



Office of Inspector General
Legal Services Corporation

Inspector General
Jeffrey E. Schanz

3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558
202.295.1660 (p) 202.337.6616 (f)
www.oig.lsc.gov

March 30, 2012

Mr. Ben Thomas Cole, II
Executive Director
North Mississippi Rural Legal Services
5 County Rd 1014
P.O. Box 757
Oxford, MS 38655-0767

Dear Mr. Cole:

Enclosed is the Office of Inspector General's (OIG) final report of our audit on Selected Internal Controls at North Mississippi Rural Legal Services. The OIG has reviewed your comments on the findings and recommendations contained in a draft of this report and made the following determinations.

The corrective actions planned or taken are responsive to all 12 of the recommendations included in the final report. Actions taken in response to the Recommendations 1, 2, 4, 5, 7 and 8 are sufficient and the recommendations are considered closed. The Recommendations 3, 6, and 9 through 12 will remain open until all actions have been completed and the OIG is notified in writing.

We thank you and your staff for the cooperation and assistance you provided us.

Sincerely,


Jeffrey E. Schanz
Inspector General

Enclosure

cc: James Sandman
President, Legal Services Corporation

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

**REPORT ON SELECTED INTERNAL
CONTROLS**

**NORTH MISSISSIPPI RURAL LEGAL SERVICES,
INC.**

RNO 625040

Report No. AU12-02

March 2012

www.oig.lsc.gov

EXECUTIVE SUMMARY

The Legal Services Corporation (LSC) Office of Inspector General (OIG) assessed the adequacy of selected internal controls in place at North Mississippi Rural Legal Services, Inc. (NMRLS or grantee) related to specific grantee operations and oversight. Audit work was conducted at the grantee's main office in Oxford, Mississippi and at LSC headquarters in Washington, DC. The on-site fieldwork was conducted from September 12 through 16, 2011.

Although some controls need to be strengthened, internal controls reviewed at North Mississippi Rural Legal Service, Inc. were generally adequate as the controls related to specific grantee operations and oversight, including program expenditures, fiscal accountability, and compliance with selected LSC regulations. Internal controls over compliance with LSC regulation 45 CFR Part 1617 were adequate. The grantee's disbursements tested were, for the most part, adequately supported, allowable, and properly allocated to LSC. We did find, however, several issues that need management attention, as discussed more fully in the body of the report.

The OIG found that:

- One employee was paid with LSC funds to work in two positions for the grantee, but whose time records did not adequately support the time required of both positions.
- One attorney reviewed was performing duties under two separate grants but not keeping adequate time records showing the work performed under one of the grants.
- NMRLS charged more than \$10,000 to LSC funds for the purchase of an accounting system without obtaining LSC's prior approval. As a result, we are questioning \$17,351 charged to LSC funds for the system.
- The grantee needed to formalize a cost sharing agreement it had with another LSC grantee and reconcile shared expenses more timely with the other LSC grantee.

Other issues noted include improving recordkeeping procedures for donated and disposed of property; establishing controls over approval of travel actions for the Executive Director; updating the grantee's accounting manual to address contracting policies and procedures; and updating the personnel manual to reflect current practices and policies.

The OIG made 12 recommendations. Two of the recommendations address controlling dual compensation and timekeeping. The OIG also recommends that the grantee establish controls to ensure that major purchases are approved by LSC in advance; formalize in writing a shared expense agreement with another LSC grantee and obtain monies owed by the other grantee; and properly document donated assets and the disposal of assets. Two recommendations address improving controls over the Executive Director's travel. Other

recommendations suggest that the grantee's policies and procedures be strengthened by including the policies used for contracting in the accounting manual and by including current personnel practices in the personnel manual.

Summary of Grantee Comments:

NMRLS management agreed with the report's findings and recommendations except for two findings and the related questioned costs. First, grantee management disagreed that the two positions—Statewide Network Administrator and Operations Manager--were separate and required more than 40 hours per week to perform. Second, NMRLS disagreed that the purchase of its automated accounting software required approval from LSC.

Management stated that the two jobs were combined when the employee was first hired as the Statewide Network Administrator. NMRLS management stated that at the time the individual was hired, there was a "meeting of the minds between NMRLS and the employee" that the individual would work both positions for a total of 40 hours per week for the agreed to salary. Grantee management stated that the employee, who was paid with LSC funds to work in two positions for the grantee, was not required to maintain time records to support the time required to fulfill the duties of both positions.

In disagreeing with the OIG's finding that, because of the cost, the grantee's accounting system required LSC approval, NMRLS stated that the purchase was not a single purchase but three separate purchases of individual items, each of which was under \$10,000. The grantee also stated that even if a purchase of several related items combined exceeded the \$10,000 threshold, prior approval would not be required if the individual costs were below \$10,000. It was the grantee's position that the OIG misinterpreted LSC regulations and the PAMM, and thus the accounting system acquisition did not require LSC approval.

OIG Overall Evaluation of Grantee's Comments

The OIG considers the grantee's actions planned and taken to be responsive to all 12 of the recommendations. Recommendations 1, 2, 4, 5, 7 and 8 are considered closed. Recommendations 3, 6, and 9 through 12 will remain open until such time as written notification is received by the OIG that all actions have been completed.

In regard to the two positions performed by the same employee, the unique aspects of the combined positions of Statewide Network Administrator and Operations Manager were not adequately documented at the time of audit. A formal job description was not prepared. Management's comments indicated that there was a meeting of the minds as to what the combined jobs would entail and that both positions would only require a total of 40 hours per week, also not documented. The only document that management presented to support its

position was a payroll change notice that listed the jobs as a network administrator and a one-third time operations manager, and the salary for each. The payroll change notice did not indicate that both jobs would only take a total of 40 hours per week to accomplish or that the jobs were merged into a single job. NMRLS management has since developed a formal job description for the position.

However, grantee management is ultimately responsible for determining the positions necessary and to set the job responsibilities and salary for each position. Since NMRLS management has stated in its written comments that it was the intent from the beginning that the combined positions be viewed as a single position, requiring a 40-hour work week, the OIG has accepted management's statement and will not question costs related to this matter.

The OIG disagrees with NMRLS' comments addressing the purchase of its accounting system. The OIG believes it has interpreted the LSC regulations and the PAMM correctly. While the grantee did make three purchases, the purchases were to obtain an individual item—an accounting system. Also, the items purchased were not simply related items, they were components of the individual item that were necessary for the system to work properly. The OIG will forward the questioned cost to LSC management for 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 North Mississippi Rural Legal Services, Inc. (grantee) related to specific grantee operations and oversight. The on-site fieldwork was conducted from September 12 through 16, 2011. Documents reviewed pertained to the period January 1, 2009 through August 31, 2011. Our work was conducted at the grantee's administrative office in Oxford, Mississippi and at LSC headquarters in Washington, DC.

In accordance with the Legal Services Corporation Accounting Guide for LSC Recipients (2010 Edition) (Accounting Guide), Chapter 3, an LSC grantee "...is required to establish and maintain adequate accounting records and internal control procedures." The Accounting Guide defines internal control as follows:

[T]he process put in place, managed and maintained by the recipient's board of directors and management, which is designed to provide reasonable assurance of achieving the following objectives:

1. safeguarding of assets against unauthorized use or disposition;
2. reliability of financial information and reporting; and
3. compliance with regulations and laws that have a direct and material effect on the program.

Chapter 3 of the Accounting Guide further provides that each grantee "must rely upon its own system of internal accounting controls and procedures to address these concerns" such as preventing defalcations and meeting the complete financial information needs of its management.

OBJECTIVE

The overall audit objective was to assess the adequacy of selected internal controls in place at the grantee as the controls related to specific operations and oversight, including program expenditures, fiscal accountability, and compliance with selected LSC regulations. Specifically, the audit evaluated selected financial and administrative areas and tested the related controls to ensure that costs were adequately supported and allowed under the LSC Act and LSC regulations. In addition, the audit examined the grantee's involvement in class action lawsuits and grantee processes to assess whether controls were designed in a manner expected to ensure compliance with the LSC Act and the selected LSC regulations. However, the objective was not to reach a conclusion on compliance with any specific regulation.

SCOPE AND METHODOLOGY

To accomplish the objective, controls over disbursements, internal management reporting and budgeting, selected LSC regulations, and employee benefits and reimbursements were reviewed and tested. To obtain an understanding of the internal controls over these areas, grantee policies and procedures were reviewed, including manuals, guidelines, memoranda, and directives setting forth current policies. Grantee officials were interviewed to obtain an understanding of the internal control framework, and management and staff were interviewed as to their knowledge and understanding of the processes in place. We assessed the reliability of computer generated data provided by the grantee by reviewing source documentation for the entries selected for review. We determined that the data were sufficiently reliable for the purposes of this report.

To test the controls and to test the appropriateness of expenditures and the existence of adequate supporting documentation, disbursements from a judgmentally selected sample of employee and vendor files were reviewed. The sample of 189 transactions totaling \$124,078 represented 5.3 percent of the \$2.35 million the grantee spent during the period January 1, 2010, through August 31, 2011. To assess the appropriateness of expenditures, we reviewed invoices, vendor lists, and general ledger details. The appropriateness of those expenditures was evaluated on the basis of the grant agreements, applicable laws and regulations, and LSC policy guidance.

To evaluate internal controls over internal management reporting and budgeting, the grantee's system and processes were compared to those detailed in the *Fundamental Criteria of an Accounting and Financial Reporting System (Fundamental Criteria)* contained in the Accounting Guide. To review internal controls over compliance with LSCs regulations on Class Actions (45 CFR Part 1617), applicable reports were reviewed, and staff members were interviewed to determine if the controls were designed in a manner to ensure compliance with the provisions of the LSC regulation.

The on-site fieldwork was conducted from September 12 through 16, 2011. Documents reviewed pertained to the period January 1, 2009 through August 31, 2011. Our work was conducted at the grantee's administrative office in Oxford, Mississippi and at LSC headquarters in Washington, DC.

This review was limited in scope and not sufficient for expressing an opinion on the entire system of grantee internal controls over financial operations or compliance with LSC regulations. This audit was conducted in accordance with generally accepted government auditing standards. Those standards require that the audit be planned and performed to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the audit objectives. The OIG believes the evidence obtained provides a reasonable basis for the findings and conclusions based on the audit objectives.

OVERALL EVALUATION

Although some controls need to be strengthened, internal controls reviewed at North Mississippi Rural Legal Service, Inc. were generally adequate as the controls related to specific operations and oversight in use at the time of the audit, including program expenditures, fiscal accountability, and compliance with selected LSC regulations. Internal controls over compliance with LSC regulation 45 CFR Part 1617 were adequate. Disbursements tested were, for the most part, adequately supported, allowable, and properly allocated to LSC. We did find, however, several issues that require management attention.

One employee was paid with LSC funds to work in two positions for the grantee, but time records did not adequately support the time required of both positions. One attorney reviewed was performing duties under two separate grants but not keeping adequate time records showing the work performed under one of the grants.

The grantee did not obtain LSC's prior approval for a purchase exceeding \$10,000 in LSC funds. We are questioning \$17,351 charged to LSC funds because NMRLS did not obtain LSC's prior approval for the purchase of an accounting system that exceeded \$10,000 in LSC funds. The grantee also needed to formalize a cost sharing agreement with another LSC grantee and reconcile shared expenses more timely with the other LSC grantee.

Other issues noted included improving recordkeeping procedures for donated and disposed of property; establishing controls over approval of travel actions for the Executive Director; updating the grantee's accounting manual to address contracting policies and procedures; and updating the personnel manual to reflect current practices and policies.

AUDIT FINDINGS

COMPENSATION FOR OCCUPYING MULTIPLE POSITIONS

One employee was paid with LSC funds to work two positions for the grantee, but time records did not adequately support the time required of both positions. The employee was holding two separate positions—Network Administrator and Operations Manager¹—and being paid a salary for each. However, the number of hours recorded as worked did not support the total amount paid. The individual would have to work on average 53-1/3 hours per week to do both jobs. For the period January 5, 2009 to August 26, 2011, time records indicate that the individual worked on average,

¹ The Network Administrator position was a full-time, 40 hour per week position. The Operations Manager position was a one third time, 13 1/3 hours per week, position. To fulfill the requirements of both jobs would require one individual to work 53 and 1/3 hours per week.

40.12 hours per week in 2009, 40.86 in 2010, and 40.72 in 2011 for a total of 5,595 hours rather than the 7,360 hours required for both jobs. This resulted in a shortage of 1,765 hours and an estimated overpayment of \$30,993² for the period reviewed.

This dual responsibility situation has been in place since 2004 when the grantee hired its Operations Manager to be the Network Administrator and allowed him to keep his position as Operations Manager on a one-third time basis. Adequate controls were not put in place at that time to ensure that the individual worked sufficient time to support being paid for both positions and that the time and type of work were fully documented.

Setting salaries and establishing job responsibilities for a specific position are management's responsibility. However, fully documenting significant decisions or unusual circumstances provides better controls over resources and helps ensure expectations are known and met.

Recommendation 1: The Executive Director should:

- a. Assess whether the separate positions of Network Administrator and Operations Manager should stay as is, or whether the two positions should be merged into one full-time position with an appropriate overall salary.

If one person continues performing the full duties of both positions:

- b. Establish adequate controls to ensure that said person is working the appropriate amount of time to support the total amount paid when working more than one job;
- c. Develop procedures to ensure timekeeping records are prepared in sufficient detail to document the work performed to meet the requirements of each position and the total salary paid.

Grantee Comments: Grantee management disagreed with the finding that an employee who was paid with LSC funds to work in two positions for the grantee did not have adequate time records to support the time required to fulfill the duties of both positions. Management stated that the two jobs were combined when the employee was first hired as the Statewide Network Administrator. Management stated that a single job description was not formally created in writing, but a payroll change notice reflected the dual positions and the requisite salaries. NMRLS management stated that at the time the individual was hired, there was a "meeting of the minds between NMRLS and the employee" that the individual would work both positions for a total of 40 hours per week for the agreed to salary. Grantee management stated that the employee was not an attorney or paralegal and thus not strictly required to maintain detailed time records under 45 CFR Part 1635.3(b). The employee was only required to account for

² Since the grantee did not maintain records to show how much time was spent performing each job, we used a weighted average to estimate a single hourly rate. Specifically, we combined the annual salaries for both positions and divided that amount by the number of hours that should have been used to perform both jobs.

at least 40 hours per week for pay purposes. The full text of grantee management's comments can be found at Appendix I.

OIG Evaluation of Grantee Comments: The unique aspects of the combined position of Statewide Network Administrator were not adequately documented at the time of audit. Management indicated that a single job description was not formally prepared in writing. Management's comments also indicated that there was a meeting of the minds as to what the combined job would entail and that both positions would only require a total of 40 hours per week, also not documented. The only document that management presented was a payroll change notice that listed the jobs as a network administrator and a one-third time operations manager, and the salary for each. Nothing on the payroll change notice indicated that the expectation was that both jobs would only take a total of 40 hours per week to accomplish or that the jobs were merged into a single job. As a result, there is not adequate documentation for the OIG to rely upon.

The OIG notes that the Statewide Network Administrator position was represented as a full-time position. The grantee did not provide any support to the OIG indicating the salary was reduced for this position to offset the time that would not be available in a 40 hour work week to fulfill the duties of a full-time Statewide Network Administrator who was working one third of the time as an Operations Manager. Hiring an individual into a full-time position, and then paying that individual an additional third of a full-time salary to accomplish additional duties of a different position on its face requires an individual to work more hours to accomplish both jobs. Had management taken the time to prepare and document a formal job description for the newly created position when it was created, questions about the position could have been readily answered. NMRLS management has since developed a formal job description for the position.

NMRLS management is correct in that the employee is not an attorney or paralegal subject to LSC's timekeeping regulation. However, one of the positions the employee occupies—Statewide Network Administrator—is shared with Mississippi Center for Legal Services (MCLS) which pays 60 percent of the costs associated with that position. It is therefore important that the time used to perform the Statewide Network Administrator duties be tracked so that MCLS is able to verify that it is receiving and only paying for the services agreed to. Better timekeeping would be required to ensure that the individual is providing the services necessary to fulfill the duties of both positions.

However, grantee management is ultimately responsible for determining the positions necessary and to set the job responsibilities and salary for each position. Since management has stated in its written comments that it was the intent from the beginning that the combined positions were to be viewed as a single position, requiring a 40 hour work week, the OIG will accept management's statement and not question costs related to this matter. Also, since NMRLS management has developed a formal job description for the position, management's actions taken are responsive to Recommendation 1 and the OIG considers the recommendation closed.

TIMEKEEPING

One attorney was performing duties under two separate grants, but not keeping adequate time records. One full-time attorney paid using LSC funds was also paid for part-time work with funds from a University of Mississippi grant, yet time spent working on the University of Mississippi grant was not always recorded in the grantee's timekeeping system.

The duties required of the two grants would require one individual to work 48 hours per week during the University of Mississippi's 17-week fall and spring semesters to meet the minimum number of hours for each position and to support the salary paid, 40 hours per week as Managing Attorney for NMRLS and 8 hours per week for the University of Mississippi. The attorney's timekeeping records, however, did not support working an average of 48 hours during the 17-week fall and spring semesters for the school years 2009-2010 and 2010-2011. The timekeeping records appear to support the full-time work that LSC funds, but are significantly short in hours recorded to support the University of Mississippi grant.

The attorney stated that she did not record the majority of her time attributable to the University of Mississippi grant because that grant did not require it. The attorney also stated that when she did record applicable time she likely would have identified it as University time. She also stated that in addition to working on the University of Mississippi grant during regular hours, she worked evenings and weekends as well.

LSC's timekeeping requirements are described in 45 CFR, Part 1635. Section 1635.3 requires all grantees to require their attorneys and paralegals to account for the time spent on each case, matter, or supporting activity, whether funded by LSC or by other sources. Keeping accurate time records helps improve accountability for all funds used by the grantee, ensures accurate allocation of expenditures, and helps ensure compliance with laws and regulations.

Recommendation 2: The Executive Director should ensure that timekeeping records are prepared in accordance with 45 CFR, Part 1635 for all attorneys and paralegals.

Grantee Comments: Grantee management agreed with Recommendation 2, and stated that the attorney is now keeping track of her time in accordance with LSC requirements and that the Director of Litigation is reviewing the time reports of all staff to ensure proper time recording. The full text of grantee management's comments can be found at Appendix I.

OIG Evaluation of Grantee Comments: Grantee actions taken are responsive to Recommendation 2 and the recommendation is considered closed.

PURCHASE REQUIRING LSC'S PRIOR APPROVAL

The grantee did not obtain LSC's prior approval for the purchase of its accounting software for which over \$10,000 was charged to LSC funds. The total cost of the purchase was \$18,864 with \$17,351 allocated to LSC funds. The acquisition was made in six increments with less than \$10,000 charged to LSC funds for each increment. Since the total acquisition was over \$10,000, prior LSC approval was required.

LSC's Property Acquisition and Management Manual (PAMM) Section 2(a), *Acquisitions*, requires grantees to "treat a purchase or lease of related property as a single acquisition when the property can be readily obtained through a single contract with a single source." Further, Section 3(d) of the PAMM states:

A recipient using more than \$10,000 of LSC funds to acquire an individual item of personal property must request and receive LSC's prior approval pursuant to 45 CFR 1630.5(b)(2), whether or not the acquisition is to replace existing property, before making the expenditure.

As a result, the OIG is questioning \$17,351 charged to LSC funds for the purchase of the accounting software as unallowable costs within the meaning of 45 CFR §§ 1630.2 and 1630.5. The OIG will refer these costs to LSC management for review and action.

Recommendation 3: The Executive Director should establish and follow acquisition policies and procedures that ensure required LSC approvals are obtained before making purchases.

Grantee Comments: NMRLS management disagreed with the finding but agreed with the recommendation. NMRLS management disagreed with the OIG's interpretation of 45 CFR Part 1630 and the PAMM and stated that the purchase of the automated accounting software was not a single purchase but three separate purchases each of which was under \$10,000. Grantee management stated that even if a purchase of several related items combined exceeded the \$10,000 threshold, prior approval would not be required if the individual costs were below \$10,000. Thus, grantee management's position was that the purchase was in accordance with LSC's PAMM and did not need LSC's prior approval before making the purchase. NMRLS management disagreed with the \$17,351 in questioned costs for not obtaining LSC's prior approval before purchasing its accounting system. The full text of grantee management's comments can be found at Appendix I.

OIG Evaluation of Grantee Comments: NMRLS management planned actions are responsive to Recommendation 3. The recommendation will remain open until all management actions are completed and the OIG is notified in writing of such.

The OIG disagrees with NMRLS management that the acquisition of its accounting software was three separate purchases of individual items each using less than \$10,000

of LSC funds and thus not subject LSC's prior approval before purchasing. The OIG believes that the acquisition of the software was a purchase of an individual item—an accounting system—and that the three purchases were more than related items, but components necessary for the system to work properly. The grantee's contract for the accounting system included such items as software, training, set up, transfer of data and remote consulting, all of which were necessary for the system to work as desired. This would be similar to a piece of equipment that required installation costs and transportation expenses. Although three different bills may be received, the cost of the one item of equipment would be the combined total of the cost of the equipment, the installation cost, and the transportation expense, all necessary for the equipment item to be in place and operate properly. We believe this is true of the accounting system, the parts purchased were necessary components of an individual item—an accounting system--to work. We also believe that our interpretation is consistent with LSC's responsibilities to ensure accountability and the efficient use of funds, 66 Federal Register 47690 (September 13, 2001), and "to act as a steward, ensuring the public funds it is entrusted to distribute are used for the purpose and in the manner which Congress made them available." 66 Federal Register 47692 (September 13, 2001). Therefore, we are questioning the \$17,351 charged to LSC funds and are referring this issue to LSC management for review and action.

RECONCILING SHARED EXPENSES

The grantee and Mississippi Center for Legal Services³ (MCLS) have an informal arrangement to share statewide expenses related to three statewide employees⁴ and a bi-annual joint conference. Delays in reconciling the shared expenses and even later delays in reimbursing funds to the grantee have, in effect, resulted in an interest free loan to MCLS for the past 3 years. As of our site visit in September 2011, the grantee was owed \$43,033 by MCLS for CY 2010 shared statewide expenses.

Costs related to the employees and associated expenses are shared using a basis that reflects the percentage of the state poverty population each organization serves. Thus, the grantee pays 40 percent and MCLS pays 60 percent of the shared expenses based on the 2000 census. Costs are reconciled at the end of the year to reimburse the organization that expended more than the agreed upon percentage. However, the arrangement is informal.

While the reconciliation is conducted annually at year's end, actual reimbursement takes far longer. The grantee waited over a year before MCLS paid \$22,575 it owed for CY 2009 shared expenses, and as of our visit in September 2011, MCLS had not paid the grantee \$43,033 it was owed for CY 2010 shared expenses. According to grantee management, they were unsure of when MCLS would reimburse it for the 2010 expenses. Formally documenting financial agreements helps ensure that both parties are protected and can be used as a vehicle for obtaining timely payment of funds owed.

³ Mississippi Center for Legal Services is an LSC grantee that serves southern Mississippi.

⁴ The shared employees are Network Administrator, Litigation Director and Resource Development Director. The Network Administrator is a grantee employee and the others are MCLS employees.

Recommendations: The Executive Director should:

Recommendation 4: Seek immediate, full reimbursement for the monies owed as a result of the shared expenses with MCLS.

Recommendation 5: Formalize the shared expenses arrangement with MCLS, and expressly detail the expenses that will be shared, the formula for reimbursement, and a detailed, regular and frequent schedule of reconciliation and payment.

Grantee Comments: Grantee management agreed with Recommendations 4 and 5. The grantee has sought reimbursement for past funds owed under the cost sharing arrangement, and has formalized the arrangement in a Memorandum of Understanding with the Mississippi Center for Legal Services. The full text of grantee management's comments can be found at Appendix I.

OIG Evaluation of Grantee Comments: The grantee's actions are responsive to Recommendations 4 and 5, and the recommendations are closed.

VALUING AND DISPOSING OF ASSETS

The grantee's recordkeeping procedures for donated and disposed property need improvement. The fair market value of donated property received was not always determined and the final disposition of assets was not documented.

According to the Operations Manager, he did not document the fair market value of donations received, and believed that documenting the disposal of assets was not required. He went on to state that donations recently received were antiquated and that he did not recall establishing a fair market value for them. He also stated that recently disposed assets were without value because they were unusable, but he did not provide supporting documentation.

According to LSC's Accounting Guide for LSC Recipients, donated property should be recorded at fair market value when received. Also, nonexpendable items should be properly depreciated. The Accounting Guide also requires, among other items, that disposition information be documented as to date, method of disposal, and if sold, sale price and the method to determine fair market value.

The grantee's accounting manual does not address how to handle donated property, including assigning a fair market value when received. The accounting manual does address the fair market value of assets as a determining factor in the disposal process where it distinguishes between assets with a fair market value above and below \$5,000.

Assigning fair market value to donated items helps ensure that assets with value are properly controlled and entered in to the accounting record; and adequately documenting the disposal of assets helps prevent misappropriation of assets.

Recommendation 6: The Executive Director should ensure that donated assets are assigned their fair market value when they are acquired, and that disposals of assets are properly documented.

Grantee Comments: Grantee management agreed with Recommendation 6 and stated that it was in the process of updating its accounting manual at the time of our site visit. Grantee management further stated that appropriate procedures are being developed to ensure the proper valuation and disposal of donated property and will be forwarded to the OIG upon approval by the Board of Directors. The full text of grantee management's comments can be found at Appendix I.

OIG Evaluation of Grantee Comments: The grantee's planned actions are responsive to Recommendation 6. The recommendation will remain open until all management actions are completed and the OIG is notified in writing of such.

APPROVING THE EXECUTIVE DIRECTOR'S EXPENSES

The Executive Director approved his own travel advances and expense reimbursements, and was a co-signer on the travel-related checks payable to him. A review of checks for 20 travel advances and related vouchers payable to the Executive Director disclosed that all of the advances and 19 of the 20 travel vouchers were approved by the Executive Director. In one instance, the Fiscal Manager properly approved the Executive Director's travel voucher. In addition, the Executive Director was one of the two co-signers on all travel advances and voucher reimbursement checks made payable to him.

Grantee management stated their belief that requiring a second signature in addition to the Executive Director's was a sufficient control to ensure the propriety of the expenditure. However, grantee management stated that they instituted a new practice starting in CY 2011 where the Fiscal Manager would review and approve the Executive Director's transactions. While this new practice should provide improved control, we noted that six of the seven CY 2011 vouchers reviewed showed that the Executive Director was the sole approver of his vouchers.

Although we found that the Executive Director's expenditures tested were supported and allowable, segregating duties so that individuals cannot approve payments to themselves, or sign checks payable to themselves, helps reduce the potential, as well as the appearance, of fraud or abuse.

Recommendations: The Executive Director should:

Recommendation 7: Ensure that the policy requiring the Fiscal Manager to approve transactions involving the Executive Director is in writing and consistently implemented.

Recommendation 8: Establish a policy preventing individuals from being a co-signer on checks payable to themselves.

Grantee Comments: Grantee management agreed with Recommendations 7 and 8, and stated that new procedures have been implemented to have the Fiscal Manager or Litigation Director review and approve transactions involving the Executive Director, and grantee management has implemented a policy to prevent check co-signers from approving purchases they implement. Both procedures were presented to the Board of Directors for approval and the approval was forwarded to the OIG. The full text of grantee management comments can be found at Appendix I.

OIG Evaluation of Grantee Comments: The grantee's actions taken are responsive to Recommendations 7 and 8. The recommendations are considered closed.

DOCUMENTING AND ENFORCING POLICIES AND PROCEDURES

The grantee's Accounting Manual and Personnel Manual need to be updated. The grantee appeared to use reasonable procedures with regard to contracting, but those procedures were not documented. Similarly, the grantee's Personnel Manual was out of date and did not reflect the policies and procedures currently in use.

Contracting

Written procedures were not in place to describe and assign responsibilities for the contracting process. The Executive Director acknowledged that their system of contracting is informal, and that the only area documented is where the accounting manual states that he is responsible for the contracting process including signing all contracts. He described the contracting process as:

- Identifying a need
- Identifying a potential source/provider. This usually involves talking to other Legal Service providers to determine whether they have had a similar issue and if so, who they would recommend and at what cost
- Contacting the potential source for interest
- If interested, then describing the need
- Negotiating the terms, conditions and price.

According to the Fiscal Manager, NMRLS followed this process when the grantee decided to replace its accounting software in 2009. The process, as described, is sole-source because it does not include competition. Competition provides the grantee with an additional level of product and price control over the process, and provides its

stakeholders with greater confidence that the grantee's resources are being used efficiently. Without formal policies and procedures describing the processes, there is no assurance that staff will follow a consistent approach with future procurements.

Recommendation 9: The Executive Director should formally document all significant processes and procedures, including procedures for awarding and modifying contracts and consulting agreements. The policies and procedures should describe the contracting process, including the need to seek competition under certain circumstances, and ensure that all modifications are in writing and approved.

Grantee Comments: Grantee management agreed with Recommendation 9 and stated that procedures for awarding and modifying contracts and consulting agreements are being drafted and will be forwarded to the OIG upon their approval by the Board of Directors. The full text of grantee management's comments can be found at Appendix I.

Evaluation of Grantee Comments: The grantee's planned actions are responsive to Recommendation 9. The recommendation will remain open until all management actions are completed and the OIG is notified in writing of such.

Updating the Personnel Manual

The Personnel Manual is part of the overall control system for every organization. The manual is a vehicle to document and communicate policies and procedures that have a direct impact on staff and, in many instances, the finances of the organizations. The grantee's Personnel Manual was out of date and did not reflect the policies and procedures currently in use.

According to the Executive Director, the grantee's Personnel Manual has been mostly superseded by the Collective Bargaining Agreement (CBA). He also stated that the union benefits have been extended to non-union staff for consistency in employee benefits, and that this practice has been in place since the union contract was entered into around 1992, before he became the Executive Director in 1999.

However, there are no formal policies implementing the extension of the CBA to non-members and no procedures to resolve any issues where the CBA and Personnel Manual may be in disagreement or one is silent. According to the Executive Director, updating the Personnel Manual has not been a priority, especially since the CBA covers most employees and most situations, and that non-union employees are allowed the same benefits as described in the CBA.

Recommendations: The Executive Director should:

Recommendation 10: Update the Personnel Manual to ensure that the policies and procedures are current and do not conflict with the Collective Bargaining Agreement;

Recommendation 11: Establish procedures for resolving conflicts when the Personnel Manual and CBA disagree or one is silent;

Recommendation 12: Obtain the Board of Director's approval for the revised Personnel Manual, and allow specific benefits of the Collective Bargaining Agreement to be applied to non-union employees.

Grantee Comments: Grantee management agreed with Recommendation 10, 11 and 12. Grantee management stated that they will update the Personnel Manual to ensure the policies and procedures are current and do not conflict with the Collective Bargaining Agreement. Further, procedures will be established for resolving conflicts that might arise between the two personnel documents if they disagree or one is silent, and to formally allow CBA benefits to apply to non-covered employees. A copy of the updated manual will be provided to the OIG once it is approved by the Board of Directors. The full text of grantee management's comments can be found at Appendix I.

OIG Evaluation of Grantee Comments: The grantee's planned actions are responsive to Recommendations 10, 11 and 12. The recommendations will remain open until all management actions are completed and the OIG is notified in writing of such.

NORTH MISSISSIPPI RURAL LEGAL SERVICES



Ben Thomas Cole, II
Executive Director
bcole@nmrls.com

ADMINISTRATIVE OFFICE

**5 County Road 1014
P.O. Box 767
Oxford, Mississippi 38655**
Websites: <http://www.nmrls.com>
<http://www.mslegalservices.org>

**1-800-898-8731
1-800-498-1804
FAX: (662) 236-3263**

Ruby White
Director of Litigation
rwhite@nmrls.com

VIA EMAIL AND U.S. MAIL

March 15, 2012

Mr. Ronald D. Merryman
Assistant Inspector General for Audit
Office of Inspector General
Legal Services Corporation
3333 K Street, NW, 3rd Floor
Washington, DC 20007-3558

Grantee Name: North Mississippi Rural Legal Services
Grantee No.: 625040

RE: Grantee Response to Draft Report

Dear Mr. Merryman:

Attached are the comments of North Mississippi Rural Legal Services (NMRLS) in response to the Office of Inspector General's (OIG) draft report on results of the on-site visit conducted September 12 through 16, 2011. Our response addresses each recommendation made by the OIG, and states the actions already taken or planned to be taken to implement the recommendations.

Should you have any questions or need additional information, please advise.

Sincerely,

A handwritten signature in black ink that reads "Ben Thomas Cole, II".

Ben Thomas Cole, II
Executive Director

cc: Hon. Willie J. Perkins, Sr.
Board Chairman

BTC,II/ghb

LSC –OIG DRAFT Report Management Comments

AUDIT FINDINGS

COMPENSATION FOR OCCUPYING MULTIPLE POSITIONS

Recommendation 1: The Executive Director should:

- a) Assess whether the separate positions of Network Administrator and Operations Manager should stay as is, or whether the two positions be merged into one full time position with appropriate overall salary.

If one person continues performing the full duties of both positions:

- b) Establish adequate controls to ensure that said person is working the appropriate amount of time to support the total amount paid when working more than one job;
- c) Develop procedures to ensure timekeeping records are prepared in sufficient detail to document the work performed to meet the requirements of each position and the total salary paid.

Grantee Comments

1. **Historical Perspective**

In order to place NMRLS' comments on this recommendation in the proper perspective, it is important to look at the history of the employee in question taking on dual responsibilities. The employee's original full time position was that of Operations Manager for NMRLS. He was very interested in computers, so NMRLS allowed him to develop his technology skills and assist the grantee with its early efforts to computerize its operations. He assisted in the implementation of the Kemp's Case Works case management system and became the primary troubleshooter. He later worked with a consultant in writing and administering three (3) technology initiative grants (TIG). They were the Statewide Web Site grant (TIG # 01048), the call center infrastructure grant (TIG # 02510), and the ASP grant (TIG # 01069).

In early 2000, LSC proposed that the State of Mississippi be consolidated from six LSC funded programs into a statewide program. The statewide planning process resulted in a recommendation for a two program configuration which LSC accepted with the expectation that certain functions, and capacities be provided on a statewide level for economy. The statewide positions of Resource Developer, Litigation Director and Technology Network Administrator were identified. Thus, the two current LSC grantees emerged, North Mississippi Rural

Legal Services (NMRLS) which serves the northern 40% (39 Counties) of the state, and Mississippi Center for Legal Services (MCLS) which covers the remaining 60% (43 Counties) of the state based upon the 2000 census figures.

It was agreed by NMRLS and MCLS that statewide expenses for the said three positions would be paid on the 40/60 percent ratio based upon the percentage of poor people within each program's service area according to the census figures. Additionally, the program which houses the persons holding statewide positions would be paid by that program, including expenses associated with the position. Any amounts owed the other program would be reconciled and reimbursement made. This resulted in two persons (statewide litigation director and statewide resource developer) being placed in offices of MCLS, and the statewide network administrator (technology) located at NMRLS.

The NMRLS employee in question applied for and was hired to fill the statewide network administrator position. However, NMRLS continued to need someone to perform the operations manager duties. He was allowed to continue to perform those duties in addition to those required of the network administrator. This was based upon the fact that he had previously taken on an increasing role as NMRLS' computer/technology administrator while simultaneously performing duties as operations manager. NMRLS agreed to allow him to perform both functions and receive the salary set for the statewide network administrator position, and one-third (1/3) of the operations manager salary which he previously received. The meeting of the minds between NMRLS and the employee at the time he was hired as statewide network administrator was that he would work both positions for a total of 40 hours per week at the agreed upon salary.

2. Positions Combined

The Statewide Network Administrator/NMRLS Operations Manager position was combined when the employee was first hired as the Statewide Network Administrator. We combined the positions and paid \$30,000.00 for network administrator duties and \$10,687.67 (1/3 of prior salary) for operations manager duties. It's true that a single job description was not formally created in writing. However, the NMRLS payroll change notice form maintained by the accounting department and in the employee's personnel file reflects the dual positions and sets out the requisite salary for each. See Attachment No. 1. Thus, NMRLS has previously adopted the option set out in OIG Recommendation 1(a) that the two positions be merged into one full-time position with appropriate overall salary.

3. Extra Hours Worked But Time Not Recorded

The employee consistently works more than 40 hours per week performing both job duties. He usually stays at the office past the regular 9:00 to 5:00 office hours and regularly works weekends, usually on Saturdays. Additionally, he is often called at home to perform some type of computer/technology trouble shooting

which can be done using computer shadowing via remote access using team viewer. The employee understood that he would be paid for a total of 40 hours for the combined positions and therefore he only documented 40 hours per week. Therefore, he did not keep track or document the extra hours worked over and beyond 40 per week.

In sum, there is no question that the employee and NMRLS agreed that the employee would work as the Statewide Network Administrator and also the NMRLS Operations Manager for an agreed upon salary for 40 paid hours per week. The documentation in the personnel file and the actions of both parties is consistent with the agreement. There is also no question that the employee worked full time and that the work was performed. The OIG report does not make a finding that the work was not performed. The only question seems to be the lack of a new written job description.

The 1630 questioned cost procedure shouldn't be applied here. Under 1630.3(a) costs are allocable to LSC if they are "reasonable and necessary for the performance of the grant or contract as approved by the Corporation". In addition, the costs must be "actually incurred in the performance of the grant or contract and the recipient was liable for payment". Here, costs were necessary and reasonable and actually incurred in the performance of the grant. Documentation was adequate and contemporaneous under 1630.3(a) (9) as the employees' work hours and salary were appropriately documented and paid. The grantee, however, did not create a new written job description. The lack of a written job description, given the other documentation of the agreement between the employee and NMRLS and the actions of the employee and NMRLS following the agreement, should not be the basis of a questioned cost finding under 1630.

4. Non-Attorney/Paralegals Employee

The NMRLS employee holding the position of statewide network administrator/ NMRLS operations manager is neither an attorney nor paralegal. Therefore, he is not strictly required to provide a detailed accounting of his time as are attorneys and paralegals by 45 CFR Part 1635.3(b). However, NMRLS does require all full time staff to account for at least the 40 hours per week for which they are paid. The employee performed the work of both positions but only documented the requisite 40 hours per week.

5. Conclusion

For the reasons set out above, NMRLS asserts that it merged the two positions in question into one full time position at the time the employee accepted the position of Statewide Network Administrator with appropriate overall salary. Furthermore, the work was in fact performed as required for each position. Additionally, the OIG report did not find that the work was not performed [emphases added]. Lastly, the employee is neither an attorney nor paralegal,

therefore, he was not required to provide a detailed accounting of his time by 45 CFR Part 1635.3(b).

6. Corrective Action

NMRLS previously had a job description for the position of operations manager, and a job description for network administrator was developed at the time that position was created. NMRLS has now created a single job description which combines into one full time position the duties of Statewide Network Administrator/NMRLS Operations Manager. The job description is submitted herewith as Attachment No.2.

TIMEKEEPING

Recommendation 2: The Executive Director should ensure that timekeeping records are prepared in accordance with 45 CFR Part 1635 for all attorneys and paralegals.

Grantee Comments

NMRLS management agrees with this recommendation by the OIG. Immediately following the on site visit in September, 2011, the Executive Director met with the attorney in question to clarify the requirements of 45 CFR Part 1635. The attorney immediately started and continues to record 100% of time spent and designates the appropriate funding code associated with the work. The employee in question is a managing attorney and under the NMRLS management structure, her time reports are submitted to the NMRLS Litigation Director for review and approval. The Litigation Director subsequent to the on site visit now reviews this and all employee's time reports with a critical eye on reporting of work performed under applicable funding codes.

Additionally, NMRLS management has and will periodically review with management level staff the reporting requirements of 45 CFR Part 1635. Also, it will conduct periodic reviews of the timekeeping requirement with the entire NMRLS staff.

PURCHASE REQUIRING LSC's PRIOR APPROVAL

The draft OIG report makes a finding that the purchases of accounting software, training, set up, data transfer, remote consulting and maintenance contract required prior LSC approval. It is questioning the combined costs of \$17, 351. The OIG relies on the definition of "acquisition" in LSC's Property Acquisition and Management Manual (PAMM) that grantees should "treat a purchase or lease of related property as a single acquisition" PAMM, Section 2(a). The OIG further relies on the prior approval requirements found in 1630.5(b) (2) that prior approval is required "if the current purchase price of any individual item of property exceeds \$10,000" and Section 3(d) of

the PAMM which requires prior approval if the program uses “more than \$10,000 of LSC funds to acquire an individual item of personal property...”

NMRLS believes that the OIG is incorrectly interpreting the requirements of both 45 CFR 1630.5(b) (2) and section 3(d) of the PAMM. First, regulation 1630.5(b)(2) makes clear that prior LSC approval is required when “[p]urchases and leases of equipment, furniture, or other personal, non-expendable property, if the current purchase price of any individual item of property exceeds \$10,000.” (Emphasis added.)

At the time that LSC published 1630.5, the preamble states:

“The \$10,000 threshold of subparagraph (b) (2) applies to individual items of personal property only. Corporation prior approval is no longer necessary for purchases and leases of individual items costing less than this amount, even if a purchase or lease of several related items with individual costs below \$10,000 has a combined cost which exceeds the threshold amount. However, the costs of acquiring such items must still meet the criteria of § 1630.3 of this part, including the requirement that such costs be reasonable and necessary to the performance of the grant or contract.” [Emphasis added.] (See Vol. 62, No. 250, Federal Register, p. 68223 (December 31, 1997).

Similarly, section 3(d) of the PAMM requires prior approval when a recipient uses “...more than \$10,000 of LSC funds to acquire an individual item of personal property...”

The preamble to section 3 states:

LSC received a number of comments on the various aspects of this section, several of which indicated a significant misunderstanding of the proposed requirements. Specifically, several commenters objected to what they took to be LSC’s proposal to require prior approval of aggregate acquisitions of over \$10,000. However, LSC did not propose to require prior approval of aggregate acquisitions of over \$10,000, but rather, only to require certain minimum competition standards for such large acquisitions. Under both the proposed and this final PAMM, prior approval is required, as specified in 45 CFR part 1630, for individual item acquisitions of over \$10,000, but not for aggregate acquisitions of over \$10,000.” (See Vol. 66, No. 178, Federal Register, p. 47691 (Sept. 13, 2001).) [Emphasis added.]

Thus, it is clear that the prior approval requirements found in 1630.5(b) (2) and section 3(d) of the PAMM apply only to an “individual item” of property and “not for aggregate acquisitions of over \$10,000.”

Further, the preamble to 1630.5 states that:

“Paragraph (b) of this section lists specific costs which recipients may not charge to Corporation funds without the Corporation’s written prior approval. Because this paragraph applies to costs charged to LSC funds only, recipients charging the entire amount of such costs to non-LSC funds do not need to seek the Corporation’s prior approval. Where recipients charge part of the cost to LSC funds and part of the cost to non-LSC funds, Corporation prior approval is necessary when the amount charged to LSC funds exceeds one of the threshold

amounts in this paragraph.” (See Vol. 62, No. 250, Federal Register, p. 68223 (December 31, 1997).)[Emphasis added.]

The OIG incorrectly relies on the definition of “acquisition” in section 2(a) of the PAMM to overrule the specific “individual item” of property language in the prior approval sections of both 1630.5(b) (2) and section 3(d) of the PAMM. The word “acquisition” is not used at all in 1630.5(b) (2) which uses “purchases and leases” language. Similarly, while “acquisition” is mentioned 43 times in the PAMM, the very, section that contains the prior LSC approval requirement section 3(d) of the PAMM does not use “acquisition” although it does state “to acquire an individual item of personal property.” But to read the word “acquire” to mean it applies to more than an individual item of personal property would be to entirely ignore the “individual item” language. The definition of “acquisition” in section 2(a) of the PAMM cannot be read to overrule the specific language on prior approval found in 1630.5(b) (2) and section 3(d) of the PAMM. Further, the clear distinction between “acquisition” and “individual item” was noted in the preamble to the PAMM. “[T]he term “single acquisition” includes transactions in which more than one item is procured in a single contract, while “individual item” does not.” See vol. 66, No. 178, Federal Register, p. 47690 (Thursday, September 13, 2001.)

Thus, LSC grantees can purchase an individual item of personal property for less than \$10,000 and charge it to LSC funds (assuming the requirements of 1630.3 are met) without obtaining LSC’s prior approval and can purchase an individual item of personal property for over \$10,000, charge less than \$10,000 to LSC and not be required to obtain LSC’s prior approval. Grantees can also purchase or lease several related items with individual costs less than \$10,000 but whose combined cost exceed \$10,000, without LSC’s approval.

The total cost of the new accounting system and related purchases was \$23,220.50 which was as follows:

1. Software
 - \$ 8,530.04 – LSC Funds
 - \$ 5,868.95 – Non-LSC Funds
 - \$14,398.99 - Total
2. Training, set up, transfer of data, remote consulting etc. = \$6,689.00 – LSC Funds
3. Maintenance Contract = \$2,132.51 – LSC Funds

TOTAL amount charged to LSC Funds - \$17, 351.00

None of the above purchases involved “individual items” of personal property that exceeded \$10,000 charged to LSC. LSC’s established past practice is consistent with the language of the preamble to 45 CFR Part 1630.5 and the PAMM. NMRLS relied

upon LSC past practice when charging the purchases in the manner it did. Therefore, it believes LSC prior approval was not required. Thus, the \$17,351.00 charged to LSC funds should not be treated as a questioned cost.

Recommendation 3: The Executive Director should establish and follow acquisition policies and procedures that ensure required LSC approvals are obtained before making purchases.

Grantee Comments

NMRLS management is in agreement with this recommendation. It is in the process of reviewing and updating, where necessary, its purchasing manual. It will assure adequate procedures are in place to direct the staff on when LSC prior approval is needed and the procedure to follow. The revised purchasing manual will be presented to the NMRLS Board of Directors for approval and forwarded to the Office of The OIG as verification of compliance with this recommendation.

RECONCILING SHARED EXPENSES

Recommendation 4: The Executive Director should seek immediate, full reimbursement for the monies owed as a result of the shared expenses with MCLS.

Grantee Comments

NMRLS invoiced Mississippi Center for Legal Services (MCLS) for 2010 shared expenses on April 13, 2011 and received payment on January 30, 2012. Some adjustments made to the invoice and NMRLS received payment in the amount of \$41,854.48 as reimbursement for monies owed by MCLS for CY 2010 for shared statewide expenses. NMRLS invoiced MCLS for 2011 shared statewide expenses but has not received MCLS' invoice for this period. The invoices are expected to be reconciled after the 2011 audit for both grantees has been completed.

Recommendation 5: The Executive Director should formalize the shared expenses arrangement with MCLS, and expressly detail the expense that will be shared, the formula for reimbursement, and a detailed, regular and frequent schedule of reconciliation and payment.

Grantee Comments

NMRLS has entered into a written Memorandum of Understanding (MOU) with MCLS which covers the period of November 1, 2011 through December 31, 2012. The MOU formalizes the shared expenses arrangement with MCLS, and expressly details the expenses that are shared, the formula for reimbursement, and sets up invoicing each other on a monthly basis by the 10th of the month following the month in which work is

performed with payment to be made within 30 calendar days. A copy of the said MOU is submitted herewith as attachment No. 3.

VALUING AND DISPOSING OF ASSETS

Recommendation 6: The Executive Director should ensure that the donated assets are assigned their fair market value when they are acquired, and that disposals of assets are properly documented.

Grantee Comments

NMRLS was in the process of updating its accounting manual at the time of the on site visit in September, 2011. It agrees with the OIG recommendation concerning valuing and disposing of assets. The Fiscal Manager will prepare and propose appropriate procedures on how to handle donated property, including assigning a fair market value when received. It will also address adequate documentation of the process and procedure for the disposal of assets.

These sections of the accounting manual will be presented to the NMRLS Board of Directors for review and approval and submitted to the Office of The OIG as verification of compliance with this recommendation.

APPROVING THE EXECUTIVE DIRECTOR'S EXPENSES

Recommendation 7: The Executive Director should ensure that the policy requiring the Fiscal Manager to approve transactions involving the Executive Director is in writing and consistently implemented.

Grantee Comments

NMRLS management has developed a policy which requires the Fiscal Manager or the Litigation Director to approve transactions involving the Executive Director. See Attachment No. 4.

The policy will be presented to the Board of Directors for approval at the March 17, 2012 meeting. A copy of the policy as approved by the board will be immediately sent to the OIG to supplement this response.

The policy as approved will be inserted in the appropriate sections of the NMRLS travel policy and the NMRLS accounting manual and NMRLS management will assure that this policy is consistently followed.

Recommendation 8: The Executive Director should establish a policy preventing individuals from being a cosigner on checks payable to themselves.

Grantee Comments

NMRLS has implemented a policy which prevents individuals from being a cosigner on checks payable to themselves. See Attachment No 4. This policy will be presented to the Board of Directors for approval at the March 17, 2012 meeting. A copy of the policy as approved by the board will be immediately sent to the OIG to supplement this response.

The policy as approved will be inserted in the appropriate sections of the NMRLS travel policy and the NMRLS accounting manual.

DOCUMENTING AND ENFORCING POLICIES AND PROCEDURES

Recommendation 9: The Executive Director should formally document all significant processes and procedures, including procedures for awarding and modifying contracts and consulting agreements. The policies and procedures should describe the contracting process, including the need to seek competition under certain circumstances, and ensure that all modifications are in writing and approved.

Grantee Comments

NMRLS management understands the need and benefits to be derived by having a documented process and procedure for awarding and modifying contracts and consulting agreements. It is in full agreement with the OIG recommendation and is in the process of developing a written policy with appropriate procedures. The policy when developed will be submitted to the NMRLS Board of Directors for approval and forwarded to the Office of The OIG as verification of compliance with this recommendation.

UPDATING THE PERSONNEL MANUAL

Recommendation 10: The Executive Director should update the Personnel Manual to ensure that the policies and procedures are current and do not conflict with the Collective Bargaining Agreement

Grantee Comments

The Executive Director will update the Personnel Manual to ensure that the policies and procedures are current and do not conflict with the Collective Bargaining Agreement. NMRLS will provide a copy of the updated Personnel Manual to the OIG as verification of compliance with this recommendation.

Recommendation 11: The Executive Director should establish procedures for resolving conflicts when the Personnel Manual and CBA disagree or one is silent.

Grantee Comments

The Executive Director will update the NMRLS Personnel Manual and specifically establish procedures for resolving conflicts when the Personnel Manual and CBA disagree or one is silent. The procedure when established will be submitted to the OIG as verification of compliance with this recommendation.

Recommendation 12: The Executive Director should obtain the Board of Director's approval for the revised Personnel Manual, and allow specific benefits of the Collective Bargaining Agreement to be applied to non-union employees.

Grantee Comments

The Executive Director will revise the Personnel Manual, and allow specific benefits of the Collective Bargaining Agreement to be applied to non-union employees and obtain approval by the NMRLS Board of Directors. A copy of the updated Personnel Manual when approved by the NMRLS Board of Directors will be submitted to the OIG as verification of compliance with this recommendation.

PAYROLL CHANGE NOTICE

TO: PAYROLL DEPARTMENT

PLEASE ENTER THE FOLLOWING CHANGE(S) IN YOUR RECORDS TO TAKE

NAME: _____
 POSITION/T _____
 OFFICE: _____
 HOME ADD _____
 HOME PHO _____
 CELL PHON _____

EFFECT June 1, 2002
(DATE & TIME)
 EMPLOYEE Clarence Chandlin
 SOCIAL SECURITY NO. _____ CLOCK NO. _____

THE CHANGE(S)

<input checked="" type="checkbox"/> CHECK ALL APPLICABLE BOXES	FROM	TO
<input type="checkbox"/> DEPARTMENT		
<input checked="" type="checkbox"/> JOB		Network Administrator
<input type="checkbox"/> SHIFT		
<input type="checkbox"/> RATE	\$32,063.00	\$40,687.67
<input type="checkbox"/>	FT Operations Manager	1/2 FT time Operations Manager

REASON FOR THE CHANGE(S)

- | | |
|---|--|
| <input type="checkbox"/> HIRED | <input type="checkbox"/> PROBATIONARY PERIOD COMPLETED |
| <input type="checkbox"/> RE-HIRED | <input type="checkbox"/> LENGTH OF SERVICE INCREASE |
| <input type="checkbox"/> PROMOTION | <input type="checkbox"/> RE-EVALUATION OF EXISTING JOB |
| <input type="checkbox"/> DEMOTION | <input type="checkbox"/> RESIGNATION |
| <input type="checkbox"/> TRANSFER | <input type="checkbox"/> RETIREMENT |
| <input type="checkbox"/> MERIT INCREASE | <input type="checkbox"/> LAYOFF |
| <input type="checkbox"/> UNION SCALE | <input type="checkbox"/> DISCHARGE |

LEAVE OF ABSENCE FROM _____ UNTIL _____
(DATE) (DATE)

OTHER (EXPLAIN) _____
Network Administrator @ \$30,000
Operations Manager @ \$10,687.67 LSC 1

CHANGE AUTHORIZED BY [Signature] DATE 5/31/02
 CHANGE APPROVED BY [Signature] DATE 5/31/02

North Mississippi Rural Legal Services (NMRLS)

Statewide Network Administrator/NMRLS Operations Manager

Location: NMRLS Administrative Office

Date: March 1, 2012

General Responsibilities:

The positions of Statewide Network Administrator and NMRLS Operations Manager are merged into one position for purposes of payroll and clarity of management of performance of duties. The statewide network administrator provides technology functions on a statewide basis to the two LSC funded legal services programs in the State of Mississippi. The legal services programs are North Mississippi Rural Legal Services (NMRLS) and Mississippi Center for Legal Services (MCLS). Salary, support and fringe benefits are jointly paid by MCLS and NMRLS based upon a formula agreed to by the two organizations. Additionally, the employee provides services to NMRLS as set out in its operations manager job description. Therefore, the separate job descriptions of each position are merged into one full time position.

I. Statewide Network Administrator

JOB DUTIES:

1. Serve with NMRLS Executive Director, MCLS Executive Directors, and MLS Operations Managers as a member of the MLS technology committee representing the statewide technology project.
2. Implement and maintain Wide Area Network/Local Area Network infrastructure – this includes but is not limited to: establishing a backup system and rotation, engaging in preventative maintenance (load balancing, performance monitoring), implementing appropriate security against intruders and virus infestation, create/recommend a disaster recovery plan.
3. Maintain MLS Statewide Phone System infrastructure, including Call Center component
4. Implement and maintain Statewide ASP, including case management system
5. Recommend additions/modifications/upgrades to network infrastructure.
6. Coordinate statewide training for case management system.
7. Create/recommend hardware and software standards.
8. Ensure statewide email-at-the-desktop capability.
9. Provide day to day technical support for WAN/LAN configuration
10. Coordinate technology component of program meetings among the MLS programs.
11. Assist in maintenance of state website.
12. Other duties as required.

EXPERIENCE REQUIRED:

Three years of network support and maintenance with increasing responsibilities. Extensive experience with network operating systems (Windows Server 2000 and up, Novell, 4.10 &

up, Windows 95/98/NT/2000/XP/Vista/ 7) network configuration support, Citrix, Asterisk, MS Word, WordPerfect, MS Access, MS Excel

EDUCATION: Baccalaureate degree

ADDITIONAL REQUIREMENTS:

- Team approach to meeting the needs of the MLS programs,
- Is flexible and responsive to differing concerns and aptitudes,
- Is organized and able to manage competing priorities,
- Communicates well in written and verbal,
- Able to communicate complex technical ideas in layman's terms,
- Able to train others in the use of technology,
- Must be able to travel to all MLS office sites.

II. NMRLS Operations Manager

JOB SUMMARY

The OPERATIONS MANAGER works under the direction of the EXECUTIVE DIRECTOR. Responsible for identifying sources of supply and monitoring the use of all materials used to conduct business. This includes developing procedures to monitor and track inventory levels and usage. Monitors and coordinates information processing procedures and analyzes data which reflects various aspects of business operations, and performs other duties as assigned.

JOB DUTIES

1. **MATERIALS MANAGEMENT:** reviews inventory and/or shipping reports or records for possible discrepancies; monitors distribution system of supplies and equipment to determine if materials are delivered to Branch Offices when required; monitors requisition process and inventory levels to evaluate purchasing and supply practices; inventories supplies to determine operating costs and to control stock shrinkage; negotiates prices, terms, and conditions for services and supplies with designated vendors; monitors changes in price or availability of supplies, equipment, or services required by NMRLS; places forms, records, correspondence, information on service providers, equipment price list or other material in correct location in a systematic file; classifies or sorts information or material according to standard methods of systematized arrangement; searches files or records for desired information on specific subjects (e.g., vendors or supplies or service contracts) .
2. **FACILITIES OPERATION MANAGEMENT:** inspects buildings, and facilities to determine their operational status; schedules, coordinates, and monitors the maintenance, service, and repair of facilities; reviews requests for maintenance or repair services to determine type) nature. and priority requests; meets with outside vendors or contractors to discuss equipment

needs, specifications, and capabilities; negotiates lease agreements for office facilities.

3. MANAGEMENT INFORMATION SYSTEMS: identifies the type and source of information and formats required for reports for comprehensive, accurate analyses, and reporting of operations data; identifies weaknesses, problems, or irregularities in collection or analysis of data for various aspects of business operations; interprets data for the purpose of identifying patterns, trends and irregularities in operations; coordinates the development of data processing systems to support Branch and Administrative office functions; monitors existing computer systems and programs for evidence of inaccuracies; provides advice concerning purchasing new computer equipment and/or software to improve data processing capabilities.
4. PUBLIC AND COMMUNITY RELATIONS: produces layouts and designs for brochures text for use in brochures or promotional material; produces copies of brochures or promotional material using copier or printing equipment and prepare them for distribution.
5. PERFORMS OTHER DUTIES AS ASSIGNED.

JOB SKILL REQUIREMENTS

1. PROBLEM SOLVING: ability to evaluate and integrate data and information from multiple sources and integrated to formulate plans or recommendations.
2. SCHEDULING AND COORDINATING ABILITIES: skill in making arrangements, scheduling work, and conducting and orchestrating activities.
3. SPOKEN COMMUNICATION SKILLS: ability to organize and convey information in a concise fashion without loss of selecting words that convey one's intention precisely without ambiguity and which present ideas in an order or arrangement that is meaningful and logical.
4. WRITTEN COMMUNICATION SKILLS: ability to prepare reports or other written material for use by others which is organized, clear, persuasive, or otherwise meets its intended purpose.
5. FACILITIES PLANNING SKILLS: knowledge of the space and facilities requirements of different types of operations and maintenance requirements of facilities and equipment.
6. PURCHASING SKILLS: knowledge of trends and pending changes in price or availability of supplies, equipment, or services required by the organization.

MINIMUM QUALIFICATIONS

Graduate of a four-year college and completion of all course work constitution a basis for a major in business administration, management science, or related field. At least three years practical work experience at a policy making level, preferably with government related projects programs. Must be bondable.

Employment Classification: Exempt

**MEMORANDUM OF UNDERSTANDING
STATEWIDE EXPENSES**

PARTIES AND CONSIDERATION:

This Memorandum of Understanding is entered into between Mississippi Center for Legal Services, Inc., a Mississippi not-for profit corporation, hereinafter MCLS, and North Mississippi Rural Legal Services, a Mississippi not-for-profit corporation hereinafter NMRLS. It is understood and agreed that certain statewide staff positions and expenses hereinafter listed are designated as "statewide expenses" and are jointly paid by both programs as hereinafter set out.

The MS State Planning Body submitted a proposal to the Legal Services Corporation (LSC) in 2003 which proposed a two program configuration for LSC funded basic field programs in the State of Mississippi. This two program statewide configuration is the basis for this agreement and the commitment by both programs to jointly pay the specified statewide expenses as hereinafter set out.

NMRLS and MCLS shall invoice the other for payment of statewide expenses and submit documentation consisting of pay records, time records, receipts for services and expenses, and other documentation as necessary and required for expenditure of LSC funds.

TERMS:

1. The Term of this agreement is November 1, 2011 through December 31, 2012.

PURPOSES:

2. MCLS and NMRLS hereby agree to share the costs for statewide expenses which consist of:
 - a). three(3) staff positions which are:
Statewide Litigation Director;
Statewide Resource Developer; and
Statewide Network Administrator(technology).
 - b).the following statewide telecommunications expenses:
 - a). ACC Business - for the MPLS telecommunications lines at Batesville host site; and
 - b). AirSpring - for PRI monthly expense plus Call Center minutes.
3. The position of Statewide Litigation Director is currently filled by a staff person located in the Gulfport office of MCLS and the Statewide Resource Developer is located in the Jackson office of MCLS; and the Statewide Network Administrator is located in the Oxford office of NMRLS.

4. NMRLS and MCLS hereby agree to jointly pay the aforesaid statewide expenses based upon the percentage of the poverty population within its service area based upon the most recent census figures as funding to the said NMRLS and MCLS is distributed by LSC. The current distribution of LSC funding to Mississippi programs is 60% to MCLS and NMRLS is 40%. Thus, the aforesaid statewide expenses will be funded by NMRLS and MCLS with each program paying their share of 60% by MCLS and 40% by NMRLS.

5. It is hereby mutually agreed that the aforesaid funding formula is tied to the LSC formula of funding to MS Legal Services programs as stated above, and when the LSC funding formula changes, MCLS and NMRLS will also change accordingly its payment of the aforesaid statewide expenses.

6. NMRLS and MCLS mutually agree that each program shall invoice the other on a monthly basis for its share of the statewide expenses as set out in paragraph number 4 above.

7. It is understood that NMRLS and MCLS will pay for the statewide expenses in whole or in part out of LSC funds. Thus, NMRLS and MCLS and the statewide staff will comply with all applicable LSC Rules, Regulations, guidelines, directives, etc. which are currently in effect or which are subsequently implemented during the term of this agreement.

8. All time spent by persons holding statewide positions or doing work charged as statewide expenses covered under this agreement shall be recorded in the Kemp's Case Management System.

INVOICES AND PAYMENTS:

9. NMRLS and MCLS shall submit invoices and supporting documentation to each other's fiscal department on or before the 10th following the month in which work is performed. MCLS and NMRLS shall pay the invoice within thirty (30) calendar days.

MODIFICATION:

10. This Contract shall not be modified or amended in any respect except by a written agreement executed by both parties.

CONSTRUCTION:

11. This Contract shall be construed under and governed by the laws of the State of Mississippi.

EFFECTIVE DATE:

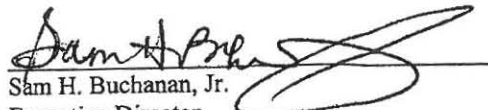
12. This Contract is effective on November 1, 2011, or the date signed by both parties to this contract, whichever is the earliest date.

The Parties hereto have executed this Contract in duplicate originals on the date hereinafter written.

NORTH MS RURAL LEGAL SERVICES
5 County Road 1014
P.O. Box 767
Oxford, MS 38655
662-234-8731

MISSISSIPPI CENTER FOR LEGAL SERVICES
111 East Front Street
P.O. Drawer 1728
Hattiesburg, MS 39403-1728
601-545-2950

BY: 
Ben Thomas Cole, II
Executive Director


Sam H. Buchanan, Jr.
Executive Director

DATE: 10/14/11

DATE: 10/18/11

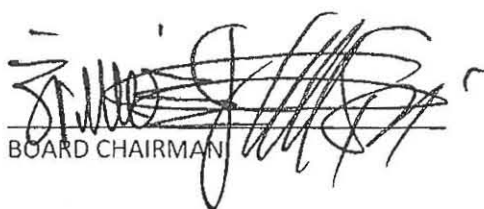
TRANSACTIONS INVOLVING EXECUTIVE STAFF EXPENSES

- a.) all transactions involving travel advances, expense reimbursement, or other travel related expense payments to the Executive Director must receive prior approval of the Fiscal Manager or Litigation Director prior to issuance of check(s) made payable to him/her.

- b.) the Executive Director or any other signatory on NMRLS bank accounts cannot approve payments to themselves or sign checks payable to themselves.

March 17, 2012

ENACTED


BOARD CHAIRMAN

**This supplemental document was
received by LSC OIG on March 28, 2012.**