

# LEGAL SERVICES CORPORATION



## Office of Inspector General

Semiannual Report to the Congress  
October 1, 2021 – March 31, 2022

**LSC** | America's Partner  
for Equal Justice  

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LEGAL SERVICES CORPORATION

[www.oig.lsc.gov](http://www.oig.lsc.gov)

**TO THE BOARD OF DIRECTORS OF THE  
LEGAL SERVICES CORPORATION  
AND TO THE UNITED STATES CONGRESS**

**A MESSAGE FROM THE ACTING INSPECTOR GENERAL**

I am pleased to submit this report on the activities and accomplishments of LSC's Office of Inspector General (OIG) for the period October 1, 2021, through March 31, 2022.

I would like to begin with a note of special recognition that after fourteen years of service supporting the mission of equal access to justice through independent, objective oversight, Inspector General Jeffrey Schanz retired on March 18, 2022. His contributions to LSC and the OIG are much appreciated. I feel honored and privileged to serve as Acting Inspector General.

During this reporting period our audit office issued eight reports. We issued one audit report focusing on the adequacy of an LSC grantee's internal controls, particularly with respect to its financial operations. The report documented specific internal control weaknesses and areas of concern and made recommendations for corrective action. Additionally, as part of our role as a member of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), we conducted a peer review of another OIG's audit organization.

We also issued six reports as part of our ongoing information technology vulnerability assessment program. We believe this program provides a significant benefit to grantees. The assessments help to identify and correct issues that could compromise their information systems.

We continued our Quality Control Review (QCR) program, to provide enhanced oversight of the independent audits required annually of LSC grantees. During the period we issued 11 QCRs.

Our investigations office opened 18 new cases and closed 16 cases during the reporting period. The investigations involved a variety of criminal and regulatory matters, including fraud and cyber fraud, theft, misuse of government funds, impermissible outside employment, and other potential violations of LSC statutes and regulations.

We continued to emphasize outreach and education as part of our ongoing efforts to help prevent fraud and abuse in LSC-funded programs. Through fraud alerts, online articles, and special advisories, we work to keep grantees well-informed about current risks

to their programs, and provide practical information on how to prevent, detect, or respond to such threats.

In response to the increasing incidence of ransomware, phishing, and other cyberattacks, last period we created a new OIG webpage providing cybersecurity resources for grantees and recorded a Cybercrimes Awareness Briefing, posted to the webpage. We have continued to update the webpage, and also provide information on our website specifically relating to COVID-19 scams.

We have continued conducting fraud awareness briefings and vulnerability assessments. This period, we also performed a special assessment focusing on CARES Act funding.

I would like to recognize the OIG staff for the dedicated and professional manner in which they have continued to carry out their responsibilities under the challenging conditions of the pandemic.

I also wish to express my sincere appreciation to the members of LSC's Board of Directors for the support they have shown for the work of the OIG, and to me personally in my service as Acting IG.

Finally, on behalf of the entire staff of the OIG, we are grateful to the Congress for its continuing support of this office.

Sincerely,

Roxanne Caruso  
Acting Inspector General  
April 29, 2022

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## OFFICE OF INSPECTOR GENERAL OVERVIEW

The LSC Office of Inspector General operates under the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3. The OIG has two principal missions: (1) to promote economy and efficiency in the activities and operations of LSC and its grantees; and (2) to prevent and detect fraud and abuse.

Our primary tool for achieving these missions is objective and independent fact-finding. We perform financial and other types of audits, evaluations, and reviews, and conduct criminal and regulatory compliance investigations. Our fact-finding activities enable us to develop recommendations for LSC and its grantees, as well as for Congress, for actions that will correct problems, better safeguard the integrity of funds, and increase the economy, efficiency, and effectiveness of LSC and its grantee programs.

The OIG is also tasked with ensuring the quality of audits of LSC and its grantees, and with reviewing proposed and existing regulations and legislation affecting the operations and activities of LSC and the programs it funds.

In addition, since 1996, LSC's annual appropriations have directed that grantee compliance with legal requirements be monitored through the annual grantee audits conducted by independent public accountants, under guidance provided by the OIG. Congress has also specified that the OIG has authority to conduct its own reviews of grantees.

LSC's fiscal year (FY) 2022 appropriation (exclusive of OIG operations) is \$483.5 million. LSC received an additional \$40 million in disaster-aid funding in FY 2021 and \$50 million through supplemental CARES Act funding in FY 2020. The Corporation provides funding to 132 independent nonprofit legal aid programs throughout the U.S. and its territories.

The OIG is headed by an Inspector General (IG), who reports to and is under the general supervision of the LSC Board of Directors. The IG has broad authority to manage the organization, including setting OIG priorities, directing OIG activities, and hiring OIG personnel and contractors.

To ensure objectivity, the IG Act grants the LSC IG independent authority to determine what audits, investigations, and other reviews are performed, to gain access to all necessary documents and information, and to report OIG findings and recommendations to LSC management, its Board of Directors, and directly to Congress.

The IG Act also prohibits LSC from assigning to its IG any of LSC's own "program operating responsibilities." This means that the OIG does not perform functions assigned to LSC by the Legal Services Corporation Act, 42 U.S.C. §§2996 *et seq.*, other than those transferred to the OIG under the IG Act and those otherwise assigned by Congress, in LSC's annual appropriations acts.

The IG reports serious problems to the LSC Board of Directors and must also report to appropriate law enforcement authorities when, through audit, investigation, or otherwise, the IG finds that there are reasonable grounds to believe that a crime has occurred. The IG is required by law to keep Congress informed of the activities of the office through semiannual reports and other means. The IG also provides periodic reports to the board and management of LSC and, when appropriate, to the boards of directors and management of LSC grantees. Some of these reports are specific (e.g., an audit of a particular grantee or an investigation of a theft or embezzlement), while others are of broader application.

Within their different statutory roles, the OIG and LSC management and staff strive to enable LSC to most effectively pursue its mission of promoting and supporting equal access to justice for low-income persons.

# AUDITS

During this reporting period, the OIG issued eight reports: one internal control audit report with respect to grantee operations, an external peer review of the National Aeronautics and Space Administration Office of Inspector General's (NASA OIG) audit division, and six reports as part of our vulnerability assessment program of grantees' IT networks. Summaries of the reports are provided below. At the conclusion of the period, we had five projects underway.

The OIG has responsibility for overseeing the audits performed annually at each grantee by independent public accountants (IPAs). During the reporting period, we reviewed 21 IPA reports, with fiscal year ending dates ranging from December 31, 2020, through September 30, 2021.

We issued 11 Quality Control Review (QCR) reports this period. The goals of the QCR initiative are to improve the overall quality of the IPA audits and to ensure that all audits are conducted in accordance with applicable standards and with the guidance provided by the OIG.

## **603 Legal Aid (formerly Legal Advice Referral Center)**

The OIG assessed the adequacy of selected internal controls in place at 603 Legal Aid (formerly Legal Advice and Referral Center), headquartered in Concord, New Hampshire. The audit work was conducted remotely due to safety concerns related to the COVID-19 pandemic. While many of the controls reviewed were adequately designed and properly implemented, we found that controls in the areas detailed below needed to be strengthened and/or formalized in writing.

### **Findings**

Our review identified 24 findings in which improvements were needed. There were four findings related to disbursements; five findings related to contracting; five findings related to fixed assets; five findings related to general ledger and financial controls; two findings related to payroll; two findings related to management reporting and budgeting; and one finding related to COVID-19/CARES Act Funds. We also questioned \$965 as unallowable costs under LSC regulations and guidance.

Most findings resulted from inadequate recordkeeping and maintenance of documentation, lack of documented review and approvals, a lack of appropriate segregation of duties, and lack of adherence to written policies and procedures that conform to the Fundamental Criteria of the LSC Accounting Guide.

## **Recommendations**

The OIG made 24 recommendations, primarily involving the need to enforce the grantee's current policies and ensure their actual procedures align with what their documented practices state. Recommendations also involved the need for the grantee to update its accounting manual to conform with the Fundamental Criteria of the LSC Accounting Guide, to provide for appropriate segregation of duties among the accounting staff, and to ensure there is adequate maintenance of documentation and recordkeeping.

The grantee agreed with 21 recommendations and partially agreed with three recommendations.

603 Legal Aid's proposed actions to four recommendations were considered fully responsive and were closed. The proposed actions for the remaining 20 recommendations were either considered responsive or partially responsive and will remain open until the OIG is notified in writing that the proposed actions have been addressed and we are provided with related supporting documentation.

The OIG referred the questioned costs totaling \$965 to LSC management for review and action. As a result, 603 Legal Aid reallocated that amount to the LSC funding line from an unrestricted funding source. LSC management informed the OIG that they considered the referral closed.

## **External Peer Review**

The OIG was tasked by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to conduct an external peer review of the NASA OIG's audit organization for the period April 1, 2018, through March 31, 2021.

The peer review process was based on the Guide for Conducting Peer Reviews of Audit Organizations of Federal Offices of Inspector General, dated March 2020. The peer review was conducted remotely and included an entrance briefing, a sample selection, review in accordance with Generally Accepted Government Auditing Standards and professional standards, and an exit conference. We performed our review work from April 2021 to November 2021. A final report was issued on December 7, 2021, giving a rating of "pass." The NASA OIG concurred with the results of our review, and expressed appreciation for the time, dedication, and professionalism extended by the LSC OIG peer review team.

## **Grantee Computer Networks Information Technology Vulnerability Assessments**

We continued a program, begun in 2016, of conducting Information Technology Vulnerability Assessments of grantees' computer networks. Working with a specialized contractor, assessments were performed on six grantees' systems which resulted in



issuance of six assessment reports.<sup>1</sup> The scans tested for potential vulnerabilities in the system architecture, technologies, and processes from within and outside of the grantee networks.

We found that some grantees had strong controls in place and others did not. Most vulnerabilities could be remediated by using up-to-date software and operating systems and implementing security patch update processes. Each grantee was provided with a report listing potential vulnerabilities and recommendations to remediate them.

Grantee feedback on the scan process and insight into their security posture has been positive.

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<sup>1</sup> Due to the sensitive information contained in the reports they were issued only to the grantees.

## **Statistical Summary**

### **Audits**

Open at beginning of reporting period .....	4
Opened during the reporting period.....	2
Audit reports issued or closed during reporting period .....	1
Open at end of reporting period.....	5

### **Recommendations to LSC Grantees**

Pending at beginning of reporting period.....	58
Issued during reporting period .....	24
Closed during reporting period .....	49
Pending at end of reporting period .....	33

## **Oversight of IPA Audits**

### **Independent Audits of Grantees**

Since 1996, LSC's annual appropriation acts have required that each person or entity receiving financial assistance from the Corporation be subject to an annual audit by an independent public accountant (IPA). Each grantee contracts directly with an IPA to conduct the required audit in accordance with generally accepted government auditing standards and the OIG Audit Guide for Recipients and Auditors (including the Compliance Supplement), which incorporates most requirements of the Uniform Guidance regulations, 2 CFR 200 (Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards).

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

### **Desk Reviews of IPA Reports**

The OIG conducted desk reviews of IPA reports issued to grantees to identify potential problems or concerns that may warrant follow-up via audit, investigation, or other review. The results of our desk reviews are used as part of our risk assessment and planning processes and shared with LSC management. We also review recommendations to determine whether the grantees' actions were responsive and appropriate.

### **Quality Control Reviews**

Under our Quality Control Review (QCR) program, IPA firms performing grantee audits are subject to review to determine whether their work is being conducted in accordance with applicable standards and with the instructions issued by our office. The reviews are conducted by a certified public accounting (CPA) firm under contract with the OIG. The contractor also identifies issues that may require further attention or additional audit work by the IPA under review.

During this reporting period, we conducted 11 QCRs of LSC grantees' audited financial statements.

The QCRs found that six of the financial statement audits met standards with no exceptions. Four of the audits met standards with one or more exceptions, three of which required the IPAs to perform additional work and provide documentation to support their conclusions.

For the aforementioned QCRs which required the IPAs to perform additional work, we evaluated the work performed by two of the IPAs and accepted one of the audits. The

additional work performed by the other IPA was not fully satisfactory and we requested additional documentation. This documentation is not yet due to the OIG. The additional work of one IPA is also not yet due to the OIG. For one of the four audited financial statements that met standards with exceptions, we issued recommendations to the IPA to implement in future audits of grantees.

One QCR conducted during the reporting period found that a grantee's financial statement audit did not meet standards. The OIG issued a notice to the IPA requiring them to perform corrective action and provide additional information to address the deficiencies. The additional work performed by the IPA is not yet due to the OIG.

During a previous reporting period, we found that five financial statement audits met standards with exceptions. We issued a notice to the IPAs requiring them to perform corrective action and to provide additional information to address the deficiencies. We evaluated the additional work performed by all five of the IPAs in this reporting period and accepted three audits. The other two responses were unsatisfactory, and we requested additional documentation from the IPA. This additional documentation is not yet due to the OIG.

### **Follow-up Process**

LSC's annual appropriation acts have specifically required that LSC follow-up on significant findings identified by the IPAs and reported to the Corporation's management by the OIG. Unless the deadline is extended, IPA audit reports are submitted to the OIG within 120 days of the close of each grantee's fiscal year. As noted above, through our desk review process the OIG reviews each report and refers appropriate findings and recommendations to LSC management for follow-up. LSC management is responsible for ensuring that grantees submit appropriate corrective action plans for all material findings, recommendations, and questioned costs identified by the IPAs and referred by the OIG to management.

After corrective action has been taken by a grantee, LSC management notifies the OIG and requests that the finding(s) be closed. The OIG reviews management's request and decides independently whether it will agree to close the finding(s).

### **Review of Grantees' Annual Audit Reports: IPA Audit Findings**

The following is a summary of significant findings, and the status of follow-up on such findings, reported by the IPAs as part of the grantee oversight process. The audit reports and the findings reflect the work of the IPAs, not the OIG.

During this reporting period, the OIG reviewed a total of 21 IPA audits of grantees with fiscal year ending dates from December 31, 2020, through September 30, 2021. These audit reports contained 32 findings. The OIG reviewed the findings and determined that 26 were not significant, or that corrective action had already been completed. The

remaining six were referred to LSC management during the period for follow-up. The following tables present information on the findings outlined in this paragraph.

**Summary of Findings Reported in Grantee Financial Statement Audits with Fiscal Years Ending December 31, 2020, through September 30, 2021**

Total Number of Findings Referred .....	6
Number of Findings Accepted for Review by LSC Management.....	6
Number of Findings Pending Determination by LSC Management.....	0

**Types of Findings Referred to LSC Management for Follow-up**

<b><u>Category</u></b>	<b><u>Number of Findings</u></b>
Financial Transactions and Reporting .....	0
Missing Documentation .....	5
Policies and Procedures/Other .....	0
Timekeeping .....	1
Segregation of Duties .....	0
<b>TOTAL.....</b>	<b>6</b>

## **INVESTIGATIONS**

During this period, OIG investigative activity resulted in two guilty pleas, one information, one pretrial diversion, and one restitution order.

The OIG opened 18 cases during this reporting period. These included 12 investigative cases, two Regulatory Vulnerability Assessments, and four Fraud Vulnerability Assessments. The investigative cases included allegations of theft, cyber fraud, time and attendance fraud, misuse of government funds, impermissible outside employment, and other potential violations of LSC statutes and regulations.

The OIG closed 16 cases during the reporting period. These included 13 investigative cases, one Regulatory Vulnerability Assessment, and two Fraud Vulnerability Assessments. The OIG also issued two fraud prevention advisories, updated the OIG webpage on cyber security resources for grantees, and continued to provide information on our OIG webpage relating to COVID-19 scams.

### **Criminal Proceedings**

#### **Guilty Pleas for Two Former Grantee Paralegals**

As reported in our April 2020 Semimanual Report to Congress, an OIG investigation found that two paralegals formerly employed by an LSC grantee devised a plan to divert eligible clients and defraud them, and the grantee, through a phony mortgage loan modification scheme.

The two former paralegals diverted eligible clients to their illegitimate business utilizing the grantee's intake process. Several of the low-income clients targeted were elderly, disabled, and/or persons with limited English proficiency. The clients were seeking legal assistance from the grantee to help save their homes from foreclosure. These clients were targeted by the defendants during intake interviews conducted at the grantee office and at community outreach events. The two former paralegals charged the clients upfront fees, provided misleading legal advice as non-attorneys, and took money for services not rendered. Due to this fraudulent scheme, the clients paid for unauthorized legal services and a significant number still lost their homes.

On December 6, 2021, the former paralegals pled guilty to a combined total of 71 counts, including grand theft, attempted grand theft, burglary in the first degree, petty theft, and the unauthorized practice of law. The counts included 66 felony counts and 5 misdemeanor counts. The charges were based on interviews and documentation from 25 victims. The former paralegals are currently awaiting sentencing.

## **Information and Pretrial Diversion for Former Grantee Manager**

As a result of a joint investigation with the U.S. Secret Service, a former grantee information technology (IT) manager was charged by information with one count of violation of 18 U.S.C. 1030, Intentional Damage to a Protected Computer, and entered into a pretrial diversion agreement in federal district court on October 27, 2021. The charge related to an insider threat scheme by the former employee.

The OIG investigation found that the former IT manager improperly accessed the executive director's email and became aware of a pending request that he resign, in lieu of being terminated. Prior to submitting his resignation, the former IT manager created a fake account with administrator rights that provided him with access to the grantee network in someone else's name. After resigning from the grantee, the former IT manager used the fake account to cause damage to the grantee network and cost it lost work hours. The grantee estimated the damages caused by this incident to be \$5,398.

As part of the pretrial diversion agreement, the former IT manager was ordered to make full restitution to the LSC grantee.

## **Fraud Prevention Initiatives**

The OIG maintains an active fraud prevention program, engaging in a variety of outreach and educational efforts intended to help protect LSC and its grantees from fraud and abuse. We regularly conduct Fraud Awareness Briefings (FABs), Fraud Vulnerability Assessments (FVAs), and Regulatory Vulnerability Assessments (RVAs). In view of the pandemic, we have been continuing to conduct these briefings and assessments remotely. We also issue fraud alerts, post articles on our online "Fraud Corner," and send email Hotline Advisories to help increase grantees' awareness of developing trends that may pose a risk to their operations and to LSC funds.

## **Fraud Awareness Briefings**

FABs are presented by experienced OIG investigative staff and cover a variety of topics, such as: who commits fraud; what conditions create an environment conducive to fraud; how can fraud be prevented or detected; and what to do if fraud is suspected.

While employees at LSC-funded programs may generally be aware that fraud and abuse can occur at any organization, they may not be aware of the potential for such incidents occurring within their own programs. FABs highlight the unfortunate truth that a number of LSC-funded programs have been victimized by frauds, including recent cyber fraud attacks, that have resulted in significant losses.

The FABs describe common types of fraud, with particular focus on the various schemes that have been perpetrated against LSC grantees and the conditions that helped facilitate

the losses. The briefings aim to foster a dialogue with staff and to engender suggestions for ways to help protect their own programs from fraud and abuse.

Since initiating the FAB program in 2009, we have conducted 168 in-person or remote briefings for grantees and subgrantees in all 50 states, the District of Columbia, and five territories, as well as briefings for the LSC Board of Directors and LSC headquarters personnel, a presentation at a National Legal Aid and Defender Association annual conference, and nine webinars that reached multiple grantees.

A recorded FAB is also posted on the OIG website, allowing interested audiences to view the recording at their convenience. During this reporting period, the OIG used the recorded FAB during one remote FVA and RVA visit. We encourage all grantee employees to view the recorded FAB and hope they find it a useful tool to help in preventing and detecting fraud. We also send emails to all new executive directors and fiscal officers, inviting them to view the FAB and providing them with a direct link to the recording.

### Cybercrimes Awareness Briefing

During the prior reporting period, we recorded a new Cybercrimes Awareness Briefing and posted it on the OIG website. The presentation focuses on the various types of cybercrimes that have targeted LSC and its grantees since 2018. The briefing also provides grantees with best practices for preventing and detecting similar cyberattacks and suggestions for responding to cyberattacks. We also encouraged grantees to provide the briefing to their employees as part of a cybercrime training and prevention initiative.

During this reporting period, we provided one remote Cybercrimes Awareness Briefing to a grantee.

### Fraud Vulnerability Assessments

FVAs include a focused document review in areas considered high risk or prone to abuse. We also review the grantee's internal control policies, and the degree to which they are complied with in practice. Finally, we conduct a personal briefing for the executive director and principal financial officer on fraud detection and prevention measures appropriate to their particular program.

A typical FVA can include reviews of credit card transactions, petty cash accounts, bank account reconciliations, travel claims, office supply expenses, and other selected areas that have been linked to the commission of fraud at grantee programs. FVAs can help grantees identify both existing vulnerabilities and potential problem areas. FVAs sometimes detect ongoing fraud or abuse, which may result in further investigation. FVAs also serve as a deterrent by helping grantee staff members become aware of the potential for fraud and reminding them that the OIG will investigate and seek to prosecute cases involving fraud or misuse of LSC grant funds.



Two FVAs were closed during this reporting period. These included one of our typical FVAs and one specially focused fraud assessment, described below.

### CARES Act Funds

In 2020, LSC distributed \$49.5 million of federal CARES Act funds to grantees for preventing, preparing, and responding to the coronavirus. LSC provided the CARES Act funds to grantees through COVID-19 Response Grants and Telework Capacity Building Grants. During this reporting period, the OIG began conducting assessments on the use of CARES Act funds by grantees. The aim of the CARES Act review is to determine whether grantee policies are adequately protecting and properly accounting for the funds and are ensuring compliance with the terms and conditions of the grants, as well as with LSC regulations.

One CARES Act funds assessment was closed during this reporting period.

### Regulatory Vulnerability Assessments

We began conducting RVAs based on our experience in investigating financial frauds in which grantees were victimized. We often found that noncompliance or laxity with respect to certain regulatory and other requirements contributed to an environment that increased the potential for fraud. RVAs seek to determine whether the grantee is following applicable provisions of the LSC Act, LSC regulations, grant assurances, provisions of the Accounting Guide, and the case documentation and reporting requirements of LSC's Case Service Report Handbook. We have found that by focusing our reviews on certain key areas, we are able to assist grantees in identifying regulatory compliance issues that could also lead to broader potential financial vulnerabilities.

One RVA was closed during this reporting period.

### Cyber Security and Covid-19 Scams Webpage Updates

In response to the increase in cyber threats targeting LSC grantee programs, the OIG created a webpage, Cyber Security Resources. The webpage (shown on the following page) includes links to resources produced by the OIG that inform grantees of pending cyber threats. The resources aim to assist grantees in preventing, detecting, and reporting cyber threats in order to mitigate potential harm to their programs. The webpage continues to be updated as additional advisories and resources are provided to the grantee community. The webpage can be found through the Cyber Security Resource button that appears on every page of the OIG website.

## Cyber Security Resources

### Introduction

The LSC-OIG has seen an increase in cyber threats targeting LSC grantee programs since the beginning of the COVID-19 pandemic. As a result, the OIG has produced several resources to inform grantees of the pending threats which aim to assist grantees in preventing, detecting, and reporting the cyber threats.

Please find links to the cyber threat resources below:

### LSC-OIG Cyber Security Presentations

**Fraud Awareness Briefing:**  
**Cybercrimes Fraud Awareness Presentation**

### LSC-OIG Cyber Security Articles

**Hotline Advisory:**

**BEC Schemes Targeting Grantee Financial Institutions (February 18, 2022)**

**Hotline Advisory:**

**Recent Phishing and Ransomware Attacks (July 13, 2021)**  
**Attachment – Social Engineering Red Flags**

**Hotline Advisory:**

**Grantee Mitigates Impact of a Ransomware Attack (May 06, 2021)**

**Fraud Corner:**

**Email Scams Targeting LSC and LSC Grantees (January 25, 2021)**

**Special Fraud Advisory:**

**Business Email Compromise Scheme (December 14, 2020)**

**Fraud Alert:**

**Ransomware Attacks Fraud Alert (October 02, 2020)**

**Fraud Corner:**

**FBI COVID-19 PSA Addressing Working in Virtual Environments (April 20, 2020)**

**Audit Report:**

**LSC-OIG Grantee Site Vulnerability Assessment Management Analysis Report - Reporting Periods 2018-2019 (March 31, 2020)**

**Fraud Corner:**

**COVID-19 Fraud Schemes (March 24, 2020)**

**Fraud Corner:**

**Best Practices for Preventing and Detecting Insider Threats (June 24, 2019)**

**Fraud Corner:**

**Preventing Checking Account Fraud through Bank Reconciliations and Positive Pay (March 25, 2019)**

**Fraud Corner:**

**Payroll and Direct Deposit Phishing Schemes (October 18, 2018)**

**Fraud Corner:**

**Spoofing Calls – Use of LSC’s Main Number to Defraud Consumers (September 11, 2018)**

### COVID-19 Cyber Scam Resources

**COVID-19 Fraud Prevention Webpage**

Find resources related to COVID-19 scams, including cyber scams, that may affect grantee business operations and clients.

### Where to Report Cybercrimes

**Contact the LSC-OIG Hotline**

Report all cyber-attacks to the LSC-OIG Hotline.

**FBI’s Internet Crime Complaint Center (IC3)**

- **File a BEC Complaint with the FBI**
- **File a Ransomware Complaint with the FBI**

As noted in a previous semiannual report, we have also developed a special webpage to help notify LSC grantees of COVID-19 scams and other risks that may affect grantee business operations and their clients. The webpage provides direct links to resources where grantees can access more information on how to identify scams related to the pandemic and to notify staff and clients of these risks. The webpage can be accessed through the COVID-19 Fraud Prevention button that appears on every page of the OIG website.

### **“The Fraud Corner”**

“The Fraud Corner,” a feature on the OIG website, highlights fraud prevention issues identified through OIG investigative activities. This reporting period, we posted one new article: “Credit Card Fraud Prevention.”

In this article, we discussed prior credit card fraud and misuse investigations at LSC grantees. We provided grantees with details of the different credit card schemes and best practices for credit card use. The best practices covered policies grantees should consider adopting to deter and detect credit card fraud and misuse. For instance, some recommended practices included: requiring all credit card users to sign an acknowledgment form detailing the policies governing use of the card; setting credit card limit thresholds; requiring documented pre-approval for amounts over the threshold; requiring timely submission of itemized receipts; and requiring board member review of executive director credit card expenditures.

### **Hotline Advisories**

Hotline advisories are email notifications intended to quickly warn grantees about incidents reported to our OIG Hotline. This reporting period we sent one Hotline advisory email to grantees: “Business Email Compromise (BEC) Schemes Targeting Grantee Financial Institutions.”

In this advisory, we notified grantees of a recent BEC scheme targeting two financial institutions used by a grantee. We provided grantees with details of the schemes, ways to prevent perpetrators from identifying grantee financial institutions, offered additional preventive measures to protect against BEC schemes and email scams, and added links to OIG online cyber security resources.

### **Hotline**

The OIG maintains a Hotline for reporting illegal or improper activities involving LSC or its grantees. Information may be provided by telephone, fax, email, or regular mail. Upon request, a person’s identity will be kept confidential. Reports may also be made anonymously.

During this reporting period, the OIG received 69 Hotline contacts. Of these matters, 3 were referred to LSC management for follow-up, 12 were opened as investigations, and the remaining 54 were closed.

## **Statistical Summary**<sup>1</sup>

### **Investigative Cases**

Open at the beginning of period .....	20
Opened during period .....	18
Closed during period .....	16
Open at the end of period .....	22
Investigative reports issued.....	20

### **Prosecutorial Activities**

Information .....	1
Guilty Pleas .....	2
Pretrial Diversion.....	1

### **Investigative Activities**

Inspector General subpoenas issued.....	4
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### **Monetary Results**

Restitution .....	\$5,398
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<sup>1</sup> Data reflected in the statistical summary were compiled based on direct counts.

## **OTHER OIG ACTIVITIES**

### **Legislative, Regulatory, and Policy Reviews**

Pursuant to our statutory responsibilities the OIG reviews, and where appropriate comments on, statutory and regulatory provisions affecting LSC and/or the OIG, as well as LSC interpretive guidance and internal policies and procedures.

During the reporting period, the OIG commented to LSC management on the terms and conditions that will govern LSC's basic field grants for 2023. The OIG's principal comment concerned the obligation of grantees to report to the OIG instances of fraud and other instances of criminal activity or misconduct. We asked management to increase the prominence of the admonition that grantees not investigate losses on their own before contacting the OIG, and management suggested a way to accomplish this. We recommended, among other things, eliminating any threshold amount for reporting, as experience has shown that losses initially thought to be small often turn out to be larger once thoroughly investigated. We also recommended that monthly phishing tests be added to the cybersecurity training requirements that grantees must meet. Management adopted all our recommendations.

### **Freedom of Information Act**

The OIG is committed to complying fully with the requirements of the Freedom of Information Act (FOIA). During this reporting period the OIG received three FOIA requests. One request was closed after we provided the requestor information as to the public availability of the information requested; the OIG responded to the other two within the requisite timeframes.

### **Professional Activities and Assistance**

The OIG participates in and otherwise supports various activities and efforts of the Council of the Inspectors General on Integrity and Efficiency (CIGIE), as well other inter-agency and professional groups. The IG serves as a member of the CIGIE Audit Committee, which focuses on government auditing standards and cross-cutting audit issues.

This period, we participated in the CIGIE Return-to-the-Office Post-Pandemic Survey, regarding plans for returning to the office, telework/remote work, and the future of OIG work and resources. The consolidated answers will serve to promote discussion, drive change, and assist each OIG in deciding how best to respond to operational challenges while emerging from the COVID-19 pandemic.

Senior OIG officials are active participants in IG community peer groups in the areas of audits, investigations, inspections and evaluations, public affairs, new media, and legal

counsel. The groups provide forums for collaboration and are responsible for such initiatives as developing and issuing professional standards, establishing protocols for and coordinating peer reviews, providing training programs, and promulgating best practices. The OIG also routinely responds to requests for information or assistance from other IG offices.

## **APPENDIX – PEER REVIEWS**

The following information is provided pursuant to the requirements of section 5(a) of the Inspector General Act of 1978, as amended, 5 U.S.C. App. 3 §5(a)(14)(B):

The last peer review of the OIG was conducted by the Office of the Inspector General for the National Railroad Passenger Corporation (more commonly known as Amtrak). Its report was issued on November 13, 2020. We received a rating of “pass.”

**TABLE I**  
**Audit Reports, Other Reports, and Quality Control Reviews**

**Part A**  
**Audit Reports**

<u>Report Title</u>	<u>Date Issued</u>	<u>Questioned Costs</u>	<u>Funds Put to Better Use</u>	<u>Unsupported Costs</u>
603 Legal Aid (formerly Legal Advice Referral Center)	11/15/2021	\$965.00	\$0	\$467.00

**Part B**  
**Other Reports**

<u>Report Title</u>	<u>Date Issued</u>	<u>Description</u>
System Review Report on the NASA OIG Audit Organization	12/07/2021	Tasked by the Council of the Inspectors General on Integrity and Efficiency, we conducted an external peer review of the NASA OIG's audit organization.
IT Vulnerability Assessment	12/17/2021	Vulnerability assessments of grantees' computer networks conducted by an OIG contractor. The assessments identified potential vulnerabilities and recommended corrective actions.
IT Vulnerability Assessment	2/2/2022	
IT Vulnerability Assessment	2/21/2022	
IT Vulnerability Assessment	2/22/2022	
IT Vulnerability Assessment	2/24/2022	
IT Vulnerability Assessment	3/8/2022	



# TABLE I

## Part C Quality Control Reviews

	<u>IPA</u>	<u>Recipient</u>	<u>Date Issued</u>
1	RSM US LLP	Legal Services New York City	10/06/2021
2	Dixon Hughes Goodman LLP	South Carolina Legal Services, Inc.	10/20/2021
3	Harrington Group, CPAs, LLP	Legal Services of Northern California, Inc	10/27/2021
4	Harrington Group, CPAs, LLP	Neighborhood Legal Services of Los Angeles County	10/27/2021
5	J. Miller & Associates, LLC	Legal Services Corporation of Delaware, Inc.	10/27/2021
6	PPA, LLP	Rhode Island Legal Services, Inc	10/27/2021
7	Cusack & Company, CPAs LLC	Legal Aid Society of Northeastern New York	2/14/2022
8	Yeo & Yeo, P.C.	Michigan Advocacy Program	2/17/2022
9	Yeo & Yeo, P.C.	Michigan Indian Legal Services, Inc.	2/17/2022
10	Brady, Martz & Associates, P.C	Legal Services of North Dakota	3/09/2022
11	One River CPAs	Pine Tree Legal Assistance, Inc.	3/17/2022

## TABLE II

### Audit Reports Issued with Questioned Costs

	<u>Number of Reports</u>	<u>Questioned Costs</u>	<u>Unsupported Costs</u>
A. For which no management decision has been made by the commencement of the reporting period.	1	\$376,521	\$0
B. Reports issued during the reporting period	1	\$965	\$467
Subtotals (A + B)	2	\$377,486	\$467
C. For which a management decision was made during the reporting period:	1	\$965	\$467
(i) dollar value of recommendations that were agreed to by management	1	\$965	\$467
(ii) dollar value of recommendations that were not agreed to by management	0	\$0	\$0
D. For which no management decision had been made by the end of the reporting period	1	\$376,521	\$0
E. Reports for which no management decision had been made within six months of issuance	1	\$376,521	\$0

### TABLE III

#### Audit Reports Issued with Funds to Be Put to Better Use

	<u>Number of Reports</u>	<u>Dollar Value</u>
A. For which no management decision has been made by the commencement of the reporting period	0	\$0
B. Reports issued during the reporting period	0	\$0
Subtotals (A + B)	0	\$0
C. For which a management decision was made during the reporting period:	0	\$0
(i) dollar value of recommendations that were agreed to by management	0	\$0
(ii) dollar value of recommendations that were not agreed to by management	0	\$0
D. For which no management decision had been made by the end of the reporting period	0	\$0
E. For which no management decision had been made within six months of issuance	0	\$0

## TABLE IV

### Part A Audit Reports Issued Before this Reporting Period for Which No Management Decision Was Made by the End of the Reporting Period

<u>Report Title</u>	<u>Date issued</u>	<u>Comments</u>
<b>Central Virginia Legal Aid Society, Inc.</b>	12/23/2019	The grantee partially responded to two recommendations and was unresponsive to three. The OIG referred the five outstanding recommendations to LSC management for resolution. The OIG referred two additional recommendations to LSC management during the SAR period ending March 31, 2021. LSC management is working with the grantee to resolve all seven recommendations and will notify the OIG upon resolution.
<b>Legal Services Vermont</b>	01/11/2021	The grantee agreed with a recommendation and the OIG considered the grantee's comments as responsive; however, the OIG referred the recommendation to LSC management for resolution. LSC management is working with the grantee to resolve the recommendation and will notify the OIG upon resolution.

## TABLE IV

### Part B Audit Reports Issued Before this Reporting Period with Unimplemented Recommendations as of the End of the Reporting Period

<u>Report Title</u>	<u>Date Issued</u>	<u>Findings Summary</u> <sup>1,2</sup>	<u>Comments</u>
<b>Coast to Coast Legal Aid of South Florida</b>	07/08/2021	D	Corrective action in process. The OIG is working directly with the grantee to close two recommendations.
<b>Central California Legal Services</b>	08/30/2021	F, O, P	Corrective action in process. The OIG is working directly with the grantee to close three recommendations.

**Legend:**

A = Written Policies & Procedures	B = Disbursements	C = Contracting	D = Fixed Assets	E = Derivative Income
F = Credit Cards	G = Cost Allocation	H = General Ledger & Financial Controls	I = Client Trust Funds	J = Segregation of Duties
K = Management Reporting & Budgeting	L = Accounting System Access	M = Vehicles	N = Job Descriptions	O = Employee Benefits
P = Payroll	Q = Internal Controls	R = Administration & Oversight Activities		

<sup>1</sup> There are no quantified potential cost savings associated with these open recommendations.

<sup>2</sup> The letters in this column do not equate to the total number of findings for each grantee. Some letters are associated with multiple findings.

## TABLE V

### Index to Reporting Requirements of the Inspector General Act

<u>IG Act Reference*</u>	<u>Reporting Requirement</u>	<u>Page</u>
Section 4(a)(2)	Review of and recommendations regarding legislation and regulations.	17
Section 5(a)(1)	Significant problems, abuses, and deficiencies.	3-5, 10-11
Section 5(a)(2)	Recommendations with respect to significant problems, abuses, and deficiencies.	3-5
Section 5(a)(3)	Prior significant recommendations on which corrective action has not been completed.	24-25
Section 5(a)(4)	Matters referred to prosecutive authorities.	10-11
Section 5(a)(5)	Summary of instances where information was refused.	None
Section 5(a)(6)	List of audit reports by subject matter, showing dollar value of questioned costs (including a separate category for the dollar value of unsupported costs) and funds to be put to better use.	21
Section 5(a)(7)	Summary of each particularly significant report.	3-5
Section 5(a)(8)	Statistical table showing number of audit reports and dollar value of questioned costs.	22
Section 5(a)(9)	Statistical table showing number of reports and dollar value of recommendations that funds be put to better use.	23
Section 5(a)(10)(A)	Summary of each audit issued before this period for which no management decision was made by the end of the period.	24
Section 5(a)(10)(B)	Audit reports with no establishment comment within 60 days.	None
Section 5(a)(10)(C)	Audit reports issued before this period with unimplemented recommendations as of the end of the period.	25
Section 5(a)(11)	Significant revised management decisions.	None
Section 5(a)(12)	Significant management decisions with which the Inspector General disagrees.	None
Section 5(a)(14)-(16)	Peer reviews.	19

Section 5(a)(17)-(18)	Statistical tables on investigations.	16
Section 5(a)(19)	Investigations involving senior employees where allegations of misconduct are substantiated.	None
Section 5(a)(20)	Instances of whistleblower retaliation.	None
Section 5(a)(21)	Attempts by the establishment to interfere with OIG independence.	None
Section 5(a)(22)	Specified matters closed and not disclosed to the public.	None

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\*Refers to provisions of the Inspector General Act of 1978, as amended.



[Oversight.gov](https://www.oversight.gov) was created by the Council of the Inspectors General on Integrity and Efficiency (CIGIE) to put on a single website all public reports from federal Inspectors General (IGs). The site includes a publicly accessible, text searchable repository of reports published by IGs, a user-friendly map to find reports based on geographic location, and contact information for each IG's whistleblower hotline.

Like the other OIGs, at the Legal Services Corporation we will continue to post our reports to our own website, [www.oig.lsc.gov](http://www.oig.lsc.gov), but with Oversight.gov, users can sort, search, and filter the site's database of public reports from all of CIGIE's member OIGs, including the LSC OIG, to find reports of interest. Users can receive notifications when new reports are added to the site by following CIGIE's Twitter account, [@OversightGov](https://twitter.com/OversightGov).





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LEGAL SERVICES CORPORATION

## OFFICE OF INSPECTOR GENERAL HOTLINE

### IF YOU SUSPECT–

**FRAUD** INVOLVING LSC GRANTS OR OTHER FUNDS  
**WASTE** OF MONEY OR RESOURCES  
**ABUSE** BY LSC EMPLOYEES OR GRANTEEES  
**VIOLATIONS** OF LAWS OR LSC REGULATIONS

### PLEASE CALL OR WRITE TO US AT –

**PHONE** 800-678-8868 OR 202-295-1670  
**FAX** 202-337-7155  
**E-MAIL** [HOTLINE@OIG.LSC.GOV](mailto:HOTLINE@OIG.LSC.GOV)  
**MAIL** P.O. BOX 3699  
WASHINGTON, DC 20027-0199

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