

Message From The Inspector General

Improving Accountability



"I am committed to continuing to do all that we can to help improve and protect LSC's programs."

Congress enacted the Inspector General Act to establish independent offices to help protect taxpayer funds from fraud and abuse and to improve the economy and efficiency of government agencies and federally-funded programs. At LSC, these objectives are especially important as dollars lost to fraud or waste cost LSC-funded programs critically needed resources and can deprive clients of services they need to protect their rights in areas often vital to their personal and economic security.

At the Office of Inspector General (OIG) at LSC, much of our daily work involves audits, investigations, and program analysis—all designed to help improve or protect LSC's programs and activities. While maintaining the independence of the OIG, our staff of approximately 27 professionals works in close coordination with LSC's Board of Directors, its management, and staff to further the Corporation's mission.

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As I enter my fourth year of serving as LSC's Inspector General, I am pleased to report that our office has continued to make substantial contributions in helping to improve and protect LSC's programs.

Throughout 2010 we focused our audit efforts on reviewing internal controls at LSC programs. Our audits identified more than \$1.2 million in questioned costs involving both grantee and LSC headquarters programs. The reports included one identifying substantial questioned costs directly associated with a grantee's executive director's activities, and one finding that an array of control deficiencies in a multi-million dollar LSC showcase grant program constituted a material weakness, potentially warranting suspension of the program. It is gratifying that in each case prompt steps were taken to address the problems and take corrective action. This is at the heart of the OIG's work: identifying areas of vulnerability or abuse and serving as a catalyst in prompting action to protect and improve the Corporation's programs.

The OIG is also responsible for overseeing the audit process for LSC's 136 grantees. This year we launched an initiative to enhance our review of the independent audits required annually of LSC grantees. A program of quality control reviews will provide broader coverage in the individual reviews and will ensure that all public accounting firms performing grantee audits are subject to

review on a four-year cycle.

The OIG conducted more than 40 investigations during the year. Indictments and convictions were obtained in a number of significant cases following OIG investigations: the former office manager/grants administrator of an LSC grantee and another employee were indicted on mail fraud and other charges for the theft of more than \$150,000 in grantee funds; the former financial chief of an LSC grantee was convicted, along with his accomplice (an outside contractor), of theft of over \$1.2 million in federal grant funds; and a grantee's former bookkeeper was convicted after embezzling more than \$188,000 in federal grant funds. Defendants sentenced in these and other cases arising out of OIG investigations received terms of imprisonment and were ordered to pay full restitution to the grantees involved.

We have also continued to place a high priority on prevention and deterrence. We employ a variety of outreach and educational initiatives, including a program of regular fraud awareness briefings and onsite vulnerability assessments for LSC grantees.

By continuing to press forward with these and similar activities, the OIG is helping to root out fraud, waste, and abuse in LSC programs and operations and to improve the efficiency and effectiveness of the federally funded legal services program. I am gratified at the contributions that we have made and I am committed to continuing to do all that we can to help improve and protect LSC's programs. I am particularly pleased to be able to work with LSC's new President, Jim Sandman, and with Chairman John Levi and the members of the Board of Directors in pursuing our common commitment to helping LSC achieve its goal of providing equal access to justice for low-income Americans.

Jeffrey E. Schanz
Inspector General

Legal Services Corporation

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