LEGAL SERVICES CORPORATION

OFFICE OF INSPECTOR GENERAL

Northwest Justice Project

RNO 948010

Final Audit Report on Selected Internal Controls

Report No. AU 24-03

July 2024

www.oig.lsc.gov

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July 8, 2024

Cesar Torres
Executive Director
Northwest Justice Project
401 Second Avenue S, Suite 407
Seattle, WA 98104

Dear Mr. Torres,

Enclosed is the Legal Services Corporation (LSC) Office of Inspector General's (OIG) final report for our audit on selected internal controls at Northwest Justice Project (NJP). Appendix IV of the report includes NJP's response to the draft in its entirety.

The OIG determined that NJP's proposed actions address Recommendations 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19. However, these 17 recommendations will remain open until NJP provides to us the items listed on page 28 to 29.

The OIG disagrees with NJP's responses to Recommendations 1 and 3. These recommendations and the associated questioned costs, totaling $43,086, will be referred to LSC Management for further review and action:

Recommendation 1 and associated questioned costs totaling $38,922 related to Attorneys' Fees. The OIG cannot determine if the attorneys' fees coded to NJP's Basic Fund were proportionately allocated in accordance with LSC regulation 45 C.F.R. § 1609.4(b). NJP disagreed with Recommendation 1 and will not pursue any further action. NJP explained that their existing process adequately supports the apportionment of costs and allocation of attorneys' fees.

Recommendation 3 and the associated questioned costs totaling $4,164 related to Law School Loan Reimbursement Assistance (LSLRA). NJP's deviation from written policies resulted in LSLRA payments to ineligible employees being charged to LSC, which is considered an unallowable cost. We believe these costs are not reasonable and not necessary according to LSC regulation 45 C.F.R. § 1630.5(a) subsections (2), (4), and (6). NJP partially agreed with Recommendation 3 and proposed an alternative action. NJP plans to apply revised policies from their Personnel Manual. However, we cannot yet determine if these changes will ensure fair and equitable treatment of all employees and if they will comply with the LSC regulation.

Please send us your response to close the 17 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 expect to receive your submission by January 8, 2025.

If you have any questions, please contact me at (202) 507-1138 or tyatsco@oig.lsc.gov or Roxanne Caruso, Assistant Inspector General for Audit at (202) 997-2260 or rcaruso@oig.lsc.gov. We appreciate the courtesy and cooperation extended to us during the audit.

Sincerely,

Thomas E. Yatsco LSC
Inspector General

Enclosure

Cc: Ronald Flagg, LSC President
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Executive Summary
Northwest Justice Project (NJP)
Report on Selected Internal Controls

Objective

The objective was to assess the adequacy of selected internal controls at NJP and determine whether costs were supported and allowed under the LSC Act of 1974, the LSC Financial Guide, as well as other applicable laws and regulations.

NJP is Washington state's largest publicly funded legal aid program, providing civil legal assistance to clients in 38 counties. It is headquartered in Seattle. For the year ending December 31, 2022, NJP received support and revenue of approximately $47.8 million. LSC funds were $8,107,356, or about 17 percent of the total.

WHAT WE FOUND

We noted that there is one area with no internal control weaknesses, budgeting and management reporting at NJP. However, out of 11 areas reviewed, ten had issues, resulting in 15 reportable findings. NJP needs to strengthen and formally document its internal controls. The findings include non-compliance with LSC regulations and guidelines, inadequate documentation, and insufficient oversight. These issues are present in various operational aspects, including derivative income, employee benefits, property and equipment, contracting, credit cards, cost allocation, general ledger & financial controls, disbursements, client trust funds, and payroll.

These findings mostly stem from operational changes due to the COVID-19 pandemic, inadequate recordkeeping, and documentation. We identified questioned costs totaling $43,086 related to the Law School Loan Reimbursement Assistance program and allocation of attorneys' fees.

WHAT WE RECOMMEND

This report includes 19 recommendations, primarily to ensure adequate documentation of approvals and recordkeeping. Recommendations also include updating NJP's policies to conform with the LSC Financial Guide, and to provide for appropriate segregation of duties.

MANAGEMENT RESPONSE

NJP management agreed with 14 recommendations, partially agreed with four recommendations, and disagreed with one recommendation.

NJP provided proposed actions that address 17 recommendations. However, these recommendations will remain open until the OIG is provided with evidence of the strengthened procedures and policies.

The OIG will refer two recommendations as well as questioned costs totaling $43,086 to LSC Management for further review and action.

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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 Northwest Justice Project (NJP, grantee, or recipient) for grantee operations and oversight. We conducted fieldwork from July 11, 2023, through September 22, 2023. We were on-site at NJP's administrative office in Seattle, Washington from July 24 through 28, 2023. See Appendix I for details of audit scope and methodology.

LSC's Financial Guide § 2.5.2, requires LSC recipients, under the direction of its Board of Directors, to establish adequate accounting records and internal control procedures. It defines internal controls as the processes put in place, maintained, and overseen by the recipient's Board of Directors and management to provide reasonable assurance that the organization:

- safeguards assets against unauthorized use or disposition;
- produces reliable financial information and reporting; and
- complies with [LSC] regulations and [applicable federal] laws that have a direct and material effect on its programs.

Background

NJP is Washington State's largest publicly funded legal aid program, providing civil legal assistance and representation to thousands of low-income people each year—with its headquarters located in Seattle. The grantee serves clients in 38 counties from its 21 office locations throughout the state. NJP's mission is to combat injustice, strengthen communities, and protect human dignity.

According to the audited financial statements for the year ending December 31, 2022, NJP received total support and revenue of $47,847,593. LSC funds were $8,107,356, or about 17 percent of the total. The LSC funds were comprised of Basic Field, Agricultural Worker, and Native American grants.

Objective

Our objective was to assess the adequacy of selected internal controls at NJP and determine whether costs were supported and allowed under the LSC Act of 1974, as amended; the LSC Financial Guide; and other applicable laws and regulations, including NJP's policies and procedures.

To accomplish the audit objective, we reviewed NJP's written policies and interviewed key staff to gain an understanding of selected internal controls in specific financial and operational areas. We reviewed and tested internal controls for disbursements; contracting; cost allocation; credit cards; general ledger and financial controls; client trust funds; derivative income; employee benefits; payroll; property and equipment; and budgeting and management reporting.

Audit Results

NJP mostly had adequate internal controls and was generally in compliance with LSC regulations and guidance. However, we found that for most areas reviewed, excluding Budgeting and Management Reporting, NJP needs to strengthen its practices or formalize, in writing, certain internal controls. See Figure 1.

Figure 1: Summary of Findings

Audit Section	Finding Summary
Derivative Income	• Non-compliance with LSC regulation on allocation of attorneys' fees
Employee Benefits	• Non-compliance with LSC regulation on unallowable reimbursements • Inadequate documentation (reimbursements) • Inadequate policies (reimbursements)
Property and Equipment	• Non-compliance with LSC regulation (LSC approval for prior to single purchase of property costing $25,000) • Inadequate practices (tracking, tagging, and inventorying of property and equipment)
Contracting	• Inadequate policies (sole-sourced, long-standing, and auto-renewals of contracts)
Credit Cards	• Inadequate practices (sharing credit card information) • Inadequate practices (no user agreement) • Inadequate policies (guidelines for use and disallowed use)
Cost Allocation	• Inadequate recordkeeping (documentation of adjustments)
General Ledger and Financial Controls	• Lack of segregation of duties (within the accounting system)
Disbursements	• Inadequate oversight (documentation of review and approvals)

Audit Section	Finding Summary
Client Trust Funds	• Inadequate practices (outstanding checks)
Payroll	• Inadequate policies (processes, records, oversight, and adjustments)

Derivative Income

We assessed NJP's procedures for recording and allocating derivative income, which was comprised of interest income and attorneys' fees. As a result, we found that interest income was recorded and allocated per LSC regulations and guidelines. However, not all attorneys' fees were proportionately allocated per LSC regulation 45 C.F.R § 1609.4(b). This regulation requires recipients to allocate attorneys' fees generated by LSC funded (in whole or in part) representation to the fund in which the recipient's grant is recorded in direct proportion to the LSC funds spent on that representation.

We Were Unable to Determine if the Attorneys' Fees Coded to NJP's Basic Fund Were Proportionately Allocated to LSC

Our testwork revealed that the attorneys' fees coded to NJP's Basic Fund in the grantee's timekeeping system were not allocated based on actual time spent on a case. For the fiscal year ending 2022, the total attorneys' fees coded to NJP's Basic Fund were $38,623, out of which $13,623 or 35 percent was allocated to LSC, and $25,299 or 65 percent was allocated to another funding source. The 65 percent and 35 percent share calculation is based on an accumulated average cost allocation analysis from timekeeping records. NJP collects time on cases throughout the life of the case or representation, which varies in months and years.

NJP management explained that the accumulated average cost share allocation between LSC and the other funding source makes the most sense and has been consistently applied to attorneys' fees coded to NJP's Basic Fund.

Attorneys' fee allocations based on accumulated average cost do not fully comply with LSC regulation 45 C.F.R. § 1609.4(b), which states that:

> Attorneys' fees received by a recipient or an employee of a recipient for representation supported in whole or in part with funds provided by LSC shall be allocated to the fund in which the recipient's LSC grant is recorded in the same proportion that the amount of LSC funds expended bears to the total amount expended by the recipient to support the representation.

The LSC Financial Guide § 3.1.4 states that LSC's proportional share is the ratio of LSC funds total funds expended to support the activity.

Attorneys' fees allocated based on accumulated average cost may not be proportionately allocated to LSC. An accumulated average calculation is not the same as a direct proportion.

Recommendation 1: We recommend the Executive Director develop an allocation methodology that will ensure that all attorneys' fees are proportionately allocated to the fund in which the LSC grant is recorded in the same proportion that the amount of LSC funds were spent on a case or representation.

Questioned Costs Were Identified Related to the Attorneys' Fees Coded to NJP's Basic Fund

The OIG is unable to determine if the attorneys' fees coded to NJP's Basic Fund were proportionately allocated in accordance with LSC regulation 45 C.F.R. § 1609.4(b). Therefore, we will be referring to LSC management for review and action (1) the allocation methodology for these attorneys' fees coded to NJP's Basic Fund based on accumulated average cost and (2) the attorneys' fees totaling $38,922.

Employee Benefits

We assessed NJP's processes for informing employees of available benefits, including NJP's Law School Loan Repayment Assistance (LSLRA) Program. NJP allocated 35 percent, or $68,800, of LSLRA payments to LSC. NJP disbursed a total of $313,157 in LSLRA payments within the audit period.

As a result of our review, we found that NJP has processes in place to distribute benefits equitably among all employees through an extensive new-hire orientation and provided reminders to all staff during the benefits open-enrollment period. NJP personnel files contained employee benefits information consistent with LSC's Financial Guide. However, we noted weak processes, policies, and procedures over LSLRA.

Law School Loan Repayment Assistant (LSLRA) Reimbursements Were Awarded to Eight Ineligible Employees

To determine if NJP complied with their written LSLRA policies and procedures, we calculated the estimated annual salary for 111 employees (using the hourly rate shown in payroll registers) for the periods ending December 2, 2022, and March 10, 2023. As a result, we found eight of 111 employees reached or exceeded experience level 25, the cut off for eligibility, but received LSLRA reimbursements within the audit period. The total amount of ineligible LSLRA awarded was $14,781, out of which $4,164 was allocated to LSC. See Figure 2 below.

Figure 2: Employees Ineligible for LSLRA

Employee	Experience Level Per Yr. 2022 Attorney Salary Scale	Experience Level Per Yr. 2023 Attorney Salary Scale	Tuition Reimbursed Within the Audit Period	Total Amount Allocated to LSC Within the Audit Period
Employee A	32-33	Over 35-36	$3,519	$1,225
Employee B	28-29	28-29	$1408	$490
Employee C	32-33	Over 35-36	$2,815	$980
Employee D	27-28	28-29	$704	$245
Employee E	Over 35-36	Over 35-36	$704	$245
Employee F	31-32	34-35	$704	$245
Employee G	25-26	26-27	$2,815	$0
Employee H	28-29	34-35	$2,112	$735
Total Ineligible LSLRA			$ 14,781	$ 4,164[1]

[1] All totals are rounded to the nearest whole number. There may be a discrepancy due to rounding off.

Per NJP management, most of the employees in Figure 2 are considered "Non-Union Manager Level Staff" and their compensation is not related directly to the salary scales. The basis of NJP's LSLRA Program eligibility is "level of attorney experience" and not the actual compensation amounts. The compensation for Union-Attorneys can include other pay such as "Bilingual Increment" and "Law Loan Payments." Managers' pay is determined based on a different compensation framework pay system. However, the Manager pay-system also refers to the attorney experience as part of the compensation determination.

The eight employees listed in Figure 2 were not eligible for LSLRA reimbursements, as stipulated in the CBA and Personnel Manual below.[2]

NJP's CBA § 12.20, Law School Loans, states:

> Attorneys who are regular employees are eligible to participate in NJP's Law School Loan Repayment Assistance Program. Upon receipt of satisfactory evidence concerning the existence and amount of loan obligations undertaken to pay for law school, NJP will pay up to six hundred and fifty dollars ($650) plus applicable social security payroll taxes, per calendar quarter toward the law school loan debt until the attorney reaches experience level 25 on the NJP salary scale. For tax purposes, this reimbursement is additional employee compensation. The right to participation ends on the date the attorney reaches experience level 25 on the NJP salary scale or when the attorney has paid off all outstanding law loans.

Additionally, NJP's Personnel Manual,[3] Law School Loan Repayment Assistance Program, states:

> Attorneys who are regular employees are eligible to participate in NJP's LSLRA. Upon receipt of satisfactory evidence concerning the existence and amount of loan obligations undertaken to pay for law school, NJP pays up to $500 plus applicable social security payroll taxes, per calendar quarter toward the law school loan debt. For tax purposes, this reimbursement is additional employee compensation. The right to participation ends on the date the attorney reaches experience level 20 on the NJP salary scale or when the attorney has paid off all outstanding law loans. Prospective participants may be required first to exercise their options to receive repayment assistance from, or to have loans forgiven by, their law school. Attorneys interested in participating should contact the Director of Finance for sign-up procedures.

[2] A union employee refers to the CBA while a non-union employee refers to the Personnel Manual.
[3] NJP has not updated the Personnel Manual to include the current LSLRA reimbursement amounts reflected in the CBA § 12.20. The current LSLRA reimbursement amount of $650 applies to union and non-union personnel.

By complying with written policies and procedures and adequately documenting any deviations, NJP management can reduce the risks of erroneous, fraudulent, or improper transactions occurring or going undetected.

We recommend that the Executive Director:

Recommendation 2: Update and develop LSLRA written policies and procedures for (1) Non-Union Manager Level Staff and (2) the basis for determination of the attorney's level of experience.

Recommendation 3: Review all LSLRA reimbursements within the audit period (January 1, 2022 to May 31, 2023) to verify that the employees reimbursed were at the experience level 24 and below, per the CBA. Document the results and any deviations from the policy, including review and approval.

Questioned Costs Were Identified Related to the Ineligible Employees that Received LSLRA Reimbursements

Due to deviations from NJP's written policies, the total amount of payment to ineligible employees that was charged to LSC qualifies as an unallowable cost and will be questioned pursuant to LSC regulation 45 C.F.R. § 1630.5(a) subsections (2), (4), and (6) which state that expenditures are allowable under an LSC grant or contract only if the recipient can demonstrate that the cost was reasonable and necessary for the performance of the grant or contract as approved by LSC; in compliance with the LSC Act, applicable appropriations law, LSC rules, regulations, and guidelines, terms and conditions of the grant or contract, and other applicable law; and accorded consistent treatment over time.

As such, we will be referring $4,164 to LSC management for review and action.

The LSLRA Reimbursements Were Not Adequately Documented

To apply for LSLRA, NJP requires applicants to annually submit a Certification form and satisfactory evidence concerning the existence and amount of loan obligations undertaken to pay for law school. The annual submission occurs during the open-enrollment for benefits. Our review of the payroll records confirmed that the qualifying employees received a net tuition reimbursement amount of $650 per quarter.

We reviewed the Certification forms and the loan documents for the 12 employees who received tuition reimbursement and noted the following exceptions:

For year 2022 submissions:

- One employee's student loan statement from the loan servicer had no date.

- Eight employees' student loan statements from the loan servicers did not include employee's names.
- Seven employees' loan documentation was not current in 2022. The loan documents were from the previous year, 2021.

For year 2023 submissions:

- Seven employees' loan documentation was not current in 2023. The loan documents were from the previous year, 2022.
- One employee's loan was forgiven in 2023, per email notification from the employee. However, there was no supporting documentation from the loan servicer containing the loan forgiveness date or the amount forgiven.[4]

NJP management explained that the loan documents were submitted via email from each employee. They did not request additional support. However, NJP was able to provide updated loan documentation while the OIG was on site, and this included the employees' names. NJP management added that the loan documentation is presented in different formats between loan servicers. NJP management has required employees to complete the certifications annually and provide reasonable documentation supporting the existence and the amount of the outstanding debt to remain in the LSLRA Program. The program eligibility requirements and payment amounts have been negotiated with and agreed to as part of the employee union contract since January 1, 2019.

The inadequate loan documentation submitted for the LSLRA did not conform with NJP's CBA § 12.20 as mentioned above and LSC guidelines.

Additionally, the LSC Regulation 45 C.F.R § 1630.5(a) subsection (8) states that expenditures are allowable under the LSC grant only if the recipient can demonstrate that the cost was adequately and contemporaneously documented in business records accessible during normal business hours to LSC management, OIG, U.S. Government Accountability Office (GAO), and independent auditors or other audit organizations authorized to conduct audits of recipients.

Obtaining adequate loan documentation can reduce the risk of LSC unallowable costs, erroneous, fraudulent, or improper reimbursements occurring or going undetected.

We recommend that the Executive Director:

Recommendation 4: Review the loan documentation submitted for LSLRA to ensure the documents included with the student loan statements contain the employees' names, dates of the

[4] The OIG confirmed that the employee with the student loan forgiven did not receive student loan reimbursements in 2023.

loan statements, and loan balances for the tuition reimbursements paid within the audit period (January 1, 2022, to May 31, 2023). Once completed, document the results of the review.

Recommendation 5: Obtain the supporting documentation, containing the loan amount forgiven and loan forgiveness date, from the student loan servicer for the employee with the student loan forgiven in 2023.

NJP Did Not Have Adequate Written Policies and Procedures for LSLRA

NJP has written policies and procedures for LSLRA that contain eligibility requirements for the maximum amount of quarterly LSLRA Program reimbursements, and eligibility limitations (when the attorney reaches experience level 25 on the salary scale or has paid off outstanding law loans). However, the policies did not include specific documentation requirements, deadlines for reimbursement request submissions, or procedures for identifying designated LSLRA submission approvers and reviewers, including documentation of review (such as signatures and dates).

NJP's management explained that, in practice, they have required employees to complete the certifications annually and include reasonable documentation supporting the existence and the amount of the outstanding debt to remain in the LSLRA Program. These LSLRA Program eligibility requirements and payment amounts have been negotiated and agreed to as part of NJP's union contract since January 1, 2019.

However, NJP's written policies and procedures for LSLRA did not fully consider LSC guidelines, as stipulated below.

The LSC Financial Guide § 3.2.4.a, states:

> Recipients are required to adopt written expense reimbursement policies and procedures. The policy should include procedure details, roles/responsibilities, reimbursement submission deadlines, documentation requirements, review/approval requirements. LSC recommends, in part, that the policy addresses the following:
>
> - specific documentation requirements (e.g., detailed receipts, business purpose, formal reimbursement forms),
> - deadline to submit reimbursement requests,
> - preapproval requirements, and
> - approval and review requirements (e.g., identify designated reviewers, evidence of review).

The absence of detailed procedures for documenting independent checks and proofs may result in unauthorized, unsupported, or ineligible law school reimbursements. Without proper documentation, the grantee may lack reasonable assurance that employees adhered to policies and procedures.

Recommendation 6: We recommend that the Executive Director update the written policies and procedures for LSLRA to include the following:

- Specific, required loan documentation. For example, monthly loan statements from the student's loan servicer, complete with name, address, and loan balance for the applicable year the reimbursement is requested.
- Specific deadline for submitting the Certification form and loan documentation.
- Specific procedures for reviewers and approvers, including documenting the review and approval with a signature and date.

Property and Equipment

In our review of property and equipment, we assessed the grantee's procedures for recording and inventorying capitalized assets. We also assessed NJP's processes over tracking non-capitalized assets that may contain sensitive information.

As a result of our review, we found that NJP did not obtain prior approval from LSC when purchasing IT equipment and lacks adequate internal controls over inventory.

NJP Did Not Obtain Approval from LSC Prior to a Single IT Equipment Purchase Over $25,000

NJP purchased 128 laptops, totaling $156,234, within the audit period, of which $63,671 was charged to LSC funds. One of the invoices we reviewed listed 50 laptops totaling $62,413, of which $34,491 was charged to LSC. The amount allocated to LSC from this invoice is over the $25,000 of the single purchase threshold requiring prior approval from LSC.

NJP management explained that they did not anticipate the amount allocated to LSC would exceed $25,000 at the time of the purchase. NJP anticipated LSC's share to be roughly 35 percent of the purchase, which would have been less than $25,000. However, based upon their analysis, they ultimately allocated $34,491 to LSC. The invoice-based pre-approval (rather than by single item) poses challenges in determining when to seek prior approval from LSC, especially when costs are shared amongst funders. NJP management mentioned that this was an instance where, in hindsight, they should have requested prior approval or flagged the invoice to affirmatively allocate less than $25,000 to LSC.

The absence of obtaining LSC's prior approval for purchases over $25,000 falls short of LSC requirements, as stipulated below.

LSC regulation 45 C.F.R. § 1631.8(a) states, as required by 45 C.F.R. § 1630.6 and 1631.3, a recipient using more than $25,000 of LSC funds to purchase or lease personal property or contract for services must request and receive LSC's prior approval.

Personal property purchased for more than $25,000 charged to LSC without prior approval is a compliance issue that may also be subject to questioned costs.

Recommendation 7: We recommend that the Executive Director notify and obtain approval from LSC for the purchase of 50 laptops exceeding $25,000.

NJP Did Not Tag Tangible Fixed Assets with an Identification Number for Tracking or Inventorying Purposes

We reviewed NJP's processes over accounting for and tracking fixed assets, including three copiers totaling $21,826, which were purchased within the audit period. We found that these copiers were not tagged with an identification number; and the grantee did not utilize any other procedures to easily identify and track them during physical inspections. Additionally, we found that the copiers were not included in the grantee's IT device inventory record or virtual tracking system.

NJP management explained that over the past several years, their capitalized purchases (individual items over $5,000) had been largely comprised of tenant improvements, software/technology development projects, and copiers. They added that tenant improvements and related development projects did not lend themselves to tagging. Also, NJP's technology department had implemented a virtual tracking system to track laptops, copiers, printers, and other network-connected items, which had replaced the physical tagging of the past.

The grantee's lack of procedures, such as tagging, to properly account for and track all their capitalized purchases does not comply with LSC guidelines, as stipulated below.

The LSC Financial Guide § 3.6.1 states, "Recipients must have procedures in place to properly account for and track all of their capitalized real and personal property, such as land, buildings, leasehold improvements, capital improvements, furniture, fixtures, and equipment."

Fixed asset tagging provides an efficient way to document, track, and prevent loss of property and equipment.

Recommendation 8: We recommend that the Executive Director develop and implement a process for tagging capitalized property and equipment.

NJP Did Not Perform a Physical Inventory of Fixed Assets

NJP provided us with the IT device inventory record, as well as the fixed asset depreciation and subsidiary record, generated from their accounting system. However, they were not able to provide a fixed asset physical inventory record.

NJP management explained that they have historically conducted a review and physical inventory of relevant capitalized property on a minimum two-year cycle. NJP management also have not done a full inventory review since 2019 because of office closures and remote staff due to the coronavirus disease 2019 (COVID-19) pandemic, but they told us they will do so soon, when practicable.

NJP's failure to perform physical inventory at least once every two years does not comply with LSC guidelines, as stipulated below.

The LSC Financial Guide § 3.6.2, states:

> Recipients are required to conduct a physical count of assets listed in the property subsidiary ledger at least once every two (2) years. Recipients must document the inventory process and investigate and reconcile any differences between the

physical inspection and property subsidiary ledger. In addition, the recipient's policies must document procedures for fixed asset write off, such as required approvals for recording write off transactions and the timeframe within which such transactions must be recorded.

Recipients must inventory information technology equipment that contains sensitive information, regardless of the equipment's value (e.g., any computer or device with confidential client information), and dispose of it appropriately.

Not performing a physical inventory may result in inaccurate fixed asset records, or thefts or damage to property going unreported.

Recommendation 9: We recommend that the Executive Director conduct a physical inventory of capitalized property and equipment as soon as possible, document the results, and do so at least every two years.

Contracting

Our review found that NJP generally had adequate internal controls over contracting and appeared to follow relevant LSC guidelines. We found that contracts were adequately approved, followed grantee's policies, and had clear and complete terms.

However, our review of NJP's contracting policies and procedures found that they were not fully comparable to LSC guidelines and requirements; and NJP did not have policies for documenting sole-sourced contracts or recompeting long-standing or automatically renewing contracts.

NJP's Policies and Practices over Sole-Sourced, Auto-Renewing, and Long-Standing Contracts Were Not Adequate

NJP did not have policies requiring documentation of sole-source justifications for their contracts. During our testwork, we found five contracts were sole sourced. However, none of these had documentation of sole-source justifications explaining why these vendors were chosen without going through a bidding process. See Figure 3.

Figure 3: Contracts Lacking Documentation of Sole-Source Justification

Contract	Total Payment Over Audit Period	Amount Allocated to LSC Over Audit Period
Auditing Services	$98,751	$34,365
Contract Lawyer	$43,427	$0
HR Services & Employee and Leadership Training	$69,616	$24,266
Communications Consultant	$78,020	$20,082
Software Support	$154,841	$0

When asked, NJP verbally provided reasonable justifications for sole sourcing the contracts. However, they had not formally documented these justifications.

In addition, we found that there were no policies regarding automatically renewing contracts. Our testwork revealed two contracts were automatically renewed. See Figure 4.

Figure 4: Contracts Automatically Renewed

Contract	Cost	Amount Allocated to LSC Over Audit Period
IT Communications	$5,973 monthly	$24,884
Human Resources	$9,312 annually (plus various fee-for-services items)	$24,266

Also, NJP had no formal policy for recompeting long standing contracts. We found that they had used the same financial statement auditor since their fiscal year 2011 without recompeting the contract.[5]

NJP management explained that the contracting policy is based on balancing risk while also being reasonably efficient. For automatically renewing contracts, they told us that they monitor services rather than rebid. However, if the situation warrants, they may rebid. Regarding the auditing services contract, NJP management confirmed that they regularly evaluate peer reviews and OIG issued Quality Control Reviews of the firm, as well as their general satisfaction level and pricing. However, the grantee lacked documentation of their evaluations of the firm.

NJP's inadequate procurement practice for sole-sourced and auto-renewed contracts does not fully consider the recommended guidelines in LSC's Procurement Policy Drafting 101. These guidelines discourage automatic renewals in consumer contracts and recommend using option contracts when possible. Additionally, the guidelines recommend periodically competing long-standing contracts every three to five years to ensure that the best value is obtained. It suggests that all material terms should be contained in one document.

NJP may lack reasonable assurance that they are receiving the best possible value when contracts are automatically renewed or not periodically recompeted. Proper documentation helps ensure that the approved contract has followed all established procedures. Without adequate written policies over important contracting areas, such as automatically renewing contracts and sole-source justifications, there is an increased risk that the grantee will enter into unfavorable contracts or miss opportunities to achieve the best possible value.

We recommend that the Executive Director:

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[5] LSC's Procurement Policy Drafting Guidance suggests recompeting contracts every three to five years to ensure the best value is obtained.

Recommendation 10: Update and implement contracting policies to include the following:

- requirements for sole source justification;
- discouragement of automatically renewing contracts, when possible and if terms allow. If automatically renewing contracts are unavoidable, consider setting up automated reminders to periodically reevaluate contracts;
- requirements for periodic re-competition of contracts, when appropriate; and
- requirements for full documentation for each contract action, including the request for proposals, vendor selection and approval.

Credit Cards

NJP had two credit card accounts active during the period under review. See Figure 5.

Figure 5: NJP's Credit Cards, Users, and Spending Limit

Account	Number of Cards[6]	Number of Users	Spending Limit
Account 1	2	1 (Operations Director)	$30,000 each
Account 2	3	3 (Director of Finance, IT Director, and Executive Assistant)	$100,000 combined

As a result of our review, we found that NJP's written credit card policies were incomplete when compared to LSC's Financial Guide, as detailed below. In practice, we found that the grantee maintained adequate supporting documentation and used credit cards for business-related and LSC-allowable purposes. However, we found that NJP's authorized cardholders had not signed credit card user agreements, and some transactions may have been made by unauthorized personnel without documented approval from the cardholder.

NJP Personnel Made Credit Card Purchases Without Documented Approval from Authorized Cardholders

We found evidence such as purchase confirmation emails indicating that employees other than the authorized cardholders initiated ten credit card transactions totaling $12,903. The ten credit card transactions included travel, flowers, and training; there was no documented approval from the authorized cardholder. Of this amount, approximately $2,900 was charged to LSC.[7]

According to NJP management, staff in field offices sometimes need to make purchases using a credit card, and they will call the cardholder to explain the situation. When warranted, the cardholder will provide the card information with the understanding that it will only be used one time, with any relevant receipts provided for the monthly reconciliation.

LSC's Financial Guide § 3.2.4.c, states, "LSC strongly encourages the use of purchase cards to improve expense tracking… and to reduce the risk of fraud."

If credit cards are used without sufficient oversight by the authorized cardholder, expenses could be incurred at unacceptable prices or terms, or for goods or services that are not allowable under applicable regulations or policies.

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[6] NJP had two cards on account 1 managed by the Operations Director; one was used for general operations, the other for recurring purchases. As of our audit, the cards were being phased out and replaced with the new cards on account 2.

[7] No LSC-unallowable transactions were charged to LSC.

Recommendation 11: We recommend that the Executive Director implement a control to ensure only authorized cardholders have access to card information. In the event another staff member needs to use a credit card and the cardholder cannot make the purchase for them, adequate documentation should be maintained to show that the cardholder authorized the purchase and access to the card was limited.

NJP Lacked Credit Card User Agreements

NJP did not use credit card user acknowledgment agreements with all authorized cardholders. A credit card user acknowledgment agreement documents that the cardholder has read and agrees to follow the terms of use.

NJP management stated that this was an oversight because, historically, there was only one cardholder, and they understood the terms of use. Management agreed that acknowledgment agreements would be a good idea as more cards are established.

In contrast, LSC's Financial Guide § 3.2.4.c, states, "If the recipient makes use of credit or debit purchase cards, it must have a written and Board-approved policy that, at a minimum, contain… procedures for authorized users to review and acknowledge credit and purchase cards policies."

If cardholders do not read and acknowledge terms of use, there is an increased likelihood of impermissible or improper charges.

Recommendation 12: We recommend that the Executive Director ensure credit card user acknowledgment agreements are signed by all cardholders.

NJP's Credit Card Policies Were Inadequate

NJP's written credit card policies did not address several requirements of LSC's criteria, including guidelines on personal use, disallowed charges, and properly documenting deviations from policy; restrictions on cash advances and ATM withdrawals; deadlines for providing supporting documentation; and procedures for reviewing and acknowledging credit card policies.

We noted that the above deficiencies were addressed in practice, with the exception of a formal process for cardholders to review and acknowledge credit card policies.

NJP management stated that, historically, only one credit card was used, and it was maintained by one employee. As such, extensive policies were not found to be necessary.

These incomplete credit card policies do not fully comply with LSC criteria, as stipulated below.

LSC's Financial Guide § 3.2.4.c, states:

> If the recipient makes use of credit or debit purchase cards, it must have a written and Board-approved policy that, at a minimum, contains the following:
>
> - guidelines on personal use and disallowed charges;
> - transaction and account limits;
> - guidelines on properly documenting any deviations from policy (including approval);
> - guidelines for cash advances or ATM withdrawals;
> - deadlines for providing supporting documentation for expenses (receipts, invoices, etc.);
> - procedures for authorized users to review and acknowledge credit and purchase cards policies.

Without detailed written policies governing credit cards, impermissible or excess costs could be incurred as cardholders may be uncertain about proper use of cards.

Recommendation 13: We recommend the Executive Director update NJP's written policies for credit cards to include, at a minimum, the following:

- guidelines on personal use and disallowed charges;
- guidelines on properly documenting any deviations from policy;
- restrictions on cash advances and ATM withdrawals;
- deadlines for providing supporting documentation;
- procedures for cardholders to review and acknowledge credit and purchase card policies.

Cost Allocation

As a result of our review of cost allocation, we found that NJP had adequate policies that generally conformed with LSC regulations and guidelines. Our interviews confirmed that the grantee generally had adequate internal controls and that they appeared to follow LSC guidelines and allocate costs in a reasonable and equitable manner across the funding sources.

We evaluated the grantee's cost allocation methodology, and it was generally compliant with LSC guidelines and had adequate internal controls. However, we found that the quarterly and yearly adjustments to the various grants for indirect cost allocation (especially that of indirect personnel allocations) involved multiple steps and varied by grant. The exact percentages applied to each funding source were not clearly documented and we could not replicate the allocations based on the information NJP provided. The final allocation percentages appeared to be reasonable based on the expenses incurred per grant (especially the LSC grant) and the state funding amounts, which were the two largest funding sources. We also confirmed that the grantee performed the allocations regularly.

NJP Did Not Fully Document Adjustments to Allocations For Indirect Administrative Costs

While the grantee's cost allocation processes were generally reasonable and equitable, the grantee was unable to provide adequate documentation to support the quarterly and yearly adjustments to the various grants. NJP utilizes a complex indirect cost allocation system based on full-time equivalents (FTE) and grant contracts. The adjustments were a multi-step process that varied depending on the grant. While the grantee provided documentation to support the allocations, we were not able to replicate the allocations based on the documentation provided. The grantee allocates direct costs first and afterward allocates indirect costs to the grants that support them. We reviewed and tested the final allocation rates, which appeared to be reasonable and equitable; however, the exact amounts allocated could not be replicated from the documentation provided.

The grantee has written procedures for cost allocation and relies on the expertise of their financial staff. However, while the procedures are detailed, they do not provide adequate instruction to allow a third party—such as auditors—to replicate the quarterly and yearly indirect cost allocation adjustments.

LSC's Financial Guide § 3.7.1, requires grantees to have cost allocation documentation that allows for third party review.

Without adequate, detailed written policies and procedures for cost allocation, there is a risk that allocations could be performed improperly if key members of the financial staff are absent.

Recommendation 14: We recommend that the Executive Director document the complete cost allocation process including the adjustments made to arrive at the final allocations for indirect costs.

General Ledger and Financial Controls

In our review of general ledger and financial controls (including bank reconciliations,[8] cash receipts and deposits, outstanding checks, and user access controls), we found that the grantee had adequate policies that generally conformed with LSC regulations and guidelines.

Our interviews and testwork found that the grantee generally had adequate internal controls in place that complied with LSC regulations and guidelines. However, we noted that the grantee was not using segregated access controls in the accounting system.

NJP Was Not Using the Segregation of Duties Functionality in Their Accounting Software

While NJP's accounting software allows for segregation of duties, NJP had not set up this functionality in the system. All users of NJP's accounting software had either Full or Administrator access. Those with Full access had read, write, and edit capabilities across the general ledger, accounts payable, and management report portions of the software. The Director of Finance also had Administrator access, which gave him the same privileges as those with Full access, as well as the ability to manage users and user access rights and review system logs, among other items.

According to NJP management, the software allows for segregation of duties, but they told us that because the accounting team is small, it makes sense for all the accounting staff to have user-level access.

Additionally, management stated, the accounting software user rights are uniform for the Controllers and Staff Accountants because they are a small group and require the backup ability to post and record in the system. He also stated that the Payroll Specialist does not have access to the system.

In contrast to NJP's practice, LSC's Financial Guide § 2.1.1.b, states that grantee accounting systems should incorporate user-specific access privileges and segregation of duties.

The lack of distinct user access rights based on the duties of accounting staff can potentially cause a lack of segregation of duties and increase the risk of misappropriation of NJP's funds.

Recommendation 15: We recommend that the Executive Director enable distinct user access roles for the NJP accounting staff that are commensurate with their responsibilities to ensure adequate segregation of duties is maintained in the accounting software.

[8] For our bank reconciliation testwork we also included bank reconciliations from NJP's client trust accounts and included any findings in this section. For other client trust related findings, please see that section of the report.

Disbursements

In our review of disbursements, we found that NJP's policies and practices were well designed and mostly compliant with LSC guidance. All checks had required signatures, transactions were approved prior to payment, and all items in our sample were recorded in the general ledger. However, we found that not all approvals were dated, and approval for employee travel was not documented in some cases.

Not All Reviews and Approvals of Disbursements Were Dated

All disbursements in our sample showed evidence of management review. However, in our review of 78 expenses, the approvals were not dated, and we were unable to determine whether they took place before payment was made, although this is NJP's process. These expenses included employee reimbursements, office supplies, and other common business costs totaling $293,557, of which approximately $42,760 was charged to LSC.

NJP's accounts payable process involves review by the Director of Finance or Controller prior to disbursements being issued. NJP management also described open communication among staff that may include authorizing purchases, but the grantee did not find it necessary to use purchase orders or other formal approvals.

In contrast to NJP's process, LSC's Financial Guide § 3.2.4, states that there must be procedures in place for timely review and approval of transactions.

If approvals are not dated, NJP cannot verify whether the review and approval of transactions occurred in a timely manner. Timely approvals are an internal control that helps prevent delays in disbursements, reducing opportunities for fraud or falsifications. Delayed disbursements may also affect budgeting, cash flow, and financial reporting.

Recommendation 16: We recommend that the Executive Director implement a process requiring dated approvals prior to expenses being incurred.

NJP Did Not Document Prior Approval for Employees' Travel in Accordance with Their Policy

Three employee reimbursements for travel, totaling $1,208, did not include prior approval for travel in accordance with NJP's policy.

Per NJP management, approval was likely given verbally.

Verbal approvals are contrary to the procedures in NJP's Administrative Manual, which states, "Employees and Board members may travel at Northwest Justice Project's expense, when authorized in advance."

If employees do not follow NJP's written policy, the grantee may incur unnecessary or unreasonably high travel expenses.

Recommendation 17: We recommend the Executive Director establish a process to document advance approval for employee travel, and, if appropriate, set a threshold above which such approval must be documented and not only given verbally.

Client Trust Funds[9]

We found that the grantee had adequate client trust fund policies which generally complied with LSC regulations and guidelines. However, NJP did not have policies requiring follow-up on items that are outstanding for over two months, and we found four checks that had not been resolved after two months.

Our interviews also confirmed that the grantee was not following up on client trust checks that were outstanding for over two months.

We noted in our testwork of client trust fund accounting processes that the grantee had mostly adequate controls.[10] Client trust logs and supporting documentation were maintained, and disbursements and receipts of funds were properly supported. However, we noted that there were outstanding checks that were not timely resolved.

NJP Had Checks Outstanding Over Two Months

The client trust bank accounts had four outstanding checks that had not been resolved after two months.

- Three checks issued in April of 2023 had not been cleared by the time of our fieldwork on July 26, 2023. The checks were for $2,667, $1,966, and $233.
- One check for $550 was issued in June 2022 and was outstanding until February 2023, when it was voided and reissued to the client.

For the $2,667 outstanding check, the Controller stated that they had reached out to the client, who would be cashing the check soon, and that the other two outstanding checks had been returned to NJP and would be voided soon.

When outstanding checks are not monitored or resolved, there is an increased risk of undetected errors or fraudulent activities, as well as noncompliance with state escheatment laws.

Recommendation 18: We recommend that the Executive Director develop policies to ensure the timely disposition of outstanding checks.

[9] Client trust funds are funds received from or on behalf of a client and are not considered property of the grantee.
[10] We reviewed client trust bank reconciliations in our General Ledger and Financial Controls testwork, and the noted issues are detailed in that section of the report.

Payroll

We found that the NJP's payroll process addressed LSC's requirements: timesheets were complete, approved, and consistent with the payroll register; pay rates were supported by personnel action forms and approved by appropriate management. However, we found that the written policies lacked sufficient detail.

NJP's Payroll Policies Did Not Address All LSC Criteria

NJP's written policies did not address the following items required by LSC's criteria:

- the contents of the payroll register;
- a requirement for supervisory review of timesheets;
- information about personnel files and how they are maintained;
- information about payroll allocations;
- required approvals for position and pay adjustments;
- a requirement that the individual who signs payroll checks be independent of payroll preparation.

NJP management stated that most of the missing items are built into the HR system or tied into the system training, which they rely on to ensure employees are familiar with the payroll processes. Regarding pay adjustments, most staff are on fixed schedules as part of the union contract.

NJP's policies did not fully address the requirements in LSC's Financial Guide § 2.2.2, which states, "Recipients must adopt written payroll policies and procedures. The policy must include payroll procedure details, roles/responsibilities, frequency, documentation requirements, and review/approval requirements (including changes/adjustments)."

Without detailed written policies, staff may be uncertain about how to implement the payroll process, increasing the chance of inconsistencies when training new staff. Additionally, the absence of written policies may adversely impact the reliability of financial reports, efficacy of payroll operations, and accuracy of other payroll transactions.

Recommendation 19: We recommend that the Executive Director ensure NJP's Accounting Manual (and, if applicable, Personnel Manual) is updated to include the grantee's processes surrounding the referenced criteria. This includes:

- payroll procedure details,
- roles/responsibilities,
- frequency,
- documentation requirements, and
- review/approval requirements (including changes/adjustments).

OIG Evaluation of Grantee Management Comments

On May 13, 2024, NJP responded to the OIG's Draft Report, agreeing with 14 recommendations, partially agreeing with four, and disagreeing with one. For the recommendations with which they agreed, NJP included plans to update policies and procedures to ensure compliance and improve efficiency. For NJP's partial agreements with Recommendations 3, 8, 14, and 19, their responses either proposed alternative resolutions to address the OIG's findings or asserted that grantee's existing practices already address the OIG's findings. NJP disagreed with Recommendation 1, explaining that their existing process adequately supports the apportionment of costs and allocation of attorneys' fees.

NJP's responses are included in their entirety in Appendix IV.

The OIG determined that NJP's proposed actions address Recommendations 2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19. However, these recommendations will remain open until the OIG is provided with evidence of the strengthened procedures and policies detailed in Figure 6.

Figure 6: List of Supporting Documentation[11]

Recommendation No.	List of 17 Recommendations Remaining Open Pending Specified Documentation
2	The updated Personnel Manual detailing policies for union/non-union attorney experience level determination.
4	The documentation from the LSLRA reimbursements review, including names, dates, loan statements, and loan balances from the reimbursements made between January 1, 2022 and May 31, 2023.
5	The documentation, obtained from the student loan servicer, that includes the loan amount forgiven and the loan forgiveness date for the employee whose student loan was forgiven in 2023.
6	The revised LSLRA policies and procedures.
7	Proof of the request and approval from LSC Management for property purchases exceeding $25K.
8	The new written procedures for tagging capitalized property and equipment.
9	A copy of the most recent physical inventory of capitalized property and equipment.

[11] These items are due to the OIG within six months from the date of final report or by January 8, 2025.

Recommendation No.	List of 17 Recommendations Remaining Open Pending Specified Documentation
10	The updated, board-approved contracting policies.
11	The revised credit card policy.
12	Copies of signed user agreements for credit cards.
13	The revised credit card policy.
14	Updated documents detailing the complete cost allocation process, including adjustments.
15	Documentation verifying updated user access roles for proper segregation of duties in accounting.
16	Proof of dated prior approvals for the most recent five disbursements in October 2024.
17	The updated travel policy.
18	Updated, board-approved client trust policies that ensure the timely disposition of outstanding checks.
19	The updated payroll procedures and documentation proving their inclusion as appendices in the Accounting Manual.

The OIG disagrees with NJP's responses to Recommendations 1 and 3. These recommendations and the associated questioned costs totaling $43,086 will be referred to LSC Management for further review and action:

- **Recommendation 1 and the associated questioned costs totaling $38,922 related to Attorneys' Fees.** The OIG cannot determine if the attorneys' fees coded to NJP's Basic Fund were proportionately allocated in accordance with LSC regulation 45 C.F.R. § 1609.4(b). NJP disagreed with Recommendation 1, which discussed development of an allocation methodology ensuring that all attorneys' fees are proportionately allocated to the fund in which the LSC grant is recorded. NJP maintains that their existing process, which considers the proportion of LSC "eligible" case and matter time, adequately supports the apportionment of costs and allocation of attorneys' fees. They also stated that allocating 35% of attorneys' fees on jointly funded cases to LSC provides a cushion to ensure income derived from attorneys' fees is reasonably and consistently allocated to LSC. NJP will not pursue any further action to address Recommendation 1.

- **Recommendation 3 and the associated questioned costs totaling $4,164 related to LSLA reimbursements.** NJP's deviation from written policies resulted in LSLRA payments to ineligible employees being charged to LSC, which is considered an unallowable cost. These costs are unreasonable and unnecessary according to LSC regulation 45 C.F.R. § 1630.5(a) subsections (2), (4), and (6). NJP partially agreed with Recommendation 3. NJP stated that they will review the LSLRA reimbursements from January 1, 2022, to May 31, 2023, and they expect the review to be completed by June 30, 2024. In addition, NJP stated that they will not apply the current policies from the CBA for Non-Union Manager Level Staff; instead, they will apply the updated policies from the Personnel Manual. The OIG is unable to determine if the updated policies from the Personnel Manual will ensure fair and equitable treatment of all employees and/or if they comply with the LSC regulation, as the revised policies have not been fully implemented. NJP proposed an alternative action that may not address the recommendation.

Figure 7: Recommendations Table Summary

Recommendations Referred to LSC Management	Recommendations Open	Recommendations Closed
1 & 3	2, 4, 5, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 16, 17, 18, and 19.	None.

The grantee's comments on the recommendations are categorized as follows:

- Referred to LSC Management — The grantee does not agree to implement the recommendation. These recommendations will be referred to LSC Management for resolution.
- Open — The grantee agreed to implement the recommendation or provided proposed actions that will address the finding.
- Closed — The OIG confirmed that the grantee's corrective actions were implemented.

Appendix I: Scope & Methodology

To achieve the audit objective, we identified, reviewed, evaluated, and assessed internal controls in:

- disbursements,
- contracting,
- cost allocation,
- credit cards,
- general ledger and financial controls,
- client trust funds,
- derivative income,
- employee benefits,
- payroll,
- property and equipment, and
- budgeting and management reporting.

We assessed controls in effect during the period January 1, 2022, through May 31, 2023, to ensure that costs were adequately supported and allowed under the LSC Act and LSC regulations.

To select our samples for testing, we used a non-statistical sampling methodology. We determined this methodology was appropriate based on the audit period and objective as well as the audit timeline and the nature of the grantee. Our results cannot be projected to the audit universe, and we do not intend to make inferences about the populations from which we derived our samples. See Figure 8.

Figure 8: Sampling Methodology of Areas Reviewed

Sampling Methodology	
Disbursements	To assess the appropriateness of expenditures and the existence of adequate supporting documentation, we reviewed disbursements made by NJP for transactions other than credit cards and payroll. We judgmentally selected a sample of 85 disbursements for testwork, totaling $346,080, and eight voided checks, totaling $25,689. The selected samples included high dollar value transactions and potentially risky or unallowable purchases, as well as routine disbursements for employee reimbursements and office supplies, among others. The sample represented approximately 1.2 percent of the $28,442,278 disbursed for transactions other than credit cards and payroll during the period January 1, 2022, through May 31, 2023.

Sampling Methodology	
	To assess the appropriateness of expenditures, we tested whether NJP documented adequate approvals and reviewed invoices and supporting documentation, then traced the expenditures to the general ledger. We evaluated the appropriateness of those expenditures based on NJP's internal policies, applicable laws and regulations, and LSC grant agreements and policy guidance.
Contracting	For our testing of NJP's contracting procedures, we judgmentally selected OK and two consultant contracts with payments totaling $147,636 over the audit period. We selected the sample based on distinct types of contracts and vendors, high dollar amounts, and former employees. We included contracts from the different NJP contracting thresholds.
Cost Allocation	We evaluated the grantee's cost allocation methodology to assess whether it was reasonable and compliant with LSC guidelines and included adequate internal controls. We used a judgmental sampling methodology to select three non-personnel indirect costs, which included rent, telephone, and postage expenses. We also judgmentally selected three employees who were allocated indirect costs including salaries for administrative and executive personnel.
Credit Cards	We judgmentally selected ten credit card payments and obtained the corresponding card statements. These were chosen based on timing and amount; we selected nine statements over $15,000 from 2022, and one statement over $10,000 from 2023. From the ten statements, we judgmentally selected 15 transactions totaling $28,644, including expenses for flowers, travel, and software. These were selected because they were potentially unallowable and high-value transactions. We assessed the appropriateness of the expenditures and the existence of approvals and adequate supporting documentation.
General Ledger and Financial Controls	We performed testwork on a random, non-representative sample of nine months of bank statements and reconciliations for the grantee's operating account, payroll account, two client trust accounts, and investment accounts. Additionally, we judgmentally selected a sample of a subset of five months of cash receipts from the original nine-month sample. From that subset of five months of cash receipts, we judgmentally selected five deposits to ensure they lined up with cash receipts. We reviewed petty cash bank reconciliations for each of the grantee's 17 petty cash accounts (one per office, with some exceptions). Due to concerns with the sharing of sensitive client information, we were not given copies of these reconciliations. However, we reviewed these in the office with the Director of Finance and were comfortable with our level of review.

Sampling Methodology	
Client Trust Funds	We selected a random, non-representative sample of nine months of bank statement reconciliations from both of NJP's client trust accounts. From those bank statements, we also judgmentally selected four client trust disbursements and four client trust receipts for further testwork to ensure that adequate supporting documentation existed and that client trust amounts posted in the general ledger and other client trust records matched the bank statements.
Derivative Income	We performed a judgmental sampling methodology of all interest income received within the audit period, totaling $24,695. We also performed a judgmental sampling methodology in selecting five attorneys' fees, totaling $38,187, based on high dollar amounts. In addition, we judgmentally selected and reviewed attorneys' fees coded to NJP's Basic Fund totaling $38,922.
Employee Benefits	Our review of employee benefits focused on NJP's Law School Loan Repayment Assistance (LSLRA) program. For our testwork, we judgmentally selected 12 employees that were receiving LSLRA reimbursements. We also assessed the new hire orientation materials and randomly selected two personnel files: one, active employee, and one, no longer employed at NJP.
Payroll	We judgmentally selected two pay periods for testing and selected a judgmental sample of 24 current employees and five former employees. We selected employees based on their office location and position title. NJP uses a payroll software to process payroll bi-weekly; employees are paid every other Friday, mostly through electronic deposit.
Property and Equipment	We randomly selected transactions related to three copiers which were considered capitalized assets totaling $21,826. We also selected all 128 laptops valued at $156,234. These laptops were considered non-capitalized equipment. All property and equipment reviewed were purchased within the audit period. We assessed the procedures for accounting, recording, and inventorying capitalized assets. We also assessed NJP's processes over tracking non-capitalized assets that may contain sensitive information.
Budgeting and Management Reporting	We randomly selected a sample of nine months from which to review management reports. We reviewed all budgets that were prepared and/or approved during the period under review. This consisted of the Board-approved 2022 budget, and the proposed 2023 budget.

To understand the internal control framework and NJP's processes over the areas mentioned above, we interviewed grantee management and staff, and we reviewed the grantee's policies and procedures. These included accounting and personnel manuals, and additional Board-approved policies setting forth current grantee practices.

To review and evaluate internal controls, we 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 the audit objective. We also conducted testwork which included inquiries, observation, and the examination of source documents to determine whether the grantee's internal control system and policies and procedures complied with the guidelines in LSC's Financial Guide.

We assessed internal controls and compliance with laws and regulations necessary to satisfy the audit objective. We assessed the internal control components and underlying principles that we determined to be significant to the audit objective. However, because we limited our review to these internal control components and underlying principles, it may not have disclosed all internal control deficiencies that may have existed at the time of this audit.

Additionally, we considered the necessity of evaluating information systems controls. We determined that information system controls were significant to the audit objective. Therefore, we evaluated information system controls related to specific grantee operations, oversight, program expenditures, and fiscal accountability. Our internal control review included performing audit procedures related to information system controls to obtain sufficient, appropriate evidence to support and document our findings and conclusions on the implementation and effectiveness of NJP's internal controls. We determined that no additional audit procedures relating to information systems controls were needed.

Per government auditing standards, we assessed the reliability of NJP's computer-generated data. We reviewed selected system controls and supporting documentation and conducted interviews, logical tests, and testwork including tracing and vouching amounts to and from source documents. We found the data were reasonably complete, accurate and consistent. Therefore, we determined the data were sufficiently reliable for the purposes of this audit.

We also assessed significance and audit risk. We determined that internal controls in the select financial and operational areas mentioned above were significant to the audit objective. Audit risk is the possibility that audit findings, conclusions, recommendations, or assurance may be improper or incomplete because of factors such as insufficient or inappropriate evidence, the inadequacy of the audit process, or intentional omissions or misleading information due to misrepresentation or fraud. Based on our consideration of these factors, we determined the audit risk level to be low.

We conducted the audit fieldwork remotely and on-site from July 11, 2023 to September 22, 2023. We performed the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on the audit objective. We believe the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objective.

Appendix II: Assessment of Internal Control Components and Principles

Figure 9: Internal Control Principles Significant to the Audit Objective[12]

Internal Control Component		Principle	
Name	**Overview**	**Number**	**Description**
Control Environment	The control environment is the foundation for an internal control system. It provides the discipline and structure, which affect the overall quality of internal control. It influences how objectives are defined and how control activities are structured. The oversight body and management establish and maintain an environment throughout the entity that sets a positive attitude toward internal control.	2	The Oversight Body Should Oversee the Entity's Internal Control System
		3	Management Should Establish an Organizational Structure, Assign Responsibility, and Delegate Authority to Achieve the Entity's Objectives
Control Activities	Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity's information system.	10	Management Should Design Control Activities to Achieve Objectives and Respond to Risks
		11	Management Should Design the Entity's Information System and Related Control Activities to Achieve Objectives and Respond to Risks

[12] The numbers correspond with the principles outlined in the Standards for Internal Control in the Federal Government (GAO-14-704G). While we considered principles 1, 4-9, 16 and 17 during the audit, we determined that these principles were not significant to the audit objective.

Internal Control Component		Principle	
Name	**Overview**	**Number**	**Description**
		12	Management Should Implement Control Activities Through Policies
Information and Communication	Management uses quality information to support the internal control system. Effective information and communication are vital for an entity to achieve its objectives. Entity management needs access to relevant and reliable communication related to internal as well as external events.	13	Management Should Use Quality Information to Achieve the Entity's Objectives
		14	Management Should Internally Communicate the Necessary Quality Information to Achieve the Entity's Objectives
		15	Management Should Externally Communicate the Necessary Quality Information to Achieve the Entity's Objectives

Appendix III: Summary of Impact, Findings, and Recommendations

Figure 10: Questioned Costs Referred to LSC Management

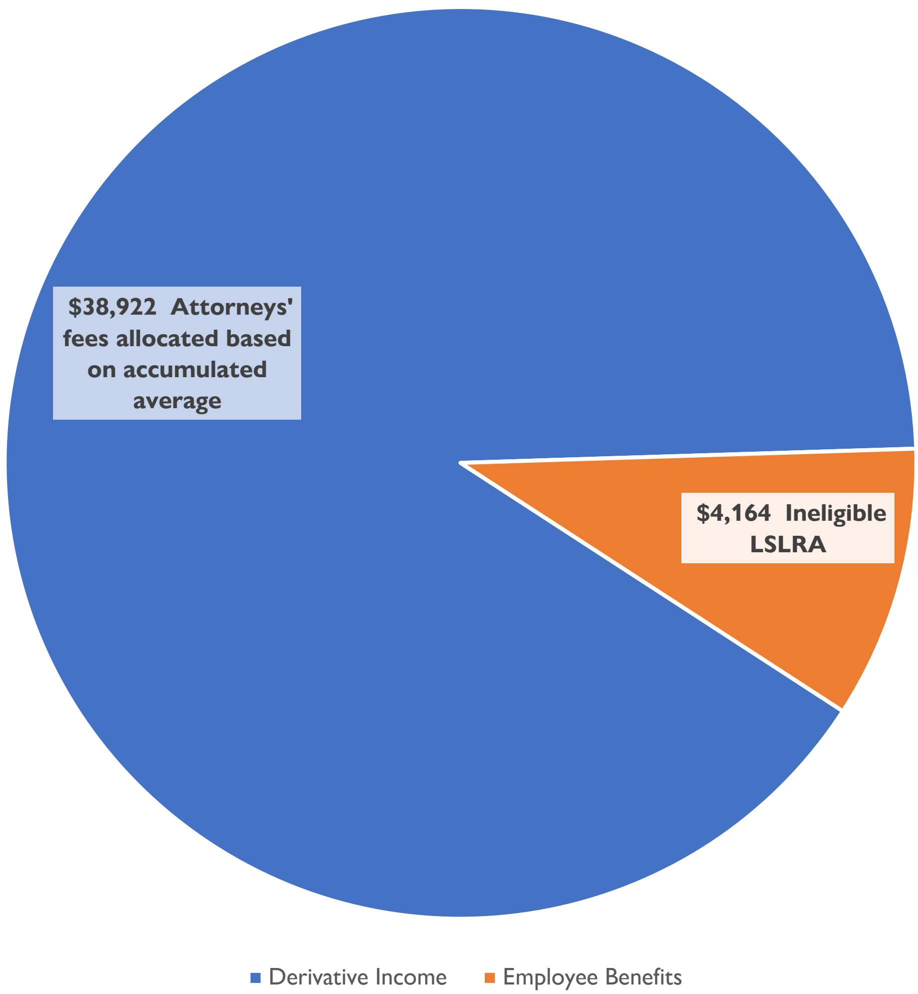
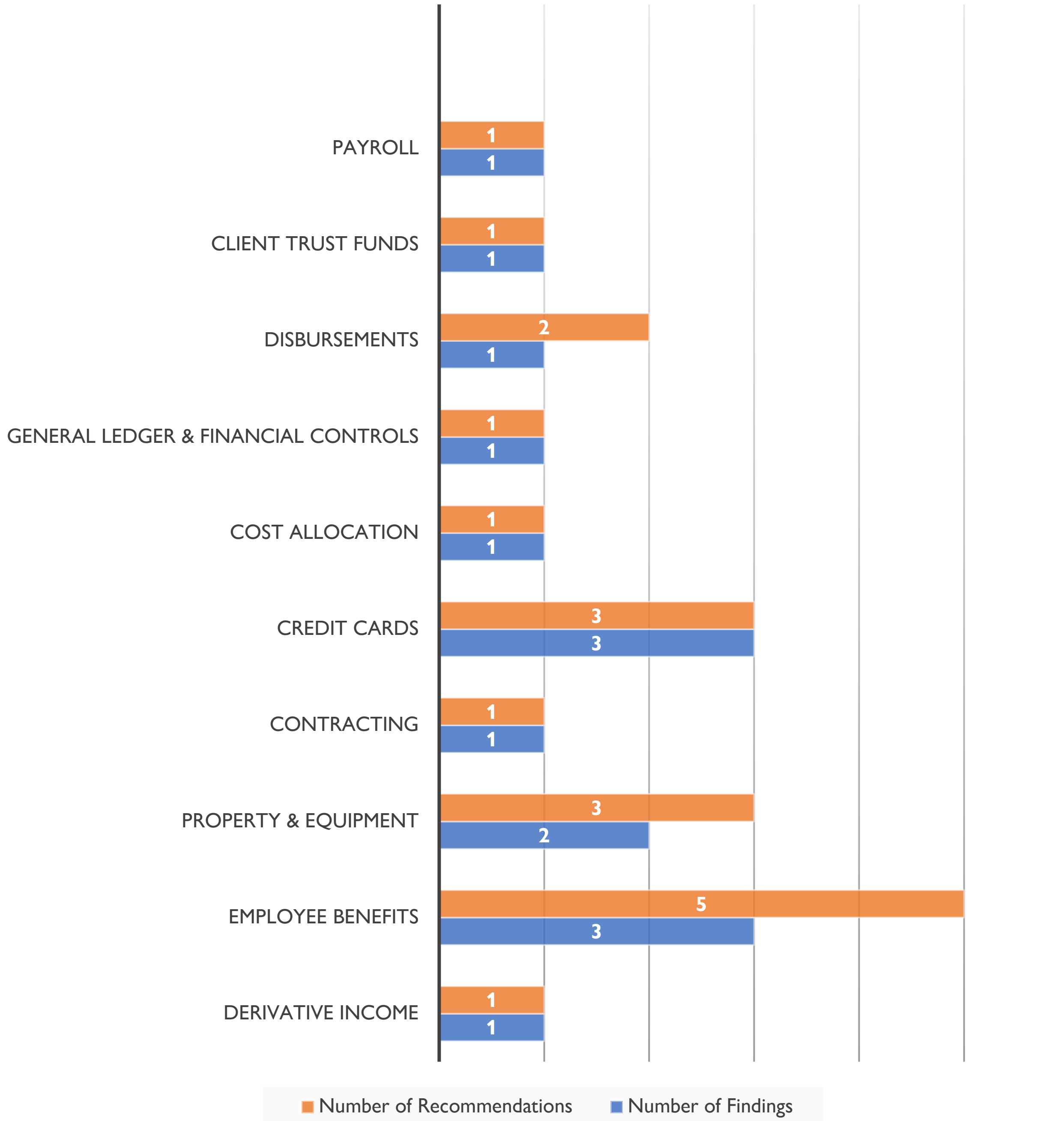


Figure 11: Total Count of Findings and Recommendations



Appendix IV: Grantee Management Comments

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May 13, 2024

Elizabeth Castillo
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Re: NJP - RNO 948010 – Comments on Draft Audit Report

Dear Ms. Castillo,

Thank you for the opportunity to respond to the draft Internal Controls audit report for Northwest Justice Project.

Below is a summary of our responses, which are detailed in the Recommendation Responses tracking form also attached.

- **Recommendation 1**: NJP's allocation process looks to the proportion of LSC "eligible" case and matter time spent on individual cases to support the apportionment of costs and to allocate resulting attorney fees derivative income. For cases that are jointly funded with State and LSC funding, the related costs between these two funding sources are allocated based upon an analysis and allocation of jointly eligible time and costs.

  NJP's history of expense allocation for jointly funded State and LSC activities has consistently averaged 30% LSC funding and 70% OCLA funding. NJP's practice of allocating 35% of attorney fees on these jointly funded cases to LSC provides a cushion and ensures that income derived from any case attorney fees is reasonably and consistently apportioned to LSC, and is thus applied in a manner that is in proportion to or exceeds the amount of LSC funds expended bears to the total amount expended by the recipient to support the representation. As such, the methodology proportionately allocates attorney fees to the amount of LSC funds spent on a given case and provides a cushion to ensure the methodology does not under allocate fees to LSC.

- **Recommendation 2**: NJP will update the LSLRA policies and procedures in its Personnel Manual to more clearly incorporate Non-Union manager and Non-Union non-management staff that reflects our general approach of maintaining union/non-union parity. Our Personnel Manual was scheduled to be updated to reflect the CBA changes and the difference between Union and Management personnel.

- **Recommendation 3**: NJP will complete the LSLRA review and documentation by June 30, 2024, but will not apply the CBA's 25-year union member pay scale to management personnel who are not paid under the scale. With respect to management personnel, NJP will apply the intended (and to be revised - see no. 2 above) LSLRA provisions pertaining to management that use attorney years of experience, not the CBA pay scale to determine LSLRA eligibility.

- **Recommendation 4**: NJP will complete this review and documentation by July 31, 2024.

- **Recommendation 5:** NJP will obtain this documentation by July 31, 2024.

- **Recommendation 6:** NJP will review and update the written LSLRA policies and procedures to address areas listed in the recommendation. Since the requested policy update touches on Union employee compensation, any substantive policy modifications will require Union notification and potential Union bargaining before implementation. Our next Collective Bargaining negotiations are in late 2024.

- **Recommendation 7:** By June 30, 2024, NJP will submit a request for approval for the purchase of 50 laptops from Lenovo for $62,413 with $34,491 of this amount subsequently allocated to LSC in December 2022. This purchase inadvertently resulted in LSC's share of the invoice exceeding the $25,000 threshold by $9,491, which should have triggered a request for LSC OCE approval.

- **Recommendation 8:** NJP will develop and implement an effective system for tracking capitalized property and equipment that will include electronic tracking wherever possible and physical tagging when no alternative exists. Due to the number of NJP field offices, our goal is to implement the new tracking system in two field offices per month. With that pace, the updated system will be fully implemented by March 2025.

- **Recommendation 9:** NJP will re-establish the every-two-year practice of conducting a physical inventory of all capitalized assets starting in July 2024. The first physical inventory will be conducted as the asset tracking system is implemented (see recommendation 8 above) and will be completed by March 2025. Inventories will be completed at each office every two years going forward.

- **Recommendation 10:** NJP will use the LSC Procurement Policy Drafting Guidance to update the Purchasing and Contracting policies found in the NJP Accounting Manual. Specifically, the updates will conform to guidance regarding sole source justification, automatically renewing contracts and periodic re-competition of contracts. NJP will also provide procedures for documenting contract actions regarding requests for proposals, vendor selection and contract approvals. This policy update will be completed by December 31, 2024.

- **Recommendation 11:** NJP will implement a policy to control the use of NJP credit cards. The policy will be included in the credit card policy outlined in Recommendation 13 (below) and will include documentation requirements for authorizing and limiting use of each credit card. This policy will be completed by July 31, 2024.

- **Recommendation 12:** As part of the Credit Card policy outlined in Recommendations 13 (below), NJP will require credit card holders to sign User agreements to ensure that employees acknowledge and understand the terms of use of the credit or debit cards. This policy will be completed and implemented by July 31, 2024.

- **Recommendation 13:** NJP agrees to update policies regarding credit cards as outlined in the recommendation and will include procedures noted in Recommendations 11 and 12 above. This policy will be completed and updated by July 31, 2024.

- **Recommendation 14:** NJP has consistently maintained a comprehensive "Allocations Overview" document that is incorporated into the NJP Accounting Guide by reference. The allocations overview document is updated annually and includes a comprehensive description of what costs are determined to be administrative costs (indirect costs) and how they are accumulated and allocated to grants and grant groups throughout the year. While NJP asserts that this is a sound description of the allocations process including indirect costs, we agree that the overview could be expanded to include more specificity and detail. As part of our 2024 "Allocations Overview" document review and update, NJP will provide additional details regarding the timing and nature of overhead allocation (indirect) related entries systemically employed to allocate a share of NJP indirect costs to relevant grants.

- **Recommendation 15:** NJP will assess the roles and responsibilities of the accounting staff and adjust access to the accounting software to strengthen internal controls and the segregation of duties. This update to the access in the software will be completed by July 31, 2024.

- **Recommendation 16:** NJP has required approvals of invoices and purchases prior to payment and has a solid record of compliance with this internal control. NJP has already formally implemented the additional procedure requiring the approver to date all invoice approvals to support and document that the approval occurred before the payments were made. As stated in the Internal Control Narrative, the Director of Finance continues to review and approve all invoices before the invoices are processed and paid. The internal control narrative will be updated to state that if the Director of Finance is unavailable, the Controller will review, approve, and date the invoices before payment.

- **Recommendation 17:** NJP will review and update the Travel policy included in the NJP Administrative Manual to state that written authorization is required and will be maintained for any out-of-state, overnight travel. NJP will also update the required use of the Travel Request form for out-of-state, overnight travel. This update will be implemented by June 30, 2024.

- **Recommendation 18:** NJP will review, update, and expand on the Bank Reconciliation policies in the Accounting Manual and Fiscal Processes Overview to include a section defining the timeline for handling outstanding checks. To be completed by June 30, 2024.

- **Recommendation 19:** NJP's robust Payroll Procedure Details addressing the below items are set out in the Fiscal Processes Overview which is referenced in the Accounting Manual. NJP agrees that the Payroll Procedures will be reviewed, updated and incorporated as appendices at NJP Accounting Manual by July 31, 2024. Specific items to be included are:
    - roles/responsibilities,
    - frequency,
    - documentation requirements, and
    - review/approval requirements (including changes/adjustments).

Thank you for your attention. Should you have any questions or concerns, please contact Kris Breton, Director of Finance at (206) 707-0906.

Sincerely,

César Torres
Executive Director

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Legal Services Corporation
3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
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Recommendation Tracking

Grantee Name: Northwest Justice Project

RNO: 948010

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 own 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. Along with this form, submit a letter outlining your responses to our audit report.

Recommendations	Response	Comments
Recommendation 1 We recommend the Executive Director to develop an allocation methodology that will ensure that all attorneys' fees are proportionately allocated to the fund in which the LSC grant is recorded in the same proportion that the amount of LSC funds were spent on a case or representation.	Agree ☐ Partially Agree ☐ Disagree ☒	NJP's allocation process looks to the proportion of LSC "eligible" case and matter time spent on individual cases to support the apportionment of costs and to allocate resulting attorney fees derivative income. For cases that are jointly funded with State and LSC funding, the related costs between these two funding sources are allocated based upon an analysis and allocation of jointly eligible time and costs. NJP's history of expense

Recommendations	Response	Comments
		allocation for jointly funded State and LSC activities has consistently averaged 30% LSC funding and 70% OCLA funding. NJP's practice of allocating 35% of attorney fees on these jointly funded cases to LSC provides a cushion and ensures that income derived from any case attorney fees is reasonably and consistently apportioned to LSC. and is thus applied in a manner that is in proportion to or exceeds the amount of LSC funds expended bears to the total amount expended by the recipient to support the representation. As such, the methodology proportionately allocates attorney fees to the amount of LSC funds spent on a given case and provides a cushion to ensure the methodology does not under allocate fees to LSC.
Recommendation 2 Update and develop LSLRA written policies and procedures for (1) Non-Union Manager Level Staff and (2) the basis for determination of the attorney's level of experience.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will update the LSLRA policies and procedures in its Personnel Manual to more clearly incorporate Non-Union manager and Non-Union non-management staff that reflects our general approach of maintaining union/non-union parity. Our Personnel Manual was scheduled to be updated to reflect the CBA changes and the difference between Union and Management personnel.
Recommendation 3 Review all LSLRA reimbursements within the audit period (January 1, 2022 to May 31, 2023) to verify that the employees	Agree ☐ Partially Agree ☒ Disagree ☐	NJP will complete the LSLRA review and documentation by June 30, 2024, but will not apply the CBA's 25-year union member pay scale to management personnel who are not paid under the

Recommendations	Response	Comments
reimbursed were at the experience level 24 and below, per the CBA. Document the results and any deviations from the policy, including review and approval.		scale. With respect to management personnel, NJP will apply the intended (and to be revised - see no. 2 above) LSLRA provisions pertaining to management that use attorney years of experience, not the CBA pay scale to determine LSLRA eligibility.
Recommendation 4 Review the loan documentation submitted for LSLRA to ensure the documents included with the student loan statements contain the employees' names, dates of the loan statements, and loan balances for the tuition reimbursements paid within the audit period (January 1, 2022 to May 31, 2023). Once completed, document the results of the review.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will complete this review and documentation by July 31, 2024
Recommendation 5 Obtain the supporting documentation, containing the loan amount forgiven and loan forgiveness date, from the student loan servicer for the employee with the student loan forgiven in 2023.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will obtain this documentation by July 31, 2024.
Recommendation 6 We recommend that the Executive Director update the written policies and procedures for LSLRA to include the following: • Specific, required loan documentation. For example, monthly loan statements from the student's loan servicer, complete with name, address, and loan balance for	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will review and update the written LSLRA policies and procedures to address areas listed in the recommendation. Since the requested policy update touches on Union employee compensation, any substantive policy modifications will require Union notification and potential Union bargaining before implementation. Our next Collective Bargaining negotiations are in late 2024.

Recommendations	Response	Comments
the applicable year the reimbursement is requested. • Specific deadline for submitting the Certification form and loan documentation. • Specific procedures for reviewers and approvers, including documenting the review and approval with a signature and date.		
Recommendation 7 We recommend that the Executive Director notify and obtain approval from LSC for the purchase of 50 laptops exceeding $25,000.	Agree ☒ Partially Agree ☐ Disagree ☐	By June 30, 2024, NJP will submit a request for approval for the purchase of 50 laptops from Lenovo for $62,413 with **$34,491_**of this amount subsequently allocated to LSC in December 2022. This purchase inadvertently resulted in LSC's share of the invoice exceeding the $25,000 threshold by $9,491, which should have triggered a request for LSC OCE approval.
Recommendation 8 We recommend that the Executive Director develop and implement a process for tagging capitalized property and equipment.	Agree ☐ Partially Agree ☒ Disagree ☐	NJP will develop and implement an effective system for tracking capitalized property and equipment that will include electronic tracking wherever possible and physical tagging when no alternative exists. Due to the number of NJP field offices, our goal is to implement the new tracking system in two field offices per month. With that pace, the updated system will be fully implemented by March 2025.
Recommendation 9	Agree ☒ Partially Agree ☐	NJP will re-establish the every two-year practice of conducting a physical inventory of all capitalized

Recommendations	Response	Comments
We recommend that the Executive Director conduct a physical inventory of capitalized property and equipment as soon as possible, document the results, and do so at least every two years.	Disagree ☐	assets starting in July 2024. The first physical inventory will be conducted as the asset tracking system is implemented (see recommendation 8 above) and will be completed by March 2025. Inventories will be completed at each office every two years going forward.
Recommendation 10 Update and implement contracting policies to include the following: • requirements for sole source justification; • discouragement of automatically renewing contracts, when possible and if terms allow. If automatically renewing contracts are unavoidable, consider setting up automated reminders to periodically reevaluate contracts; • requirements for periodic recompetition of contracts, when appropriate; and • requirements for full documentation for each contract action, including the request for proposals, vendor selection and approval.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will use the LSC Procurement Policy Drafting Guidance to update the Purchasing and Contracting policies found in the NJP Accounting Manual. Specifically, the updates will conform to guidance regarding sole source justification, automatically renewing contracts and periodic re-competition of contracts. NJP will also provide procedures for documenting contract actions regarding requests for proposals, vendor selection and contract approvals. This policy update will be completed by December 31, 2024.
Recommendation 11 We recommend that the Executive Director implement a control to ensure only authorized cardholders have access	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will implement a policy to control the use of NJP credit cards. The policy will be included in the credit card policy outlined in Recommendation 13 (below) and will include documentation requirements for authorizing and limiting use of

Recommendations	Response	Comments
to card information. In the event another staff member needs to use a credit card and the cardholder cannot make the purchase for them, adequate documentation should be maintained to show that the cardholder authorized the purchase and access to the card was limited.		each credit card. This policy will be completed by July 31, 2024.
Recommendation 12 We recommend that the Executive Director ensure credit card user acknowledgment agreements are signed by all cardholders.	Agree ☒ Partially Agree ☐ Disagree ☐	As part of the Credit Card policy outlined in Recommendations 13 (below), NJP will require credit card holders to sign User agreements to ensure that employees acknowledge and understand the terms of use of the credit or debit cards. This policy will be completed and implemented by July 31, 2024.
Recommendation 13 We recommend the Executive Director update NJP's written policies for credit cards to include, at a minimum, the following: • guidelines on personal use and disallowed charges; • guidelines on properly documenting any deviations from policy; • restrictions on cash advances and ATM withdrawals; • deadlines for providing supporting documentation;	Agree ☒ Partially Agree ☐ Disagree ☐	NJP agrees to update policies regarding credit cards as outlined in the recommendation and will include procedures noted in Recommendations 11 and 12 above. This policy will be completed and updated by July 31, 2024.

Recommendations	Response	Comments
• procedures for cardholders to review and acknowledge credit and purchase card policies.		
Recommendation 14 We recommend that the Executive Director document the complete cost allocation process including the adjustments made to arrive at the final allocations for indirect costs.	Agree ☐ Partially Agree ☒ Disagree ☐	NJP has consistently maintained a comprehensive "Allocations Overview" document that is incorporated into the NJP Accounting Guide, by reference. The allocations overview document is updated, annually and it includes a comprehensive description of what costs are determined to be administrative costs (indirect costs) and how they are accumulated and allocated to grants and grant groups throughout the year. While NJP asserts that this is a sound description of the allocations process including indirect costs, we agree that the overview could be expanded to include more specificity and detail. As part of our 2024 "Allocations Overview" document review and update, NJP will provide additional details regarding the timing and nature of overhead allocation (indirect) related entries systemically employed to allocate a share of NJP indirect costs to relevant grants.

Recommendations	Response	Comments
Recommendation 15 We recommend that the Executive Director enable distinct user access roles for the NJP accounting staff that are commensurate with their responsibilities to ensure adequate segregation of duties is maintained in the accounting software.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will assess the roles and responsibilities of the accounting staff and adjust access to the accounting software to strengthen internal controls and the segregation of duties. This update to the access in the software will be completed by July 31, 2024.
Recommendation 16 We recommend that the Executive Director implement a process requiring dated approvals prior to expenses being incurred.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP has required approvals of invoices and purchases prior to payment and has a solid record of compliance with this internal control. NJP has already formally implemented the additional procedure requiring the approver to date all invoice approvals to support and document that the approval occurred before the payments were made. As stated in the Internal Control Narrative, the Director of Finance continues to review and approve all invoices before the invoices are processed and paid. The internal control narrative will be updated to state that if the Director of Finance is unavailable, the Controller will review, approve, and date the invoices before payment.
Recommendation 17 We recommend the Executive Director establish a process to document advance approval for employee travel, and, if appropriate, set a threshold above which such approval must be documented and not only given verbally.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will review and update the Travel policy included in the NJP Administrative Manual to state that written authorization is required and will be maintained for any out-of-state, overnight travel. NJP will also update the required use of the Travel

Recommendations	Response	Comments
		Request form for out-of-state, overnight travel. This update will be implemented by June 30, 2024.
Recommendation 18 We recommend that the Executive Director develop policies to ensure the timely disposition of outstanding checks.	Agree ☒ Partially Agree ☐ Disagree ☐	NJP will review, update, and expand on the Bank Reconciliation policies in the Accounting Manual and Fiscal Processes Overview to include a section defining the timeline for handling outstanding checks. To be completed by June 30, 2024.
Recommendation 19 We recommend that the Executive Director ensure NJP's Accounting Manual (and, if applicable, Personnel Manual) is updated to include the grantee's processes surrounding the referenced criteria. This includes: • payroll procedure details, • roles/responsibilities, • frequency, • documentation requirements, and • review/approval requirements (including changes/adjustments).	Agree ☐ Partially Agree ☒ Disagree ☐	NJP's robust Payroll Procedure Details addressing the below items are set out in the Fiscal Processes Overview which is referenced in the Accounting Manual. NJP agrees that the Payroll Procedures will be reviewed, updated, and incorporated as appendices at NJP Accounting Manual by July 31, 2024. Specific items to be included are: • roles/responsibilities, • frequency, • documentation requirements, and • review/approval requirements (including changes/adjustments).

Name and Title	Kris Breton, Director of Finance
Signature	Kris Breton

Acronyms, Abbreviations, and Glossary

Acronyms and Abbreviations	
C.F.R.	Code of Federal Regulations
CBA	Collective Bargaining Agreement
COVID-19	Coronavirus Disease 2019
FTE	Full-Time Equivalent
GAO	U.S. Government Accountability Office
IT	Information Technology
LSC	Legal Services Corporation
LSLRA	Law School Loan Repayment Assistance
NJP	Northwest Justice Project
OIG	Office of Inspector General

Glossary	
Cost Allocation	A process of assigning costs to specific funding sources, including LSC.
Client Trust Funds	Client trust funds are funds received from or on behalf of a client and are not considered property of the grantee.
Derivative Income	Additional income derived from an LSC grant, such as interest income, rent or the like, or that proportion of any reimbursement or recovery of direct payments to attorneys, proceeds from sale of assets, or other compensation or income attributable to any Corporation grant.
Disbursements	Disbursements are cash payments made by the grantee; these can include checks and electronic transfers.
Escheatment Laws	Laws governing how unclaimed assets become state property.
General Ledger	Summarizes and classifies all financial transactions from data accumulated in the books of original entry.
NJP's Basic Fund	A shared cost pool between LSC and another funding source for allocation of grant fund activities.
Payroll Register	A report that shows detailed employee pay and withholdings.

Glossary	
Segregation of Duties	An internal control designed to prevent error and fraud by ensuring that at least two individuals are responsible for the separate parts of any task.
Sole-sourced Contract	A contract issued without competitive bidding.
User Access	The ability of an individual user of a computer system to access certain resources or perform certain actions.