



Inspector General
Kirt West

December 15, 2004

TO: Executive Directors of LSC Programs
Independent Public Accountants for LSC Programs

The attached Audit Bulletin 2005-01 provides current audit guidance that has been posted to our website at www.oig.lsc.gov.

This Bulletin reaffirms the need to fully document sample methodology and sets the minimum number of cases that the Independent Public Accountants are to test for compliance, and the minimum number of interviews to be conducted in performing audits of LSC recipients.

If you have questions regarding this Bulletin, contact us at 202 295-1671 or audits@oig.lsc.gov.

A handwritten signature in cursive script, appearing to read "Ronald D. Merryman".

Ronald D. Merryman
Acting Assistant Inspector General
for Audit

Issued December 15, 2004

**Legal Services Corporation Office of Inspector General
Audit Bulletin (2005-01)**

AUTHORITIES: The Inspector General Act of 1978, as amended, 5 USC App.3, §§ 4(a)(1) and 4(b)(1) and Public Law No. 108-199 (2004).

EFFECTIVE DATE

This Audit Bulletin is effective for audits of LSC grantees for periods ending on or after December 31, 2004.

INTRODUCTION

The Office of Inspector General (OIG) is issuing this audit bulletin to notify Independent Public Accountants (IPAs) and Legal Services Corporation (LSC) grantees of minimum testing requirements for compliance with LSC laws and regulations.

Audit Bulletin 2000-01 addressed deficiencies found in limited scope quality control reviews of IPAs' audits of LSC grantees performed in 1999. Specifically, the OIG found that some case sampling and working paper documentation was insufficient to support opinions on compliance with 14 of the LSC regulations detailed in the December 1998 Compliance Supplement. Consequently, Audit Bulletin 2000-01 established a suggested minimum case sample size (at least 60 cases) as well as a reaffirmation of the requirement in the Compliance Supplement to adequately document the assessment of grantee compliance with laws and regulations.

Limited scope quality control reviews of IPAs' audits of LSC grantees performed subsequent to 1999 (most recently in 2004) continue to reveal deficiencies noted in Audit Bulletin 2000-01. Specifically,

- Case sample size was inadequate to support opinions on compliance,
- Documentation in working papers was incomplete or nonexistent for some of the regulations,
- Sampling methodology was not documented to ensure that all significant offices, programs and types of cases were tested,
- The number of interviews was not sufficient to support conclusions on compliance.

This Audit Bulletin reaffirms case sampling requirements detailed in the “Sample Selection of Case Files” in the Compliance Supplement and the “Case Sampling” section of Audit Bulletin 2000-01; and addresses minimum requirements for case sampling and staff interviews.

CASE SAMPLING

IPAs must sample a minimum of 60 case files as detailed in Audit Bulletin 2000-01. IPAs are expected to exercise professional judgment to determine the level of any additional sampling or alternative testing necessary to identify the cause(s) of any deficiencies found and/or issue an opinion on compliance.

Where case file testing is indicated in the Compliance Supplement, the same case file sample may be used for these regulations and other statutory provisions. Audit documentation will include each of the regulations and other statutory provisions tested. In accordance with the Compliance Supplement, the methodology for selecting the case sample will be documented and ensure that all significant offices, programs, and types of cases are tested.

INTERVIEWS

The IPAs will select a representative sample of grantee staff to interview for each of the regulatory and other statutory provisions in the Compliance Supplement where staff interviews are indicated in the audit procedures. The IPAs will apply the same criteria as detailed for case file sampling to select a sample reflecting all the significant segments of the universe of staff.

The minimum number of staff interviews is 5% of total staff, but not less than five staff interviews. IPAs are expected to exercise professional judgment to determine the level of any additional testing necessary to identify the cause(s) of any deficiencies found and/or issue an opinion on compliance.

Audit documentation will include each of the regulations and other statutory provisions tested in the interviews. In addition, the methodology for selecting the representative sample will be detailed in the audit documentation.

Point of Contact

If you have any questions, contact Audit Helpline at 202 295-1671 or email us at audits@oig.lsc.gov.