LEGAL SERVICES CORPORATION

Office of
Inspector General

Semiannual Report to the Congress
October 1, 2014 – March 31, 2015

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 October 1, 2014, through March 31, 2015.

During this reporting period we performed a number of audits focused on the adequacy of LSC grantees' internal controls, particularly with respect to their financial operations. We identified over $275,000 in questioned costs. Our reports documented specific internal control and related issues and made recommendations for corrective action. In nearly all cases the grantees agreed with the recommendations and have initiated or are planning responsive actions.

We also provided oversight for the Corporation's 2014 financial statement audit report, which was issued during the period. The Corporation received a "clean opinion," with no significant deficiencies, material weaknesses, or reportable noncompliance issues noted.

We completed the fourth year of our initiative to provide enhanced oversight of the independent audits required annually of LSC grantees. Firms performing grantee audits are now subject to a Quality Control Review (QCR) at least once every four years. During the period we issued 25 QCRs.

In addition to following up with individual audit firms and grantees after each review, we issued our fourth advisory memorandum for all of the independent auditors and executive directors, summarizing the results of the QCRs conducted over the preceding fiscal year, and identifying the principal exceptions and deficiencies found. These reports and the overall QCR process identify any systemic issues and help prevent the repetition of similar problems in future audits.

We opened 19 new investigations and closed 15 investigations during the reporting period. Investigations covered criminal and regulatory matters, including allegations of fraud, theft of client funds, conflict of interest, misuse of funds, the unauthorized outside practice of law, and time and attendance abuse. Cases arising from OIG investigations resulted in a conviction for the theft of over $50,000 in federal funds, the full restitution of those funds, and a management decision to disallow over $140,000 in unreasonable expenditures by a grantee for a senior official's compensation.

We continued to emphasize outreach and education as part of our ongoing efforts to help prevent fraud and abuse in LSC-funded programs. We maintained an active calendar of grantee outreach visits, completing a total of 10 fraud awareness briefings and three vulnerability assessments.

I wish to express my continuing 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,

Jeffrey E. Schanz
Inspector General
April 30, 2015

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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 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 developed by the OIG. Congress has also specified that the OIG has authority to conduct its own reviews of grantees.

LSC's 2015 appropriation (exclusive of OIG operations) was approximately $370.6 million. The Corporation provides funding to 134 independent nonprofit legal aid programs throughout the nation and in U.S. 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, for example 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 will be specific (*e.g.*, an audit of a particular grantee or an investigation of a theft or embezzlement), while others will be of broader application and may address more general or systemic issues.

Within their different statutory roles, the OIG and LSC management share a common commitment to improving the federal legal services program and increasing the availability and effectiveness of legal services for the poor.

AUDITS

As discussed below, during this reporting period the OIG issued five audit reports with respect to grantee operations. We provided oversight for LSC's Fiscal Year 2014 financial statement audit and transmitted the final audit report to the LSC Board of Directors. We also issued two draft reports. At the conclusion of the period we had six projects underway and in various stages of completion; one additional grantee review was in the initial planning phase.

The OIG has responsibility for overseeing the independent public accountant (IPA) audits performed annually at each grantee. During the reporting period, the OIG reviewed 69 IPA reports, with fiscal year ending dates ranging from December 31, 2013, through September 30, 2014.

The OIG also issued 25 Quality Control Review (QCR) reports this period under our QCR initiative. The goal of the QCR initiative is 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.

Legal Services NYC – Review of Selected Internal Controls

The OIG assessed the adequacy of selected internal controls at Legal Services NYC (LSNYC), related to specific grantee operations and oversight. We found that while many of the controls were adequately designed and properly implemented, some matters needed attention.

The OIG found that attorney fees were not allocated to LSC or any other funding source. Based on the our review of case management time reports, $196,387 of the $208,620 tested in our sample should have been allocated to LSC. We questioned this amount and referred this issue to LSC management for further review.

The review also found some issues that needed to be addressed by LSNYC management:

- LSNYC has written policies and procedures in the accounting manual for recording and allocating attorneys' fees that do not appear to accurately capture the requirements contained in LSC's Accounting Guide and 45 CFR §1609.4(a).

- LSNYC received $15,491 of interest income, according to the grantee's audited financial statements of December 31, 2013. All of the income was recorded to an unrestricted revenue account and none was allocated to LSC.

- Policies and procedures for derivative income were not documented in the grantee's accounting manual.

- There were 12 transactions totaling $2,398 where unallowable membership dues were paid to the New York City Bar Association. Six of the transactions were paid with LSC funds totaling $1,320 and the remaining six, totaling $1,078, were paid with other grantee funds.

- From the sample of 147 disbursement checks reviewed, we noted nine checks, totaling $27,994, for which LSNYC created the purchase order and/or the purchase requisition after receipt of an invoice. The total amount charged to LSC for these checks was $6,337.

- Controls over master vendor list maintenance were lacking and needed to be strengthened. Additionally, LSNYC did not have written polices or a formalized process in place for establishing, vetting, and approving new vendors.

- LSNYC could not provide evidence of competitive bidding or documentation substantiating single source contracting for two of the five contracts in our test sample.

- We also found that LSNYC did not adhere to the contracting policies outlined in its accounting manual with respect to obtaining business references and conflict of interest disclosures for consultants.

- The grantee has a written cost allocation policy in the accounting manual, however that policy does not fully and adequately describe the methodology used in practice.

- LSNYC management used the wrong census data to allocate city-wide grant revenue to its different programs. The OIG found that the grantee was using 2010 census data instead of 2011.

- The grantee did not have a written employee code of conduct or a whistleblower policy in place for the period under review.

The OIG made 11 recommendations:

- Three recommendations addressed derivative income and suggested the need for the executive director to ensure that all derivative income is properly allocated and accounted for; that written policies and procedures are updated to mirror LSC requirements; and that written policies are included in the accounting manual for derivative income resulting from interest and rental income.

- Three recommendations were related to disbursements and suggested that the executive director ensure that LSC funds are not used to pay for unallowable membership dues; that controls are put in place to ensure purchase requisitions and purchase orders are received, reviewed, and approved prior to the purchase of goods and services; and that written policies for securing and approving vendors are established.

- Two recommendations addressed contracting and identified the need to ensure that the grantee adheres to its written policies and procedures for contracting and removes obsolete policies; and that employees in the finance department are cross-trained to handle duties and responsibilities of different positions within that department.

- Two recommendations addressed cost and revenue allocations and identified the need to ensure that the cost allocation processes practiced by the grantee are fully documented in writing in the accounting manual; and that a process and controls are in place for accounting staff to obtain and use the correct census information so that city-wide grant revenue is allocated properly.

- One recommendation suggested the executive director and board of directors formally adopt a code of conduct or ethics policy, along with a whistleblower policy.

The grantee effectively agreed with all of the findings and recommendations in the report. They have either initiated or are planning to take corrective actions in response to the OIG's report.

The grantee's actions taken and planned were responsive to the recommendations with respect to derivative income and the OIG considers these recommendations closed. The amount of $196,387 in attorney fees remains a questioned cost which the OIG has referred to management for review and action.

The OIG considers the actions taken and planned by the grantee as responsive to the other recommendations. The recommendation to ensure against using LSC funds to pay for unallowable membership dues is considered closed. The remaining recommendations will remain open pending receipt of written confirmation that corrective actions have been completed.

Legal Aid of West Virginia, Inc. – Review of Selected Internal Controls

The OIG assessed the adequacy of selected internal controls at Legal Aid of West Virginia, Inc. (LAWV). While many of LAWV's controls were adequately designed and properly implemented, some controls needed to be strengthened while other controls needed to be formalized in writing.

We reported that the grantee's practices involving derivative income were not in accordance with LSC's Accounting Guide. We found that LAWV did not allocate some attorneys' fees to the proper related funding sources. In addition, the LAWV financial manual did not document a methodology for how to record and allocate derivative income.

We noted LAWV's written cost allocation methodology appeared reasonable, but that their allocation methodology for contract services was limited in scope. We found that while it specifically addressed the cost allocation methodology for audit services and contract attorneys, it did not address the cost allocation methodology for the remaining broad range of contracts to which LAWV is a party. We also noted that the cumulative effect of LAWV's allocation of indirect salaries and wages was to potentially misstate its expenses, revenue, and accounts receivable.

LAWV did not have specific written policies regarding contracting. The grantee's current practices for soliciting and awarding contracts were not in accordance with the Fundamental Criteria provisions of LSC's Accounting Guide. Specifically, we found one contract missing, insufficient documentation, and an incomplete contract list.

Our audit found that internal controls over disbursements and credit cards needed to be strengthened. LAWV had adequate written policies and procedures in place for disbursements; however, in seven of 83 disbursements tested, unallowable costs were allocated to LSC. We noted several weaknesses with respect to credit cards, including inadequate support for transactions, transactions for personal items, and cash advance fees charged to LSC.

We reported that although LAWV's financial manual details policies and protocols that are in accordance with LSC's Accounting Guide, some of the information required by Appendix II of the Accounting Guide is not included in LAWV's financial manual. We also found that LAWV's policies and procedures related to property and equipment needed to be strengthened. A physical inventory is conducted every two years, yet LAWV needed to ensure that the physical inventory was reconciled to its property records. In addition, we noted that some equipment purchased prior to the scope of our audit was not properly capitalized and included in the property records.

We reported that written policies and procedures relating to client trust funds needed to be expanded to be in accordance with LSC's Accounting Guide. We further determined that LAWV did not have processes in place to report unclaimed client trust funds and ensure that deposit slips were completed and kept with client trust files.

Grantee management agreed for the most part with the findings and recommendations contained in the report. Grantee management addressed some of the recommendations through changes in its accounting manual, approved at the December 2014 Board meeting. Others were to be addressed at the next board meeting.

With one exception, the OIG considers the proposed actions to address the recommendations as responsive. These recommendations will remain open until the OIG receives written confirmation that the proposed actions have been completed or implemented. We concluded that the grantee's comment as to the recommendation regarding reconciling physical inventory with property records was not responsive. We referred this issue to LSC management for resolution.

Community Legal Aid Services, Inc. – Review of Selected Internal Controls.

The OIG assessed the adequacy of selected internal controls at Community Legal Aid Services, Inc. (CLAS), Akron, Ohio. We found that while many of the controls were adequately designed and properly implemented, some controls needed to be strengthened and formalized in writing.

We identified the following as areas that needed to be improved:

- Improve physical inventory process to ensure that a physical inventory count is conducted and appropriately accounted for every two years. While the grantee's written policy required that a physical inventory of its assets be taken at least every two years, the OIG could not confirm that this was done.

  CLAS' fixed assets written policies and procedures were generally comparable to those required by the Fundamental Criteria provisions of the LSC Accounting Guide, except that the CLAS accounting manual did not list all elements required to be detailed in the property records, such as date of purchase of the asset, check number used for the purchase, and source of funds. In addition, the individual property records did not list all elements required, such as the check number and the source of funds used to purchase the asset.

- The grantee did not have a complete list of all its operational computers. The asset acquisition form only listed computers newly purchased in 2014. Similarly, the web-based tracking sheet only covered laptops and flash drives purchased in 2014. Neither tracking system listed all the grantee's operational computers and IT equipment.

- A portion of eight disbursements (representing 11 transactions) were incorrectly allocated to LSC funding. The amounts allocated to LSC were unallowable as the costs were incurred for purchases of flowers. These costs were initially recorded to a general expense account, and a portion of that cost was then allocated to LSC in accordance with the grantee's cost allocation methodology.

- Check request approvals were not adequate for three disbursements made on behalf of the executive director. The check requests were approved by the executive director herself.

- Seven disbursements were not marked paid or otherwise canceled. The LSC Accounting Guide provides that documents should be marked paid or otherwise canceled to avoid duplicate payment, and that the check number and pay date should also be noted on the invoice or other supporting documentation.

- Operating practices in place for two areas reviewed were not documented in the grantee's accounting manual, as required by the Fundamental Criteria provisions. The grantee's practices relating to soliciting and awarding contracts and accounting for derivative income were generally in accordance with the Fundamental Criteria, but these practices needed to be fully documented.

The OIG made eight recommendations:

- Three recommendations related to strengthening controls over fixed assets: improve the inventory process; update the CLAS Accounting manual; and enhance the tracking of non-capitalized assets.

- Three recommendations related to strengthening disbursement policies and procedures.

- One recommendation was to document policies and procedures for contracting to conform to all the elements of LSC's Fundamental Criteria.

- One recommendation was to document policies and procedures for accounting for derivative income, including the requirements set forth by LSC's Accounting Guide and by 45 CFR §1609.6, regarding attorneys' fees.

The OIG considers the grantee's proposed actions to four of the recommendations as responsive. These recommendations will remain open pending written confirmation that the actions have been completed. Grantee management accepted and implemented the recommendation regarding contracting procedures; this recommendation is considered closed.

The grantee's comments to three of the recommendations were deemed not responsive as they did not include the planned actions and procedures to be implemented to correct the specific issues. We referred these issues to LSC management for resolution.

Legal Aid Society of San Diego – Review of Selected Internal Controls

The OIG assessed the adequacy of selected internal controls at the Legal Aid Society of San Diego (LASSD). We found that the controls were adequately designed and properly implemented, however, the grantee's written policies in the areas of contracting, internal budgeting and reporting, attorney fees, derivative income, cost allocation, and credit cards needed strengthening in order to properly describe the controls and procedures followed by the grantee.

We reported that LASSD's written contracting policies did not include all the elements for securing contracts and consulting services as required by the Fundamental Criteria provisions of LSC's Accounting Guide. The grantee's written policies on internal management reporting and budgeting needed to be expanded and made more specific to reflect the actual practices in place.

The OIG tested attorneys' fees and found that the grantee was properly allocating those fees in accordance with 45 CFR §1609.4(a). However, we found the written policy was deficient and did not include the allocation methodology used and the procedures followed by the staff in allocating those fees. The written derivative income policy does not provide a description of the methodology the grantee uses to allocate interest, rent, reimbursements, or proceeds from the sales of assets to the related funding sources.

We reported that the grantee had a written cost allocation policy in its accounting manual that appeared to be reasonable, consistently applied, and equitable in practice. However, the written policy does not fully and adequately detail the specific procedures currently in practice.

Finally, the OIG found that LASSD's written policies for credit cards are generally comparable to LSC's Fundamental Criteria, except they do not detail the authorization process for activation and deactivation of credit cards.

The OIG made one overall recommendation, that the executive director ensure that the written policies and procedures for contracting, internal management reporting and budgeting, attorneys' fees, derivative income, cost allocation, and credit cards adequately describe the processes and controls currently in place at the grantee, in accordance with LSC's Accounting Guide and Fundamental Criteria.

Grantee management accepted the recommendation and stated they have fully documented the suggested policies and procedures. The corrective actions and the supporting documentation provided were responsive to our recommendation. The OIG considers the recommendation closed.

Northeast New Jersey Legal Services Corporation

The OIG assessed the adequacy of selected internal controls in place at Northeast New Jersey Legal Services Corporation (NNJLS). While many of the controls were adequately designed and properly implemented, some controls needed to be strengthened and formalized in writing.

The OIG examined NNJLS's business arrangements during the audit period and determined that the grantee's contracting practices did not fully adhere to LSC guidelines and, in some instances, to the grantee's own Financial Policies and Procedures Guide

(Procedures Guide). In addition, the grantee's Procedures Guide did not contain all of the elements required by the Fundamental Criteria provisions of the LSC Accounting Guide.

The OIG found that NNJLS did not allocate any State Supplemental Security Income (SSI) reimbursements, court awarded attorneys' fees, or interest income to LSC during the period under review. Also, they did not allocate to LSC the correct amount of rental income received.

The OIG reviewed NNJLS's cost allocation practices and found that their controller adjusted the allocation formulas for a variety of expense types over the audit period, but did not retain sufficient records of the prior distribution percentages. As a result, the OIG could not easily test the formulas. In addition, NNJLS's written cost allocation policy did not address allocation of direct and indirect salary and wage expenses in sufficient detail.

In our testing of disbursements, the OIG found that transactions were generally in compliance with LSC regulations, and were adequately supported and appropriately approved. We did find, however, that the grantee's written policies regarding disbursements needed enhancement.

The OIG reviewed the grantee's internal controls over fixed assets and determined they were generally in accordance with the Fundamental Criteria. However, the grantee's written policy regarding the frequency of physical inventories needed to be updated as grantee staff did not retain sufficient hardcopy evidence of the inventory.

The OIG found that duties related to maintenance of the master vendor list and payroll administration were not adequately segregated.

The OIG made 10 recommendations:

- Two recommendations related to ensuring that contracting policies and procedures adhere to LSC guidelines.

- Two recommendations related to ensuring that derivative income is allocated appropriately to LSC.

- Two recommendations related to strengthening internal controls over cost allocation, including updating written policies.

- One recommendation was to enhance written policies and procedures for approving purchases.

- One recommendation was to update the written policy regarding the frequency of physical inventories of fixed assets.

- Two recommendations related to ensuring that duties related to maintenance of the master vendor list and payroll administration are adequately segregated.

Grantee management agreed with all 10 recommendations contained in the report.

The OIG considered the grantee's proposed actions to address all recommendations as responsive. The actions already implemented have fully addressed three of the recommendations; we consider them closed. Seven recommendations will remain open until NNJLS's board of directors approves the revised policies and the OIG receives written notification that the policies have been approved and implemented.

The OIG accepted grantee management's calculation of the amount of SSI reimbursements and attorneys' fees that should have been allocated to LSC. Based on information provided by grantee management and accepted by the OIG, the total derivative income that should be allocated to LSC is $72,572. This amount was referred to LSC management.

FY 2014 Corporate Audit

The FY 2014 LSC financial statement audit report was issued this reporting period and transmitted to LSC's Board of Directors. The Corporation's financial statement audit is conducted by an independent public accounting 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 Independent Auditors' Report stated that LSC's financial statements "present fairly, in all material respects, the financial position of LSC as of September 30, 2014 and 2013, and the changes in its net assets and its cash flows for the years then ended...." The auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters identified no material weaknesses in internal controls and no reportable noncompliance with laws and regulations. The independent auditors did not issue a management letter related to this year's audit.

Statistical Summary

Active Projects

Audits in process at beginning of reporting period...................8

Audits opened during the period...5

Audit reports issued during reporting period............................6

Audits in process at end of reporting period 7

Recommendations to LSC Grantees

Pending at beginning of reporting period...............................99

Issued during reporting period...50

Closed during reporting period 36

Pending at end of reporting period 113

Recommendations to LSC Management

Pending at beginning of reporting period.................................5

Issued during reporting period...0

Closed during reporting period 4

Pending at end of reporting period 1

Oversight of IPA Audits

Independent Audits of Grantees

Since 1996, LSC's annual appropriations acts have required that each person or entity receiving financial assistance from the Corporation be subject to an annual audit, to be conducted 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 OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations.

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

Desk Reviews of IPA Reports

The OIG conducts desk reviews of all IPA reports issued to grantees. This process enables us to identify and forward significant IPA findings to LSC management as necessary. We also track recommendations to determine whether appropriate responsive actions have been taken. We use information from the review of the IPA reports as part of our risk assessment and planning processes, identifying potential problems or concerns that may warrant follow-up via audit, investigation, or other review.

Quality Control Reviews

The OIG completed the fourth year of our Quality Control Review (QCR) initiative, a comprehensive program under which IPA firms performing grantee audits are subject to at least one QCR every four years. The QCRs determine whether the IPA's financial statement audit work, compliance audit work, and the associated review of internal controls over both financial reporting and compliance were conducted in accordance with applicable standards and in compliance with the instructions issued by our office. The reviews are conducted by a CPA firm under contract to the OIG. The contractor also identifies issues that may require further attention or any additional audit work by the IPA under review.

Fourth Year Results

During this year a total of 35 QCRs were conducted, with the following results:

- Five met standards, with no deficiencies;
- Twenty-eight met standards, with one or more exceptions;

- Two did not meet standards.

Of the 28 meeting standards, but with exceptions:

- Nine did not require additional documentation, but the IPAs need to ensure additional steps are taken in their future audits; and
- Nineteen required the IPAs to provide the OIG with additional documentation to support their conclusions.

Of the two that did not meet standards:

- One QCR found deficiencies in an IPA's work so substantial as to lead to the OIG's debarment of the IPA; and
- One required the IPA to perform additional work and provide additional documentation to support their conclusions.

Current Reporting Period Results

Twenty-five QCRs were issued during the current reporting period, with the following results:

- Five met standards, with no deficiencies;
- Seven met standards, but with exceptions; additional documentation was not required, but the IPAs need to ensure additional steps are taken in their future audits; and
- Thirteen required the IPAs to provide the OIG with additional documentation to support their conclusions.

The OIG received and reviewed additional documentation provided by the IPAs for five of the 13 QCRs issued during the current period. For the remaining eight, we will review additional documentation during the next reporting period.

For those QCRs classified as "meeting standards but with exceptions," the most commonly identified exceptions related to deficiencies in ensuring that LSC grantees complied with all the requirements of their LSC grants.

During the last reporting period, five QCRs of the FY2012 financial statement audits identified deficiencies for which IPAs were required to provide the OIG additional documentation supporting the work performed or to perform additional audit work. We evaluated the documentation and additional work submitted by three of the IPAs in the last reporting period. This reporting period, we evaluated the documentation and additional work submitted by the remaining two IPAs and determined that the deficiencies had been corrected.

During the last reporting period, one QCR found deficiencies in an IPA's work so substantial as to lead to the OIG's initiation of a debarment action. As discussed more fully later in this report (Other OIG Activities – Debarment), those proceedings were concluded during the current period and resulted in debarment of the IPA for a period of three years.

Advisory Memorandum

In addition to the individual QCR reports, the OIG issued an advisory memorandum for all IPAs and grantee executive directors. The memorandum detailed the deficiencies identified in the QCRs to aid in planning and conducting future audits. We are hopeful that this will help in preventing similar types of deficiencies from occurring in grantees' annual audits.

The memorandum, with a complete list of the specific deficiencies identified, can be found at our website (www.oig.lsc.gov) under the headings, "Auditors" / "Auditors' Resource."

Follow-up Process

LSC's annual appropriations 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. 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 advises 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

In order to provide more complete information in our semiannual reports to Congress, the OIG customarily includes a summary of significant findings and the status of follow-up on significant findings reported by the IPAs as part of the grantee oversight process.

During the reporting period, the OIG reviewed a total of 69 IPA audits. Of these 69 audits, 47 were of grantees with fiscal year ending dates from December 31, 2013, through March 31, 2014; 22 of the audits were of grantees with fiscal year ending dates from June 30, 2014, through September 30, 2014. The audit reports and the findings reflect the work of the IPAs, not the OIG. These audit reports contained 48 findings. The OIG reviewed the findings and determined that 36 were either not significant, or that corrective action had already been completed. The remaining 12 findings were referred to LSC management for follow-up. The tables below present information on those findings.

Summary of Findings Reported in Grantee Financial Statement Audits with Fiscal Years Ending December 31, 2013, through September 30, 2014 and Reviewed During the Reporting Period.

Total Number of Findings Referred	12
Number of Findings with Corrective Action Accepted by LSC Management	2
Number of Findings Awaiting LSC Management Review	10

Types of Findings Referred to LSC Management for Follow-up

Category	Number of Findings
Financial Transactions and Reporting	6
Policies and Procedures	3
Timekeeping	2
Missing Documentation	1
TOTAL	12

INVESTIGATIONS

During this period, OIG investigations resulted in the conviction of a senior official of a subgrantee for the theft of over $50,000 in federal funds; the full recovery and restitution of funds in that case; and a management decision to disallow over $140,000 as unreasonable expenditures for compensation for a grantee's executive director.

The OIG opened 19 investigations during this period. These included 12 criminal investigations, four compliance investigations, one Regulatory Vulnerability Assessment, and two joint Fraud/Regulatory Vulnerability Assessments. The criminal investigations included allegations of fraudulent activity involving theft of client funds, conflict of interest, and misuse of payroll. We also conducted one administrative misconduct investigation. The compliance investigations included alleged violations of LSC statutes and regulations involving matters such as the outside practice of law, time and attendance abuse, and improper use of LSC funds.

The OIG closed 15 investigations during the reporting period. These included six criminal investigations, six compliance matters, two Fraud Vulnerability Assessments and one Regulatory Vulnerability Assessment.

Criminal Proceedings

Former Subgrantee Executive Director Convicted and Sentenced for Theft of Grant Funds

On November 12, 2014, the former executive director of an LSC subgrantee was convicted on a plea of guilty to one count of theft of federal funds.

An OIG investigation determined that from January 2009 through December 2012, while serving as executive director, the subject had converted federal funds from the subgrantee to make fraudulent monthly payments to a cleaning company owned by her husband and to pay for a portion of her family's cellular phone expenses and a family health club membership.

On January 20, 2015, the former executive director was sentenced to five months of incarceration, to be followed by one year of probation, including five months of home confinement. The defendant was also ordered to pay a $1,500 fine. The sentence imposed was in conjunction with the payment of $54,424 in restitution, made by the defendant at the plea hearing.

Recovery Actions

Investigation Results in Management Decision to Recover Unreasonable Expenditures

An OIG investigation, initiated in response to a Hotline complaint and conducted in conjunction with a Fraud Vulnerability Assessment, identified a number of questionable practices and expenditures involving an LSC grantee's executive director. The investigation determined that the executive director was receiving significant compensation from the grantee, in addition to the amount reported to LSC as his regular salary. For each of the years reviewed, the executive director's total compensation, including payments for deferred compensation, salary continuation, and other payments or retirement contributions made on his behalf, was more than $100,000 greater than his reported annual salary. The investigation also identified questionable travel claims made by the executive director over a number of years. The OIG's investigative findings were referred to LSC management for appropriate action.

Following issuance of an initial Notice of Questioned Costs, and consideration of the grantee's response, on March 11, 2015, LSC issued a Management Decision determining that, for the years 2009-2013, $142,251 of the grantee's expenditure of LSC funds for the executive director's total compensation was unreasonable and unnecessary, and directing that the funds be recovered from the grantee as unallowable costs. (During the period in question, the grantee received 19-35% of its funding from LSC. The amount to be repaid represented LSC's proportional share of the amount of the executive director's compensation found to have been unreasonable.) The decision also found that excess mileage reimbursements paid to the executive director from LSC funds were disallowed and had to be repaid. The grantee has appealed the Management Decision to LSC's president, contending, among other things, that payment of the questioned compensation was a prudent and reasonable exercise by its board of directors of its responsibilities.

Although the grantee hired a new executive director, the former executive director continues to be employed by the grantee in another capacity. LSC imposed a special grant condition, effective January 1, 2015, barring the grantee from using LSC funds to pay the former executive director's salary or other compensation, regardless of his position with the grantee.

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). We also provide fraud alerts and other information which assist in increasing the grantees' awareness of potential vulnerabilities.

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, why people commit fraud, how fraud can 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 to occur within their own programs. Employees often think that if there is any wrongdoing within their program, it must be minimal. FABs highlight the unfortunate truth that a number of LSC-funded programs have been victimized by frauds involving hundreds of thousands of dollars, and in one case the diversion of over a million dollars in grant funds. 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.

LSC grantees are invited to request a FAB at a time and place convenient to them. We make every effort to accommodate requests as promptly as possible. We encourage attendance by all program staff and welcome the grantee's board members, outside auditors, and other interested parties.

Since initiating the FAB program in 2009, we have conducted 129 briefings for grantees in 46 states, the District of Columbia, and four territories, as well as briefings for the LSC Board of Directors, LSC headquarters personnel, a presentation at the National Legal Aid & Defender Association annual conference, and two webinars that reached multiple grantees.

An enhanced FAB program, which we introduced in 2013, consists of day-long visits to LSC grantees that include not only an all-staff FAB but also in-depth fraud prevention and fraud detection sessions with the executive director, principal financial officer and financial staff, outside auditor, and one or more members of the grantee's board of directors (typically including the chair of the audit committee). During these enhanced FABs, attendees are provided with materials describing LSC grantee-specific fraud indicators. OIG investigative staff members also meet with one or more grantee board members to discuss the board's role in preventing and detecting fraud, and highlighting problems that can arise when grantee boards do not provide adequate oversight of their programs or their executive directors.

During this reporting period the OIG conducted 10 FABs, with briefings provided for LSC-funded programs in Florida, Idaho, Indiana, Kansas, Massachusetts, Nebraska, Puerto Rico (two), Virginia, and Washington.

Fraud Vulnerability Assessments

FVAs are conducted on-site at LSC grantee offices and include a focused document review in areas considered high risk, weak, or prone to abuse; a review of grantee internal control policies and the degree to which they are complied with in practice; and 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, bank account reconciliations, travel claims, office supply expenses, and selected other 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 and result in further investigation. FVAs also serve as a deterrent by helping make grantee staff members aware of the potential for fraud and reminding them that the OIG will investigate and seek to prosecute cases involving fraud or the misuse of LSC grant funds.

During this reporting period, we completed two FVAs. One FVA was conducted as a desk review, with grantees providing documents electronically; it included grantees located in Guam, Micronesia, Alaska, and Hawaii. The second FVA was for a grantee in Washington.

Regulatory Vulnerability Assessments

RVAs are conducted on-site at LSC grantee offices. This initiative was triggered by our experience in recent years in investigating numerous 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 case documentation and reporting requirements (as set forth in LSC's Case Service Report Handbook). We have found that by focusing on certain key areas we are able to assist grantees in identifying regulatory compliance issues that might also lead to broader potential financial vulnerabilities.

During this reporting period, we completed one RVA for a grantee in Oklahoma.

Summary Report of Subgrant Review Project

This period the OIG issued a report summarizing its findings on subgrantee compliance with LSC regulations. The OIG conducted a Subgrant Review Project (SRP) from March 2013 through December 2014, which included a review of 20 subgrantees. The SRP was initiated as a result of OIG investigations and RVAs which found evidence of thefts of program funds, conflicts of interest, personal purchases, and other abuses highlighting the potential risk to fraud at the subgrantee level. The SRP focused primarily on the subgrantees' compliance with the fiscal and other requirements of 45 CFR Part 1627 (Subgrants and Membership Fees or Dues).

The SRP found deficiencies at virtually every one of the 20 subgrantees reviewed. Problems identified included lack of adequate grantee fiscal oversight; minimal or non-existent accounting policies; weak internal controls; a lack of understanding by the subgrantee regarding LSC restricted activities; and less than adequate fidelity bond coverage. Significant abuses included executive directors using program credit cards for personal business; early destruction of fiscal documents; unsupported reimbursements paid to executive directors; employees preparing and signing checks payable to themselves; lack of adequate accounting records, including a general ledger; transactions with family members; questionable travel/meal expenses; and engaging in LSC restricted activities.

The OIG provided LSC management with a capstone report summarizing the fiscal issues identified during the SRP. We recommended that LSC management enhance grantee oversight by incorporating specific instructions and requirements into the subgrant application process to improve the fiscal responsibilities of subgrantees.

Management Information Memorandum

The OIG issues Management Information Memoranda (MIMs) when we believe that matters uncovered in the course of ongoing work should be brought to management's attention. During this reporting period, we issued a MIM entitled, Prompt Reporting of Potential Fraud Indicators to the OIG.

The memorandum highlighted the provisions of the revised Code of Ethics and Conduct (effective January 24, 2015) and the LSC Employee Handbook requiring that employees promptly report unlawful and unethical behavior to the OIG. The MIM underscored the critical role personnel in LSC's Office of Compliance and Enforcement and Office of Program Performance can play in early recognition and response to indications of fraud, waste, and abuse. It also provided a detailed list of specific fraud patterns, derived from OIG investigations, to help ensure timely recognition and intervention.

The MIM also included recommendations for improving training and establishing protocols and guidelines for reporting potential fraud indicators to the OIG.

Grant Fraud Briefing – Department of Justice OIG

At our request, a representative from the OIG for the Department of Justice (DOJ) gave a presentation to LSC OIG staff on recent grant fraud trends. The presentation offered new insights on deterring and detecting grant fraud schemes, with case studies involving conflicts of interest, false statements in securing grant funds, and theft or embezzlement of grant funds. It also provided information on initiatives and proactive projects being implemented by the DOJ OIG to reduce the risk to fraud. The presentation was followed by a discussion of the challenges facing OIGs and grant-making agencies in seeking to prevent and detect fraud, and strategies for meeting those challenges. We provided a copy of the briefing materials to LSC management for their consideration and use in conducting compliance reviews of grantees.

Grant Fraud Committee Working Group

The OIG recently joined a working group of the Grant Fraud Committee of the government-wide Financial Fraud Enforcement Task Force. Led by the DOJ OIG, this working group was established to develop a training framework to identify and promote best practices in awarding and monitoring federally funded grants. The working group has assisted in training auditors, investigators, and attorneys on methods to reduce grant fraud risk.

As part of our outreach efforts, we provided a presentation to the working group on our FVA and RVA programs and on how our auditors and investigators coordinate on grant fraud matters. Our materials for conducting FVAs and RVAs, including our assessment tools, were shared with the members of the working group as a recommended best practice.

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 46 Hotline contacts. Of these matters, eight were referred to LSC management for follow-up; 14 were opened as investigations; one remains open; and the remaining 23 were closed.

Statistical Summary

Investigative Cases

Open at the beginning of period	10
Opened during period	19
Closed during period	15
Open at the end of period	14

Prosecutorial Activities

Criminal information	1
Guilty pleas	1
Sentencing	1

Investigative Activities

Inspector General subpoenas issued	8

Monetary Results

Restitution	$54,424
Management Decision to Disallow Costs	$142,251

OTHER OIG ACTIVITIES

Legislative, Regulatory, and Policy Reviews

Legislation

The OIG provided comments regarding S. 579, the proposed Inspector General Empowerment Act of 2015. We noted that while a key objective of S. 579 was to provide testimonial subpoena authority for "each" Inspector General, the bill did not adequately take into account that certain OIGs (including the LSC OIG), although established and exercising authorities under the federal IG Act, are not part of a federal agency. We proposed appropriate wording changes to ensure that the LSC OIG and other similarly situated non-federal agency OIGs would receive the benefit of the enhanced subpoena authority contemplated by S. 579.

Regulations

The OIG reviewed LSC's proposed revisions to 45 C.F.R. Part 1628 (Recipient Fund Balances) and Part 1640 (Application of Federal Law to LSC Recipients). The OIG found LSC's proposed revision to Part 1628 reasonable and did not provide further comment. Both LSC management and the OIG recommended revising Part 1640 to ensure that it encompassed all federal laws relating to the proper use of federal funds. We proposed amending Part 1640 to remove specific statutory references from the regulation and instead refer readers to the LSC website, where LSC would maintain an easily-updated list of applicable statutes. Both recommendations were approved by LSC's Board of Directors.

LSC Policies

Grant Assurances. The OIG provided suggestions for LSC's 2016 grant assurances. Our principal recommendations were: (1) to require grantees to have a code of ethics and conduct, including a conflict of interest policy; and (2) to augment the anti-retaliation grant assurance, strengthening prohibitions against recipients taking or threatening to take disciplinary action against any person for cooperation or appropriate release of information to LSC, including the OIG. LSC subsequently published proposed revisions to its grant assurances. The proposed revisions would require grantees to have conflict of interest and whistleblower protection policies, which the OIG also supported, and incorporate the OIG's suggestions for strengthening anti-retaliation requirements.

Access to Records. The OIG commented on LSC's Access to Records Protocol. The protocol outlines procedures for LSC to obtain access to records maintained by LSC grantees in light of the attorney-client privilege and applicable rules of professional responsibility, as well as procedures for resolving any access disputes that may arise. We questioned the need for a detailed access protocol as an overall matter, but also provided specific comments aimed at ensuring that the protocol grants effective access to grantee records and that such access is not overly burdened by procedural requirements.

Data Breaches. In 2012 the OIG released a Grantee Advisory on Preventing Information Security Breaches, which helped spur LSC management's development of a Data Breach Policy. The OIG provided comments on a draft version of the policy. The policy was finalized during this reporting period. We recommended that the plan apply not only to LSC employees, but to LSC contractors as well, with appropriate terms for contractor requirements involving data breaches. We requested notifications to the OIG of all actual breaches, and to the LSC board and Congress when deemed appropriate.

LSC Procurement Policies and Procedures. In our ongoing strategic planning process, we identified acquisition management as one of LSC's major management challenges. Following a series of OIG reviews and recommendations, LSC formally recognized acquisition management as a risk area for the Corporation. LSC management is continuing to revise and strengthen its purchasing and contracting protocols accordingly.

During this reporting period, the OIG was invited to provide additional comments on the draft protocols. We provided two further rounds of detailed comments, reinforcing certain recommendations and suggesting revisions where we believed additional refinements and improvements could be made.

We recommended that LSC make use of GSA acquisition vehicles and tools as a means of obtaining best value for the Corporation. We pointed out potential advantages to LSC of this approach, including the ability to simplify procurement processes while maintaining appropriate controls. We emphasized the need for further simplification of the protocols and for easy-to-use templates to facilitate compliance with policies and procedures. We made additional recommendations regarding, among other things, further strengthening evaluation processes and guidance; documentation requirements; acquisition training; clarification of roles and responsibilities; manager certifications; and legal review. We also identified areas where guidance was still lacking or where further clarification would be helpful, in particular regarding set-asides for small/disadvantaged businesses and contract management and oversight.

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 six FOIA requests. All requests for which the responses were due within the reporting period were responded to within the requisite timeframes.

Debarment

During this period the OIG issued a final decision under the provisions of 45 CFR Part 1641, debarring an independent public accountant (IPA) from providing audit services to LSC recipients. Based on the findings of a Quality Control Review issued in a previous period, the OIG had rejected the subject audit report and issued a notice of proposed debarment. After consideration of the IPA's response, the OIG concluded that the IPA's work evidenced multiple violations of government auditing standards and OIG guidance, and debarred the IPA and his firm from auditing LSC recipients for a period of three years.

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), as well 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), keyed to the relevant subsections:

(14)(A) – The last peer review of the OIG was conducted by the Federal Housing Finance Agency, Office of Inspector General. A system review report with a rating of “pass with deficiencies” was issued on September 5, 2014.

(15) – All recommendations from the peer review have been fully implemented.

(16) – The OIG did not conduct a peer review of another Office of Inspector General during this reporting period. There are no recommendations made from any previous peer review that remain outstanding or have not been implemented.

TABLE I

Audit Reports and Quality Control Reviews Issued for the Period Ending September 30, 2014

Part A
Audit Reports

Report Title	Date Issued	Questioned Costs	Funds Put To Better Use	Unsupported Costs
Report on Selected Internal Controls – Legal Services NYC	10/09/14	$196,387	$0	$0
Legal Services Corporation FY 2014 Financial Statement Audit Report	1/20/15	$0	$0	$0
Report on Selected Internal Controls – Legal Aid of West Virginia	1/27/15	$9,579	$0	$0
Report on Selected Internal Controls – Community Legal Aid Services, Inc.	2/02/15	$0	$0	$0
Report on Selected Internal Controls – Legal Aid Society of San Diego, Inc.	3/26/15	$0	$0	$0
Report on Selected Internal Controls – Northeast New Jersey Legal Services Corp, Inc.	3/30/15	$72,572	$0	$0

TABLE I

Part B
Quality Control Reviews

	IPA	Recipient	Date Issued
1	Bernard J. Egan, Jr., CPA	South Jersey Legal Services, Inc.	10/01/2014
2	Dixon Hughes Goodman LLP	South Carolina Legal Services, Inc.	10/16/2014
3	Reeder & Associates, PA	Bay Area Legal Services, Inc.	10/16/2014
4	Romeo, Wiggins & Company, LLP	Legal Aid of North Carolina, Inc.	10/16/2014
5	SVA Certified Public Accountants, SC	Prairie State Legal Services, Inc.	10/16/2014
6	Banks, Finley, White & Co.	North Mississippi Rural Legal Services, Inc.	11/04/2014
7	Banks, Finley, White & Co.	Mississippi Center for Legal Services	11/04/2014
8	Esterbrooks, Scott, Signorelli, Peterson Smithson, LTD	Legal Aid Service of Northeastern Minnesota	11/04/2014
9	MaherDuessel	Neighborhood Legal Services Association	11/04/2014
10	Wiss & Company, LLP	Northeast New Jersey Legal Services Corporation	11/04/2014
11	Jacobson Jarvis & Co.	Northwest Justice Project	11/25/2014
12	Beard-Boehmer & Associates, PC	Mid-Missouri Legal Services Corporation	11/25/2014
13	BCA Watson Rice LLP	Legal Services of Greater Miami, Inc.	01/12/2015
14	Deloitte & Touche LLP	Guam Legal Services Corporation	01/20/2015
15	Craine, Thompson & Jones, P.C.	Memphis Area Legal Services, Inc.	01/21/2015
16	James Knutzen & Associates	Legal Services of North Florida, Inc.	01/21/2015
17	Mitchell Emert & Hill, P.C.	Legal Aid of East Tennessee	01/21/2015
18	Ortiz, Rivera, Rivera & Co.	Community Law Office, Inc.	01/22/2015
19	Moss Adams LLP	Legal Aid Society of San Diego, Inc.	02/02/2015
20	Deloitte & Touche Tohmatsu, Inc.	Micronesian Legal Services, Inc.	02/03/2015
21	HBL CPAs, PC	DNA-Peoples Legal Services, Inc.	02/03/2015
22	Moore Grider & Company	Central California Legal Services	02/09/2015
23	N & K CPAs, Inc.	Legal Aid Society of Hawaii	02/11/2015
24	Frank Barcalow, CPA, PLLC	Neighborhood Legal Services Program of the District of Columbia	02/20/2015
25	Larry Saunders & Associates CPAs LLC	Central Virginia Legal Aid Society, Inc.	03/10/2015

TABLE II

Audit Reports Issued with Questioned Costs for the Period Ending March 31, 2015

	Number of Reports	Questioned Costs	Unsupported Costs
A. For which no management decision has been made by the commencement of the reporting period.	4	$37,637	$21,877
B. Reports issued during the reporting period	3	$278,538	$0
Subtotals (A + B)	7	$316,175	$21,877
C. For which a management decision was made during the reporting period:	4	$37,637	$21,877
(i) dollar value of recommendations that were agreed to by management		$19,165	$5,321
(ii) dollar value of recommendations that were not agreed to by management		$18,472	$16,556
D. For which no management decision had been made by the end of the reporting period	3	$278,538	$0
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 for the Period Ending March 31, 2015

	Number of Reports	Dollar Value
A. For which no management decision has been made by the commencement of the reporting period	0	$0
B. Reports issued during the reporting period	0	$0
Subtotals (A + B)	0	$0
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

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

Report Title	Date Issued	Questioned Costs	Comments
None	---	---	---

Audit Reports Issued Before this Reporting Period with Open Recommendations as of the End of the Reporting Period

Report Title	Date Issued	Comments
Report on Selected Internal Controls – Legal Services of Northern Virginia, Inc.	9/30/11	LSC management is working with grantee to resolve all open recommendations.
Report on Selected Internal Controls – North Mississippi Rural Legal Services	3/30/12	Corrective action in process.
Report on Selected Internal Controls – Texas RioGrande Legal Aid, Inc.	6/12/12	Corrective action in process.
Report on Selected Internal Controls – Inland Counties Legal Services, Inc.	8/06/12	Corrective action in progress. Still awaiting written notification that corrective action has been taken for recommendation # 1.
Report on Selected Internal Controls – Lone Star Legal Aid	1/15/13	Corrective action in process.
Report on Selected Internal Controls – Community Legal Services	3/21/13	Corrective action in process.
Report on Selected Controls – Georgia Legal Services Program	7/15/13	Corrective action in process.
Report on Selected Internal Controls – Indiana Legal Services	9/30/13	Corrective action in process.
Report on Selected Internal Controls – Central Virginia Legal Aid Society	9/30/13	Corrective action in process.
Report on Selected Controls – Land of Lincoln Legal Assistance Foundation	3/24/14	Corrective action in process.

Report Title	Date Issued	Comments
Report on Selected Internal Controls – Appalachian Res.& Defense Fund of Ky.	3/26/14	Corrective action in process.
Report on Selected Internal Controls – Central Jersey Legal Services, Inc.	5/06/14	Corrective action in process.
Report on Selected Internal Controls – Legal Services of Alabama, Inc.	6/09/14	Corrective action in process.
LSC IT Risk Assessment	8/28/14	Corrective action in process. Two recommendations closed this period.

TABLE V
Index to Reporting Requirements of the Inspector General Act

IG Act Reference*	Reporting Requirement	Page
Section 4(a)(2)	Review of legislation and regulations.	24
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	3-11, 17-18
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	3-11
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	32-33
Section 5(a)(4)	Matters referred to prosecutive authorities.	17
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.	28
Section 5(a)(7)	Summary of each particularly significant report.	3-11
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs.	30
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	31
Section 5(a)(10)	Summary of each audit issued before this reporting period for which no management decision was made by the end of the reporting period.	32-33
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.	27

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

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HOTLINE

IF YOU SUSPECT –

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PLEASE CALL OR WRITE TO US AT –

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