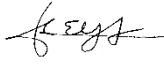




OIG ADVISORY

TO: Legal Services Corporation Board of Directors
Legal Services Corporation President and Corporate Officers
Executive Directors, Legal Services Corporation Grantees
Chairs, Legal Services Corporation Grantees' Boards of Directors

FROM: Thomas E. Yatsco, Inspector General 

DATE: October 17, 2024

SUBJECT: Understanding and Preventing Wasteful Spending in Legal Services Corporation Operations and Grantee Programming

BOTTOM LINE FOR LEADERS

We all share a commitment to preventing waste in the use of Legal Services Corporation (LSC) funds. Waste occurs when an organization expends resources carelessly, extravagantly, or without adequate purpose. Waste can be different from fraud in that waste does not necessarily involve violations of law. While the Office of Inspector General (OIG) and other external auditors serve as independent checks on LSC-funded programming, the LSC Board, LSC Management, and grantees' managers and boards of directors are ultimately responsible for ensuring that effective policies, procedures, and controls are in place to prevent waste at all levels.

WHAT WASTE IS AND HOW IT CAN BE DIFFERENT FROM FRAUD

I am drawing your attention to a recent U.S. Government Accountability Office (GAO) publication¹ that describes what wasteful spending is and how to avoid it (linked in footnote 1). According to GAO, waste involves “incurring unnecessary costs due to inefficient or ineffective practices, systems, or controls.” Waste can be different from fraud; in that it does not necessarily involve committing a crime or violating the law. However, such egregious spending and questionable decision making divert scarce resources from achieving your primary mission, would not hold up in the sunshine, and could cause reputational harm if exposed to your funders and/or the public. Over

¹ [GAO-24-107198, GAO Overview: Understanding Waste in Federal Programs.](https://www.gao.gov/products/GAO-24-107198)

the years, the LSC OIG has identified instances that would fall under GAO's definition of wasteful spending. For example:

- An Executive Director's (ED) compensation and benefits included an excessive deferred compensation plan, salary continuation plan, and other retirement contributions. This compensation plan was only available to the ED.
- A fiscal officer was deemed to be a non-exempt employee in order to claim unwarranted overtime pay.
- Grantees have used unspent private attorney involvement (PAI) funds to purchase unallowable items in order to meet LSC's PAI requirement.

It is critically important for you to appropriately spend civil legal aid resources, whether the funding is from government, private, or nonprofit sources. In the end, all funders share the same concerns: that you are achieving results and ensuring accountability and integrity in spending their money.

KEY CONSIDERATIONS ABOUT PREVENTING WASTEFUL SPENDING

To prevent wasteful spending, GAO stresses the following three points that you should consider as you execute your essential management or oversight responsibilities:

- Programs may be vulnerable to waste due to mismanagement of assets.
- Personnel may engage in wasteful practices by not following policies and procedures.
- Program officials do not always establish adequate oversight procedures.

As stewards of the federal funds appropriated to LSC, I urge you to take a proactive and thoughtful look at your policies and procedures—and related controls—to ensure that you are positioned to prevent wasteful spending. Further, as leaders I urge you to consistently stress messages of program integrity in your public and internal communications. There is a reason why the first principle of internal control relates to Tone at the Top.

OIG is committed to disseminating insights to help prevent fraud, waste, abuse, and mismanagement. We will post this advisory to our website.

I appreciate your consideration of this advisory and GAO's observations—and once again I want to thank you for the work you do under challenging circumstances. Our ultimate goal is to help you maximize every dollar invested in civil legal aid.