate its commitment to the delivery of legal services in rural America by working with national partners and recognized leaders on this subject. The National Rural Voice Initiative (NRVI) includes an NLADA representative, several rural providers, and three LSC staff members. LSC plays a leading role in the group, which plans and promotes sessions on rural delivery issues at national events.

In November of 2005, NRVI sponsored three sessions at the NLADA's 2005 Annual Conference. Sessions explored methods of providing and sustaining delivery of high quality rural services, as well as resource development and allocation of resources in the context of state justice planning. In this reporting period LSC staff also participated in sessions at the April 2006 Equal Justice Conference that were designed to explore computer mapping of rural poverty and how this capability can be employed in the planning and delivery of rural services. Rural poverty mapping was also featured in a technology showcase at the conference.

Competition

During the reporting period, LSC completed its competitive grant cycle for calendar year 2006 grants. In response to a comprehensive and detailed Request for Proposals (RFP), LSC received and evaluated thirty-six (36) grant applications for service areas in twenty-two (22) states, American Samoa, the District of Columbia, Guam, Micronesia, and the Virgin Islands. It was determined that thirty-five (35) of the grant applications met the threshold requirements of the grants competition.

All grant applications were evaluated based on the requirements of the LSC RFP, LSC Performance Criteria, LSC regulations, and the ABA Standards for Providers of Civil Legal Services to the Poor. The evaluation process for the competitive grants was extensive and thorough, requiring a complete review of each applicant's program narrative which describes the service delivery plan; forms setting forth information, such as staffing levels, governing body membership, actual and projected cases and matters, and budgets; other funder reports; and other documents such as management resumes and program references. After this review by a series of evaluators, funding recommendations were presented to the LSC President in December 2005. The President's funding decisions were announced later that month, and initial 2006 grant award checks were distributed during the first week of January 2006.

In addition to staff's evaluation of the grant applications, LSC provided all successful grant applicants with "feedback letters." These letters assess the strengths and weaknesses of applicants' proposed delivery strategies as described in their grant applications. The feedback letters are intended as one means of technical assistance to improve program performance and the quality of future grant applications.

The LSC competitive grants process remains responsive to the Congressional requirement to award grants through a system of competition and to assure the most efficient and effective delivery of services to eligible, low-income people. An overview of the competitive

grants process, the RFP, application instructions and resource materials are available from the LSC bulletin board at www.ain.lsc.gov.

Rulemaking Activities

During the reporting period LSC initiated two new rulemakings to consider changes to its regulations at 45 CFR Part 1621, Client Grievance Procedure, and 45 CFR Part 1624, Prohibition Against Discrimination on the Basis of Handicap. As part of the Client Grievance Procedure rulemaking, LSC convened two Rulemaking Workshops, pursuant to LSC's Rulemaking Protocol, to gather information from grantees, national grantee representatives and client representatives on how the current rule is working, whether there are any problems being experienced with the rule and how it might be improved. As part of the Prohibition Against Discrimination on the Basis of Handicap rule, LSC convened one Rulemaking Workshop attended by grantees, national grantee representatives, client representatives and disability rights advocates on how the current rule is working, whether there are any problems being experienced with the rule and how it might be improved. LSC anticipates issuing Notices of Proposed Rulemaking proposing relatively minor changes to each rule during the next reporting period.

During the reporting period LSC deleted in its entirety the regulation at 45 CFR Part 1631, Expenditure of Grant Funds. The deletion was warranted because the regulation implemented a 1986 statutory restriction on the use of pre-1982 funds. Grantees no longer have pre-1982 funds. Moreover, the Congressional restrictions adopted in 1996 and carried forth in each subsequent LSC appropriation supersede the 1986 statutory authority for Part 1631.

Appendix

TABLE 1

**Management Report on
Office of Inspector General Audit Reports of Grantees
Issued With Questioned Costs
For the Six Month Period
Ending March 31, 2006**

	Number of Reports	Disallowed Costs
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise.	0	\$0
(ii) Dollar value of disallowed costs that were written by management.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance	0	\$0

TABLE 2

**Management Report on Audit Reports Issued During
The Six Month Period Ending March 31, 2006,
With Recommendations That Funds Be Put to Better Use By Management
Agreed to in a Management Decision**

	Number of Reports	Dollar Value
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0*	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of recommendations that were actually completed.	0	\$0
(ii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance.	0	\$0

* The Board understands that Management and the OIG are continuing to work to resolve a difference of opinion with regard to whether the \$5,640,000, to which Table IIA and IID of the OIG's Semiannual Report refers, represents funds "to be put to better use" or funds "for which no management decision had been made during the reporting period." The Board has directed Management and the OIG to report to it, at its meeting in July, on their efforts to resolve their differences of opinion with regard to these funds. The Board intends that the issue will be settled at that time.