

ORIGINAL



LEGAL SERVICES CORPORATION

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**RESOLUTION OF THE LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS REGARDING TRANSFER OF
CERTAIN AUDIT RESPONSIBILITIES TO THE OFFICE
OF INSPECTOR GENERAL**

WHEREAS, the Legal Services Corporation Act of 1974, as amended, 42 U.S.C. § 2996 *et seq.* ("LSC Act") charges the Board of Directors of the Legal Services Corporation ("Corporation") with managing the affairs of the Corporation; and

WHEREAS, the Corporation has been identified as a "designated Federal entity" for purposes of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 ("IG Act"), and the Board of Directors has been identified as the head of the Corporation for purposes of the IG Act; and

WHEREAS, the IG Act requires that the Corporation, through its Board of Directors, transfer to the Office of Inspector General the offices, units, or other components, and the functions, powers, or duties thereof that the Board of Directors determines are properly related to the functions of the Office of Inspector General and, if so transferred, would further the purposes of the IG Act, except that the Corporation is prohibited from transferring any program operating responsibilities; and

WHEREAS, the Corporation is required to conduct, or require each grantee to provide for, an annual financial audit; and

WHEREAS, in recent years, the Corporation's Comptroller has been responsible for development and maintenance of an Audit and Accounting Guide for Recipients and Auditors, which sets forth the Corporation's audit requirements and, as confirmed by the Board of Directors resolution adopted February 22, 1993, the Corporation's Office of Program Evaluation, Analysis and Review ("OPEAR") has been responsible for oversight of recipients' annual financial audits and in-house review of the audited financial reports; and

WHEREAS, under the IG Act, the Inspector General is "to provide policy direction for and to conduct, supervise and coordinate audits and investigations relating to the programs and operations of [LSC]." 5 U.S.C. App. 3, § 4(a)(1); and

RESOLUTION: TRANSFER OF AUDIT RESPONSIBILITIES

Page 2

WHEREAS, the Board of Directors has carefully considered the functions of the Corporation's various divisions and offices and has determined that the following functions are properly related to the functions of the Office of Inspector General and are not part of the day-to-day operations of the Corporation which form an integral part of the Corporation's program and, therefore, are not program operating responsibilities of the Corporation.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors hereby repeals the resolution adopted February 22, 1993, governing the Corporation's program operating responsibilities;

BE IT FURTHER RESOLVED that the following functions are properly related to the functions of the Office of Inspector General and, as transfer of these functions will further the purposes of the IG Act, the Board of Directors hereby transfers to the Office of Inspector General responsibility for: establishment of policy governing financial statement audits of recipients of the Corporation; review of recipients' financial statement audits to identify issues for audit resolution; and assessment of the quality of such audits, including:

- (1) developing suggested procedures for auditor assessment of compliance with applicable laws and regulations after consultation with Corporation management;
- (2) providing technical assistance to auditors on audit matters;
- (3) developing, maintaining, updating, and distributing the Audit Guide and its appendices; and
- (4) reviewing recipients' audited financial reports to ensure that the audits are conducted in accordance with the auditing standards prescribed by the Corporation's Office of Inspector General, to identify control deficiencies, questioned costs and financially-related instances of non-compliance, to examine for any indications of fraud, waste or abuse, and to record the information provided in the financial statements, as appropriate.

BE IT FURTHER RESOLVED that, pursuant to the IG Act, in carrying out the functions hereby transferred the Office of Inspector General will keep the Board of Directors fully and currently informed of significant matters arising in the realm of audits and, in advance of decision-making, will report to and fully consult with the Board of Directors on policy matters that significantly affect or impact resources and/or activities of the Corporation's grantees.

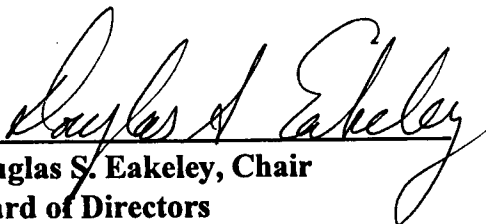
BE IT FURTHER RESOLVED that since Corporation management will continue to use the information contained in the audit reports as it monitors and evaluates its recipients and ensures compliance with the LSC Act, regulations, and other applicable law, the Office of Inspector General, in carrying out the functions hereby transferred, shall (1) consult with Corporation management on

RESOLUTION: TRANSFER OF AUDIT RESPONSIBILITIES

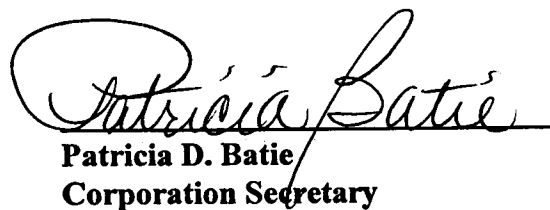
Page 3

management's identification of financial-related Federal and LSC regulations for inclusion in the Compliance Supplement to the Audit Guide, and on management's development of accounting and reporting requirements, financial statement formats and recipient recordkeeping requirements for inclusion in the Corporation's accounting guidance for recipients, (2) provide Corporation management copies of all recipient annual financial audit reports and of appropriate information from the reports, and (3) shall forward to Corporation management for follow-up all program-related findings and issues identified in its review of the audit reports.

**Adopted by the Board of Directors on
May 12, 1995**



**Douglas S. Eakeley, Chair
Board of Directors**



**Patricia D. Batie
Corporation Secretary**

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