

**LEGAL SERVICES CORPORATION
OFFICE OF INSPECTOR GENERAL**

REVIEW OF CASE STATISTICAL REPORTS

**Grantee: Legal Action of Wisconsin, Inc.
Recipient No. 550010**

AU99-017

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EXECUTIVE SUMMARY

The 1997 Grant Activity Report submitted by Legal Action of Wisconsin (grantee) overstated the number of cases closed during the year by 6 percent. The grantee reported 6,618 closed cases but only an estimated 6,241 cases qualified to be reported as closed in 1997. The grantee had an estimated 1,974 cases open at year-end, but reported 2,295 cases in its 1997 report.

Closed cases were overstated for three reasons. An estimated 198 cases were reported even though no legal services were provided. Legal work on 119 cases was completed in 1996, but the cases were reported as closed in 1997. The late reporting of these cases was the result of a one-time problem at the Madison branch office. An estimated 60 duplicate cases were reported, i. e., the same case was reported more than once. Even though the number of erroneously reported closed cases was relatively small, corrective actions are needed to preclude larger problems in the future.

The open case reporting errors occurred because cases that should have been closed remained open at year end and some duplicate cases were reported. Management needs to improve controls to ensure open cases are correctly reported in future Grant Activity Reports.

Other case management issues, not directly related to case counting, were also disclosed during our review. The grantee's staff could not locate three closed case files. Legal services were provided to two clients whose income exceeded LSC limits and to one client whose case was outside the grantee's priorities. Asset eligibility documentation was not available for 32 percent of 141 sample cases.

Recommendations to correct the above problems are on page 8.

BACKGROUND

Legal Action of Wisconsin, Inc. (grantee) is a nonprofit Wisconsin corporation organized to provide representation in civil matters to low income individuals in eleven counties in southeastern Wisconsin and to migrant farm workers throughout the state. The grantee's main office is in Milwaukee, Wisconsin, and branch offices are located in Kenosha and Madison. The grantee employs approximately 24 attorneys and 17 paralegals. In addition, some clients are represented by *pro bono* attorneys who volunteer their services to the Volunteer Lawyers Projects, co-sponsored by the grantee. In 1997, the grantee received approximately \$3.7 million in total funding to carry out its program. About 65 percent, or \$2.4 million, came from LSC.

LSC requires the grantee to submit an annual Grant Activity Report on key aspects of its workload. The report includes statistics for basic field services and Private Attorney Involvement programs, including the number of open and closed cases, types of cases handled, and the reasons for closing cases. For calendar year 1997, the grantee reported 6,618 closed cases and 2,295 cases remaining open at year-end.

During 1997, the grantee tracked client cases through a computerized case management database in its Milwaukee office, and through manual record keeping in its branch offices.

OBJECTIVES, SCOPE, AND METHODOLOGY

The primary objective of this audit was to determine whether the grantee provided LSC with accurate case statistical data in its 1997 Grant Activity Report.

The Office of the Inspector General (OIG) performed audit fieldwork from July 20 through July 30, 1998 at Legal Action of Wisconsin, Inc.'s main office in Milwaukee and its branch offices in Kenosha and Madison, Wisconsin. The OIG examined the grantee's 1997 and 1998 grant proposals to LSC; 1996 and 1997 grant activity reports, and the 1997 Program Integrity certification. The OIG reviewed staff manuals, client intake systems and practices, case processing and closing procedures, and selected grantee written policies and procedures. During the on-site visit, the OIG interviewed, and collected information from, the grantee's executive director, managing attorneys, staff attorneys, paralegals, intake staff, and other support staff.

The OIG obtained and reviewed the grantee's automated case management system data to determine if the case statistical data reported to LSC in the 1997 Grant Activity Report was consistent with information in client case files and in compliance with applicable LSC reporting requirements. The OIG also reviewed the manual records maintained by the grantee supporting the case data submitted from the branch offices. The OIG randomly selected 85 client cases from the automated system and judgmentally selected 56 client cases from the manual records for detailed review, for a total sample of 141 client cases.

We performed this audit in accordance with *Government Auditing Standards* (1994 revision) established by the Comptroller General of the United States and under authority of the Inspector General Act of 1978, as amended and Public Law 105-119, incorporating by reference Public Law 104-134, ' 509(g).

RESULTS OF AUDIT

CASE SERVICE REPORTING

The grantee's 1997 Grant Activity Report included an overstatement of closed cases and an overstatement of open cases. The grantee reported 6,618 cases closed during the year and 2,295 remaining open at year-end. Some closed cases were reported even though legal services were not provided. Duplicate cases were also reported. The audit disclosed cases for which the work was performed and completed prior to 1997, but reported as closed in 1997. Some reported open cases at the end of 1997 should have been closed earlier.

Case Service Reporting Requirements

LSC requires recipients to submit an annual Grant Activity Report summarizing the previous year's legal services activity wholly or partially supported with LSC funds. The information in the report includes total number of cases worked on, types of legal issues, number of open and closed cases and the reasons cases were closed. The report also includes information on Private Attorney Involvement cases. The Case Service Reporting Handbook and Grant Activity Report instructions provide reporting criteria for cases. Reported cases must be for eligible clients and within the recipient's priorities. Eligibility is based on income and asset determinations and must be documented.

LSC Uses of Grant Activity Report

LSC uses recipient case statistical information to support the Corporation's annual budget request and as a performance measure in the performance plan submitted in response to the Government Performance and Results Act. The compilation of program-wide data is an integral part of the management oversight process and also allows LSC management to keep its Board of Directors and the Congress informed of significant program activities and performance.

Automated and Manual Case Management Systems

The grantee's computer-generated 1997 case listing included cases only from the main office in Milwaukee, representing approximately 60 percent of its total workload. This data processing system allowed the grantee to store, retrieve, and

analyze information about client cases and the delivery of legal services. The automated data from the main office was combined with manual case listings from the two branch offices to produce the Grant Activity Report.

For 1997, the grantee provided the following case information.

<u>Grantee Office</u>	<u>Closed</u>	<u>Open</u>	<u>Totals</u>
Milwaukee Main Office	3,626	1,708	5,334
Kenosha Branch Office	1,054	180	1,234
Madison Branch Office	1,855	281	2,136
Migrant	<u>83</u>	<u>126</u>	<u>209</u>
Totals	<u>6,618</u>	<u>2,295</u>	<u>8,913</u>

Beginning in January 1998, the grantee implemented Fox Pro Client/Case Management System, an organization-wide relational database for case management. This database will be used for case management and report generation, including case statistical reporting.

EXAMINATION OF REPORTED CASES

Closed Cases Overstated

We estimated that the grantee overstated closed cases by 377. The overstatement of closed case was attributable to the reporting of: cases where the grantee provided no legal services, cases closed in 1996 but incorrectly reported in 1997, and duplicate cases. The following chart shows the estimated number of overstated closed cases by category.

No legal services provided	198
Incorrectly reported in 1997	119
Duplicate cases	<u>60</u>
Total	<u>377</u>

Cases Reported as Closed but Legal Services Not Provided

We estimated that 198 cases were reported as closed even though no legal services were provided. Our sample of closed cases indicated that in 3 percent of the cases no legal services were provided. Projecting this error rate to the universe of 6,618 closed cases, we estimated that 198 cases were incorrectly reported as closed in 1997. In these instances, cases were opened when individuals applied for assistance. These individuals were later determined to be ineligible for assistance, were not accepted as clients and were provided no legal services. The open cases for these individuals were closed and improperly reported to LSC.

Incorrectly Closed Cases

The grantee incorrectly reported 119 cases as closed in 1997 that should have been closed in 1996. The error was isolated to the Madison office. In the autumn of 1996, the Madison branch office's staff was reduced at the same time the office was relocating. These circumstances led to a delay in capturing some 1996 case statistical data. As a result, 119 cases remained open even though legal services were no longer being provided. These cases were closed and reported in 1997. In addition, our review of sample closed cases from the Milwaukee and Kenosha offices showed that one of 106 sample cases was improperly reported as closed in 1997. The error was insignificant and did not indicate a systemic problem.

Duplicate Cases

We estimated that the grantee reported 60 duplicate closed cases. Duplicate cases occurred when two or more cases were established for a client with the same legal problem. This estimate is based on the review of a sample of potential duplicate closed cases from the Milwaukee office. We identified 101 potential duplicate records in the Milwaukee office automated system. Our review of a sample of 27 of these cases determined that 59 percent were duplicates. We applied this percentage to the universe of 101 and estimated that 60 closed cases were duplicates. The primary reason for the incorrect reporting was that cases were closed when clients missed appointments. Frequently these same individuals made another appointment for the same legal problem and another case was opened. This second case was closed after legal services were provided, which resulted in the duplicate counting.

Open Cases Incorrectly Reported

We estimated, based on a review of 35 sample cases, that the grantee overreported open cases by 321 cases (14 percent). There were two causes for the incorrect reporting. Some reported open cases should have been closed in 1997 or prior years because legal services were no longer being provided. In addition, some cases were duplicates, i. e., the same case was reported more than once.

OTHER CASE MANAGEMENT ISSUES

Three internal control problems surfaced during the review. A few Milwaukee office files could not be located, some ineligible clients were served, and client eligibility documentation was lacking for a significant number of cases. Each problem is discussed as follows.

- The grantee could not locate files for three of 85 sample cases selected from the Milwaukee office. All three cases were closed. Grantee staff told us that the files had been archived with a records management company and could not be found.
- Legal services were provided to ineligible clients and clients with cases outside the grantee's priorities. Our sample of 141 open and closed cases revealed the grantee provided legal services to two clients whom should not have been assisted. One client's income exceeded LSC limits and one client's case was outside the grantee's priorities.
- Asset eligibility documentation was not available for 45 (32 percent) of a sample of 141 cases. Grantee staff told us that in some cases applicants were asked about their assets when they applied for assistance. In other cases, the grantee relied on asset determinations made by a state government agency. The staff presented no documentation to substantiate that these asset eligibility determinations met requirements.

To correct these problems, the grantee needs to improve internal controls over case files and to adopt procedures that ensure asset eligibility determinations meet LSC requirements and are documented.

CONCLUSIONS

The grantee needs to take action to improve the accuracy of the case data reported in its Grant Activity Report. Most of the problems, both large and small, were caused by procedural deficiencies that resulted in cases not being promptly closed, duplicate cases being reported, and the recording and reporting of cases even though no legal services were provided. Aside from the one-time problems at the Madison office, the reporting problems were systemic and need greater management attention. Grantee management should adopt control procedures over the processing of applicant's request for assistance and case closures to eliminate the systemic problems. As a final control improvement, management needs to review the Grant Activity Report for accuracy before it is submitted to LSC.

RECOMMENDATIONS

The OIG recommends that the grantee:

1. Implement procedures providing for the supervisory review over preparation of the Grant Activity Report.
2. Implement procedures to preclude the reporting of cases when legal services have not been provided.
3. Direct managers to periodically review a sample of open and closed cases and determine if their status is correct.
4. Implement procedures for the preparation and review of case management system reports in client name and problem code sequence so that duplicate cases may be detected and deleted from the system.
5. Implement procedures requiring the staff to document that asset eligibility guidelines have been followed in determining client eligibility.
6. Implement procedures to ensure that adequate controls are provided over closed case records that are archived.

SUMMARY OF GRANTEE COMMENTS and OIG DECISIONS

Summary of Grantee's Comments

The grantee provided extensive comments that disagreed with the draft report's conclusions and stated that the report contained "... numerous errors and omissions..." The major focus of the comments was on the finding that the number of closed cases reported in the 1997 Grant Activity Report was overstated. The comments asserted that the number of closed cases was understated and that the audit and 1993 CSR Handbook did not account for all the clients the grantee served in 1997. In addition, the grantee's comments discussed the quality of legal work performed by its staff.

OIG Decision

The OIG staff reviewed the 51 page (plus appendices) response to our draft report. No documentation was provided to support the assertion that the report had numerous errors and that the conclusions were inaccurate and unbalanced. Many of the grantee's comments were not relevant to the audit or the report findings. The comments provided considerable detail on some cases that were cited as being erroneous. We made minor changes and clarifications in the report based on this information. These changes are indicated in the specific comments provided below.

The audit did not assess the legal work performed by the program. Our audit was limited to determining whether the grantee provided LSC with accurate case statistical data in its 1997 Grant Activity Report.

Grantee's Specific Comments and OIG decisions

Grantee – The OIG did not reduce the total overstatement of closed cases by the number of open cases that were incorrectly reported.

OIG - We did not offset closed and open case errors. To do so would have indicated it was proper to make errors in closed case counts because they would be offset by

the errors in open case counts. In this situation, both closed and open cases were incorrectly reported.

Grantee – The OIG incorrectly stated that no legal services were provided for some closed cases, some cases were closed incorrectly, and 4 of 6 sample open cases should have been closed in 1997.

OIG - All sample cases were discussed with the responsible advocates. Without exception, the advocates agreed that the cases should not have been reported. These cases were also discussed with grantee management at the audit exit conference. The grantee's management did not disagree with the findings nor did they present any additional information on the cases. The additional information the grantee provided on closed and open case counts resulted in one change to the report. Based on the new information, we reduced the number of incorrectly reported open cases from 6 to 5 and modified the estimated total open case errors from 390 to 321 cases.

Grantee – The OIG did not discuss an additional 1,597 cases handled by the grantee in 1997.

OIG - The objective of the audit was to assess the accuracy of the 1997 Grant Activity Report prepared and submitted by the grantee. The grantee provided lists of cases that supported the report. We took a sample of cases from these lists and tested them. The audit report is based on the results of those tests. The purported additional cases were not included in the 1997 Grant Activity Report nor in the lists provided to the OIG. Therefore, we cannot comment on these additional cases. However, if these cases were, in fact, reportable cases, then they indicate that the grantee has a greater reporting problem than our audit found.

Grantee – The OIG failed to take account of the extraordinary circumstances in the Madison Office in late 1996.

OIG - The draft report (page 6) clearly explained the circumstances that resulted in the incorrect reporting of the 119 case handled by the Madison office.

Grantee – The OIG erroneously concluded that closing a case when a client missed an initial appointment and opening a second case when the same client called again resulted in an improper duplicate counting of cases

OIG - The grantee did not provide any additional information on the duplicate cases. The same client with the same legal problem was counted as two cases. Clearly this is double counting. Even if the cases had not had the same legal problem, the first case should not have been counted because no legal services were provided. The provision of legal services is a prerequisite to having a reportable case.

Grantee – The **OIG** omitted recognition of improvements resulting from the grantee's implementation of the FoxPro client/case management system.

OIG - The draft report (page 5) indicated that implementation of a new computerized case management system was started in January 1998. We understood that the system was not yet fully operational at the time of the audit fieldwork and we did not test the new system.

Grantee – The **OIG** erroneously characterized 3 missing case files as an internal control problem. The problem "was due solely to the malfeasance of an external records management company."

OIG - The grantee is responsible for its records and must have controls to protect them from loss. This responsibility cannot be shifted to the records management company. Three files were lost and the grantee was unaware of the problem.

Grantee – The **OIG** erroneously concluded that the grantee provided legal services to 3 clients who should not have been assisted.

OIG - The cases were discussed with the assigned advocates who agreed with our determinations. Based on additional information provided by the grantee, we reduced the number of cases where ineligible clients were provided service from 3 to 2.

Grantee – The **OIG** erroneously assumed that documentation of assets was required in 1997, and therefore incorrectly cited 28 cases as examples of improper asset recordation. The grantee stated that the "staff did check asset levels in 1997".

OIG - The audit identified case files that did not include documentation showing that asset eligibility determination had been made. The grantee asserted that there was no requirement to document asset determinations in 1997. That assertion is incorrect. LSC regulation 45 CFR Section 1611.7 was in effect in 1997. It states "A recipient shall adopt a simple form and procedures to obtain information to determine

eligibility ... and the information shall be preserved ... for audit by the Corporation.” Based on additional information provided by the grantee, we reduced the number of undocumented eligibility cases from 50 to 45.

Grantee Comments on Recommendations

The grantee’s comments indicated that 5 of the 6 recommendations were being implemented. Recommendation 4 required the grantee to establish follow up procedures to ensure that clients who missed appointments did, in fact, withdraw from their cases. According to the grantee it was not cost effective to implement this recommendation.

OIG Decision

We reevaluated recommendation 4 and changed the recommendation. The problem with duplicate records could be solved by reviewing case management reports that are in client name and problem code sequence. Management should implement procedures for preparing and reviewing reports for duplicate cases. The grantee should prepare a corrective action plan for implementing the recommendations, including dates for completion of corrective action, and submit it to the OIG within 30 days of the date of this report.

Grantee Comments in Appendix

Appendix 2 contains a brief summary of the grantee’s comments. Normally the OIG provides the full text of the auditee’s comments in an Appendix to the report. This grantee provided comments that were too voluminous to include. However, the full text of the comments (without appendices) is on the OIG website at www.oig.lsc.gov/reports.

APPENDIX I

LISTING OF FINDINGS AND ASSOCIATED RECOMMENDATIONS

Findings:

1. Closed cases were overstated (page 5)
Recommendations #1-3
2. Open cases were incorrectly reported (page 7)
Recommendations #1-3
3. Other case management issues (page7)
Recommendations #4-6

**LEGAL ACTION OF WISCONSIN'S
SUMMARY OF RESPONSE TO
OFFICE OF INSPECTOR GENERAL
DRAFT REVIEW OF CASE STATISTICAL REPORTS**

I. INTRODUCTION

The Office of Inspector General Draft Review of Case Statistical Reports (hereafter "Draft OIG Report" or "Draft Report") contains numerous errors and omissions that render its conclusions inaccurate and unbalanced, and that need to be corrected.

The 1997 Grant Activity Report submitted by Legal Action of Wisconsin did not *overstate* the number of cases reported as closed during the year. It *understated* them. That Grant Activity Report did not overstate the number of cases open on the last day of 1997. There were no cases where no legal services were provided. The 119 cases completed in 1996 were closed in 1996, not in 1997. The 60 so-called "duplicate cases" were closed as "client withdrew" when the client did not appear for an initial appointment; this was not improper procedure. Regarding alleged "open case reporting errors," 4 of the 6 cases which the report concludes should have been closed at the end of 1997 were properly open in 1998. If there were cases which should have been closed in 1997, they should have been added to the 1997 closed case count by the report. They were not.

It was not the grantee's staff that could not locate 3 closed case files, but an offsite and independent records management company. It is not correct that legal services were provided to two clients whose income exceeded LSC limits. The legal services

provided to the client whose case was outside the grantee's priorities were permissible under the 1993 CSR Handbook. Asset eligibility documentation was not required in 1997.

A significant amount of Legal Action's work performed for clients in 1997 is excluded from the Report because of the audit design and the Case Service Reporting system in effect in 1997. The Report omits the positive findings which resulted from the audit.

Legal Action has improved its systems and is complying with all LSC CSR requirements.

II. THE DRAFT OIG REPORT CONTAINS NUMEROUS ERRORS AND OMISSIONS

- ◆ The Report's estimates and inferences are not statistically reliable and are not supported by the data and statistical methodology. (p. 2)
- ◆ The Report errs in not accounting for the 96 additional 1997 cases which Legal Action provided the auditors. (p. 4)
- ◆ The Report fails to offset open against closed cases. (p. 12)
- ◆ The Report omits one entire part of the OIG audit: The positive conclusions resulting from the regulatory compliance audit. (p. 18)
- ◆ The Report omits Legal Action's good practice re citizenship checks during telephone intake. (p. 17)
- ◆ The Report omits any recognition of improvements resulting from Legal Action's implementation of the FoxPro client/case management system. (p. 17)

- ◆ The Report errs in concluding that there were closed cases where legal services were not provided. (p. 21)
- ◆ The Report errs in concluding that there were incorrectly closed cases. (p. 22)
- ◆ The Report fails to take account of extraordinary circumstances in the Madison Office in late 1996. (p. 22)
- ◆ The Report errs in concluding that closing a case where a client missed an initial appointment as “client withdrew” and opening a second case when the same client called again was incorrect “duplicate counting” under the 1993 CSR Handbook. (p. 27)
- ◆ The Report errs in failing to add the number of cases allegedly “incorrectly open” to the closed case count for 1997, and thus errs in failing to reduce the alleged “overstatement” of closed cases. (p. 33)
- ◆ The Report errs in concluding that 4 of 6 allegedly “incorrectly reported open cases” should have been closed in 1997. These cases were properly open in 1998. (p. 34)
- ◆ The Report errs in characterizing 3 missing files as an “internal control problem.” This was due solely to the malfeasance of an external records management company. (p. 38)
- ◆ The Report errs in concluding that Legal Action provided legal services to 3 clients who should not have been assisted. The provision of assistance in all 3 cases was proper. (p. 39)
- ◆ The Report errs in assuming that documentation of assets was required in 1997, and in treating a lack of documentation as an exception or problem. Legal Action’s 1997 asset determination procedure was proper. (p. 42)
- ◆ Legal Action staff did check asset levels in 1997. (p. 44)

- ◆ The Report errs in citing 28 cases as examples of improper asset recordation. (p. 45)

III. THE AUDIT DESIGN AND THE 1993 CSR HANDBOOK DID NOT ACCOUNT FOR ALL THE CLIENTS SERVED BY LEGAL ACTION IN 1997

- ◆ The audit design excluded an additional 1,597 cases handled by Legal Action in 1997. (p. 5)
- ◆ The audit design excluded approximately 1,360 persons served through community education in 1997. (p. 11)
- ◆ The 1993 CSR Handbook did not give full credit for group cases. (p. 13)
- ◆ The 1993 CSR Handbook did not permit counting all clients served through impact work. (p. 15)
- ◆ The 1993 CSR Handbook did not permit counting all family members served through Legal Action's representation. (p. 16)
- ◆ The 1993 CSR Handbook was unclear and has since been amended. (p. 14)
- ◆ CSRs are not the only significant measure of program performance. Quality of client representation is more significant. (p. 15)

IV. LEGAL ACTION HAS RESPONDED TO THE OIG RECOMMENDATIONS, HAS IMPROVED ITS SYSTEMS AND IS COMPLYING WITH THE 1998 CSR HANDBOOK

- ◆ There has always been supervisory review over preparation of the Grant Activity Report. (p. 50)
- ◆ Legal Action has fully complied with the new management review process required by the 1998 Revised CSR Handbook and LSC Program Letter 99-1. (p. 51)

- ◆ Beginning in 1998 *and prior to the OIG audit*, Legal Action expanded the firm's computerized case/client management system to cover all offices; this has eliminated many issues raised by the OIG. (p. 52)
- ◆ Legal Action conducts periodic staff training regarding timely closing of cases. (p. 53)
- ◆ Legal Action managers periodically review a sample of open and closed cases and determine if their status is correct. (p. 54)
- ◆ It is not cost-effective to track a client who has failed to appear for an initial appointment. (p. 55)
- ◆ Legal Action staff members are documenting asset eligibility. (p. 55)
- ◆ Legal Action has implemented detailed records management procedures. (p. 56)