Office of Inspector General
Legal Services Corporation

Inspector General
Jeffrey E. Schanz

3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
202.295.1660 (p) 202.337.6616 (f)
www.lsc.oig.gov

September 1, 2020

Mr. James Cook
Executive Director
Idaho Legal Aid Services, Inc.
1447 Tyrell Ln
Boise, ID 83706

Dear Mr. Cook:

Enclosed is the Legal Services Corporation (LSC) Office of Inspector General's (OIG) final report for our Audit on selected internal controls at Idaho Legal Aid Services (ILAS). Appendix III of the final report includes ILAS comments to the draft report in their entirety.

The OIG considers the proposed actions to all fourteen recommendations as responsive; however, they will remain open.

Recommendations 1, 2, 3, 11, 12 and 14 will remain open until the OIG is provided the new Credit Card Authorized Holder Agreement, updated Employee Handbook, and documentation stating that the M-Files Accounting System has been upgraded to incorporate prior approvals for purchases.

Recommendations 4 through 10, and 13 will remain open until the OIG is notified in writing that the Board of Directors has approved and adopted the new ILAS Accounting Manual.

Please send us your response to close out the 14 open recommendations, along with supporting documentation within six months of the date of the final report. We thank you and your staff for your cooperation and look forward to receiving your submission by March 1, 2021.

Sincerely,

Jeffrey E. Schanz

Jeffrey E. Schanz

Enclosure

cc: Legal Services Corporation
Ron Flagg, President

Lynn Jennings
Vice President for Grants Management

Idaho Legal Aid Services Board of Directors

Paul McFarlane, President
Brooke Redmond, Vice President
Cathy Beck, Secretary
Kathleen Centers
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Boyd Peterson
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LEGAL SERVICES CORPORATION

OFFICE OF INSPECTOR GENERAL

FINAL REPORT ON SELECTED INTERNAL CONTROLS

IDAHO LEGAL AID SERVICES

RNO 913000

Report No. AU 20-05

September 2020

www.oig.lsc.gov

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INTRODUCTION

The Legal Services Corporation (LSC) Office of Inspector General (OIG) assessed the adequacy of selected internal controls in place at Idaho Legal Aid Services, Inc. related to specific grantee operations and oversight. Audit work was conducted at the grantee's administrative office in Boise, ID and LSC headquarters in Washington, DC.

In accordance with the Accounting Guide for LSC Recipients (2010 Edition) (Accounting Guide), Chapter 3, an LSC grantee is required to establish and maintain adequate accounting records and internal control procedures. The Accounting Guide defines internal control as follows:

> The process put in place, managed, and maintained by the recipient's board of directors and management, which is designed to provide reasonable assurance of achieving the following objectives:
> 1. safeguarding of assets against unauthorized use or disposition,
> 2. reliability of financial information and reporting, and
> 3. compliance with regulations and laws that have a direct and material effect on the program.

Chapter 3 of the Accounting Guide further provides that each grantee "must rely…upon its own system of internal accounting controls and procedures to address these concerns," such as preventing defalcations and meeting the complete financial information needs of its management.

BACKGROUND

Idaho Legal Aid Services, Inc. (ILAS or "grantee") is a non-profit organization providing legal assistance in non-criminal proceedings. ILAS' mission is to provide quality civil legal services to low income and vulnerable Idahoans. ILAS has eight office locations serving 44 counties in Idaho.

According to the audited financial statement report for the fiscal year ending 2018, ILAS received a total of $2,889,436 in grants and contracts. LSC provided approximately 64 percent or $1,837,057 of ILAS' grant funding while the Department of Justice provided 20 percent or $572,848. The remaining 16 percent, or $479,531, was received from other grants, foundations, contracts, and contributions.

OBJECTIVE

The overall objective was to assess the adequacy of select internal controls at ILAS and determine whether costs were supported and allowable under the LSC Act of 1974 and the Accounting Guide for LSC Recipients, as well as other applicable laws and regulations.

AUDIT FINDINGS

To accomplish the audit objective, the OIG evaluated select internal controls in specific financial and operational areas and performed testing to ensure that costs were adequately supported and allowable under the LSC Act and LSC regulations and guidelines. In particular, the OIG reviewed and tested internal controls related to disbursements, credit cards, contracting, cost allocation, derivative income, general ledger and financial controls, management reporting and budgeting, fixed assets, employee benefits, and payroll within the audit period of January 1, 2018 to April 30, 2019.

Internal controls were adequately designed and properly implemented in derivative income, cost allocation, contracting, fixed assets, and management reporting and budgeting as they relate to specific grantee operations and oversight. However, the OIG noted that ILAS needs to strengthen practices and formalize in writing the internal controls over credit cards, general ledger and financial controls, disbursements, payroll, and employee benefits as detailed below.

CREDIT CARDS

ILAS' written policies and procedures over credit cards do not fully adhere to the *Fundamental Criteria of an Accounting and Reporting Financial Reporting System (Fundamental Criteria)* of the Accounting Guide. The OIG judgmentally selected 12 credit card statements, totaling $47,035, within the audit scope of January 1, 2018 through April 30, 2019, for testing. The selection was based on factors such as large amounts, unfamiliar vendors, bank payments, dues, memberships, conferences, and training. All the transactions reviewed from the selected credit card statements were LSC allowable, supported with receipts, and approved during the accounts payable processing; however, we found some inadequate grantee practices.

Inadequate Policies

We reviewed the grantee's written policies and procedures over credit cards and found that they did not include the following:

- Written policies outlining the timeline for submission of receipts for credit card purchases.
- Written policies for issuance, activation, and deactivation of credit cards.

According to ILAS accounting staff, there were practices in place for receipt submissions, issuance, and deactivation of credit cards. However, these practices were not included in the ILAS Accounting Manual.

The Accounting Guide, Section 3-4, stipulates that each recipient must develop a written accounting manual that describes specific procedures to be followed by the recipient in complying with the *Fundamental Criteria*. The lack of a specific deadline for receipt submission increases the risk of undetected, impermissible transactions that may lead to late payments, fees, and interest charges. In addition, the lack of specific procedures over activation and deactivation of credit cards may lead to unauthorized issuance and use of credit cards.

Inadequate Documentation and Approvals Prior to Credit Card Charges

Twenty-six transactions charged to LSC, totaling $11,814, lacked prior approvals and there was inadequate documentation to show who requested the purchase and the reason for the purchase.

- Nine transactions, related to purchases of IT equipment and totaling $5,888, had no documentation of approval prior to purchase.
- Sixteen transactions, related to out-of-state travel and totaling $5,627, had no documentation of approval prior to purchase or details regarding the purpose of travel.
- One transaction, related to a conference or training and totaling $299, had no documentation of approval prior to purchase or details regarding the purpose of the conference or training.

ILAS did not have a requirement for staff to request approvals prior to purchasing IT equipment, out-of-state travel, or reservation of trainings, conferences, or seminars. Staff would occasionally submit requests for equipment or other items; however, when this request was provided, it was not filed along with the expenditure documents, but was maintained with the invoice in M-Files, the grantee’s accounts payable software.

ILAS does allow exceptions where authorization is not required. The Director of Finance and Accounting (DFA) purchased IT equipment in line with their job responsibilities, and the Executive Director and Grant Manager did not have to submit requests for travel to trainings or conferences. We also noted that the travel documentation was not maintained in one central file for these exceptions.

The Accounting Guide, Section 3-5.4 stipulates that approval should be required at an appropriate level of management before a commitment of resource is made, and that the receipt of goods and accuracy of invoices should be verified and documented. Lack of documented approval or review procedures prior to the use of credit cards may result in purchases made without the knowledge of appropriate management or at unacceptable prices or terms. In addition, pre-approval of credit card purchases without adequate internal verification can result in impermissible credit card charges.

No Signed Credit Card User Acknowledgement Agreement

ILAS had ten authorized credit card users. The grantee did not have signed acknowledgement agreements established for any credit card users prior to the OIG site visit on June 3, 2019. However, on June 11, 2019, the DFA obtained ILAS employees’ signatures on the acknowledgement agreements and provided them to the OIG.

The DFA explained that there was a miscommunication between her and the Accounting Assistant. The DFA thought that the Accounting Assistant had the signed acknowledgement forms while the Accounting Assistant thought the forms still needed revisions.

The Accounting Guide, Appendix VII, indicates that recipients should consider a form that contains the grantee's credit card policies for employees to review and sign. The lack of acknowledgement agreements for credit card users may result in confusion over the initiation, approval, and use of credit cards.

We recommend the Executive Director ensures:

Recommendation 1: the grantee updates their Accounting Manual to include the following:

- A timeline for submitting credit card receipts.
- Procedures for issuance and deactivation of credit cards.

Recommendation 2: the grantee develop written procedures to document review and approval prior to the use of credit cards for purchases of IT equipment, out-of-state travel, trainings, conferences, or seminars for employees and Board members. The documentation of review and approval for these purchases should include, at a minimum, the cost, reason for the request, and the name and title of the employees or Board members making the requests and approvals.

Recommendation 3: ensure that acknowledgement agreements, for each authorized credit card user, are signed and appropriately filed.

GENERAL LEDGER AND FINANCIAL CONTROLS

We reviewed the grantee's written policies and procedures over general ledger and financial controls and found them mostly comparable to the *Fundamental Criteria* except for the processes involving cash receipts and bank reconciliations.

ILAS has a total of eight active bank accounts. The Secretary performs the bank reconciliations and the DFA is responsible for reviewing and approving the reconciliations.

In performing our testwork, we selected 16 bank reconciliation records, two from each bank account, within our audit scope, using a random selection methodology. Our review was to determine whether ILAS had adequate internal controls and adhered to LSC regulations and guidelines. We noted the following:

Unresolved Outstanding Checks

Six checks, totaling $8,386, from the general operating account had been outstanding for more than six months.

According to the DFA, there was an attempt to resolve the outstanding checks from August 2018. Two of the six outstanding checks were reimbursements to employees. However, due to lack of communication, they did not follow up and resolve the outstanding checks. They have since established a protocol and employee reimbursements are now issued through direct deposit.

The ILAS Accounting Manual stipulates that all outstanding checks need to be cleared within six months. In addition, the Accounting Guide, Appendix VII, indicates that checks outstanding for more than six months should be investigated and resolved. Not following policies over outstanding checks may result in delaying resolutions, and errors may not be detected in a timely manner.

Untimely Bank Reconciliations

Fifteen of sixteen bank statements were not reconciled timely:

- Seven reconciliations from August 2018 were not reconciled timely. The reconciliations were not performed until November and December of 2018, making them two to four months late.

- Eight reconciliations from February 2019 were not reconciled timely. The reconciliations were not performed until April through July 2019, making them two to four months late.

According to the DFA, the August 2018 bank statements would not have arrived until September and were reconciled in November 2018. In addition, the bank reconciliations were postponed due to staffing issues.

During our financial controls interview with ILAS, they stated that reconciliations from March and April 2019 had not been performed at the time of the OIG visit, thereby not allowing us to conduct testing on recent reconciliations.

The Accounting Guide, Section 3-5.2, stipulates that bank statements shall be reconciled monthly to the general ledger. The reconciliation procedure is a fundamental control technique and failure to perform them on a monthly basis increases the likelihood of irregular disbursements and undetected recording errors.

Inadequate Documentation of Review and Approval of Bank Reconciliations

Six bank account reconciliations were not signed, dated, or both and two other bank statements had no documentation of being reconciled.

According to the DFA, her practice to sign and date reconciliations was a recent addition to the reconciliation process, as LSC's Office of Program Performance had recently suggested that she sign and date all bank reconciliations.

The Accounting Guide, Section 3-5.2, stipulates that the bank statements shall be reconciled monthly to the general ledger. The reconciliation procedure is a fundamental control technique and failure to establish, follow, and perform proper procedures may increase the likelihood of untimely review and performance, and errors may not be detected.

Lack of Segregation of Duties Over Bank Deposits

The Executive Assistant was responsible for opening mail, receiving, and logging cash receipts and other items for deposit. She also maintained the cash receipts log, prepared cash receipts and other items for bank deposit, and subsequently made the deposits. Since the Executive Assistant was performing all the bank deposit procedures, we noted a lack of segregation of duties; an individual independent of the accounting staff was not assigned to make the deposits, or review and reconcile these records.

The DFA confirmed the Executive Assistant's responsibilities and stated that the grantee did not have enough staff to separate the preparation of deposit from the act of making the deposit.

The Accounting Guide, Section 3-4, stipulates that accounting duties should be segregated to ensure that no individual simultaneously has both the physical control and the record keeping responsibility for any asset, including, but not limited to, cash, client deposits, supplies, and property. Duties must be segregated so that no individual can initiate, execute, and record a transaction without a second independent individual being involved in the process. In addition, the Accounting Guide indicates that:

- a person responsible for opening the mail should not prepare bank deposits;
- a person independent of other accounting functions should reconcile the cash receipts log to the general ledger and deposits made in the bank; and
- the grantee should perform comparisons of dates and amounts of daily deposits as shown by the cash receipts record with the bank statements.

We recommend the Executive Director ensures:

Recommendation 4: any remaining errors and checks outstanding for more than six months are investigated and resolved according to ILAS policy.

Recommendation 5: staff perform bank reconciliations monthly; and, any deviation from the grantee's procedures are documented and discussed with ILAS management.

Recommendation 6: the grantee updates the ILAS written procedures with a specific timeline for performing bank reconciliations. For example, bank statements are to be reconciled within fifteen days of receipt.

Recommendation 7: the grantee document and include in writing the current practice involving the review and approval procedures of bank reconciliations in the ILAS Accounting Manual. The documentation should include the persons performing, reviewing, and approving each reconciliation activity with signature and date.

Recommendation 8: staff performing, reviewing, and approving bank reconciliations consistently document each activity with a signature and date.

Recommendation 9: the grantee assigns an individual independent of the accounting staff to prepare reconciliations of the cash receipt log, deposits, and general ledger cash accounts.

DISBURSEMENTS

The OIG performed testwork to determine whether the grantee had adequate internal controls over disbursements and whether ILAS' practices, policies, and procedures complied with LSC regulations and guidelines. The OIG selected a nonstatistical sample of 90 transactions totaling $82,995. This sample represented approximately four percent of transactions totaling $1,897,947, which were disbursed for expenses other than payroll. As a result, the OIG's testwork revealed one unapproved transaction, an unallowable use of LSC funds, and lack of a prior approval process.

Lack of Approval

One disbursement, totaling $24,033, lacked documented approval. The disbursement, which was a monthly payment for medical insurance, was not processed electronically as most were, and as such, approval was not documented through the electronic steps in the system.

The Accounting Assistant stated that the missing signature was most likely due to oversight resulting from a busy schedule surrounding the LSC Board of Directors meeting that was held near the grantee's location.

The Accounting Guide, Section 3-5.4(a), states that approval should be required at an appropriate level of management before a commitment of resources is made.

Failure to follow the purchase approval process may result in purchases made without the knowledge of appropriate management or at unacceptable prices or terms; $24,033 was expended without documented approval.

No Prior Approval Process

During our review of disbursements, the OIG attempted to identify prior approval for purchases that were:

- irregular and/or not made in the course of the employees' regular job duties;

- non-recurring in nature, such as one-time purchases or those that were not part of an ongoing arrangement; or
- out-of-state travel arrangements, such as hotel rooms and transportation.

During testing of disbursements, the OIG found seven payments totaling $3,620 that were made without documented prior approval. These were purchases for promotional materials, office sign installation, and other non-recurring purchases.

ILAS documented payment approvals through an electronic process in the accounts payable system; this occurred prior to funds being expended, but after purchases were initiated. There was no formal system in place to require approvals before a purchase was initiated.

The Accounting Guide, Section 3-4.5(a) states that approval should be required at an appropriate level of management before a commitment of resources is made. Section 3-5.4(d) further indicates that documentation of who initiated and approved purchases should be maintained.

Failure to require prior approvals may result in purchases made without the knowledge of appropriate management or at unacceptable prices or terms. Not documenting prior approvals makes it difficult or impossible to determine if an appropriate individual approved a purchase before funds were committed.

We recommend that the Executive Director ensures:

Recommendation 10: approval is documented for all disbursements, including those processed electronically in the accounting system and those processed outside the system.

Recommendation 11: the grantee develop and implement a procedure to require that approval be documented prior to the commitment of funds.

PAYROLL

The OIG reviewed and tested select payroll procedures to determine whether adequate internal controls were in place and whether the grantee's payroll process adhered to LSC regulations and guidelines. The test work revealed no exceptions; however, two deficiencies were noted during interviews with ILAS staff.

Leave Requests Made Verbally

Requests for paid time off were typically made verbally and not documented. A feature for requesting and approving time off existed in the grantee's human resources software but was not being used.

The process for requesting leave was not standardized and fully documented in the grantee's policies and procedures.

ILAS' *Employee Handbook* states that vacation leave may be taken at other than scheduled times or with lesser notice with the approval of the employee's Managing Attorney or the Executive Director. The Accounting Guide, Section 3-5.5, states that inadequate records may result in an employee receiving unauthorized leave and or payments. Finally, GAO's *Standards for Internal Control in the Federal Government*, Overview Section 4, states that documentation is a necessary part of an effective internal control system.

Lack of documented approvals makes it difficult to verify the accuracy of employees' timesheets, and employees' leave balances may not be accurate.

Lack of Segregation of Duties

The OIG found a lack of segregation of duties over the payroll function. The DFA controlled the preparation and disbursement of payroll, which was not reviewed prior to payment. The DFA submitted a payroll summary to the Executive Director at the time payroll was disbursed, but the disbursement was not dependent upon the Executive Director's approval.

ILAS had limited personnel to assign to the payroll function, and only two employees had access to the fiscal software. One employee was not granted access to the portion of the software used for payroll, to segregate duties.

The Accounting Guide, Section 3-4(3) states that accounting duties should be segregated to ensure that no individual simultaneously has both the physical control and the record keeping responsibility for any asset, including, but not limited to, cash, client deposits, supplies, and property. Duties must be segregated so that no individual can initiate, execute, and record a transaction without a second independent individual being involved in the process.

We recommend the Executive Director ensures:

Recommendation 12: the grantee develop and implement policies and procedures to ensure leave requests and approvals are adequately documented.

Recommendation 13: segregation of duties is implemented over payroll preparation and disbursement.

EMPLOYEE BENEFITS

The OIG performed test work of ILAS' salary advances to determine whether adequate internal controls were in place. We reviewed internal controls and tested for compliance with the grantee's written policies and procedures, including whether:

- the employee signed a written agreement and repayment schedule;
- the advance was repaid timely;
- the advance was under allowable limits; and
- more than one advance was granted to an employee during a calendar year.

We noted that there were two conditions for salary advances, but each condition was separately documented. The ILAS' *Employee Handbook* stated that an employee must have an adequate leave balance to offset the amount of an advance, whereas the Salary Advance Request form stated that the advance may not exceed the value of one net paycheck.

There were five salary advances, totaling $3,700, issued during the period under review. We tested the entire population. ILAS adhered to its policies requiring written agreements and payback schedules, and all advances were properly authorized and repaid within the required timeframes. However, we noted two exceptions.

<u>Salary Advances Exceeded Leave Balance</u>

All but one advance tested exceeded the calculated value of the employees' leave balances. However, no advances exceeded the value of the employees' net paychecks in the corresponding periods. Thus, the advance amounts followed the stipulations on the signed agreement, but not those documented in the grantee's *Employee Handbook*.

Different restrictions on salary advances were documented in the grantee's policies. The Executive Director followed the restrictions on the salary advance agreement.

ILAS' *Employee Handbook* states that employees who receive a salary advance must have an adequate leave balance to offset the amount of the advance.

Inconsistent application of policies and procedures could result in inefficient use of program resources.

We recommend the Executive Director ensures:

<u>Recommendation 14</u>: the grantee's Accounting Manual and salary advance forms are updated to reflect all the salary advance terms and conditions.

OIG SUMMARY OF GRANTEE MANAGEMENT COMMENTS

ILAS provided their responses to the OIG's Draft Report via email on July 16, 2020. ILAS' responses are included in their entirety in Appendix II.

ILAS management agreed with 12 recommendations.

- For six recommendations, the grantee stated that they added the policies and procedures to the Accounting Manual.

- For six recommendations, the grantee stated that they:
  - created a credit card authorized holder agreement.
  - will have the accounting assistant be responsible for issuance and deactivation of credit cards.
  - will ensure all outstanding checks are investigated and resolved according to ILAS policy.
  - updated the Employee Handbook with procedures to document paid time off.
  - established that the Executive Director approves payroll before the Director of Finance and Administration sends to the bank.
  - updated the salary advance form to consistently document eligibility requirements.

ILAS management partially agreed with two recommendations and for both stated that they are in the process of adding pre-approvals to their accounting system, M-Files. ILAS partially agreed by stating that purchases of IT equipment currently comply with existing policies, in that the Director of Finance and Administration does not need further preapproval to make these specific purchases.

OIG EVALUATION OF GRANTEE MANAGEMENT COMMENTS

The OIG considers ILAS' comments, actions, and supporting documentation provided as of July 16, 2020, for Recommendations 1 through 14 as responsive. The grantee responded to recommendations 1, 3 through 10, 12, 13 and 14 by stating that they agreed with the recommendations and have and will continue to take action that fully addresses the recommendations. However, these recommendations will remain open until the OIG is notified that the proposed actions have been completed and the supporting documentation is provided.

- Recommendation 1 and 3 will remain open until the OIG is provided with the copies of the Credit Card Acknowledgement Agreements.

- Recommendations 4 through 10, and 13 will remain open until the OIG is notified in writing that the Board of Directors has approved and adopted the new ILAS Accounting Manual.

- Recommendation 12 and14 will remain open until the OIG is provided with a copy of the updated Employee Handbook

The grantee partially agreed with recommendations 2 and 11 and is in the process of addressing these recommendations. Although the grantee responded to Recommendations 2 and 11 by stating that they partially agreed, their proposed corrective actions address the recommendations. However, these recommendations will remain open until the OIG is provided evidence that the ILAS accounting system, M-Files, has been updated to include all prior approvals on limited IT equipment, out of state travel, trainings, conferences, or seminars that is incurred by employees or Board members.

APPENDIX I – SCOPE AND METHODOLOGY

To accomplish the audit objective, the OIG identified, reviewed, evaluated, and tested internal controls related to the following activities:

- Disbursements;
- Credit Cards;
- Contracting;
- Cost Allocation;
- Derivative Income;
- General Ledger and Financial Controls;
- Management Reporting and Budgeting;
- Fixed Assets;
- Employee Benefits; and
- Payroll.

The OIG evaluated select financial and administrative areas and tested the related controls to ensure that costs were adequately supported and allowed under the LSC Act and LSC regulations during the period of January 1, 2018 through April 30, 2019.

To obtain an understanding of the internal control framework and ILAS' processes over areas listed above, we (1) reviewed grantee's policies and procedures, including manuals, guidelines, memoranda, and directives, setting forth current grantee practices and (2) interviewed grantee management and staff.

To review and evaluate internal controls, the OIG designed and performed audit procedures to obtain sufficient and appropriate evidence to support our conclusions over the design, implementation, and operating effectiveness of controls significant to our audit objectives. Furthermore, we conducted direct tests, including inquiry, observation, examination, and inspection, of source documents to determine whether the grantee's internal control system and policies and procedures complied with the guidelines in the guidelines in the *Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria)* contained in the Accounting Guide.

In accordance with Government Auditing Standards, the OIG assessed the reliability of ILAS' computer-generated data. We reviewed supporting documentation, conducted interviews, performed logical tests, traced to and from source documents, and reviewed selected system controls to determine whether the data was reasonably complete, accurate, and consistent. The OIG determined the data was sufficiently reliable for the purposes of this report.

A non-statistical sampling methodology was used to select samples for testing. The OIG determined that a non-statistical methodology was appropriate based on the audit objective and scope, the nature of the grantee, and the audit timeline. OIG results cannot be projected to the universe and are not intended to make inferences about the populations from which samples were derived.

To test for the appropriateness of expenditures and the existence of adequate supporting documentation, we used a simple random methodology to select an initial sample of 75 disbursements; we then applied a judgmental methodology to select a final sample of 90 transactions totaling $82,995. The sample represented approximately four percent of the $1,897,947 disbursed for expenses other than payroll during the period January 1, 2018 through April 30, 2019. To assess the appropriateness of expenditures, the OIG reviewed invoices and supporting documentation, and traced the expenditures to the detailed trial balance. The appropriateness of those expenditures was evaluated based on applicable laws and LSC regulations and guidance.

In addition to the disbursements, we judgmentally sampled 12 credit card statements totaling $47,035. The sample represented approximately 52 percent of the $90,499 during the period January 1, 2018 through April 30, 2019. We assessed the appropriateness of the expenditures and the existence of approvals and adequate supporting documentation.

To evaluate and test internal controls over the employee benefits, payroll, contracting, management reporting and budgeting, general ledger and financial controls, and derivative income, the OIG interviewed appropriate program personnel, examined related policies and procedures as applicable and selected specific transactions to review for adequacy.

To evaluate the adequacy of the cost allocation process, the process was discussed with grantee management and the OIG requested for review the grantee's written cost allocation policies and procedures as required by the Guide. The OIG reviewed selected transactions to determine if the amounts allocated were in conformity with the documented allocation process and if the transactions were properly allocated to the appropriate funders.

Controls over purchasing, recording, inventory, and disposal of fixed assets were reviewed by conducting interviews and examining current grantee practices in comparison with LSC regulations and policies outlined in the Accounting Guide.

The on-site fieldwork was conducted from June 3, 2019 through June 12, 2019. The OIG conducted its work at the grantee's administrative office in Boise, ID and at LSC headquarters in Washington, DC. Documents reviewed pertained to the period January 1, 2018 through April 30, 2019.

The audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

APPENDIX II – GRANTEE MANAGEMENT COMMENTS

IDAHO LEGAL AID SERVICES
Administrative Office: 1447 S. Tyrell Lane, Boise, Idaho 83706-4044 |
Phone: 208.336.8980 | Fax: 208.342.2561 | www.idaholegalaid.org

Advocacy. Education. Representation

RECOMMENDATION TRACKING

Grantee Name:	Idaho Legal Aid Services
RNO:	913000

The Office of Inspector General makes recommendations for actions or changes that will correct problems, better safeguard the integrity of funds, and improve procedures or otherwise increase efficiency or effectiveness. We believe grantee management understands its operations best and is in a position to utilize more effective methods to respond to our recommendations. We encourage these methods when responding to recommendations.

Instructions: Please complete this form with your comments and select whether you agree, partially agree, or disagree with the recommendations outlined in the draft report.

Recommendations	Response	Comments
Recommendation 1	Agree ☒ Partially Agree ☐ Disagree ☐	PG 36 & 37 If item hasn't been received at time of upload, Office Manager (OM) will return to M-Files to mark received with date on receipt. Credit card (CC) receipt should be submitted within 5 days of purchase. Follow up if not.
Recommendation 2	Agree ☐ Partially Agree ☒ Disagree ☐	PG. 37 In process of adding pre-approvals to M-Files. IT purchases made to comply w/ existing policies by Director of Finance and Administration (DFA), do not require further pre-approval.
Recommendation 3	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 36 Completed before end of review. Accounting Assistant is responsible for immediate deactivation & issuance of credit cards will be within 30 days of start date for new OM. Failure to comply with use policy will result in immediate deactivation.

Recommendation 4	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 31 If not cleared, must be investigated & resolved according to ILAS policy immediately.
Recommendation 5	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 31 Added to Accounting Manual
Recommendation 6	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 3 Added to Accounting Manual
Recommendation 7	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 31 Added to Accounting manual
Recommendation 8	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 31 Added to Accounting Manual
Recommendation 9	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 30 Agreed. Added to Accounting Manual
Recommendation 10	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 38 Already Required by Accounting Manual
Recommendation 11	Agree ☐ Partially Agree ☒ Disagree ☐	PG. 37 Already addressed with Recommendation #2 in addition to M-Files
Recommendation 12	Agree ☒ Partially Agree ☐ Disagree ☐	Will use through GoCo system. Adding to Personnel (Employee Handbook) Manual. August staff training.

Recommendation 13	Agree ☒ Partially Agree ☐ Disagree ☐	PG. 39 Executive Director approves before DFA sends to bank.
Recommendation 14	Agree ☒ Partially Agree ☐ Disagree ☐	(Employee Handbook) Update Salary advance form: Accumulated leave must be adequate to cover advance.