

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**AUDIT OF GRANTEE'S
PRIVATE ATTORNEY INVOLVEMENT
PROGRAM**

Grantee: Western Michigan Legal Services

Recipient No. 423141

Report No. AU04-07

AUGUST 2004

www.oig.lsc.gov



August 27, 2004

Mr. Michael C. Chielens
Executive Director
Western Michigan Legal Services
89 Ionia, NW, Suite 400
Grand Rapids, Mi. 49503

Dear Mr. Chielens:

Enclosed is our final audit report on Western Michigan Legal Services' compliance with private attorney involvement (PAI) requirements of 45 CFR Part 1614. Your comments on the draft report are included as Appendix I. We modified the report to correct the erroneous references identified in your comments. The final report includes one recommendation.

Your response to the draft report indicates that you have begun to implement the recommendation for follow-up on open PAI cases. However, we recommend that you increase the frequency of such follow-ups from six months to a minimum of quarterly. Please provide us with a plan within 30 days of the date of this letter.

A copy of this report is also being sent to the Chair of the Board of Directors of your program and to LSC management.

Thank you and all your staff for the cooperation and courtesy extended to the OIG auditors. If you have any questions about the report, please contact David L. Gellman at 202-295-1665 or me at 202-295-1651.

Sincerely,

A handwritten signature in black ink, appearing to read "Leonard J. Koczur", written in a cursive style.

Leonard J. Koczur
Acting Inspector General

Enclosure

cc: Legal Services Corporation
John Idleman
Michael Genz

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TABLE OF CONTENTS

	Page
RESULTS OF AUDIT.....	1
RECOMMENDATION	1
BACKGROUND	1
OBJECTIVES, SCOPE and METHODOLOGY	3
SUMMARY OF GRANTEE'S COMMENTS ON DRAFT REPORT AND OIG'S RESPONSE	4
APPENDIX I – Grantee Comments (RESERVED).....	I - 1
APPENDIX II - OIG On-Site Audit Team	II - 2

RESULTS OF AUDIT

The Legal Services Corporation (LSC), Office of Inspector General (OIG) conducted this audit to evaluate Western Michigan Legal Services (WMLS) (grantee) compliance with the Private Attorney Involvement (PAI) regulations (45 CFR 1614). This regulation requires the grantee to spend an amount equal to at least 12.5 percent of its basic field grant to involve private attorneys in providing legal services to clients. Grantees are to provide LSC statistics on the private attorneys involved and the programs must operate efficiently and effectively.

The grantee generally complied with the requirements of 45 CFR 1614 and related statistical reporting requirements, except the grantee did not document adequate oversight and follow-up for cases referred to private attorneys by the Grand Rapids office as required by section (1614.3(d)(3)). The Kalamazoo Branch Office provided adequate oversight and follow-up, including complete documentation.

Three out of ten cases tested in Grand Rapids had neither documentation of follow-up letters nor telephone calls for more than six months. Two of these cases were misclassified as PAI since they were handled by grantee staff after initial referral to private attorneys. One of these cases should have been closed. In addition, most of the follow-up documentation for the other seven cases was recorded on post-it papers attached to the files. This type of recordkeeping is subject to loss. Incomplete documentation could result in inadequate follow-up.

RECOMMENDATION

We recommend that the Executive Director

1. Establish procedures requiring the Pro Bono Coordinator to formally document PAI files with memoranda or letters indicating the substance and dates of follow-up with the private attorneys.

BACKGROUND

Western Michigan Legal Services is a nonprofit corporation established to provide legal services to indigent persons who meet applicable eligibility requirements. This grantee is headquartered in Grand Rapids, Michigan with branch offices in Big Rapids, Muskegon, Holland, Kalamazoo, St. Joe and Niles. The PAI program is coordinated by a Pro Bono Coordinator (PBC) in Grand Rapids. There is one paralegal in St. Joe and an administrative assistant in

Kalamazoo who assist in coordinating the pro bono program. Most of the closed cases reported for 2003 were for Grand Rapids Office (171) with only two branch offices reporting more than a few cases—Kalamazoo (26) and St. Joe (17).

WMLS reported expenditures of \$252,236 (all LSC funds) for 2003 to meet the PAI requirement. This amounted to 15.8 percent of the annualized basic field grant of \$1,600,045. Of the total PAI expenditures reported, WMLS reported \$220,189 for staff salaries and benefits. The \$18,188 for indirect charges such as rent, equipment and other office expenses were allocated based on PAI staff salaries. WMLS charged \$13,098 to PAI for postage, printing and litigation expenses (process servers and court reporters).

The Executive Director (ED) and the PBC affirmed that the focus of the WMLS PAI program was family law (51 percent) and consumer-bankruptcy law (21 percent) with a high percentage of extended service cases (78 percent for 2003). By contrast, most of the public benefit/assistance and landlord/tenant cases were assigned to staff attorneys. The ED and PBC stated that cases requiring immediate assistance and within program priorities were usually assigned to staff attorneys.

The ED and PBC stated that most of their pro bono attorneys were from the larger law firms in the Grand Rapids area. Further, the ED and PBC reported that it was difficult to recruit pro bono attorneys in the more rural areas outside Grand Rapids because most of those attorneys were not affiliated with large law firms, having more limited income and limited time available. The ED and PBC reported that they believed their PAI program was operating effectively, particularly considering the high number of hours contributed in handling a large number of extended service cases. In addition, WMLS receives about \$200,000 per year in additional funding from private attorneys, which WMLS believes is due to the state bar's encouragement of attorneys to make financial contributions in lieu of or addition to providing pro bono services.

The ED and PBC reported that the state bar was very active in encouraging and coordinating pro bono programs. This included providing training for pro bono attorneys and running pro se clinics. WMLS actively supports the state bar programs by participating on the Standing Pro Bono Committee of the state bar. WMLS also provides a staff attorney for approximately ten hours per week to assist at the legal assistance center in Grand Rapids, a project of the Grand Rapids Bar Association.

OBJECTIVES, SCOPE AND METHODOLOGY

The purpose of the audit was to evaluate compliance with requirements established in 45 CFR 1614, relating to private attorney involvement (PAI), including effectiveness and efficiency of PAI programs (Sec. 1614.1(c)). The on-site portion of this audit was performed from May 17, 2004 to May 19, 2004. This audit is part of a series of audits of PAI the OIG will conduct at a representative number of LSC grantees to identify systemic weaknesses as well as "best practices." The audit was performed in accordance with Generally Accepted Government Audit Standards.

The audit covered the period from January 1, 2003, through December 31, 2003. The OIG reviewed grant applications, audited financial statements and statistical data reported. The OIG interviewed the Executive Director, the Pro Bono Coordinator, the Business Manager and the Bookkeeper at the headquarters office in Grand Rapids. In addition, the OIG interviewed the Deputy Director and the paralegal at the Kalamazoo branch office. The OIG performed the following specific tests:

1. Planning - Reviewed and evaluated the grant application for 2002. Interviewed Office of Performance and Planning and the Office of Compliance and Enforcement staffs to obtain background on prior reviews and evaluations. Interviewed the Executive Director and Pro Bono Coordinator to evaluate planning for prioritizing legal needs and for obtaining feedback from community organizations and clients on PAI legal services provided.
2. Statistics - Traced statistical reports (Case Statistical Reports) to closed-case listings for PAI cases. Tested samples of cases for each of the two offices where PAI cases were reported to verify existence, LSC eligibility, type of case and level of service. Tested the accuracy of data reported on the J-1 Report-Components of PAI by tracing the data to supporting documentation.
3. Accounting - Reviewed and evaluated the grantees audited financial statements for 2003. Tested a sample of direct PAI disbursements, tracing expenditures to source documentation submitted by vendors and evaluating relevance to the PAI program. Compared a listing of individuals who had terminated employment with the grantee in the past two years to verify compliance with the prohibition on paying these former employees, including reduced-fee contracts for PAI. Evaluated the reasonableness of time charged to PAI by grantee employees, related indirect costs and internal controls over accounting for PAI.

4. Oversight - Reviewed self-inspections for 2003. Tested samples of open and/or recently-closed cases to evaluate the timeliness of follow-up and case closure.
5. Productivity - Evaluated statistical and accounting data to assess the productivity of the grantee's overall PAI program by comparing this data to national averages. Compared productivity between the PAI programs at the grantee's two offices.

SUMMARY OF GRANTEE'S COMMENTS ON DRAFT REPORT AND THE OIG'S RESPONSE

GRANTEE COMMENT-OVERSIGHT AND FOLLOWUP

The grantee agreed to document follow up with pro bono attorneys by contacting a certain percentage of the open pro bono cases with the goal of reaching each private attorney every six months.

OIG RESPONSE

The OIG recommends that the frequency of follow-up with pro bono attorneys on open cases should be at least quarterly.



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MICHAEL C. CHIELENS, EXECUTIVE DIRECTOR

August 17, 2004

Leonard J. Koczur
 Legal Services Corporation
 Office of Inspector General
 3333 K Street NW 3rd Floor
 Washington, DC 20007

Dear Mr. Koczur:

This letter is in response to the draft report of the PAI audit of Western Michigan Legal Services dated August 6, 2004.

I would like to thank you for the opportunity to meet with Mr. Gellman and Mr. Ortunio. They conducted themselves professionally and I believe the audit went as smoothly for them as it did for us. I am looking forward to the release of the final report.

In regards to the one recommendation, I can tell you that we have already begun to implement it as a program procedure. The PBC and the assistants in the other offices will document the follow-up with private attorneys in our PIKA case management system. In fact, Paul Abrahamsen, our PBC, has already begun to document the contacts in that manner. We have discussed how best to pursue the follow-up and we most likely will contact a certain percentage of the open pro bono files on a monthly basis with a goal of reaching each private attorney every six months. I have spoken with the chair of the Pro Bono Committee of the Grand Rapids Bar Association and he believes such a system would be beneficial, but not too cumbersome.

There were also a couple of questions or corrections that I had on page two, in the first full paragraph, it references the program as "LSNC." In the last full paragraph on that page the report indicates that a staff attorney works at the "State Bar" Legal Assistance Center in Grand Rapids. Actually, the Legal Assistance Center is a project of the Grand Rapids Bar Association.

Leonard J. Koczur
Legal Services Corporation
Office of Inspector General
August 17, 2004
Page Two

Finally, on page three, in the Planning subsection the report notes that the VLSP director was interviewed. I am not aware of what this acronym stands for and would appreciate it if you could clear that up for me.

I thank you and your team for their insights, cooperation and professionalism in this matter. If you have any questions, please feel free to contact me.

Yours truly,



Michael C. Chielens
Executive Director

lsc\ltr to koczur 8.17.04

APPENDIX II

OIG On-Site Audit Team

David Gellman (Auditor-in-Charge)

Abel Ortunio