

LEGAL SERVICES CORPORATION



Office of
Inspector General



Semiannual Report to the Congress
October 1, 2015 – March 31, 2016

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**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, 2015, through March 31, 2016.

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. Our reports documented specific internal control and related issues and made recommendations for corrective action. The grantees agreed or partly agreed with over 94% of our recommendations.

We issued a special compendium report summarizing the findings and recommendations of all the internal control reviews we had conducted over a two-year period. The report was designed to provide LSC and grantee managers with a clear picture of recurring problems and areas prone to control weaknesses and of techniques to help prevent and address them in the future.

We continued the fifth year of our Quality Control Review (QCR) initiative to provide enhanced oversight of the independent audits required annually of LSC grantees. During the period we issued 17 QCRs. We also issued a major revision to the guidance we provide in connection with audits of grantees' compliance with LSC's regulatory requirements.

We concluded debarment proceedings against an independent public accountant (IPA) whose work failed to meet requisite standards and was found through a QCR examination to be so deficient as to warrant rejection of the audit report. Additionally, we initiated and completed debarment proceedings against another IPA firm whose work was found via a QCR to be deficient in significant respects and to have failed to meet standards.

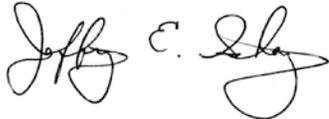
We opened 29 new investigations and closed 19 investigations during the reporting period. The investigations involved a variety of criminal and regulatory matters, including fraud, false claims, and the improper use of LSC funds.

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,

and expanded our fraud and regulatory vulnerability assessments to provide added focus on client trust accounts, subgrantee programs, and programs receiving migrant funding.

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,

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.

Jeffrey E. Schanz
Inspector General
April 29, 2016

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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 provided 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 \$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 low-income persons.

AUDITS

As discussed below, during this reporting period the OIG issued four audit reports with respect to grantee operations, one report summarizing the findings and recommendations reported by the OIG over a two-year period, and one year-end financial statement audit of LSC. At the conclusion of the period we had four projects underway and in various stages of completion.

The OIG has responsibility for overseeing the independent public accountant (IPA) audits performed annually at each grantee. During the reporting period, the OIG reviewed 20 IPA reports, with fiscal year ending dates ranging from December 31, 2014, through September 30, 2015. We also issued an update to the Compliance Supplement for Audits of LSC Recipients.

The OIG issued 17 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 Aid of Wyoming

The OIG assessed the adequacy of selected internal controls at Legal Aid of Wyoming (LAW). While many of the controls were adequately designed and properly implemented, we found that some controls needed to be strengthened and/or formalized in writing.

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

- There was a lack of internal control over the Quickbooks accounting system. The Quickbooks accounting system had an audit trail feature to track transactions by username, but it was not being used because the executive director, executive assistant, and bookkeeper were using the same username and a common password. In addition, all three personnel had the ability to create, add, and deactivate new vendors into the accounting system.
- The grantee did not have written procedures for the purchase and receipt of goods and services and had no evidence that the grantee verified that items were actually received. Also, the bookkeeper's responsibilities written in the grantee's Accounting Manual were no longer applicable and needed to be updated to reflect current practices.
- LAW had disbursement transactions made by the executive director without the appropriate level of oversight, such as by a member of their board of directors.

- LAW did not have any evidence of a credit card reconciliation and review process and had two unallowable credit card transactions.
- There was no evidence that the grantee reconciled the physical inventory results to the fixed asset accounting records and there were no records of disposal. In addition, the physical inventory record did not contain key elements required by the Fundamental Criteria provisions of LSC's Accounting Guide. The grantee's tagging practices were not consistent with the grantee's own policy and the tags were only identified by company name, not by individual identification numbers.
- The grantee's written policies and procedures for contracting were too general. Of six contractor files sampled, four did not fully document the process used for each contract action and supporting documents were not maintained in a central file; two contractor files had no evidence of competitive bids.
- Written policies regarding salary advances needed to be updated and policies regarding timesheet approvals needed to be enhanced.
- The grantee did not have a policy and procedure for rental income and attorneys' fees.

The OIG made 15 recommendations:

- Three recommendations related to strengthening general ledger and financial controls: establishing a unique username and password for each employee to prevent unauthorized access; updating the accounting system to include an audit trail to identify users and help reduce the risk of fraud; and establishing user profiles for each employee based upon their responsibilities in order to reflect separation of duties.
- Three recommendations related to strengthening controls over cash disbursements: updating the Accounting Manual to reflect current practices and to include purchasing and receiving policies and procedures; ensuring that all disbursements are adequately supported and comply with their own policy to match invoices received when purchase orders and receiving documents are reviewed for accuracy; and revising the disbursement policy to include oversight levels for the executive director's transactions and to ensure that there is oversight of transactions by the board of directors.
- Two recommendations related to strengthening controls over credit cards: ensuring that reviews of credit card reconciliations are documented as required by LSC's Fundamental Criteria; and enhancing written policies to ensure that LSC funds are only used to pay allowable costs.
- Two recommendations related to strengthening controls over fixed assets: updating property records to include key elements required by LSC's Fundamental Criteria;

and properly accounting for fixed assets by adding identification numbers to property tags and reconciling physical inventory to property records so as to ensure that subsidiary ledgers agree with the general ledger property accounts.

- Two recommendations related to strengthening controls over contracting: revising the written policies and procedures over contracting to ensure that contracted services have an actual contract in place and all types of contracts have dollar thresholds and competition requirements; and ensuring that the process used for each contract action, including deviations, is fully documented and maintained in a central file.
- Two recommendations related to strengthening controls over employee benefits and payroll processing: updating the Accounting Manual to accurately reflect their policy that salary advances are not allowed, and ensuring that the entire Accounting Manual is consistent with the grantee's current practices, policies, and procedures; and updating the personnel manual to state that hours reported on timesheets should be verified and approved by the employee's immediate supervisor.
- One recommendation related to strengthening controls over derivative income: developing a written policy on derivative income that includes specific procedures for rental income and attorneys' fees.

The grantee agreed with all 15 recommendations. Six recommendations were closed and nine recommendations remain open pending written notification that the proposed actions have been completed and policies have been revised and implemented.

Southern Minnesota Regional Legal Services

The OIG assessed the adequacy of selected internal controls in place at Southern Minnesota Regional Legal Services (SMRLS). We found that while many of the controls were adequately designed and properly implemented, some controls needed to be strengthened and formalized in writing.

The OIG reviewed the grantee's derivative income and determined that State Supplementary Security Income (SSI) reimbursements of \$18,250 and rental income of \$2,998 were not duly allocated to LSC funds. (SMRLS received \$79,950 in state SSI reimbursements during the period under review, of which \$18,250 allocable to LSC was not credited back to LSC.) The OIG questioned these amounts and referred them to LSC management.

Our review also identified the following issues:

- The grantee's Accounting Manual was missing some required policies and procedures and, for a few areas tested, did not reflect the grantee's actual practices.

- Complete documentation was not retained for several of the contracts reviewed.
- The cost allocation policy and methodology were not consistent with LSC requirements and were not fully documented.
- Inventory was not conducted bi-annually; fixed asset listings were not complete; and some items identified for testing could not be located.
- Bank reconciliations were not performed in a timely manner; some reconciliations lacked dates and approvals; and some checks were outstanding for over six months.
- Some petty cash accounts tested were missing supporting documentation.
- Some disbursements tested lacked supporting documentation, including evidence of receipt of goods and requisite approvals.
- The executive director's travel reimbursements that we tested were not approved by a board member.

The OIG made 14 recommendations:

- One recommendation related to the need for appropriate allocation of derivative income.
- One recommendation related to updating the Accounting Manual to reflect practices in place and including all information required by LSC's Fundamental Criteria.
- Two recommendations related to strengthening controls over contracting processes.
- One recommendation related to strengthening policies and practices on cost allocation.
- Two recommendations addressed the need to strengthen controls over the documentation of property assignment listings and to perform timely inventory counts.
- One recommendation related to internal reporting and budgeting, and addressed the need to ensure that the Controller prepared monthly reports in a timely manner.
- Three recommendations related to general ledger and financial controls, and addressed the need to ensure that bank reconciliations are performed monthly, are documented with a signature and date, and are approved by a responsible person; that checks outstanding over six months are reviewed and resolved; and that

supporting documentation is received and reviewed prior to petty cash replenishment.

- Two recommendations related to disbursements, and addressed the need to develop policies that require pre-approval of purchases before expenditures are incurred, and that evidence of receipt of goods is maintained for all purchases.
- One recommendation addressed the need to ensure that a policy be developed and implemented requiring that the executive director's reimbursements be reviewed and approved by a member of the board of directors.

Grantee management fully agreed with 11 out of 14 recommendations and partially agreed with two of the recommendations in the report. One recommendation, relating to untimely monthly reports, was subsequently found to have been based on incorrect information originally provided by the grantee. After the grantee clarified the information, we accepted their proposed action as responsive.

Grantee management agreed to pay in full the \$18,250 of SSI reimbursements and \$2,998 of rental income due to LSC and adjusted its systems to ensure that revenues received by activities funded by LSC are properly allocated to the LSC grant.

Grantee management, in conjunction with their board's Finance and Audit Committee, is undertaking a complete revision of the Accounting Manual to accord with the OIG's recommendations.

Grantee management responded to the recommendation regarding indirect costs that it would not be feasible to allocate indirect costs on a directly proportionate basis. They also noted that over 90% of the work at SMRLS is for LSC eligible clients even though LSC contributes only about 20% of SMRLS's total revenue. The OIG accepted the grantee's explanation and agreed that the cost allocation methodology did not need to be modified. The grantee will document the methodology in its Accounting Manual.

Grantee management partially agreed with the recommendation regarding property. They argued that not all of their property, specifically electronic devices, which are not capitalized, needed to be inventoried. The grantee offered as an alternative to update their listing with the locations of the equipment. The OIG agreed that this was an acceptable solution.

The OIG considers the proposed actions for all recommendations as responsive. The recommendations regarding timely processing of outstanding checks and review of the executive director's expenditures by a board member are closed. All other recommendations will remain open until the OIG receives written notification that the proposed actions have been completed and revised policies have been approved by the board and implemented.

Ohio State Legal Services Association

The OIG assessed the adequacy of internal controls at Ohio State Legal Services Association (OSLSA) in Columbus, Ohio. We found that while many of the controls were adequately designed and properly implemented, some controls needed to be fully implemented or formalized in writing.

We identified the following areas that needed to be improved:

- OSLSA did not have written policies for derivative income nor was their methodology for allocating attorneys' fees in accordance with 45 CFR §1609.4.
- OSLSA had no written policies related to cost allocation. We noted, however, that the grantee's methodology was reasonable and complied with the Fundamental Criteria. As part of its response to the OIG's document request, the grantee was able to provide a written description of its cost allocation process. This needed to be incorporated into its formal policies.
- OSLSA had some disbursements that lacked sufficient documentation, and also did not have written procedures governing maintenance of a master vendor list.
- OSLSA did not have a formal written policy over the use of credit cards. Our review found five credit card transactions where purchases were made prior to approval. In addition, we noted there was a lack of an appropriate level of oversight of the executive director's credit card use.
- OSLSA's contracting practice could be improved. Two of the seven contracts reviewed did not have documentation. In addition, there was no evidence of bidding on an IPA contract, and when due for renewal the contract was not re-evaluated nor did the board require OSLSA to re-compete for this service.
- OSLSA's property records and related policies did not include all of the key elements required by the LSC Accounting Guide.
- OSLSA did not conduct a physical inventory of its fixed assets. There was no list of laptops and no formal tracking of them.
- OSLSA had eight outstanding checks that were more than one year old.

The OIG made 13 recommendations:

- One recommendation related to developing a written derivative income policy covering all types of derivative income received by the grantee, as well as a written attorneys' fees policy meeting the requirements contained in 45 CFR Part 1609.

- One recommendation was to ensure that the cost allocation process is fully documented in the grantee's Accounting Manual.
- Two recommendations related to strengthening controls over disbursements: establishing a policy over maintenance of the master vendor list; and ensuring that purchases requiring multiple bids have proper documentation maintained in the vendor file, including any deviations from established procedures.
- Three recommendations related to credit cards: developing policies and procedures governing credit card use; strengthening controls over credit card purchases; and implementing policies requiring board member review and documented approval of the executive director's purchases and reimbursable expenses.
- Two recommendations related to strengthening controls over contracting procedures.
- Three recommendations related to improving controls over fixed assets: updating the grantee's Accounting Manual to include all property record elements required by the Fundamental Criteria; improving the physical inventory process to ensure that a physical inventory count is conducted every two years; and developing and implementing policies and procedures to track IT equipment, such as laptops, which may contain sensitive information.
- One recommendation related to improving controls over outstanding checks.

Grantee management agreed with 10 of the 13 recommendations contained in the report, and partially responded to one recommendation. Their comments with respect to two recommendations were deemed not responsive.

The OIG considers the proposed actions to address the 10 recommendations as responsive. These recommendations will remain open until the OIG receives written notification that the grantee has updated and implemented its policies and procedures.

Although the grantee's proposed actions were responsive to the recommendation relating to attorneys' fees, the OIG did question a total of \$47,553 in attorneys' fees. This amount will be referred to LSC management for resolution.

The grantee's comments with respect to the recommendation regarding the master vendor file and physical inventory were not responsive. In addition, the grantee's comments were only partially responsive to the recommendation regarding the property record elements required by the LSC Fundamental Criteria.

The OIG referred these three recommendations to LSC management for resolution.

Rhode Island Legal Services

The OIG assessed the adequacy of selected internal controls in place at Rhode Island Legal Services (RILS). We found that while many of the controls were adequately designed and properly implemented, some controls needed to be strengthened and formalized in writing.

The OIG examined the grantee's controls over attorneys' fees and derivative income and determined that the grantee did not have written policies in either of these areas. The OIG further determined that in one of eight attorneys' fees cases reviewed, the fees were awarded in full to the non-LSC funder, which had accounted for a majority of the hours charged on the case, without a proper allocation of funds to LSC. The amount in question was not material. We advised LSC management of the matter for their consideration of possible recovery of any amount due LSC. The review also determined that the grantee allocated all interest income to an unrestricted account, and was failing to allocate interest income proportionally, in accordance with LSC regulations.

The OIG's review of contracting policies and practices determined that the grantee's Accounting Manual did not have all the elements required by LSC's Fundamental Criteria. Documentation related to the contract actions taken by the grantee was not centrally filed or readily available for review. Two contracts were awarded on a sole source basis, but lacked the requisite justifications; five lacked documentation supporting the vendor selection; and one was missing a written contract document.

The OIG reviewed controls and practices governing fixed assets and determined that an inventory count was not being conducted every two years as required, and that the Newport branch office had no record of inventory having been performed at all. We also found that there were no policies and procedures related to disposal of fixed assets.

We found no segregation of duties as to the person responsible for maintaining the master vendor list and for processing vendor payments, and found that the master vendor list was not subject to review or approval by a higher level of management.

The OIG's review of credit cards determined that there were no written policies and procedures governing the issuance and use of credit cards.

Our review of cost allocation found that the grantee's Accounting Manual did not include written policies and procedures for cost allocation; however, we found that the practices actually in use were reasonable and were in accord with the Fundamental Criteria.

The OIG made 12 recommendations:

- Three recommendations related to internal controls over derivative income, addressing the need to ensure that:
 - attorneys' fees and interest income are apportioned in accordance with LSC regulations; and

- written policies are developed and implemented for all types of derivative income, including attorneys' fees.
- Three recommendations related to internal controls over contracting, addressing the need to ensure that:
 - the grantee's Accounting Manual is updated to address all elements required by LSC's Fundamental Criteria;
 - all products and services obtained are supported by a written valid contract; and
 - a centralized filing system for all contracts is maintained, including adequate supporting documentation of competition and sole-source procurements.
- Three recommendations related to internal controls over fixed assets, addressing the need to ensure that:
 - physical inventory is performed at all offices every two years and reconciled with property records;
 - fixed asset listings are updated with all elements required by the LSC Accounting Guide; and
 - the fixed asset policy in the grantee's Accounting Manual includes policies related to disposal of fixed assets.
- One recommendation related to enforcing proper segregation of duties between maintenance of the master vendor list and vendor payment functions, and to seeking periodic review and approvals from a higher authority for master vendor list changes.
- Two recommendations related to ensuring adequate written policies are included for credit cards and cost allocation.

Grantee management agreed with all findings in the report and accepted all 12 of the recommendations.

The OIG considers the proposed actions to address nine of the 12 recommendations, those pertaining to derivative income, contracting, the master vendor list, credit cards, and cost allocation, as responsive. The OIG considers three of the nine recommendations, two relating to contracting and one pertaining to the master vendor list, as closed. Six of the nine recommendations, those related to derivative income, credit cards, and cost allocation, and one addressing contracting, will remain open until the grantee has drafted written policies, revised its Accounting Manual, and obtained approval for the policies from its board of directors.

The OIG did not consider the actions taken by the grantee to address the three recommendations pertaining to fixed assets as adequate. Those recommendations remain open. The OIG referred them to LSC management for resolution.

Compendium Report

In December 2015, the OIG issued a special compendium report providing a summary of the findings and recommendations contained in all our internal control review audit reports issued over the two years from October 1, 2013 through September 30, 2015. Our objective was to provide a consolidated, bird's eye view of our findings to help LSC and grantee management better recognize and respond to recurring problems. The report identified both the issues that appeared as frequent internal control weaknesses at LSC grantees and the recommendations that were made to address them.

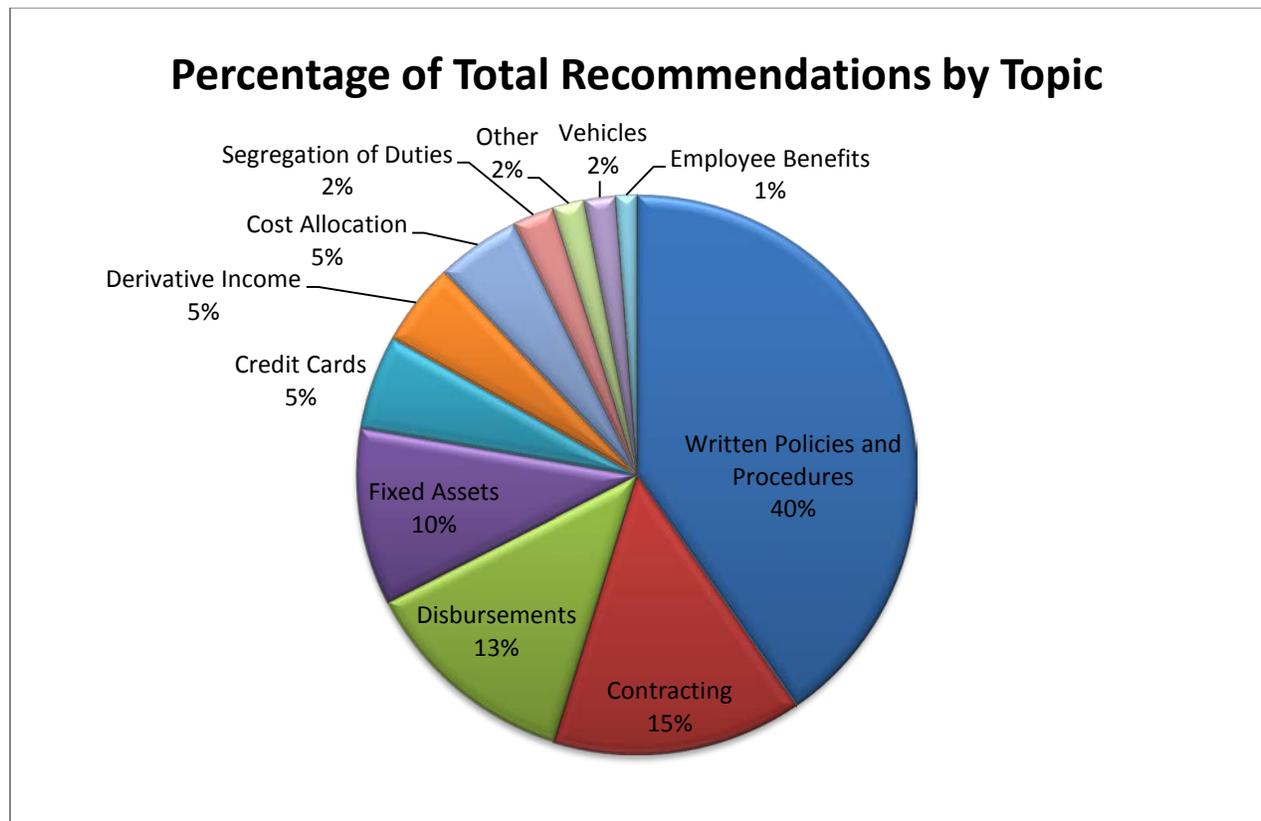
Over the two-year period, the OIG issued 18 internal control audits containing 166 recommendations to improve internal controls at LSC grantees. The 166 recommendations were categorized into 11 topics areas. The majority addressed issues with respect to written policies and procedures, contracting, disbursements, and fixed assets. There were also findings and recommendations relating to cost allocation, credit cards, derivative income, segregation of duties, vehicles, employee benefits, and other individual issues.

The following exhibits summarize the number of recommendations issued by the OIG from October 1, 2013 to September 30, 2015, by topic and the number of audit reports in which each topic appeared. The compendium report was provided to LSC management and to the executive directors of all LSC programs.

Exhibit 1: Summary of Recommendations by Topic

	Number of Recommendations	Number of Audit Reports
Written Policies and Procedures	67	18
Contracting	24	12
Disbursements	21	10
Fixed Assets	17	10
Credit Cards	9	7
Derivative Income	8	6
Cost Allocation	8	6
Segregation of Duties	4	4
Other	3	3
Vehicles	3	1
Employee Benefits	2	2
Grand Total	166	

Exhibit 2: Percentage of Total Recommendations by Topic



FY 2015 Corporate Audit

The FY 2015 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 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, 2015 and 2014, 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 audit report did include a management letter related to this year's audit. The letter identified an internal control weakness over fixed assets. During the auditors' review of fixed assets, they were not able to locate one of the ten OIG assets selected for testing. In response to the findings and recommendations on fixed assets, the OIG will strengthen its inventory records management and improve its written inventory policy and procedures.

Statistical Summary

Audits

Open at beginning of reporting period	3
Opened during the period	7
Audit reports issued or closed during reporting period	6
Open at end of reporting period.....	4

Recommendations to LSC Grantees

Pending at beginning of reporting period.....	133
Issued during reporting period	54
Closed during reporting period	101
Pending at end of reporting period	86

Recommendations to LSC Management

Pending at beginning of reporting period.....	0
Issued during reporting period	0
Closed during reporting period	0
Pending at end of reporting period	0

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, detailed below, include desk reviews and a quality control program, which includes independent onsite reviews.

Compliance Supplement Updated

The OIG published an updated version of the Compliance Supplement on March 24, 2016, (Notice of Final Changes to Compliance Supplement for Audits of LSC Recipients, <https://federalregister.gov/a/2016-06451>). The Compliance Supplement is used by IPAs to assess compliance with LSC's regulatory requirements during the grantees' annual audits. A number of LSC regulations subject to audit requirements had undergone significant revisions since the last version of the Compliance Supplement had been issued. The new version updated the regulatory summaries to reflect those revisions, and revised and updated the audit procedures accordingly. Principal areas covered included 45 C.F.R. Parts 1609 (fee generating cases); 1611 (eligibility); 1614 (private attorney involvement); 1626 (restrictions on legal assistance to aliens); and 1635 (timekeeping).

The final changes were published after formal notice and a period of public comment. Comments were received from several grantees and IPAs, and other interested parties including the American Bar Association's Standing Committee on Legal Aid and Indigent Defendants (SCLAID) and the National Legal Aid and Defender Association (NLADA). All commenters appeared generally supportive of the proposed update. The OIG made revisions to the initial draft in response to most of the comments and concerns received. The updated Compliance Supplement became effective on April 25, 2016.

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

We continued the fifth year of our Quality Control Review (QCR) initiative, a comprehensive program under which IPA firms performing grantee audits are subject to review to 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 with the instructions issued by our office. The reviews are conducted by a CPA firm under contract to the OIG. The contractor also identifies any issues that may require further attention or additional audit work by the IPA under review.

During this reporting period, 17 QCRs for the FY2014 cycle were conducted. Two met standards with no deficiencies. Thirteen met standards with one or more exceptions. Of the 13 meeting standards with exceptions, seven required the IPA to perform additional work and provide additional documentation to support their conclusions. Six QCRs identified deficiencies for which the OIG issued recommendations to the IPA to implement in future audits of the grantees. Two QCRs found that the financial statement audits did not meet standards. The OIG issued notices to the IPAs requiring them to perform corrective action and/or provide additional information to address the deficiencies.

During the last reporting period, two QCRs of the FY2014 financial statement audits identified deficiencies for which IPA were required to provide the OIG additional documentation supporting the work performed or to perform additional audit work. This reporting period, we evaluated the documentation and additional work submitted by the two IPAs. We determined that the deficiencies had been corrected by the IPAs for both of the QCRs.

During the last reporting period, the OIG determined that the deficiencies in an IPA's FY2012 financial statement audit of an LSC grantee were so substantial as to warrant the initiation of a debarment action. The deficiencies were initially identified during the course of a QCR of the FY2012 audit. Those proceedings were concluded during the current period and resulted in debarment of the IPA and his firm for a period of one year.

Through a QCR of the FY2013 financial statement audit of another grantee, performed in a prior period, the OIG found substantial issues with the work of another IPA. During this reporting period, the OIG initiated and completed debarment action against the IPA's firm. The IPA's firm was debarred for a period of three years.

These debarment actions are discussed more fully later in this report, under Other OIG Activities – Regulatory Activities.

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. The audit reports and the findings reflect the work of the IPAs, not the OIG.

During the reporting period, the OIG reviewed a total of 20 IPA audits of grantees with fiscal year ending dates from December 31, 2014 through September 30, 2015. Of the 20 audits, one is a sub-recipient of LSC funds. These audit reports contained five findings. The OIG reviewed the findings and determined that all five were either not significant, or that corrective action had already been completed. The OIG did refer five findings to LSC management with fiscal year ending dates from the previous reporting period. These audits were reviewed last reporting period; however, the findings from the audits were referred to LSC management for follow-up after the commencement of the current reporting period. The tables below present information on those findings.

Summary of Findings Reported in Grantee Financial Statement Audits with Fiscal Years Ending December 31, 2014, through January 30, 2015

Total Number of Findings Referred	5
Number of Findings with Corrective Action Accepted by LSC Management.....	0
Number of Findings Awaiting LSC Management Review	5

Types of Findings Referred to LSC Management for Follow-up

<u>Category</u>	<u>Number of Findings</u>
Financial Transactions and Reporting	2
Policies and Procedures/Other	1
Missing Documentation	1
Segregation of Duties	1
 TOTAL	 5

INVESTIGATIONS

During this period, OIG investigations resulted in two questioned cost referrals for potentially unreasonable expenditures. A review of client trust accounts at an LSC grantee also led to a referral for the potential mismanagement of client funds. In addition, a joint investigation by the LSC OIG and the OIG for the Department of Justice (DOJ OIG) led to a DOJ debarment action against a former employee of an LSC grantee.

The OIG opened 29 cases during the period. These included 17 investigative cases, five Regulatory Vulnerability Assessments, six Fraud Vulnerability Assessments, and one joint Fraud and Regulatory Vulnerability Assessment. The investigative cases included allegations of fraudulent travel claims, time and attendance fraud, misappropriation of LSC funds, and potential violations of LSC statutes and regulations.

The OIG closed 19 cases during the reporting period. These included 14 investigative cases, two Regulatory Vulnerability Assessment, two Fraud Vulnerability Assessments, and one joint Fraud and Regulatory Vulnerability Assessment.

Recovery Actions

Questioned Cost Referral Regarding Executive Director's Compensation

An OIG investigation identified potentially excessive compensation paid to an LSC grantee's executive director. The investigation was predicated on a proactive OIG project that reviewed salary and other forms of compensation paid to key LSC grantee employees. Our investigation revealed that for 2012 and 2013, the grantee reported compensation amounts to LSC for the executive director that were far less than what it had reported to the Internal Revenue Service (IRS).

For each of these two years, the executive director's actual total compensation, including deferred compensation, bonuses, and retirement contributions made on his behalf, was more than \$300,000. In 2012 and 2013, the grantee reported to LSC only that the executive director had earned \$182,700 in salary. (For 2014, based on a recommendation from the OIG, LSC changed its instructions to grantees to explicitly match the IRS requirements that total compensation and benefits be reported. Following this new instruction, the grantee did report the executive director's total compensation in its 2014 data submission to LSC.)

The investigation determined that the executive director's total compensation was \$205,000 higher than the grantee's next highest compensated employee in 2012, and \$167,000 higher in 2013. His total compensation was also significantly higher than that of any other executive director of an LSC grantee for those years. The OIG's investigative findings were referred to LSC management for consideration of questioned cost proceedings for

expenditures that were potentially unreasonable, unnecessary, or unallowable under 45 C.F.R. Part 1630, Cost Standards and Procedures.

Investigation Results in Questioned Cost Referral

An OIG investigation was initiated due to a Hotline complaint alleging potential wrongdoing on the part of a grantee executive director. During the investigation, the OIG identified potential unallowable costs under 45 C.F.R. Part 1630, and potential mismanagement concerns, which were referred to LSC management for review and appropriate action.

The questioned cost referral included the purchase of 1008 imprinted shot glasses totaling \$2,913.70. The glasses were used in connection with the grantee's pro bono efforts and were purchased using Private Attorney Involvement (PAI) funds reserved for the 12.5 percent PAI requirement under 45 C.F.R. Part 1614. This purchase was also referred for potential non-compliance with Part 1614.

The OIG investigation also found that a part-time PAI coordinator did not submit timesheets, in violation of the grantee's PAI policies. We noted this was the only employee who failed to do so. The employee earned \$25,634.67 from August 22, 2014 through June 26, 2015.

Also included in the referral was the payment of \$3,627.50 to the husband of a grantee employee for casual labor. The OIG investigation determined that the grantee employee approved her husband's invoices despite the invoices not meeting the grantee's internal control policies. Regarding the apparent conflict of interest, the executive director stated that the grantee had a conflict of interest policy, but failed to respond to our repeated requests to provide a copy of the policy.

Administrative Actions

Debarment of Former Grantee Employee

Based upon a joint investigation by the LSC OIG and the DOJ OIG, a former senior employee of an LSC grantee was debarred by DOJ for creating and submitting altered and fictitious expense receipts on at least 17 travel expense reports for which she sought and received reimbursement totaling over \$2,000.

The investigation also determined that over a five year period, the former employee improperly received approximately \$103,000 in grantee funds related to payroll and travel claims. This matter was referred to LSC management for questioned cost proceedings in a prior reporting period and is pending a determination.

Client Trust Account Review Results in Administrative Referral

An OIG investigation resulted in a referral to LSC management regarding an LSC grantee's potential mismanagement of client trust accounts. Two of the grantee's client trust accounts each had balances of over \$50,000. A large portion of these funds had remained undistributed for a period exceeding the state's three year escheatment requirement. At the time of our review, the grantee was unable to attribute all of the account balances to individual clients and/or third parties.

The grantee provided a letter to the OIG stating that they were attempting to reconcile all client trust account balances through a review of their case management system and would then begin the escheatment process. This matter was referred to LSC management for additional review and appropriate action.

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 provide fraud alerts and other information to help increase grantees' awareness of developing trends that may pose a risk 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 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.

Since initiating the FAB program in 2009, we have conducted 140 briefings for grantees in all 50 states, the District of Columbia, and five territories, as well as briefings for the LSC Board of Directors, LSC headquarters personnel, a presentation at a National Legal Aid

and Defender Association annual conference, and two webinars that reached multiple grantees. This reporting period we extended our FABs to LSC subgrantees.

Two FABs were completed during this reporting period.

Fraud Vulnerability Assessments

FVAs are conducted at LSC grantee offices and 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, 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 the misuse of LSC grant funds.

Three FVAs were completed during the reporting period, including one conducted as part of a joint Fraud and Regulatory Vulnerability Assessment.

Subgrant Funds

We expanded the scope of our FVAs to include subgrantee programs as a result of our earlier Subgrant Review Project (SRP), which identified a range of issues associated with inadequate fiscal oversight and weak internal controls at subgrantee programs. The SRP was discussed more fully in our last two Semiannual Reports. Similar to FVAs at grantees, FVAs at subgrantees focus on fiscal areas considered high risk or prone to abuse. In addition, FVAs at subgrantee programs are designed to assist the subgrantee with creating and implementing better internal controls and with ensuring adequate grantee oversight as required by 45 C.F.R. Part 1627 (Subgrants and Membership Fees and Dues).

Regulatory Vulnerability Assessments

RVAs are conducted at LSC grantee offices. This initiative was triggered by our experience 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 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.

Two RVAs were completed during the reporting period, including one that was completed as part of a joint Fraud and Regulatory Vulnerability Assessment.

Migrant Funding

During this reporting period, we expanded our RVAs to also focus on LSC grantees that receive migrant funding. OIG investigations and Hotline complaints have shown that migrant programs experienced an increased vulnerability to violations of LSC regulations, as well as to travel and time and attendance issues specific to outside employment by non-attorneys, and to frauds committed by grantee contractors and subcontractors. The aim of the migrant funding RVAs is to determine if grantees' policies and implementation practices are protecting and properly accounting for LSC migrant funds and ensuring compliance with LSC regulations. In addition to identifying any active problem areas, the RVAs should help us to identify best practices used in the field and communicate them to all grantees, in order to better protect LSC migrant funds.

Client Trust Accounts

Trust Account Reviews

Last reporting period the OIG initiated a proactive project to assess the risk of fraud involving grantee's client trust accounts. OIG investigations and Hotline complaints have shown that money received from clients and deposited in grantee client trust accounts can be vulnerable to employee theft and mishandling. The focus of these reviews is to determine if grantees' policies and implementation practices are protecting and properly accounting for client trust funds.

Areas covered during the reviews include the handling of cash and money orders from receipt to deposit; the prompt posting of funds received; the distribution of funds to clients or opposing parties; and the escheat of funds to the state.

The project is ongoing. Four client trust account reviews were completed as part of FVAs and RVAs during the period.

Fraud Alert

The OIG issued a Fraud Alert to executive directors and their boards of directors to make grantees aware of recent cases involving client trust accounts and to encourage them to develop policies and practices to help protect client funds from theft and mismanagement.

As noted above, OIG investigations have disclosed instances of grantee employees mishandling or stealing client trust account funds. The Fraud Alert described a number of patterns and practices that left client trust accounts vulnerable. The Fraud Alert also identified best practices to help minimize the risk of theft or misuse of client trust account funds.

OIG Receives Award for Fraud Prevention

On October 22, 2015, members of the OIG investigations unit received an Investigation Award for Excellence from the Council of the Inspectors General on Integrity and Efficiency (CIGIE). CIGIE awards are given annually in recognition of outstanding accomplishments throughout the federal inspector general community. The OIG employees were recognized for developing a Fraud Prevention Guide highlighting patterns of LSC grant fraud schemes and for completing fraud education programs for all LSC grantees.

The OIG's fraud awareness initiative was expanded in 2012, at the request of the LSC Board of Directors, to reach all LSC grantees. The effort required approximately three years to complete, with OIG representatives travelling to grantee locations throughout the country. The initiative enhanced fraud prevention awareness in LSC programs, opened new communication channels between OIG and grantee employees, and improved professional working relationships between the OIG and grantees.

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 38 Hotline contacts. Of these matters, five were referred to LSC management for follow-up, nine were opened as investigations, and the remaining 24 were closed.

Statistical Summary

Investigative Cases

Open at the beginning of period	16
Opened during period.....	29
Closed during period	19
Open at the end of period	26

Investigative Activities

Inspector General subpoenas issued.....	6
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Administrative Activities

Debarment	1
Referrals	3

OTHER OIG ACTIVITIES

Legislative, Regulatory, and Policy Reviews

LSC Policies

LSC's Strategic Plan. During the reporting period, the OIG provided comments in response to the LSC's "Strategic Planning Survey: Stakeholders & Partner Organizations 2016." We provided a detailed discussion of a number of areas of strategic importance which we believed LSC should consider in its future planning and operations. The comments pertained to:

- Performance management and accountability;
- Grants and subgrants management and procurement;
- Governance, operations, fiscal management, and controls systems;
- Enterprise risk management;
- Formal partnerships with the courts at the national, state and local levels;
- Mission related public statements;
- Research and analysis initiatives;
- Human capital management;
- Information technology management and security;
- Compliance with laws and regulations; and
- External factors that impact LSC's mission performance.

We highlighted Office of Management and Budget (OMB) guidance on agency strategic planning (OMB Circular No. A-11, 2015, §230), and recommended the creation of management-focused objectives to tie operational functions to the mission success of LSC, or to include those operational objectives in lower-level annual LSC operational plans. We also recommended more specific initiatives to help measure program results, much like those required by OMB for federal programs' strategic and performance plans.

Debarments

During this period, the OIG issued final decisions debaring one independent public accountant (IPA) and his firm from providing audit services to LSC recipients, and removing a second IPA firm from its audit services contract with an LSC recipient, as well as debaring the firm from providing future audit services to LSC recipients. These actions were based in part on findings obtained under the OIG's Quality Control Review (QCR) program.

The OIG had repeatedly contacted the first IPA to request that he and his firm correct the significant deficiencies noted by a QCR report on the firm's FY 2012 audit of an LSC

recipient. The IPA failed to provide any substantive response to these requests for fully 20 months. Although the IPA eventually did correct the identified deficiencies, the OIG debarring official determined that the prolonged and repeated failure to respond to the requests for corrective actions independently violated government auditing standards. The OIG debarred the IPA and his firm from doing business with LSC grant recipients for one year.

Similarly, the OIG repeatedly contacted the second IPA firm prior to initiating removal and debarment proceedings, requesting that it correct the deficiencies noted by a QCR report on its FY 2013 audit of an LSC recipient. The firm did not respond until more than six months after the expiration of the 120-day deadline set forth in the OIG's Notice to Correct Identified Issues. Even after it eventually responded and conferred with OIG staff, the firm still failed to fully cure the audit deficiencies. The OIG debarring official determined that the prolonged and repeated failure to respond to the requests for corrective actions independently violated government auditing standards and that the firm's FY 2013 audit failed in significant respects to comply with applicable auditing standards. The OIG removed the IPA from its then-current contract to provide audit services to an LSC recipient and debarred the firm from doing business with LSC recipients for three years.

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. We responded to them all within the applicable timeframes.

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)(14)(B):

The last peer review of the OIG was conducted by the Federal Housing Finance Agency, Office of Inspector General. Its report was issued on September 5, 2014.

TABLE I

Audit Reports and Quality Control Reviews Issued for the Period Ending March 31, 2016

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>
Report on Selected Internal Controls – Legal Aid of Wyoming, Inc.	11/23/15	\$0	\$0	\$0
Compendium of Internal Control Audit Findings & Recommendations	12/03/15	\$0	\$0	\$0
Report on Selected Internal Controls – Southern Minnesota Regional Legal Services, Inc.	12/07/15	\$21,248	\$0	\$0
LSC 2015 Fiscal Year Audit of the Corporation	02/08/16	\$0	\$0	\$0
Report on Selected Internal Controls – Ohio State Legal Services Association	03/14/16	\$47,553	\$0	\$0
Report on Selected Internal Controls – Rhode Island Legal Services, Inc.	03/30/16	\$0	\$0	\$0

TABLE I
Part B
Quality Control Reviews

	<u>IPA</u>	<u>Recipient</u>	<u>Date Issued</u>
1	Yoakum, Lovell & Co. PLC	Center for Arkansas Legal Services	10/21/2015
2	Yoakum, Lovell & Co. PLC	Legal Aid of Arkansas, Inc.	10/21/2015
3	O'Connor Davies, LLP	Legal Services of the Hudson Valley	11/10/2015
4	BKD, LLP	Kentucky Legal Aid	11/11/2015
5	Harrington Group, CPAs, LLP	Legal Aid Foundation of Los Angeles	12/23/2015
6	Harrington Group, CPAs, LLP	Neighborhood Legal Services of Los Angeles County	12/23/2015
7	Harrington Group, CPAs, LLP	Bay Area Legal Aid	12/23/2015
8	Harrington Group, CPAs, LLP	California Rural Legal Assistance, Inc.	1/4/2016
9	Harris & Co PLLC	Idaho Legal Aid Services, Inc.	2/4/2016
10	Amato, Fox & Company, PC	Neighborhood Legal Services, Inc.	2/16/2016
11	Maher Duessel, CPAs	Laurel Legal Services, Inc.	2/17/2016
12	Maher Duessel, CPAs	Legal Aid of Southeastern Pennsylvania	2/17/2016
13	Toski & Co., P.C.	Legal Assistance of Western New York, Inc.	2/18/2016
14	Cowart Reese Sargent, CPAs	West Tennessee Legal Services, Inc.	2/22/2016
15	McGladrey LLP	Oklahoma Indian Legal Services, Inc.	3/16/2016
16	Arledge & Associates, P.C.	Legal Aid Services of Oklahoma, Inc.	3/31/2016
17	Carr, Riggs & Ingram, LLC	Three Rivers Legal Services, Inc.	3/31/2016

TABLE II

Audit Reports Issued with Questioned Costs for the Period Ending March 31, 2016

	<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.	3	\$25,110	\$0
B. Reports issued during the reporting period	2	\$68,801	\$0
Subtotals (A + B)	5	\$93,911	\$0
C. For which a management decision was made during the reporting period:	4	\$46,358	\$0
(i) dollar value of recommendations that were agreed to by management	4	\$46,358	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period	1	\$47,553	\$0
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 for the Period Ending March 31, 2016

	<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

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

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Comments</u>
None	-	-	-

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

<u>Report Title</u>	<u>Date Issued</u>	<u>Comments</u>
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 – Central Virginia Legal Aid Society	9/30/13	Corrective action in process. Eight recommendations closed this period.
Report on Selected Internal Controls – Land of Lincoln Legal Assistance Foundation	3/24/14	Corrective action in process. Two recommendations closed this period.
Report on Selected Internal Controls – Appalachian Res. & Defense Fund KY	3/26/14	Corrective action in progress.
Report on Selected Internal Controls – Legal Services of Alabama, Inc.	6/09/14	Corrective action in process.
Report on Selected Internal Controls – Legal Services NYC	10/09/14	Corrective action in process. Four recommendations closed this period.
Report on Selected Internal Controls – Community Legal Aid Services	2/02/15	Corrective action in process. Three recommendations closed this period.
Report on Selected Internal Controls – Legal Aid Foundation of Los Angeles	5/27/15	Corrective action in process. Seven recommendations closed this period.
Report on Selected Internal Controls – Legal Aid Bureau, Inc.	7/07/15	12 recommendations closed this period. LSC management is working with grantee to resolve one remaining recommendation
Report on Selected Internal Controls – Acadiana Legal Services Corporation	9/30/15	Corrective action in process.

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 legislation and regulations.	26
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	3-11,19-21
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.	33
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.	29
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.	31
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	32
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.	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.	28

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

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HOTLINE

IF YOU SUSPECT –

FRAUD INVOLVING LSC GRANTS OR OTHER FUNDS

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PLEASE CALL OR WRITE TO US AT –

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FAX 202-337-7155

E-MAIL HOTLINE@OIG.LSC.GOV

MAIL P.O. BOX 3699
WASHINGTON, DC 20027-0199

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