

LEGAL SERVICES CORPORATION



Office of Inspector General

Semiannual Report to the Congress
April 1, 2021 – September 30, 2021

LSC | America's Partner
for Equal Justice
LEGAL SERVICES CORPORATION

www.oig.lsc.gov

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

A MESSAGE FROM THE INSPECTOR GENERAL

I am pleased to submit this report on the activities and accomplishments of LSC's Office of Inspector General (OIG) for the period April 1, 2021, through September 30, 2021.

During this reporting period our audit office issued three reports. We issued two audit reports focusing on the adequacy of LSC grantees' internal controls, particularly with respect to financial operations. The reports documented specific internal control weaknesses and areas of concern and made recommendations for corrective action.

We also provided oversight for the annual audit of the Corporation's financial statements, conducted by an independent certified public accounting firm under contract to the OIG. The auditors issued a "clean opinion" on the financial statements. Their accompanying report on internal control over financial reporting identified one significant deficiency. The Corporation agreed with the auditors' finding and recommendations and implemented a corrective action plan to address the issues.

We continued our Quality Control Review (QCR) program, to provide enhanced oversight of the independent audits required annually of LSC grantees. During the period we issued 23 QCRs.

Our investigations office opened 14 new cases and closed 20 cases during the reporting period. The investigations involved a variety of criminal and regulatory matters, including fraud, false claims, theft, the outside practice of law, and other potential violations of LSC statutes and regulations.

We continued to emphasize outreach and education as part of our ongoing efforts to help prevent fraud and abuse in LSC-funded programs. During the pandemic, we have been conducting our fraud awareness briefings and vulnerability assessments remotely. This period, we also began conducting special assessments focusing on disaster relief and CARES Act funding.

In response to the increasing incidence of ransomware, phishing, and other cyberattacks, we created a new OIG webpage providing cybersecurity resources for grantees and recorded a Cybercrimes

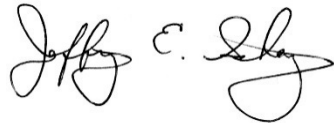
Awareness Briefing, posted to the webpage. We also continued to provide information on our website relating to COVID-19 scams.

Through fraud alerts, online articles, and special advisories, we work to keep grantees well-informed about current risks to their programs, and provide practical information on how to prevent, detect, or respond to such threats.

I want to give special recognition to all OIG and LSC staff members for the dedicated and professional manner in which they continued to carry out their responsibilities under the challenging conditions of the pandemic.

I wish to express my appreciation to all the members of the Board of Directors for the interest and support they have shown for the work of the OIG. I also remain deeply appreciative to the Congress for its steadfast support of this office.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeffrey E. Schanz". The signature is fluid and cursive, with the first name "Jeffrey" being the most prominent part.

Jeffrey E. Schanz
Inspector General
October 29, 2021

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OFFICE OF INSPECTOR GENERAL OVERVIEW

The LSC Office of Inspector General operates under the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3. The OIG has two principal missions: (1) to promote economy and efficiency in the activities and operations of LSC and its grantees; and (2) to prevent and detect fraud and abuse.

Our primary tool for achieving these missions is objective and independent fact-finding. We perform financial and other types of audits, evaluations, and reviews, and conduct criminal and regulatory compliance investigations. Our fact-finding activities enable us to develop recommendations for LSC and its grantees, as well as for Congress, for actions that will correct problems, better safeguard the integrity of funds, and increase the economy, efficiency, and effectiveness of LSC and its grantee programs.

The OIG is also tasked with ensuring the quality of audits of LSC and its grantees, and with reviewing proposed and existing regulations and legislation affecting the operations and activities of LSC and the programs it funds.

In addition, since 1996, LSC's annual appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by independent public accountants, under guidance provided by the OIG. Congress has also specified that the OIG has authority to conduct its own reviews of grantees.

LSC's fiscal year (FY) 2021 appropriation (exclusive of OIG operations) was \$459.5 million. LSC received an additional \$50 million through supplemental CARES Act funding in FY 2020. The Corporation provides funding to 132 independent nonprofit legal aid programs throughout the U.S. and its territories.

The OIG is headed by an Inspector General (IG), who reports to and is under the general supervision of the LSC Board of Directors. The IG has broad authority to manage the organization, including setting OIG priorities, directing OIG activities, and hiring OIG personnel and contractors.

To ensure objectivity, the IG Act grants the LSC IG independent authority to determine what audits, investigations, and other reviews are performed, to gain access to all necessary documents and information, and to report OIG findings and recommendations to LSC management, its Board of Directors, and directly to Congress.

The IG Act also prohibits LSC from assigning to its IG any of LSC's own "program operating responsibilities." This means that the OIG does not perform functions assigned to LSC by the Legal Services Corporation Act, 42 U.S.C. §§2996 *et seq.*, other than those transferred to the OIG under the IG Act and those otherwise assigned by Congress, in LSC's annual appropriations acts.

The IG reports serious problems to the LSC Board of Directors and must also report to appropriate law enforcement authorities when, through audit, investigation, or otherwise, the IG finds that there are reasonable grounds to believe that a crime has occurred. The IG is required by law to keep Congress informed of the activities of the office through semiannual reports and other means. The IG also provides periodic reports to the board and management of LSC and, when appropriate, to the boards of directors and management of LSC grantees. Some of these reports are specific (e.g., an audit of a particular grantee or an investigation of a theft or embezzlement), while others are of broader application.

Within their different statutory roles, the OIG and LSC management and staff strive to enable LSC to most effectively pursue its mission of promoting and supporting equal access to justice for low-income persons.

AUDITS

During this reporting period the OIG issued three reports: two internal control audit reports with respect to grantee operations, and a year-end financial statement audit of LSC. Summaries of the reports are provided below. The full reports are available on our website. At the conclusion of the period, we had four projects underway.

The OIG has responsibility for overseeing the audits performed annually at each grantee by independent public accountants (IPAs). During the reporting period, we reviewed 116 IPA reports, with fiscal year ending dates ranging from June 30, 2020, through January 31, 2021.

We issued 23 Quality Control Review (QCR) reports this period. The goals of the QCR initiative are to improve the overall quality of the IPA audits and to ensure that all audits are conducted in accordance with applicable standards and with the guidance provided by the OIG.

Coast to Coast Legal Aid of South Florida

The OIG assessed the adequacy of selected internal controls in place at Coast to Coast Legal Aid of South Florida (CCLA). The onsite fieldwork was conducted (pre-pandemic) at the grantee's administrative office in Plantation, FL. We found that controls in the areas detailed below needed to be strengthened and/or formalized in writing.

Findings

Our review identified 22 findings where improvements were needed, along with questioned costs totaling \$376,521. There were four findings regarding program integrity and related party transactions; one finding regarding cost allocation; five findings regarding credit cards; three findings regarding disbursements; three findings regarding fixed assets; two findings regarding general ledger and financial controls; two findings regarding payroll; one finding regarding contracting; and one finding regarding management reporting and budgeting.

The findings over program integrity and related party transactions emerged from CCLA's relationship with Legal Aid Service of Broward County (LAS), an organization that engages in LSC-restricted activities. We reported a concern with program integrity because personnel at CCLA and LAS share responsibilities. We also noted discrepancies with respect to related party transactions in connection with the administrative services contract and lease agreement between CCLA and LAS. In particular, there were deviations from contracted positions; discrepancies in payments for LAS administrative staff salaries and benefits; deviations from contractual allocation rates for administrative positions' salary and benefits; and a failure to adjust the allocation ratio and charges for common area maintenance as required under the lease agreement. The

finding regarding cost allocation, noting that LSC was improperly charged 100 percent of costs, was also predicated on the administrative services contract and lease agreement between CCLA and LAS.

We reported that the questioned costs stemmed from the findings over cost allocation, program integrity, and discrepancies in related party transactions between CCLA and LAS, which may have potentially resulted in a subsidization of restricted activities in violation of 45 CFR Part 1610.8(a)(2).

The other findings were related to weaknesses in controls and inadequate policies and procedures over credit card and disbursement transactions; fixed asset inventory and tagging records; general ledger and financial controls related to electronic payroll system and bank reconciliation transactions; user access rights for the payroll system; timesheet review and approval; contracting documentation; and management reporting and budgeting processes.

Recommendations

The OIG made 37 recommendations, primarily involving the need to develop or enforce written policies and procedures, to update the grantee's accounting manual to conform with the Fundamental Criteria of the LSC Accounting Guide, and to comply with LSC regulations 45 CFR Part 1630.5(a) and 1630.5(f). In addition, we recommended that the grantee consult with LSC management to develop processes, policies, and procedures to ensure CCLA's engagement with LAS meets the criteria related to program integrity per 45 CFR Part 1610.8; we specifically cited the factor regarding the existence of separate personnel.

The grantee agreed with all 37 recommendations.

CCLA completed corrective actions for 12 recommendations; the OIG considered these to be closed. The grantee's proposed actions for 25 recommendations were responsive and will remain open until the OIG is notified in writing that the proposed actions have been completely addressed and we are provided with related supporting documentation.

The OIG referred to LSC management for review and action the matters over program integrity, discrepancies over related party transactions, and cost allocation, including questioned costs totaling \$376,521.

Central California Legal Services

The OIG assessed the adequacy of selected internal controls in place at Central California Legal Services (CCLS). The audit work was conducted remotely due to safety concerns related to the COVID-19 pandemic. While many of the controls reviewed were adequately designed and properly implemented, we found that controls in the areas detailed below needed to be strengthened and/or formalized in writing.

Findings

Our review identified 20 findings in which improvements were needed. There were five findings related to credit cards; two findings related to disbursements; three related to derivative income; one finding regarding contracting; two payroll findings; three findings regarding fixed assets; two findings regarding general ledger and financial controls; one employee benefits finding; and one finding related to client trust funds.

We also questioned costs totaling \$12,671. The questioned costs stemmed from LSC-unallowable credit card and disbursement transactions totaling \$10,769 and misallocated attorney fees totaling \$1,902.

Most findings resulted from lack of review and approvals, inadequate documentation, and written policies and procedures that failed to conform to the Fundamental Criteria of the LSC Accounting Guide.

Recommendations

The OIG made 21 recommendations, primarily involving the need to perform verifications, reviews, and approvals; ensure adequate documentation is maintained; and develop or improve written policies and procedures. In addition, the OIG recommended that unallowable credit card and disbursement expenses not be charged to LSC.

The grantee agreed with all 21 recommendations.

CCLS' proposed actions for the 21 recommendations were responsive. These recommendations will remain open until the OIG is notified in writing that the proposed actions have been addressed and we are provided with related supporting documentation.

The OIG referred the questioned costs totaling \$12,671 to LSC management for review and action. As a result, CCLS returned \$9,629 to LSC and provided evidence to support expenses for the remaining \$3,042. LSC management informed the OIG that they consider the referral closed.

FY 2020 Corporate Audit

The Corporation's FY 2020 financial statement audit was conducted by an independent public accounting (IPA) firm, under contract to and subject to general oversight by the OIG. The OIG reviewed the work of the firm and found it in compliance with generally accepted government auditing standards. The Corporation received an unqualified opinion on the audit of its financial statements.

The Independent Auditor's Report on Internal Control over Financial Reporting identified one significant deficiency. A significant deficiency in internal control is one that is considered to be less severe than a material weakness, yet important enough to merit

attention by those charged with governance. The auditors reported that the significant deficiency was caused by: inadequate segregation of duties over financial reporting specific to management grantee payment information; inadequate system access controls; and a lack of written policies and procedures within the finance department. The Corporation agreed with the IPA's finding and recommendations and implemented a corrective action plan to address the issues.

The auditor's Report on Compliance with Laws and Other Matters reported that the results of their tests disclosed no instances of noncompliance or other matters required to be reported under Government Auditing Standards.

Statistical Summary

Audits

Open at beginning of reporting period	6
Opened during the reporting period	2
Audit reports issued or closed during reporting period	4
Open at end of reporting period	4

Recommendations to LSC Grantees

Pending at beginning of reporting period	46
Issued during reporting period	58
Closed during reporting period	46
Pending at end of reporting period	58

Oversight of IPA Audits

Independent Audits of Grantees

Since 1996, LSC's annual appropriation acts have required that each person or entity receiving financial assistance from the Corporation be subject to an annual audit 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 and the OIG Audit Guide for Recipients and Auditors (including the Compliance Supplement), which incorporates most requirements of the Uniform Guidance regulations, 2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

The OIG provides guidance to the IPAs and grantees, as well as general oversight of the IPA audit process. Our oversight activities, detailed below, include desk reviews and a quality control program with independent reviews.

Desk Reviews of IPA Reports

The OIG conducted desk reviews of IPA reports issued to grantees to identify potential problems or concerns that may warrant follow-up via audit, investigation, or other review. The results of our desk reviews are used as part of our risk assessment and planning processes and shared with LSC management. We also review recommendations to determine whether the grantees' actions were responsive and appropriate.

Quality Control Reviews

Under our Quality Control Review (QCR) program, IPA firms performing grantee audits are subject to review to determine whether their work is being conducted in accordance with applicable standards and with the instructions issued by our office. The reviews are conducted by a certified public accounting (CPA) firm under contract to the OIG. The contractor also identifies issues that may require further attention or additional audit work by the IPA under review.

During this reporting period, we conducted 23 QCRs of LSC grantees' audited financial statements.

The QCRs found that nine of the financial statement audits met standards with no exceptions. Fourteen of the audits met standards with one or more exceptions, nine of which required the IPAs to perform additional work and provide documentation to support their conclusions. We evaluated and accepted the additional work and documentation submitted by four of the IPAs during this reporting period. The additional work and documentation required of the other five IPAs was not due to the OIG until after the close of this reporting period. For five of the fourteen audited financial statements that met

standards with exceptions, we issued recommendations to the IPA to implement in future audits of grantees.

During a previous reporting period, we found that one FY 2018 financial statement audit met standards with exceptions. We issued a notice to the IPA requiring them to perform corrective action and to provide additional information to address the deficiencies. We evaluated the additional work performed by the IPA in this reporting period and accepted the audit.

Additionally, in the previous period we reported that one of the audits had met standards with one exception and we were awaiting the submission of additional work and documentation from the IPA. However, in the current reporting period, the IPA provided adequate additional audit evidence from its original engagement that negated the exception. Therefore, we determined that the audit met standards and we accepted the audit.

Follow-up Process

LSC's annual appropriation acts have specifically required that LSC follow-up on significant findings identified by the IPAs and reported to the Corporation's management by the OIG. Unless the deadline is extended, IPA audit reports are submitted to the OIG within 120 days of the close of each grantee's fiscal year. As noted above, through our desk review process the OIG reviews each report and refers appropriate findings and recommendations to LSC management for follow-up. LSC management is responsible for ensuring that grantees submit appropriate corrective action plans for all material findings, recommendations, and questioned costs identified by the IPAs and referred by the OIG to management.

After corrective action has been taken by a grantee, LSC management notifies the OIG and requests that the finding(s) be closed. The OIG reviews management's request and decides independently whether it will agree to close the finding(s).

Review of Grantees' Annual Audit Reports: IPA Audit Findings

The following is a summary of significant findings, and the status of follow-up on such findings, reported by the IPAs as part of the grantee oversight process. The audit reports and the findings reflect the work of the IPAs, not the OIG.

During this reporting period, the OIG reviewed a total of 116 IPA audits of grantees with fiscal year ending dates from June 30, 2020, through January 31, 2021. These audit reports contained 184 findings. The OIG reviewed the findings and determined that 149 were not significant, or that corrective action had already been completed. The remaining 35 were referred to LSC management during the period for follow-up. The following tables present information on the findings outlined in this paragraph.

**Summary of Findings Reported in Grantee Financial Statement Audits with
Fiscal Years Ending June 30, 2020 through January 31, 2021**

Total Number of Findings Referred	35
Number of Findings Accepted for Review by LSC Management.....	35
Number of Findings Pending Determination by LSC Management.....	0

Types of Findings Referred to LSC Management for Follow-up

<u>Category</u>	<u>Number of Findings</u>
Financial Transactions and Reporting	18
Missing Documentation	8
Policies and Procedures/Other	6
Timekeeping	2
Segregation of Duties	1
TOTAL.....	35

INVESTIGATIONS

The OIG opened 14 cases during this reporting period. These included 10 investigative cases, one Regulatory Vulnerability Assessment, and three Fraud Vulnerability Assessments. The investigative cases included allegations of theft, cyber fraud, time and attendance fraud, outside practice of law, outside employment, prohibited lobbying, and other potential violations of LSC statutes and regulations. OIG investigative activity led to a recovery of \$11,495.

The OIG closed 20 cases during the reporting period. These included 11 investigative cases, one questioned cost referral, three Regulatory Vulnerability Assessments, and five Fraud Vulnerability Assessments. The OIG also issued six fraud prevention advisories, created a new OIG webpage providing cyber security resources for grantees, posted a specially recorded Cybercrimes Awareness Briefing on the OIG webpage, and continued to provide information on our OIG webpage relating to COVID-19 scams.

Recovery Actions

Questioned Cost Referral Regarding Local Meals Purchased by Grantee Employees Leads to Recovery

As a result of an OIG investigation, last reported in our October 2020 Semiannual Report to Congress, LSC recovered \$11,495 attributable to questionable purchases by a grantee.

The OIG opened an investigation after an OIG Fraud Vulnerability Assessment identified several local meals purchased on a grantee credit card and allocated to LSC grant funds. The OIG investigation identified a total of \$12,862 in potentially questionable purchases for purposes such as local managers' meeting lunches, birthday lunches, and retirement parties, as well as for items such as mugs, birthday cards, and mementoes for staff and volunteer attorneys.

The OIG referred the potential questioned costs of \$12,862 to LSC management on July 14, 2020. After the initial referral, LSC management identified two additional unallowable transactions totaling \$46, and thus required the grantee to refund \$12,908 in grant funds. In its response, the grantee provided documentation that \$1,413 was charged to funding sources other than LSC in the year the expenses were incurred, leaving a net amount of \$11,495. That amount was repaid by the grantee to LSC.

Fraud Prevention Initiatives

The OIG maintains an active fraud prevention program, engaging in a variety of outreach and educational efforts intended to help protect LSC and its grantees from fraud and abuse. We regularly conduct Fraud Awareness Briefings (FABs), Fraud Vulnerability Assessments (FVAs), and Regulatory Vulnerability Assessments (RVAs). In view of the pandemic, we are continuing to conduct these briefings and assessments remotely. We also issue fraud alerts, post articles on our online “Fraud Corner,” and send email Hotline Advisories to help increase grantees’ awareness of developing trends that may pose a risk to their operations and to LSC funds.

Fraud Awareness Briefings

FABs are presented by experienced OIG investigative staff and cover topics such as: who commits fraud; what conditions create an environment conducive to fraud; how can fraud be prevented or detected; and what to do if fraud is suspected.

While employees at LSC-funded programs may generally be aware that fraud and abuse can occur at any organization, they may not be aware of the potential for such incidents occurring within their own programs. FABs highlight the unfortunate truth that a number of LSC-funded programs have been victimized by frauds, including recent cyber fraud attacks that have resulted in significant losses.

The FABs describe common types of fraud, with particular focus on the various schemes that have been perpetrated against LSC grantees and the conditions that helped facilitate the losses. The briefings aim to foster a dialogue with staff and to engender suggestions for ways to help protect their own programs from fraud and abuse.

Since initiating the FAB program in 2009, we have conducted 167 in-person or remote briefings for grantees and subgrantees in all 50 states, the District of Columbia, and five territories, as well as briefings for the LSC Board of Directors and LSC headquarters personnel, a presentation at a National Legal Aid and Defender Association annual conference, and nine webinars that reached multiple grantees.

A recorded FAB is also posted on the OIG website, allowing intended audiences to view the recording at their convenience. During this reporting period, the OIG used the recorded FAB during two remote FVA and RVA visits. We encourage all grantee employees to view the recorded FAB and hope they find it a useful tool to help in preventing and detecting fraud. We also send emails to all new executive directors and fiscal officers, inviting them to view the FAB and providing them with a direct link to the recording.

Cybercrimes Awareness Briefing

During this reporting period, we recorded a new Cybercrimes Awareness Briefing and posted it on the OIG website. The presentation focuses on the various types of

cybercrimes that have targeted LSC and its grantees since 2018. The briefing also provides grantees with best practices for preventing and detecting similar cyberattacks and suggestions for responding to cyberattacks. We also encouraged grantees to provide the briefing to their employees as part of a cybercrime training and prevention initiative.

Fraud Vulnerability Assessments

FVAs include a focused document review in areas considered high risk or prone to abuse. We also review the grantee's internal control policies, and the degree to which they are complied with in practice. Finally, we conduct a personal briefing for the executive director and principal financial officer on fraud detection and prevention measures appropriate to their particular program.

A typical FVA can include reviews of credit card transactions, petty cash accounts, bank account reconciliations, travel claims, office supply expenses, and other selected areas that have been linked to the commission of fraud at grantee programs. FVAs can help grantees identify both existing vulnerabilities and potential problem areas. FVAs sometimes detect ongoing fraud or abuse, which may result in further investigation. FVAs also serve as a deterrent by helping grantee staff members become aware of the potential for fraud and reminding them that the OIG will investigate and seek to prosecute cases involving fraud or misuse of LSC grant funds.

Five FVAs were closed during this reporting period. These included three of our regular FVAs and two new specially focused assessments, described below.

Disaster Relief Emergency Grants

Since 2018, LSC has awarded more than \$28 million in Disaster Relief Emergency Grants to grantees for providing services to survivors of government-declared emergencies and to coordinate preparation efforts for future natural disasters. During this reporting period, the OIG began conducting assessments of grantees' disaster funding. The reviews will help determine whether grantee policies are adequately protecting and properly accounting for disaster relief funds.

One Disaster Relief Emergency Grant assessment was closed during this reporting period.

CARES Act Funds

In 2020, LSC distributed \$49.5 million of federal CARES Act funds to grantees for preventing, preparing, and responding to the coronavirus. LSC provided the CARES Act funds to grantees through COVID-19 Response Grants and Telework Capacity Building Grants. During this reporting period, the OIG began conducting assessments of the use of CARES Act funds by grantees. The aim of the CARES Act review is to determine whether grantee policies are adequately protecting and properly accounting for the funds

and ensuring compliance with the terms and conditions of the grants, as well as with LSC regulations.

One CARES Act funds assessment was closed during this reporting period.

Regulatory Vulnerability Assessments

We began conducting RVAs based on our experience in investigating financial frauds in which grantees were victimized. We often found that noncompliance or laxity with respect to certain regulatory and other requirements contributed to an environment that increased the potential for fraud. RVAs seek to determine whether the grantee is following applicable provisions of the LSC Act, LSC regulations, grant assurances, provisions of the Accounting Guide, and the case documentation and reporting requirements of LSC's Case Service Report Handbook. We have found that by focusing our reviews on certain key areas, we are able to assist grantees in identifying regulatory compliance issues that could also lead to broader potential financial vulnerabilities.

Three RVAs were closed during this reporting period.

Fraud Alert and Management Information Memorandum on Prompt Reporting of Fraud Indicators

A fraud alert was issued to all grantees to inform them of the most recent fraud indicators the OIG has observed when investigating grant fraud schemes at LSC-funded programs. Areas covered included cyber threats, subgrant fraud and program integrity, outside practice of law and outside employment, abuse of power and conflicts of interest, travel fraud, time and attendance fraud, credit card abuse, and other external fraud schemes. The OIG issued similar fraud alerts to grantees in 2015 and 2018.

An accompanying Management Information Memorandum (MIM) was issued to also inform LSC staff of the most recent fraud indicators the OIG has observed when investigating grant fraud at LSC-funded programs. The OIG issued a similar MIM to LSC in 2018.

Cyber Security and Covid-19 Scams Webpage Updates

This reporting period, in response to the increase in cyber threats targeting LSC grantee programs, the OIG created a new webpage, Cyber Security Resources. The webpage includes resources produced by the OIG that inform grantees of pending cyber threats. The resources aim to assist grantees in preventing, detecting, and reporting cyber threats in order to mitigate potential harm to grantees. The webpage can be found through the Cyber Security Resource button that appears on every page of the OIG website.

As noted in a previous semiannual report, we have also developed a special webpage to help notify LSC grantees of COVID-19 scams and other risks that may affect grantee business operations and their clients. The webpage provides direct links to resources where grantees can access more information on how to identify scams related to COVID-19 and to notify staff and clients of these risks. The webpage can be accessed through the COVID-19 Fraud Prevention button that appears on every page of the OIG website.

“The Fraud Corner”

“The Fraud Corner,” a feature on the OIG website, highlights fraud prevention issues identified through OIG investigative activities. This reporting period we posted one article: “Retainer Fee Fraud Scheme.”

In this article, we discussed a recent scam that targeted an LSC grantee and its client. The article warned of a grantee client being solicited for a retainer fee by someone falsely posing as a representative of the grantee. The article recommended that LSC grantees consider placing an advisory on the landing page of their websites making clear that the grantee provides free civil legal assistance to low-income individuals and does not charge clients for legal services.

Hotline Advisories

Hotline advisories are email notifications intended to quickly warn grantees about incidents reported to our OIG Hotline. This reporting period we sent three Hotline advisory emails to grantees: “Grantee Mitigates Impact of a Ransomware Attack,” “Recent Ransomware and Phishing Attacks,” and “Recent Increase in Check Fraud Schemes.”

In the “Grantee Mitigates Impact of a Ransomware Attack” advisory, we notified grantees of a recent ransomware attack and highlighted the steps the grantee took, both via prior planning and in its quick response, that enabled it to avoid or reduce significant loss and damage that would otherwise have occurred.

In the “Recent Ransomware and Phishing Attacks” advisory, we notified grantees of recent ransomware and phishing attacks against grantees. We gave details of each of the schemes, provided links to several OIG online resources related to ransomware and phishing schemes, and offered several additional steps to help grantees avoid falling victim to similar schemes in the future.

In the “Recent Increase in Check Fraud Schemes” advisory, we notified grantees of an increase in check fraud scams reported to the OIG Hotline. We provided details on best practices to help combat fraudulent activity against bank accounts, including conducting regular bank reconciliations and using positive pay, an automated fraud detection and prevention tool.

Hotline

The OIG maintains a Hotline for reporting illegal or improper activities involving LSC or its grantees. Information may be provided by telephone, fax, email, or regular mail. Upon request, a provider's identity will be kept confidential. Reports may also be made anonymously.

During this reporting period, the OIG received 69 Hotline contacts. Of these matters, 10 were referred to LSC management for follow-up, 10 were opened as investigations, and the remaining 49 were closed.

Statistical Summary¹

Investigative Cases

Open at the beginning of period	26
Opened during period	14
Closed during period	20
Open at the end of period	20
Investigative reports issued	26

Investigative Activities

Inspector General subpoenas issued	6
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Monetary Results

Refunded to LSC	\$11,495
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¹ Data reflected in the statistical summary were compiled based on direct counts.

OTHER OIG ACTIVITIES

Legislative, Regulatory, and Policy Reviews

Pursuant to our statutory responsibilities the OIG reviews, and where appropriate comments on, statutory and regulatory provisions affecting LSC and/or the OIG, as well as LSC interpretive guidance and internal policies and procedures.

Freedom of Information Act

The OIG is committed to complying fully with the requirements of the Freedom of Information Act (FOIA). During this reporting period the OIG received five FOIA requests and responded to four within the requisite timeframes. The fifth request was suspended per agreement with the requestor while he seeks the records from another source.

Professional Activities and Assistance

The OIG participates in and otherwise supports various activities and efforts of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), the Pandemic Response Accountability Committee (PRAC), and other inter-agency and professional groups. The IG serves as a member of the CIGIE Audit Committee, which focuses on government auditing standards and cross-cutting audit issues.

Senior OIG officials are active participants in IG community peer groups in the areas of audits, investigations, inspections and evaluations, public affairs, new media, and legal counsel. The groups provide forums for collaboration and are responsible for such initiatives as developing and issuing professional standards, establishing protocols for and coordinating peer reviews, providing training programs, and promulgating best practices. The OIG also routinely responds to requests for information or assistance from other IG offices.

APPENDIX – PEER REVIEWS

The following information is provided pursuant to the requirements of section 5(a) of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 §5(a)(14)(B):

The last peer review of the OIG was conducted by the Office of the Inspector General for the National Railroad Corporation (more commonly known as Amtrak). Its report was issued on November 13, 2020. We received a rating of “pass.”

TABLE I
Audit Reports, Other Reports, and Quality Control Reviews

Part A
Audit Reports

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Funds Put to Better Use</u>	<u>Unsupported Costs</u>
LSC 2020 Fiscal Year Audit of the Corporation	05/20/2021	\$0	\$0	\$0
Coast to Coast Legal Aid of South Florida	07/08/2021	\$376,521	\$0	\$0
Central California Legal Services	08/30/2021	\$12,671	\$0	\$0

Part B
Other Reports

None for this period

TABLE I

Part C

Quality Control Reviews

	<u>IPA</u>	<u>Recipient</u>	<u>Date Issued</u>
<u>1</u>	<u>Eide Bailly, LLP</u>	<u>East River Legal Services</u>	<u>4/9/2021</u>
<u>2</u>	<u>SingerLewak LLP</u>	<u>Inland Counties Legal Services, Inc.</u>	<u>4/15/2021</u>
<u>3</u>	<u>Wipfli LLP</u>	<u>Legal Action of Wisconsin, Inc.</u>	<u>5/3/2021</u>
<u>4</u>	<u>BKD, LLP</u>	<u>Kentucky Legal Aid</u>	<u>5/4/2021</u>
<u>5</u>	<u>Axiom CPAs and Business Advisors, LLC</u>	<u>DNA-Peoples Legal Services, Inc.</u>	<u>5/4/2021</u>
<u>6</u>	<u>Green & Associates, LLC</u>	<u>Legal Aid of Wyoming, Inc.</u>	<u>5/7/2021</u>
<u>7</u>	<u>Denman & Company, LLP</u>	<u>Iowa Legal Aid</u>	<u>5/20/2021</u>
<u>8</u>	<u>CLA</u>	<u>Legal Aid of Western Ohio, Inc.</u>	<u>5/28/2021</u>
<u>9</u>	<u>Hicok, Brown & Company</u>	<u>Southwest Virginia Legal Aid Society, Inc.</u>	<u>6/14/2021</u>
<u>10</u>	<u>Grossman St. Amour CPAs PLLC</u>	<u>Legal Aid Society of Mid-New York, Inc.</u>	<u>7/6/2021</u>
<u>11</u>	<u>Yeo & Yeo, P.C.</u>	<u>Legal Services of Eastern Michigan</u>	<u>8/23/2021</u>
<u>12</u>	<u>Yeo & Yeo, P.C.</u>	<u>Legal Services of Northern Michigan, Inc.</u>	<u>8/23/2021</u>
<u>13</u>	<u>Baker Tilly Virchow Krause, LLP</u>	<u>Southern Minnesota Regional Legal Services, Inc.</u>	<u>8/24/2021</u>
<u>14</u>	<u>Anderson Zurmuehlen & Co., P.C.</u>	<u>Montana Legal Services Association</u>	<u>8/25/2021</u>
<u>15</u>	<u>BBD, LLP</u>	<u>Philadelphia Legal Assistance Center</u>	<u>8/25/2021</u>
<u>16</u>	<u>Leonard, Mulherin & Greene, P.C.</u>	<u>Volunteer Lawyers Project of the Boston Bar Association</u>	<u>8/25/2021</u>
<u>17</u>	<u>HBL CPAs, PC</u>	<u>Southern Arizona Legal Aid, Inc.</u>	<u>8/26/2021</u>
<u>18</u>	<u>Warren Averett</u>	<u>Legal Services Alabama</u>	<u>8/26/2021</u>
<u>19</u>	<u>Satty, Levine, & Caicco, CPAs</u>	<u>Nassau/Suffolk Law Services Committee, Inc.</u>	<u>9/1/2021</u>
<u>20</u>	<u>Gomez, Fragoso & Associates, PC</u>	<u>Texas RioGrande Legal Aid, Inc.</u>	<u>9/7/2021</u>
<u>21</u>	<u>Frank Barcalow, CPA, P.L.L.C.</u>	<u>Blue Ridge Legal Services, Inc.</u>	<u>9/22/2021</u>
<u>22</u>	<u>Frank Barcalow, CPA, P.L.L.C.</u>	<u>Legal Services of Northern Virginia, Inc.</u>	<u>9/22/2021</u>
<u>23</u>	<u>RubinBrown LLP</u>	<u>Legal Services of Eastern Missouri, Inc.</u>	<u>9/27/2021</u>

TABLE II**Audit Reports Issued with Questioned Costs**

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period.	1	\$49,022	\$0
B. Reports issued during the reporting period	2	\$389,192	\$0
Subtotals (A + B)	3	\$438,214	\$0
C. For which a management decision was made during the reporting period:	2	\$61,693	\$0
(i) dollar value of recommendations that were agreed to by management	2	\$58,651	\$0
(ii) dollar value of recommendations that were not agreed to by management	1	\$3,042	\$0
D. For which no management decision had been made by the end of the reporting period	1	\$376,521	\$0
E. Reports for which no management decision had been made within six months of issuance	0	\$0	\$0

TABLE III

Audit Reports Issued with Funds to Be Put to Better Use

	<u>Number of Reports</u>	<u>Dollar Value</u>
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
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
For which no management decision had been made within six months of issuance	0	\$0

TABLE IV

Part A

Audit Reports Issued Before this Reporting Period for Which No Management Decision Was Made by the End of the Reporting Period

<u>Report Title</u>	<u>Date issued</u>	<u>Comments</u>
Central Virginia Legal Aid Society, Inc.	12/23/2019	The grantee partially responded to two recommendations and was unresponsive to three. The OIG referred the five outstanding recommendations to LSC management for resolution. The OIG referred two additional recommendations to LSC management during the prior period. LSC management is working with the grantee to resolve all seven recommendations and will notify the OIG upon resolution.
Legal Services Vermont	01/11/2021	The grantee agreed with a recommendation and the OIG considered the grantee's comments as responsive; however, the OIG referred the recommendation to LSC management for resolution. LSC management is working with the grantee to resolve the recommendation and will notify the OIG upon resolution.

TABLE IV

Part B Audit Reports Issued Before this Reporting Period with Unimplemented Recommendations as of the End of the Reporting Period

<u>Report Title</u>	<u>Date Issued</u>	<u>Findings Summary</u> ^{1,2}	<u>Comments</u>
Legal Aid Society of Middle Tennessee and the Cumberlands	01/12/2021	B,G	Corrective action in process. The OIG is working directly with the grantee to close four recommendations.

Legend:

A = Written Policies & Procedures	B = Disbursements	C = Contracting	D = Fixed Assets	E = Derivative Income
F = Credit Cards	G = Cost Allocation	H = General Ledger & Financial Controls	I = Client Trust Funds	J = Segregation of Duties
K = Internal Reporting & Budgeting	L = Accounting System Access	M = Vehicles	N = Job Descriptions	O = Employee Benefits
P = Payroll	Q = Internal Controls	R = Administration & Oversight Activities		

¹ There are no quantified potential cost savings associated with these open recommendations.

² The letters in this column do not equate to the total number of findings for each grantee. Some letters are associated with multiple findings.

TABLE V

Index to Reporting Requirements of the Inspector General Act

<u>IG Act Reference*</u>	<u>Reporting Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of and recommendations regarding legislation and regulations.	None
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	3-6, 11
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	3-6
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	24-25
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.	20
Section 5(a)(7)	Summary of each particularly significant report.	3-6
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs.	22
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	23
Section 5(a)(10)(A)	Summary of each audit issued before this period for which no management decision was made by the end of the period.	24
Section 5(a)(10)(B)	Audit reports with no establishment comment within 60 days.	None
Section 5(a)(10)(C)	Audit reports issued before this period with unimplemented recommendations as of the end of the period.	25
Section 5(a)(11)	Significant revised management decisions.	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	None
Section 5(a)(14)-(16)	Peer reviews.	19

Section 5(a)(17)-(18)	Statistical tables on investigations.	17
Section 5(a)(19)	Investigations involving senior employees where allegations of misconduct are substantiated.	None
Section 5(a)(20)	Instances of whistleblower retaliation.	None
Section 5(a)(21)	Attempts by the establishment to interfere with OIG independence.	None
Section 5(a)(22)	Specified matters closed and not disclosed to the public.	None

*Refers to provisions of the Inspector General Act of 1978, as amended.



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Like the other OIGs, at the Legal Services Corporation we will continue to post our reports to our own website, www.oig.lsc.gov, but with Oversight.gov, users can sort, search, and filter the site's database of public reports from all of CIGIE's member OIGs, including the LSC OIG, to find reports of interest. Users can receive notifications when new reports are added to the site by following CIGIE's Twitter account, [@OversightGov](https://twitter.com/OversightGov).



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LEGAL SERVICES CORPORATION

OFFICE OF INSPECTOR GENERAL HOTLINE

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PLEASE CALL OR WRITE TO US AT –

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