

LEGAL SERVICES CORPORATION

BOARD OF DIRECTORS



**COMMENTS
ON THE
OFFICE OF INSPECTOR GENERAL'S
SEMIANNUAL REPORT TO THE CONGRESS
FOR THE PERIOD**

OCTOBER 1, 2000 – MARCH 31, 2001

MAY 31, 2001

FOREWORD

I am pleased to transmit the comments of the Legal Services Corporation (“LSC” or “Corporation”) Board of Directors (“Board”) regarding the Semiannual Report of LSC’s Office of Inspector General (“OIG”) for the six-month period of October 1, 2000 through March 31, 2001.

LSC’s Board recognizes the value of the Inspector General function and remains committed to working with the OIG to achieve our goal of providing high quality legal assistance to the poor of our nation. We note, in particular, our support of the OIG’s work to strengthen LSC recipients’ compliance efforts and Case Service Reporting, which has resulted in increased accuracy in the documentation of the performance of LSC recipients.

Douglas S. Eakeley, Chairman
Legal Services Corporation
May 31, 2001

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MESSAGE OF THE BOARD OF DIRECTORS

During the reporting period, LSC made continued progress in its State Planning Initiative. *Building State Justice Communities: A State Planning Report from the Legal Services Corporation*, issued in March 2001, highlights the state planning successes of 18 states in developing coordinated plans to increase resources and services to clients statewide.¹ The report shows the variety of ways in which these states have strengthened their equal justice systems, providing models and inspiration for others. All 18 states improved access to justice for low-income people, strengthened the quality of legal services delivered by programs,² and forged new and deeper bonds among stakeholder partners in each state's civil justice community.

Since 1998, LSC has restructured legal services programs in 24 states, and the number of LSC grant recipients has decreased from 269 in 1997, to 167 anticipated grantees (Basic Field and Native American grants) in calendar year 2002.

LSC's State Planning Initiative is premised on the belief that LSC-funded programs must:

- ?? function as a concerted, coherent, closely coordinated legal assistance delivery system;
- ?? include other equal justice partners in the creation and implementation of this coordinated delivery system;
- ?? develop additional resources to expand legal services;
- ?? incorporate the views of clients and key partners in making major decisions about how to design and implement a comprehensive system of high quality legal services; and
- ?? target legal services resources to achieve the greatest measure of equal justice for clients and economically disadvantaged people.

LSC's ultimate goal in this regard is to help grantees create state communities of justice – integrated and coordinated legal services delivery systems which

¹ California, Colorado, Florida, Illinois, Indiana, Maine, Maryland, Minnesota, Missouri, New Hampshire, New Jersey, Ohio, Oregon, Pennsylvania, South Carolina, Utah, Washington, West Virginia.

² 'Programs', 'recipients', and 'grantees' are used interchangeably in this report to refer to recipients of LSC funding.

comprehensively improve grantees' delivery of services to clients. LSC has made significant progress in this effort and continues to assist recipients in improving the quality of legal services nationwide.

To further its goal of expanding recipients' use of technology, LSC is proceeding with its second round of Technology Initiative Grants, it has consulted with grantees on the selection of case management software which will accommodate merger-related technology needs, and it has provided continued technology training to recipients.

BACKGROUND

Legal Services Corporation

The Legal Services Corporation is a private, non-profit corporation established in the District of Columbia by the Legal Services Corporation Act of 1974, as amended (“the LSC Act”),³ to provide financial support for legal assistance in civil proceedings to persons unable to afford legal services. LSC is governed by an eleven-member bipartisan Board of Directors appointed by the President of the United States with the advice and consent of the Senate. The Board appoints LSC’s President, who serves as the Corporation’s chief executive officer, subject to general policies established by the Board.

The 1988 Amendments to the Inspector General Act of 1978 (“1978 Act”) required LSC to establish an Office of Inspector General (“OIG”) and extended specific provisions of the 1978 Act to LSC. Accordingly, such an office was established by and for LSC. The Inspector General is appointed by, reports to and serves under the general supervision of LSC’s Board of Directors.

Funding and Grant-Making Activities

LSC received a Congressional appropriation of \$330 million for FY 2001, with which it made grants to 207 programs to provide free legal services to indigent persons across the country. Of the funds received for FY 2001, \$7-million will be used for client self help and information technology.

³ 42 U.S.C. ?? 2996-2996l.

MANAGEMENT INITIATIVES

During this reporting period, LSC continued its efforts to improve the efficiency of its competitive grant award system and the effectiveness of the delivery of legal assistance by its initiative for statewide planning and coordination of legal services. The Corporation continued to demonstrate its ability to ensure both compliance with program rules and regulations, and the maintenance of high quality legal assistance to eligible clients.

Strategic Directions

LSC continues to implement its five (5) year Strategic Direction Plan (“the Plan”). Adopted by the Board of Directors on January 28, 2000, the Plan commits LSC to dramatically enhance the impact of legal services programs throughout the nation by improving access to legal services while enhancing their quality. The Plan emphasizes LSC’s State Planning Initiative, as well as the increased use of technology, as significant strategies for expanding access to, and availability of, civil legal services throughout the United States. LSC is developing performance measures to assess the ongoing effectiveness of its strategic plan, and will undertake pilot projects in up to five programs in 2001.

Competition and State Planning

LSC’s primary goals for the calendar year 2002 grants competition are to refine the Request for Proposal (“RFP”), simplify the applicant process for competing for LSC grants, and obtain applicant information essential to maintaining a quality legal services delivery system.

Several refinements have been incorporated into the RFP for 2002 funding, including: questions on applicant staff diversity; staff recruitment and retention strategies; staff training; and applicant strategic planning. RFP inquiries on technology are streamlined and incorporated into the RFP form for technology, which allows LSC to assess the technological capacities of the delivery system. The RFP was also modified to obtain more comprehensive information on sub-grantees that receive twenty-five percent (25%) or more of the LSC grant award, and sub-grantees that deliver a full range of services to a specific geographic area within the applicant's service area. Evaluation weights assigned to RFP topics have been restructured to correspond with the modifications made to the RFP.

LSC continues to make the most use of available technology. The RFP is fully electronic and is available from the Internet at www.ain.lsc.gov. The technology used to capture and evaluate information in response to the RFP permits LSC to compile and assess key information about the delivery system at the program, state, regional, and national level.

LSC continues to provide technical assistance to grantees in many areas of state planning including, but not limited to, development and implementation of state plans, resource development, and mergers. During this reporting period, LSC retained consultants to assist planning efforts in Florida, North Carolina, New York, Missouri, Ohio, South Carolina, and Wisconsin. Technical assistance contracts supported resource development activities in Alabama, Louisiana, Nebraska and the District of Columbia. In March, LSC organized and sponsored a national 2-day training on mergers attended by 90 participants.

These efforts have resulted in the development of additional resources for civil legal services, new and more efficient ways of providing legal information and advice to low-income persons, and more effective and economical structures to assure equal justice to greater numbers of Americans.

Technology Efforts

LSC is in the process of reviewing and awarding its second round of Technology Initiative Grants (“TIGs”). It has received 95 applications with total grant requests of over \$19-million, for projects totaling \$36 million. Twenty-three of these requests are for implementation of statewide web site templates developed in the FY 2000 grant competition. If funded, these projects would provide the potential for half of the states to provide clients with legal information and *pro se* resources on a statewide basis.

LSC continues to provide assistance to former recipients of TIGs. In October 2000 and March 2001, LSC hosted meetings of TIG recipients to discuss the administration of the grants. Additionally, LSC has created a web site for the collaboration of TIG recipients.

At the Equal Justice Conference (“EJC”) held in March 2001 in San Diego, LSC and the Project for the Future of Equal Justice held the second Case Management Software pre-conference. The primary goal of this gathering was to address issues generated by LSC’s State Planning Initiative and resulting mergers. At the meeting, representatives from LSC and TIG recipients discussed the creation of central databases for a program, region, or state, using various applications such as WAN, SQL or Citrix.

During the reporting period, LSC provided technology training at the Southeast Projects Directors meeting; the Committee On Regional Training for Michigan, Ohio, and West Virginia; the Indiana Access to Justice Conference; the EJC; the National Legal Aid and Defender Association; and the Management Information Exchange. It also provided assistance to several states with the development of statewide technology plans. Finally, in October 2000, LSC, in conjunction with the National Center for State Courts, the State Justice Institute, and the Open Society Institute, convened a conference of representatives from legal services, state courts, bar associations, and other community partners to forge collaborations to advance *pro se* efforts in eight states.

Program Visits

To assure the provision of high quality legal assistance to eligible clients, LSC's Office of Program Performance ("OPP") instituted a written protocol for conducting program reviews. LSC published a *Program Review Guide* to aid staff and consultants while conducting on site recipient reviews. All program reviews are conducted to enhance the purpose of the Corporation's Strategic Direction Plan. The on site visits are conducted for the purpose of program monitoring and development, to solve problems, and to develop new strategies for expanding access and enhancing quality of services to clients.

Ten programs were chosen for visits in 2001. One visit was conducted in April; one is scheduled for May; two are scheduled for June; two are scheduled for July; and one is scheduled for September. Dates for three additional visits will be selected in the near future.

'The Results Project'

'The Results Project' is aimed at gauging, for the first time, the type and volume of work, other than the handling of cases, in which LSC-funded programs engage. LSC has long noted that its programs provide referrals and community legal education, engage in outreach, and work cooperatively with other groups to address the needs of the LSC client community. LSC recognizes that this work entails great effort and produces significant results. 'The Results Project' will enable LSC to describe and quantify that work. LSC has endeavored to minimize the burden on programs in the collection of this information through the design of a carefully developed data collection instrument, the collection of information only once a year, and through efforts to modify existing case management systems to allow for collection of this information.

The project attempts to identify the number of people served by the following types of work, and obtain descriptions of programs' efforts and of successes.

- ?? Referrals;
- ?? Community legal education presentations;
- ?? Community legal education materials, articles and web sites;
- ?? Pro se clinics, distribution of pro se materials including the technologically enhanced approaches;
- ?? Indirect services such as training to other (lay) service providers and collaborative service delivery models; and
- ?? Other services such as mediation and alternative dispute resolution work.

The draft of the instrument to collect this information was tested by 22 programs. LSC is in the process of reviewing the test results in order to make appropriate improvements. Regular data collection is scheduled to begin July 1, 2001.

Diversity

To better serve clients and strengthen program staff and leadership sensitivity to client communities, LSC has convened a series of conferences on diversity. These conferences will enable program staff to examine the degree to which gender, race, ethnicity and age have adversely affected the ability of some clients to obtain critical legal services from LSC recipients. The first conference was held on March 31, 2001 in conjunction with the 2001 Equal Justice Conference, and others are planned later in 2001.

Client Conference

In April 2001, just beyond the reporting period, LSC held a three-day conference in Hershey, Pennsylvania, entitled "Creating Client-Centered State Communities of Justice". The conference provided a forum for the exchange of ideas about methods by which the legal services community can better empower, strengthen and enhance the lives of legal services clients. It convened client and community advocates, as well as legal services staff who embrace the concept of client-centered legal services.

Sixteen (16) conference papers were written by legal services leaders across the country on topics that enhanced and enlightened the conference discussions. The conference was attended by a diverse group of more than seventy (70) individuals, comprised of clients and client advocates, members of the bench and the academic community, LSC board members and staff, and national partners.

Conference participants reflected a true cross section of the country, with clients and advocates attending from more than twenty-eight (28) states. As part of the participant solicitation process, applicants were asked to commit to lead and participate in at least one statewide activity that will promote positive, lasting change in the client community.

LSC will publish a report on the conference in June 2001. The report will capture the ideas, recommendations, and strategies from the conference and serve as a possible guide to help clients and advocates facilitate client-centered legal services delivery in their communities.

Characteristics of Model Intake Systems

As a part of its effort to encourage and promote innovative procedures, LSC is producing a listing of draft characteristics of ideal telephone intake, advice, and referral systems. LSC and its OIG have, for many years, been committed to promoting these systems. In arriving at the draft characteristics, LSC staff considered a variety of documents describing standards for intake systems, including those published by the ABA and AARP. LSC also solicited input from leaders in the area of intake systems and

presented the draft characteristics during a workshop on “Best Practices” at the March ABA/NLADA Equal Justice Conference.

In early May 2001, shortly beyond the reporting period, LSC’s Office of Program Performance (“OPP”) notified programs that it was accepting comments to draft characteristics of a telephone intake advice and referral system. The Draft Characteristics were posted on the LSC Recipient Information Network and were sent to all program directors via electronic mail. After considering comments from recipients and advocates, OPP intends to publish the characteristics in a Program Letter and use them as the best practice standard when evaluating programs’ intake systems.

Program Mergers/Consolidations

In anticipation of many program mergers or consolidations due to the reconfiguration of service areas for 2002, LSC, along with the National Legal Aid and Defender Association and the Management Information Exchange sponsored a “Making Mergers Work” workshop during the March ABA/NLADA Equal Justice Conference. Approximately 70 participants examined the practicalities of mergers and consolidations; considered ways in which new service area configurations can better serve clients; prepared for the challenges of joining different program cultures and emerging with an effective larger organization; and talked with peers about the specific opportunities and problems they face. LSC staff presented a session on LSC program requirements for mergers and consolidations.

The Office of Program Performance has revised internal procedures for handling program mergers/consolidations. LSC grant conditions require that programs obtain LSC approval of a merger or consolidation before LSC will allow the transfer of the grant from one program to another. LSC’s internal procedures for clearing mergers and consolidations involve the work of several offices within LSC including the Executive Office, the Office of Inspector General, the Office of Compliance and Enforcement, the Office of Legal Affairs and the Office of Information Management, with the Office of Program Performance having primary responsibility for the clearance process.

Shortly beyond the reporting period in May 2001, the Office of Program Performance held a special telephonic conference for 2002 grant applicants involved in mergers/consolidations. This session focused on how programs should complete grant applications, and the new grant application requirements for applicants which anticipate sub-granting part of the LSC grant during the grant year.

Rulemaking Activities

During the reporting period, LSC issued a revised final rule on recipient fund balances, 44 CFR Part 1628. Under the final rule, published on November 7, 2000, recipients will be permitted to carry over fund balances of 10% or less; will be able to seek LSC approval for carryover balances of between 10% and 25%; and will be

generally prohibited from retaining fund balances of over 25%, except in three very limited and especially compelling circumstances. The exceptions would be where the fund balance overage results from the receipt of insurance proceeds; real estate sale proceeds; or proceeds received as a result of a lawsuit in which the recipient was a party. The new rule became effective on December 7, 2000.

In addition, LSC has begun conducting a thorough review of LSC's regulations. This project is consistent with the five-year strategic plan, "LSC Strategic Directions 2000 - 2005" which, among other things, requires reviewing LSC's regulatory compliance requirements for efficiency, unnecessary duplication and burden, and implications for the delivery of high quality, appropriate legal services. As part of this project, LSC solicited public comment via notices published in the Federal Register and on the LSC Website in November 2000. The review effort is still underway and a final report is expected to be presented to the LSC Board for consideration in June 2001.

TABLE 1

**Management Report on
Office of Inspector General Audits of Grantees
Issued With Questioned Costs
For the Six Month Period Ending March 31, 2001**

	Number of Reports	Disallowed Costs
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of disallowed costs that were recovered by management through collection, offset, property in lieu of cash, or otherwise.	0	\$0
(ii) Dollar value of disallowed costs that were written by management.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance	0	\$0

TABLE 2

**Management Report on Audit Reports Issued During
The Six Month Period Ending March 31, 2001,
With Recommendations That Funds Be Put to Better Use By Management
Agreed to in a Management Decision**

	Number of Reports	Dollar Value
A. Audit Reports for which final action had not been taken by the commencement of the reporting period.	0	\$0
B. Audit Reports on which management decisions were made during the reporting period.	0	\$0
Subtotals (A + B)	0	\$0
MINUS:		
C. Audit Reports for which final action was taken during the reporting period:	0	\$0
(i) Dollar value of recommendations that were actually completed.	0	\$0
(ii) Dollar value of recommendations that management has subsequently concluded should not or could not be implemented or completed.	0	\$0
D. Audit Reports for which no final action has been taken by the end of the reporting period.	0	\$0
Audit Reports for which no final action had been taken within six months of issuance.	0	\$0