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LEGAL SERVICES CORPORATION

BY EMAIL ONLY

August 09, 2019

Janice Chiaretto, Executive Director
Statewide Legal Services of Connecticut, Inc.
1290 Silas Deane Highway, Suite 3A
Wethersfield, CT 06109

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Julie A. Reiskin
Denver, CO

Gloria Valencia-Weber
Albuquerque, NM

Re: Compliance Review Visit Final Report, Recipient No. 107000

Dear Ms. Chiaretto:

Enclosed is the Legal Services Corporation's Final Report for the onsite Compliance Review of Statewide Legal Services of Connecticut, Inc. ("SLS") which took place on April 8-12, 2019. SLS' comments to the Draft Report have been incorporated, where appropriate, and are attached.

Pursuant to SLS' comments to the Draft Report ("DR"), currently designated Required Corrective Action ("RCA") Nos. A1-A4, B1, C1, D1, G3, H2, and L1-L2 have been satisfactorily addressed and are closed. Based on the information provided in response to the DR, LSC removed former Finding E from the report. However, as explained more fully in the Report, additional documentation is needed to close RCA Nos. A5, E1-E4, F1, G1-G2, H1, I1, J1, K1, and L3.

Required Corrective Action No. A5 - In order to close this RCA, SLS must provide documentation showing the actions it has taken to address its use of closing code "K" (e.g., training agenda/material for the April and September trainings, emails to staff, etc.) by October 31, 2019.

Required Corrective Action Nos. E1-E4 - In order to close these RCAs, SLS must provide documentation showing the efforts it has taken to implement its revised PAI oversight policy and procedures (e.g., the date of any trainings, list of the participants, copy of material used, etc.) by October 31, 2019.

Required Corrective Action No. F1 - In order to close this RCA, SLS must provide OCE with documentation showing SLS' Board approved its revised PAI cost allocation policy and the actions SLS' has taken to implement it by October 31, 2019.

Required Corrective Action Nos. G1-G2 - In order to close these RCAs, SLS must provide documentation showing the actions it has taken to ensure compliance with the documentation requirements of 45 CFR Part 1626 (e.g., dates of training, a list of the participants, material/agenda used during the sessions, etc.) by October 31, 2019.

Required Corrective Action No. H1 – In order to close this RCA, SLS must provide OCE with documentation showing its Board has approved its revised cost allocation policy and the actions SLS' has taken to implement it by October 31, 2019.

Required Corrective Action No. I1 – In order to close this RCA, SLS must adopt and implement policies to guide staff in following the requirements of 45 CFR §1631.12 (personal property) and 45 CFR §1631.20 (real estate) by October 31, 2019. OCE also advises SLS to resubmit its procurement policy for LSC's review before it is implemented.

Required Corrective Action No. J1 - In order to close this RCA, SLS must provide OCE with documentation showing the actions it has taken (e.g., July 25 trainings) to address this matter (e.g., training agenda or materials) by October 31, 2019.

Required Corrective Action No. K1 - In order to close this RCA, SLS must provide OCE with documentation showing its Board has approved its revised petty cash policy and the actions SLS' has taken to implement it by October 31, 2019.

Required Corrective Action No. L3- In order to close this RCA, SLS must provide the journal entries (covering the period from January 1, 2019 to July 31, 2019) demonstrating that transactions are being coded to the appropriate funding code(s) by October 31, 2019.

All originals and copies of the case lists provided by SLS for the on-site assessment have been destroyed. Similarly, as appropriate, we have deleted any such information from the computer files maintained by OCE.

I would like to take this opportunity to again thank the SLS staff for their cooperation during this process. If you have any questions or concerns regarding SLS' responses to any of the open items in this Report, or any other compliance related matter, please feel free to contact me or Shila Mashhadishafie.

Thank you for your time and consideration.

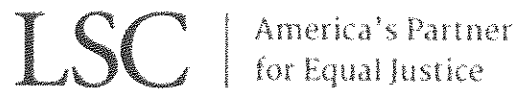
Sincerely,


Megan Lacchini (Aug 9, 2019)

Megan Lacchini, Deputy Director for General Compliance
Office of Compliance and Enforcement

Enclosure: Final Report

cc: Jean Perry Phillips, SLS Board Chair



LEGAL SERVICES CORPORATION

FINAL REPORT
LEGAL SERVICES CORPORATION
Office of Compliance and Enforcement

Statewide Legal Services of Connecticut, Inc.
Compliance Review
April 8-12, 2019

Recipient No. 107000

LSC Compliance Review Team

Shila Mashhadishafie, Program Counsel (Team Leader)
Mark Watts, Fiscal Compliance Analyst
Carl Isler, Program Counsel
April Jung, Fiscal Compliant Analyst
Eugene Yuk, Program Counsel

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I.a. Grantee Information

Statewide Legal Services of Connecticut, Inc. (“SLS”) currently provides advice and counsel, brief service, and referrals as part of a planned network of legal aid entities providing regional or functional services. SLS has one (1) office located in Middletown, Connecticut.

In 2019, SLS’ Basic Field Grant is anticipated to be \$2,716,257; in 2018, it was \$2,670,054; and in 2017, it was \$2,519,312. SLS was awarded two (2) TIG grants; one in the amount of \$88,178 in 2016, which is closed, and another in the amount of \$152,000 in 2016, which is still active. SLS receives non-LSC funding from filing and other fees, other funders, and state and IOLTA grants. In its 2017 submission, the program reported 5,778 closed cases, of which 98% were closed as limited service cases, and 2% were closed as extended service cases. In its 2016 submission to LSC, SLS reported 5,935 closed cases, of which 98% were closed as limited service cases, and 2% were closed as extended service cases. SLS’ 2018 self-inspection certification revealed a 3% error rate in CSR reporting, SLS’ 2017 self-inspection certification revealed a 3% error rate in CSR reporting and SLS’ 2016 self-inspection certification revealed a 2% error rate in CSR reporting.

I.b. Scope and Methodology

During the week of April 8-12, 2019, staff of the Office of Compliance and Enforcement (“OCE”) conducted a Compliance Review at SLS. The purpose of the visit was to assess the program’s compliance with the LSC Act, regulations, and other applicable guidance such as Program Letters, the LSC Accounting Guide for LSC Recipients (2010 Edition), and the Property Acquisition and Management Manual.

The on-site review was designed and executed to assess grantee compliance with basic client eligibility, intake, case management, regulatory and statutory requirements, to ensure that SLS has correctly implemented the CSR Handbook (2017 Ed.) and to determine the cost of any significant non-compliance with any legal authorities. Specifically, the review team assessed SLS for compliance with the following requirements:

- Case management system and policies/procedures- CSR Handbook (2017 Ed.), Chapter III;
- Case intake and oversight systems/policies/procedures;
- 45 CFR Part 1611 (Financial Eligibility);
- 45 CFR Part 1626 (Restrictions on Legal Assistance to Aliens);
- 45 CFR § 1611.9 (Retainer Agreements);
- 45 CFR Part 1636 (Client Identity and Statement of Facts);
- 45 CFR § 1620.4 and § 1620.6(c) (Priorities in Use of Resources);
- CSR Handbook (2017 Ed.), § 5.6 (Legal Assistance Documentation Requirements);
- CSR Handbook (2017 Ed.), Chapters VIII and IX (Case Definition and Closure Categories and Legal Problem Categories and Codes);
- CSR Handbook (2017 Ed.), § 3.3 (Timely Closing of Cases);
- CSR Handbook (2017 Ed.), § 3.2 (Single Reporting of Cases);

- 45 CFR Part 1604 (Outside Practice of Law);
- 45 CFR Part 1608 (Prohibited Political Activities);
- 45 CFR Part 1609 (Fee-Generating Cases);
- 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity);
- 45 CFR Part 1614 (Private Attorney Involvement);
- 45 CFR Part 1627 (Subgrants and Membership Fees or Dues);
- 45 CFR Part 1635 (Timekeeping Requirement);
- 45 CFR Part 1630 (Cost Standards and Procedures);
- 45 CFR Part 1612 (Restrictions on Lobbying and Certain Other Activities);
- 45 CFR Parts 1613 and 1615 (Restrictions on Legal Assistance with Respect to Criminal Proceedings and Restrictions on Actions Collaterally Attacking Criminal Convictions);
- 45 CFR Part 1617 (Class Actions);
- 45 CFR Part 1632 (Redistricting);
- 45 CFR Part 1633 (Restriction on Representation in Certain Eviction Proceedings);
- 45 CFR Part 1637 (Representation of Prisoners);
- 45 CFR Part 1638 (Restriction on Solicitation);
- 45 CFR Part 1643 (Restriction on Assisted Suicide, Euthanasia, and Mercy Killing);
- 42 USC 2996f § 1007 (b) (8) (Abortion);
- 42 USC 2996f § 1007 (b) (9) (School Desegregation Litigation);
- 42 USC 2996f § 1007 (b) (10) (Military Selective Service Act or of Desertion from the Armed Forces);
- LSC Accounting Guide for LSC Recipients; and
- Fiscal Internal Controls.

The OCE team interviewed members of SLS' upper and middle management, staff attorneys, and support staff. SLS' case intake, case acceptance, case management, and case closure practices and policies in all substantive units were assessed. In addition to interviews, case file review was conducted. The sample case review period was January 1, 2016 through April 12, 2019. Case file review relied upon randomly selected files as well as targeted and pulled files identified to test for compliance with LSC requirements, including eligibility, potential duplication, timely closing, and proper application of case closure categories. In the course of the on-site review, the OCE team selected 504 cases to review on-site, which included 71 targeted files, and four (4) pulled files. All of the selected cases were reviewed.

II. Results of Review

Finding Type Definitions:

- a. **Compliance:** This term is used if there were no (zero) exceptions noted during case review, policy review, fiscal record review, and interviews.
- b. **Substantial Compliance:** This term is used when a program is in compliance with regulations, CSR Handbook sections, or LSC Accounting Guide sections; however limited exceptions were found either during case, policy, or fiscal record review.

- c. **Partial Compliance:** This term is used when a program demonstrates non-compliance with one or more requirements within a specific regulation, CSR Handbook section, or LSC Accounting Guide section, but complies or substantially complies with all remaining requirements within that regulation or section. This term is also used when one or more offices is in non-compliance with a particular requirement, but other offices are either substantially compliant or compliant with the same requirement.
- d. **Non-Compliance:** This term is used if a program's policies or procedures in effect at the time of the review are not in compliance with LSC regulations, fiscal records reveal significant deviation from the requirements of the LSC Accounting Guide, or case file review reveals exceptions to the regulations, the CSR Handbook, or one or more findings of non-compliance with a restriction.

Review Items & Authorities	Compliance	Substantial Compliance	Partial Compliance	Non-Compliance <i>(If not case related, provide summary of issue)</i>	Not Reviewed
Case Management System and Procedures		X (at Final Report)	X (at Draft Report)		
Case Intake and Oversight Systems/Policies/ Procedures		X (at Final Report)	X (at Draft Report)		
45 CFR Part 1604 <i>(Outside Practice of Law)</i>		X (at Final Report)	X (at Draft Report)		
45 CFR Part 1608 <i>(Political Activities)</i>	X				
45 CFR Part 1609 <i>(Fee Generating Cases)</i>		X (at Final Report)	X (at Draft Report)		
45 CFR Part 1610 <i>(Program Integrity Use of Non-LSC Funds)</i>	X				
45 CFR Part 1611 - Income <i>(Financial Eligibility)</i>		X			
45 CFR Part 1611 - Assets <i>(Financial Eligibility)</i>		X			
45 CFR § 1611.9 <i>(Retainer Agreements)</i>		X			
45 CFR Part 1612 <i>(Restrictions on Lobbying and Certain Other Activities)</i>	X				
45 CFR Part 1613 <i>(Restrictions on Legal Assistance with Respect to Criminal Proceedings)</i>	X				

Review Items & Authorities	Compliance	Substantial Compliance	Partial Compliance	Non-Compliance <i>(If not case related, provide summary of issue)</i>	Not Reviewed
45 CFR Part 1614, and CSR Handbook, Chapter X <i>(Private Attorney Involvement)</i>				X – PAI Oversight and Allocation methodology	
45 CFR Part 1617 <i>(Class Actions)</i>	X				
45 CFR Part 1620 <i>(Priorities in Use of Resources)</i>	X				
45 CFR Part 1626 <i>(Restrictions on Legal Assistance to Aliens)</i>			X (at Final Report)	X – Default in ACMS, missing US Citizenship attestations, attestation untimely dated. (at Draft Report)	
45 CFR Part 1627 <i>(Subgrants; Membership Fees or Dues)</i>	X				
45 CFR Part 1628 <i>(Recipient Fund Balances)</i>	X				
45 CFR Part 1629 and LSC Accounting Guide § 3.5.13 <i>(Bonding of Recipients)</i>	X				
45 CFR Part 1630 <i>(Determination of Costs)</i> <i>LSC Accounting Guide § 2.3-2</i>				X	
45 CFR Part 1631 <i>(Purchasing and Property Management)</i>			X		
45 CFR Part 1632 <i>(Redistricting)</i>	X				
45 CFR Part 1633	X				

Review Items & Authorities	Compliance	Substantial Compliance	Partial Compliance	Non-Compliance <i>(If not case related, provide summary of issue)</i>	Not Reviewed
<i>(Restriction on Representation in Certain Eviction Proceedings)</i>					
45 CFR Part 1635 <i>(Timekeeping)</i>			X		
45 CFR Part 1636 <i>(Client Identity and Statement of Facts)</i>	X				
45 CFR Part 1637 <i>(Representation of Prisoners)</i>	X				
45 CFR Part 1638 <i>(Restriction on Solicitation)</i>	X				
45 CFR Part 1643 <i>(Restriction on Assisted Suicide, Euthanasia, and Mercy Killing)</i>	X				
42 USC 2996f §§ 1007(a)(8), (9), and (10) <i>(Abortion; School Desegregation Litigation; Military Selective Service Act or of Desertion From the Armed Forces)</i>	X				
CSR Handbook					
CSR Handbook, § 3.3 <i>(Timely Closing of Cases)</i>		X			
CSR Handbook, § 3.2 <i>(Single Reporting of Cases)</i>		X			
CSR Handbook, § 5.6 <i>(Legal Assistance Documentation Requirements)</i>		X			
CSR Handbook, Chapters VIII & IX		X			

Review Items & Authorities	Compliance	Substantial Compliance	Partial Compliance	Non-Compliance <i>(If not case related, provide summary of issue)</i>	Not Reviewed
<i>(Case Definition and Closure Categories and Legal Problem Categories and Codes)</i>					
Internal Controls/Segregation of Duties	X				
Oversight Functions Performed by Management and the Board <i>LSC Accounting Guide, §§ 1-7 and 3-5.1</i>	X				
LSC Accounting Guide – Property and Procurement Controls (including PAMM and Purchases) <i>LSC Accounting Guide, § 3-5.4</i>	X				
LSC Accounting Guide – Personnel and Payroll <i>LSC Accounting Guide, §§ 3.5.5 and 3.5.14 and appropriate Appendices.</i>	X				
LSC Accounting Guide – Bank Reconciliation and Electronic Policies & Procedures <i>(Operating Checking, Client Trust, and Petty Cash)</i> <i>LSC Accounting Guide, §§ 2-2.2, 2-2.3, 3-5.2, 3.5.7, and 3.5.15</i>			X		
LSC Accounting Guide – Cash Disbursements and Related Policies & Procedures <i>(ED/Employee Reimbursements – travel, cell phone, and other electronic devices; General)</i> <i>LSC Accounting Guide, § 3-5.4</i>		X (at Final Report)		X – Cash Disbursements/Credit Cards (at Draft Report)	
LSC Accounting Guide – Cash Receipts		X			

Review Items & Authorities	Compliance	Substantial Compliance	Partial Compliance	Non-Compliance <i>(If not case related, provide summary of issue)</i>	Not Reviewed
<i>LSC Accounting Guide, § 3-5.4.</i>					
General Journal					
<i>LSC Accounting Guide, § 3.5.8</i>	X				
Electronic Data Processing Security					
<i>LSC Accounting Guide, § 3.5.15</i>	X				
TIG Nos. 16017, 16021, 15014, 14035, 14048 and 13030	X				

Areas in which the review team determined SLS to be in compliance or substantial compliance will not be discussed in this report; only areas in which SLS was determined to be in non-compliance or partial compliance will be addressed.

III. Detailed Analysis of Key Findings of Non-Compliance or Partial Compliance

A. ACMS: 45 CFR Part 1611, CSR Handbook (2017 Ed.), §§ 3.1, 3.6.	Level of Compliance at Time of Draft Report: Partial-Compliance Level of Compliance at Time of Final Report: Substantial Compliance ¹
FINDINGS & OBSERVATIONS	
<p>■ SLS' Automated Case Management System ("ACMS") is not in compliance with the requirements of the CSR Handbook (2017 Ed.), § 3.6, as it contains impermissible defaults with regard to US citizenship fields in two (2) separate areas. SLS' ACMS requires the completion of a name card for each applicant/client. The name card contains some basic biographic information, including a designation for whether the applicant/client is a US citizen or some other status. Additionally, in each case, there is a file detail area which contains a field for US citizenship or other status. In both areas, the field defaults and pre-populates with "US citizen."</p> <p>■ SLS' ACMS contains two (2) income exceptions that are not authorized under 45 CFR Part 1611. These two (2) factors are not included in SLS' 45 CFR 1611 policy, however, a targeted searched revealed that they were selected in a few cases. These cases where pulled and reviewed. In some instances, a narrative of the expense satisfied one (1) or more of the authorized exceptions. See e.g. SLS Closed 2019 Case Nos. 2017-C010-0202704, 2017-C010-0202463, 2017-C010-0202955 and 2017-C010-0200728. SLS stated that they are unable to remove these options because their ACMS is a statewide system.</p> <p>■ Sampled cases evidenced non-compliance with the requirements of the CSR Handbook (2017 Ed.), § 3.1 (ACMS). See e.g. SLS PAI Closed 2018 Case Nos. 2015-0182667-C010 (This case was closed as a Private Attorney Involvement ("PAI") case; however, the case notes indicate legal service was provided by SLS and there is insufficient documentation of legal service by the private attorney.), 2018-C015-0014816 (This case was closed as a PAI case; however, the case notes indicate legal service was provided by SLS and there is insufficient documentation of legal service by the private attorney.), and 2017-C010-0202910 (This case was closed as a PAI case; however, the case notes indicate legal service was provided by SLS and there is insufficient documentation of legal service by the private attorney.).</p> <p>■ SLS' ACMS also contains inconsistent data regarding case closure dates in certain instances. If a case is opened and closed, the closure date is noted in the case closed data field in the ACMS. However, if in the same calendar year, the client returns with the same legal issue arising out of the same underlying facts, SLS documents the re-opening and subsequent closing in the case file details but does not edit the original closure date. The closure date would only be changed if the case is referred to a pro bono attorney. See, e.g., SLS Staff Closed 2018 Case No. 2018-C010-0204789, 2018-C010-0204937, 2018-C010-0206088, 2018-C015-0014762, and 2018-C010-0203697.</p>	

¹ Absent a follow-up onsite review, OCE cannot fully assess SLS' current compliance with these requirements. However, based on actions taken to date to cure the noted deficiencies, SLS appears to now be in substantial compliance with the noted documentation requirements.

■ Case review revealed that case handlers use LSC closing category “K” (Other) as a deselection code. See SLS PAI Closed 2018 Case No. 2015-C015-0009699 and Staff Closed 2018 Case Nos. 2018-C010-0205705, 2018-C010-0208856, and 2018-C010-0208367 (The closure category “K – Other” was applied as a code to deselect the case from CSR reporting.).

RECOMMENDATIONS

Recommendation A1 - SLS should provide periodic training regarding properly designating cases as staff or PAI to all staff responsible for case management/oversight.

Recommendation A2 - SLS should provide periodic training regarding 45 CFR Part 1611.

Recommendation A3 - SLS should provide periodic training regarding 45 CFR Part 1626.

Recommendation A4 - SLS should add additional options to the online application guided interview to capture an applicant’s legal status in the United States.

REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS

Required Corrective Action A1 - SLS must remove all impermissible defaults from its ACMS, as required by the CSR Handbook (2017 Ed.), § 3.6.

Status: Closed. On May 5, 2019, via GoToMeeting, SLS demonstrated test cases showing that the defaults in the system had been removed. On May 6, 2019, SLS also provided screen shots demonstrating that there were no defaults in the system.

Required Corrective Action A2 - SLS must ensure that all applicants are properly screened for income eligibility in a manner that is consistent with the Federal Poverty Guidelines (“FPG”) and 45 CFR Part 1611, such that no applicant will be considered eligible when their income exceeds 125% of the FPG absent an allowable 45 CFR § 1611.5 over-income exception.

Status: Closed. In its response to the Draft Report (“DR”) submitted on July 10, 2019, SLS stated that training regarding this Required Corrective Action (“RCA”) was provided to staff. In the Supplemental Information submitted on July 25, 2019, SLS provided the dates, list of participants, and the material provided at each training.

Required Corrective Action A3 - SLS must ensure that all case files are properly identified as either staff or PAI in its ACMS, and that all case lists/case reports generated accurately represent whether a case is staff or PAI.

Status: Closed. In response to the DR submitted on July 10, 2019, SLS stated that training regarding this RCA was provided to staff. In the Supplemental Information submitted on July 25, 2019, SLS provided the dates, list of participants, and the material provided at each training.

Required Corrective Action A4 - SLS must ensure that the ACMS accurately captures the closing date of cases.

Status: Closed. On May 5, 2019, via GoToMeeting, SLS demonstrated test cases showing that the closing date field is triggered when a closed case is reopened. On May 6, 2019, SLS also provided LSC an e-mail sent to staff providing instruction on the change.

Required Corrective Action A5 - SLS must ensure that staff do not use case closure category “K” as a deselection method, as “K” is only for reportable cases.

Status: Open. In its response to the DR submitted on July 10, 2019, SLS stated that on April 22, it provided training regarding this RCA to the staff using closing code "K" as a deselection code (i.e., Managing Attorneys). In the Supplemental Information provided on July 25, 2019, SLS also stated that:

On April 22nd – IT Administrator Matt Dugan emailed all SLS Managing Attorneys updating and informing them of the LSC disposition codes that are not to be used any longer in Legal Files. He also informed them of the newly created report that would be disseminated each week for their review that lists any cases that have been assigned non-used LSC closing disposition codes. These can then be corrected in the ACMS. The September 4, 2019 training (listed below) will officially bring all SLS staff up to speed on the LSC disposition codes that should not be used.

In order to close out this RCA, SLS must provide documentation showing the actions it has taken to address this matter (e.g., training agenda/material for the April and September trainings, emails to staff, etc.).

B. Case Intake and Oversight System/Procedures: 45 CFR §§ 1611.4, 1611.5 and 1611.7(a)	Level of Compliance at Time of Draft Report: Partial-Compliance Level of Compliance at Time of Final Report: Substantial Compliance ²
<p style="text-align: center;">FINDINGS & OBSERVATIONS</p> <ul style="list-style-type: none"> Although SLS' ACMS contains a query regarding income prospects, as does its 45 CFR 1611 Policy, most intake staff interviewed indicated that they do not routinely screen for income prospects. Interviews, observations, and case review revealed inconsistent practices regarding asset screening. While intake specialists ask approximately the same types of questions regarding assets, there is variability in recording the information. The variability includes how assets are valued, how assets are recorded in the ACMS, and how exempt assets are handled (e.g., in some cases exempt assets were included in the asset calculation). <p style="text-align: center;">RECOMMENDATIONS</p>	
None	
<p style="text-align: center;">REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS</p> <p>Required Corrective Action B1 - SLS must adopt policies and procedures to ensure all applicants are properly screened for assets, as required by 45 CFR § 1611.4.</p>	

² Absent a follow-up onsite review, OCE cannot fully assess SLS' current compliance with these requirements. However, based on actions taken to date to cure the noted deficiencies, SLS appears to now be in substantial compliance with the noted documentation requirements.

Status: Closed. In its response to the DR submitted on July 10, 2019, SLS stated that training regarding this RCA was provided to staff. In the Supplemental Information submitted on July 25, 2019, SLS provided the dates, list of participants, and material provided at these trainings.

C. Regulatory Part or Section: 45 CFR Part 1604	
FINDINGS & OBSERVATIONS	Level of Compliance at Time of Draft Report: Partial-Compliance Level of Compliance at Time of Final Report: Substantial Compliance ³
<p>Documentation revealed that two (2) attorneys engaged in the outside practice of law during the period under review. Both attorneys had requested and obtained prior approval to work on closing their cases from their prior respective private practices, had several cases, and indicated that they worked on the cases on their own time or took leave as necessary. However, neither attorney was able to provide any corroborating documentation to demonstrate that they worked on the cases outside of work hours or while on leave. Both attorneys drafted e-mails during the on-site review attesting to the fact that they did not work on the cases during SLS work hours. Some of the work conducted, but for the outside practice of law exception, would be LSC fund restricted.</p>	
RECOMMENDATIONS	
<p>Recommendation C1 - It is recommended that SLS revise its current policy and form to require staff to submit a closing memo indicating what work was done on the outside practice cases and when the work was done. See 45 CFR § 1604.6.</p>	
REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS	
<p>Required Corrective Action C1 - SLS must be able to provide documentation showing that SLS resources were not used for permissible outside practice that would be otherwise prohibited by LSC or other funds.</p> <p>Status: Closed. In its response to the DR submitted on July 10, 2019, SLS submitted revised policies, procedures, and forms addressing the RCA. SLS also stated that this policy has been incorporated into their Work Rules and on June 25, 2019, a staff training was held to explain the requirements of 45 CFR Part 1609 and the new procedures that are to be followed moving forward.</p>	

³ Absent a follow-up onsite review, OCE cannot fully assess SLS' current compliance with these requirements. However, based on actions taken to date to cure the noted deficiencies, SLS appears to now be in substantial compliance with the noted documentation requirements.

D. Regulatory Part or Section: 45 CFR Part 1609	Level of Compliance at Time of Draft Report: Partial-Compliance Level of Compliance at Time of Final Report: Substantial Compliance ⁴
FINDINGS & OBSERVATIONS The program has a derivative income policy that addresses how attorneys' fees should be allocated. However, the policy does not include the requirement that "attorneys' fees received shall be recorded during the accounting period in which the money from the fee award is actually received by the recipient [.]” under 45 CFR § 1609.4(c).	
RECOMMENDATIONS Recommendation D1 - SLS should submit its proposed revised derivative income policy to OCE for review prior to adoption and implementation.	
REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS Required Corrective Action D1 - SLS must revise its derivative income policy to include the requirement that attorneys' fees be recorded in the same period in which they were received and implement the revised policy. <i>See</i> 45 CFR § 1609.4(c). Status: Closed. In its response to the DR submitted on July 10, 2019, SLS provided a revised Part 1609 policy. OCE reviewed it and found it to comply with regulatory requirements. SLS' Board plans to review it for approval at its next meeting, which is scheduled for September 16, 2019.	

E. Regulatory Part or Section: 45 CFR Part 1614, and CSR Handbook, Chapter X	Level of Compliance: Non-Compliance
FINDINGS & OBSERVATIONS Review of a sampling of PAI cases identified several areas where SLS needs to increase oversight measures in order to comply with LSC rules and regulations. Case review identified several dormant or untimely cases, several cases which lacked sufficient documentation of legal service, and others in which the closure category applied was not sufficiently supported by documentation. The issues noted in SLS' PAI cases rose to a level of non-compliance in the PAI case sample. Several sampled cases evidenced non-compliance with the requirements of the CSR Handbook (2017 Ed.), § 3.3, where these cases were either untimely closed or showed evidence of dormancy. <i>See e.g.</i> , SLS PAI Closed 2018 Case No. 2015-0182667-C010 (This limited service case was opened on July 8, 2015 and closed on April 10, 2018. Requests for updates from 2015-2018 did not receive any responses until a closing report was received on April 10, 2018. The closing form indicated the case was closed by the private	

⁴ Absent a follow-up onsite review, OCE cannot fully assess SLS' current compliance with these requirements. However, based on actions taken to date to cure the noted deficiencies, SLS appears to now be in substantial compliance with the noted documentation requirements.

<p>attorney on the case on December 15, 2015.); SLS PAI Closed 2017 Case No. 2014-0176665-C010 (This limited service case was opened on October 9, 2014 and closed on July 3, 2017. The case file shows SLS requested updates from the private attorney from 2015 to 2016 but received no responses. An update in the case file on July 3, 2017 noted the private attorney had died and the case was being closed.); SLS PAI Open Case Nos. 2017-0200750-C010 (This case was opened on August 25, 2017 and there has been no substantive activity since the referral to a private attorney. The last activity, requesting a status update, occurred on February 1, 2018.), and 2014-C010-0170209 (This case was opened on January 16, 2014 and there has been no substantive activity since the referral to a private attorney. The last activity, mailing out a closing form, occurred on January 19, 2016.).</p> <p>Several sampled cases evidenced non-compliance with the requirements of the CSR Handbook (2017 Ed.), § 5.5, where the cases did not contain sufficient documentation of legal assistance. <i>See e.g.</i> SLS PAI Open Case Nos. 2014-C010-0177730, 2014-0178097-C010, 2016-0018683-C010, and 2018-C015-0015329; SLS PAI Closed 2018 Case No. 2017-C010-0201164, 2018-C010-0208618, 2018-C015-0016078, and 2018-C010-0014808.</p> <p>Several sampled cases evidenced non-compliance with the requirements of the CSR Handbook (2017 Ed.), Chapter VIII, where the cases did not have the supporting documentation to support the closure category applied. <i>See e.g.</i> SLS PAI Closed 2018 Case Nos. 2018-C010-0205913 (This case was closed with the closure category "L – Extensive Service;" however, the case file indicates SLS prepared a will for the client. There was no documentation regarding the complexity of the document.) and 2017-C010-0202423 (This case was closed with the closure category "L – Extensive Service;" however, the case file indicates SLS prepared a will for the client. There was no documentation regarding the complexity of the document.); SLS PAI Closed 2017 Case Nos. 2017-0020877-C012 (This case was closed with the closure category "L – Extensive Service;" however, the case file indicates SLS prepared a will for the client. There was no documentation regarding the complexity of the document.), 2017-0197699-C010 (This case was closed with the closure category "A – Counsel and Advice;" however, in addition to the original legal advice provided, the case notes state the private attorney assigned to the case indicated the client received a final divorce with custody of one (1) child.), and 2014-0176665-C010 (This case was closed with the closure category "B – Limited Action;" however, the only documented legal service was advice provided by SLS.).</p>	
RECOMMENDATIONS	
Recommendation E1 - For 2018 and going forward, SLS' should update its PAI oversight procedures to request status requests from PAI attorney's more frequently.	
Recommendation E2 - SLS should train its PAI staff on the requirements of the CSR Handbook (2017 Ed.).	
REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS	
Required Corrective Action E1 - SLS must implement policies and procedures designed to ensure open PAI cases do not become dormant and all PAI cases are timely closed per the CSR Handbook (2017 Ed.), §§ 3.3 and 10.3.	
Status: Open. In its response to the DR submitted on July 10, 2019, SLS submitted a revised PAI oversight policy that addressed OCE's findings. In the Supplemental Information provided on July 25, 2019, SLS stated that training on its new oversight policy and procedures is tentatively scheduled for August 13, 2019. In order to close this RCA, SLS must provide documentation showing that	

this training has been provided (e.g., the date, list of the participants, copy of material used, etc.) or documentation showing other actions were taken to address this RCA.

Required Corrective Action E2 - SLS must implement policies and procedures designed to ensure all PAI cases contain sufficient documentation of legal service as required by the CSR Handbook (2017 Ed.), §§ 5.6 and 10.5.

Status: Open. In its response to the DR submitted on July 10, 2019, SLS submitted a revised PAI oversight policy that addressed OCE's findings. In the Supplemental Information provided on July 25, 2019, SLS stated that training on its new oversight policy and procedures is tentatively scheduled for August 13, 2019. In order to close this RCA, SLS must provide documentation showing that this training has been provided (e.g., the date, list of the participants, copy of material used, etc.) or documentation showing other actions were taken to address this RCA.

Required Corrective Action E3 - SLS must implement policies and procedures designed to ensure the appropriate closure category is applied to each closed PAI case, including documenting sufficient to support the selection of the closure category pursuant to the CSR Handbook (2017 Ed.), Chapter VIII and §§ 5.6 and 10.5.

Status: Open. In its response to the DR submitted on July 10, 2019, SLS submitted a revised PAI oversight policy that addressed OCE's findings. In the Supplemental Information provided on July 25, 2019, SLS stated that training on its new oversight policy and procedures is tentatively scheduled for August 13, 2019. In order to close this RCA, SLS must provide documentation showing that this training has been provided (e.g., the date, list of the participants, copy of material used, etc.) or documentation showing other actions were taken to address this RCA.

Required Corrective Action E4 - SLS must implement policies and procedures designed to ensure proper case oversight and follow-up pursuant to the CSR Handbook (2017 Ed.), Chapter X.

Status: Open. In its response to the DR submitted on July 10, 2019, SLS submitted a revised PAI oversight policy that addressed OCE's findings. In the Supplemental Information provided on July 25, 2019, SLS stated that training on its new oversight policy and procedures is tentatively scheduled for August 13, 2019. In order to close this RCA, SLS must provide documentation showing that this training has been provided (e.g., the date, list of the participants, copy of material used, etc.) or documentation showing other actions were taken to address this RCA.

F. Regulatory Part or Section: 45 CFR Part 1614.7	Level of Compliance: Non-Compliance
FINDINGS & OBSERVATIONS	
<p>▪ A review of fiscal records indicated that SLS' Administrative personnel's (i.e., Executive Director, Executive Assistant, Program Administrator, Finance Manager, Bookkeeper, and IT Administrator) expenses are allocated to PAI based on estimated percentages. For example, 50% of the Executive Assistant's and 15% of the Executive Director's salaries and benefits were allocated to the PAI expense. This methodology is not compliant with the fiscal recordkeeping requirements of 45 CFR § 1614.7(a)(1), which requires PAI allocations of non-attorney or non-paralegal time be based on documented reasonable operating data.</p>	

RECOMMENDATIONS

None

REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS

Required Corrective Action F1 - SLS should update its PAI expense calculation methodology policy and procedures to calculate administrative personnel expenses using an appropriate methodology not based on budgets/estimates, and that complies with the requirements of 45 CFR § 1614.7(a)(1).

Status: Open. In its response to the DR submitted on July 10, 2019, SLS provided a revised PAI expense calculation policy. OCE reviewed the revised policy and found it to comply with regulatory requirements. SLS's Board is scheduled to review it for approval at its next Board meeting on September 16, 2019. In order to close this RCA, SLS must provide OCE with documentation showing its Board has approved the policy and the actions SLS' has taken to implement it.

G. Regulatory Part or Section: 45 CFR Part 1626	Level of Compliance at Time of Draft Report: Non-Compliance Level of Compliance at Time of Final Report: Partial Compliance ⁵
<p style="text-align: center;">FINDINGS & OBSERVATIONS</p> <ul style="list-style-type: none"> Advocates are responsible for gathering 45 CFR Part 1626 compliance documentation, but this practice creates a compliance gap when an applicant is screened in person but does not see an advocate in person. Under 45 CFR § 1626.6(a), applicants screened in person are required to provide Part 1626 compliance documentation. As discussed in section A, SLS' ACMS contains impermissible defaults with regard to US citizenship fields in two (2) separate areas. SLS screens all walk in and phone intake applicants for citizenship, however, due to the defaults in the ACMS, online applicants' applications automatically designate them as US citizens, and the applicants are not otherwise actively screened for Part 1626 eligibility. Sampled cases evidenced non-compliance with the documentation requirements of 45 CFR Part 1626 and/or the CSR Handbook (2017 Ed.), § 5.5. There were eight (8) reviewed cases that did not contain the required attestation. SLS PAI Closed 2017 Case No. 2017-C010-020197 (The case file for this extended service case did not contain an attestation. The client was screened as a US citizen.); SLS Staff Closed 2018 Case Nos. 2018-C010-0208902 (The case notes indicated the client came to the office, but the case file did not contain an attestation. The client was screened as a US citizen.) and 2016-C010-0190463 (The case file for this extensive 	

⁵ Although SLS needs to take some additional actions to close RCA Nos. G1 and G2 relating to Part 1626 documentation requirements, it has removed all defaults in its ACMS fields regarding US citizenship. See *infra* Section A. Further, SLS has taken sufficient action to close RCA No. G3.

Absent a follow-up onsite review, OCE cannot fully assess SLS' current compliance with these requirements. However, based on actions taken to date to cure the noted deficiencies, SLS appears to now be in substantial compliance with the noted documentation requirements.

service case did not contain an attestation. The client was screened as a US citizen.); SLS Staff Closed 2017 Case No. 2015-0183750-C010 (The case file for this extensive service case did not contain an attestation. The client was screened as a US citizen.); SLS PAI Open Case Nos. 2014-C015-007312, 2015-0179051-C010, and 2017-C010-0195382 (The case files for these open cases contain evidence of extended services provided to the clients.). In another case, the case file did contain an attestation, but it was undated. *See* SLS PAI Closed 2017 Case No. 2017-C010-0200242.

- The citizenship attestation form used by SLS was not in compliance with the requirements of the CSR Handbook (2017 Ed.), § 5.5. Specifically, the statement included additional language.

RECOMMENDATIONS

Recommendation G1 - SLS should conduct training and oversight to ensure staff obtain citizenship attestations in a timely manner.

Recommendation G2 - SLS should train its intake or administrative staff to gather all required compliance documentation.

REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS

Required Corrective Action G1 - SLS must implement policies and procedures designed to ensure all applicants are actively screened for eligibility under 45 CFR Part 1626.

Status: Open. In its response to the DR submitted on July 10, 2019, SLS stated that going forward, the IT Administrator will run monthly caseload reports and forward them to SLS' case managers, who will review each case to ensure that any cases accepted for aliens meet the requirements under Part 1626. In the Supplemental Information provided on July 25, 2019, SLS further stated that on September 4, "[a]n all staff training is scheduled to go over LSC eligibility requirements, factors, appropriate funding code usage, non-used LSC disposition codes, and to refresh everyone on eligible citizenship guidelines..." In order to close this RCA, SLS must provide documentation showing that it provided training to staff on Part 1626 compliance (e.g., dates, a list of the participants, material used during the sessions, etc.) and/or documentation showing any other actions SLS has taken to address this RCA.

Required Corrective Action G2 - SLS must develop and implement policies to ensure that all case files contain timely and properly executed written citizenship attestations, or verifications of alien eligibility, pursuant to 45 CFR Part 1626 and CSR Handbook (2017 Ed.), § 5.5, where appropriate.

Status: Open. In its response to the DR submitted on July 10, 2019, SLS stated that going forward, the IT Administrator will run monthly caseload reports and forward them to SLS' case managers, who will review each case to ensure that any cases accepted for aliens meet the requirements under Part 1626. In the Supplemental Information provided on July 25, 2019, SLS further stated that on September 4, "[a]n all staff training is scheduled to go over LSC eligibility requirements, factors, appropriate funding code usage, non-used LSC disposition codes, and to refresh everyone on eligible citizenship guidelines..." In order to close this RCA, SLS must provide documentation showing that it provided training to staff on Part 1626 compliance (e.g., dates, a list of the participants, material used during the sessions, etc.) and/or documentation showing any other actions SLS has taken to address this RCA.

Required Corrective Action G3 - SLS must revise its citizenship attestation form to comply with CSR Handbook (2017 Ed.), § 5.5.

Status: Closed. SLS' citizenship attestation form was revised during the onsite review. OCE reviewed it and found it to comply with the CSR Handbook (2017 Ed.), § 5.5. SLS has emailed a copy of the revised form to all staff and removed the old form from circulation and SLS' database. A copy of the e-mail was provided in their response to the DR.

H. Regulatory Part or Section: 45 CFR Part 1630	Level of Compliance: Non-Compliance
FINDINGS & OBSERVATIONS	
<ul style="list-style-type: none"> ▪ SLS' currently neither allocates direct salary and wages as supported by individual personnel activity reports, as required by § 1630.5(d), nor allocates indirect costs based on an "equitable distribution base," as required by § 1630.5(f). ▪ SLS' current cost allocation policy does not include a section addressing how it will use LSC funding in the event non-LSC funders refuse or limit the allocation of indirect expenses to its funding sources. See LSC Program Letter 18-2. ▪ SLS allocated non-mandatory dues/fees to LSC funding in 2018, which is not allowed under 45 CFR § 1630.7. For example, dues/fees to the American Bar Association and the Management Information Exchange were allocated to LSC funding. 	
RECOMMENDATIONS	
Recommendation H1 - SLS should submit its revised Part 1630 policy to OCE for review prior to its adoption and implementation.	
Recommendation H2 - SLS should provide training on its revised cost allocation policy to all impacted staff.	
REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS	
Required Corrective Action H1 - SLS must update its cost allocation policy and procedures so direct and indirect costs are allocated to LSC funding and supported by required documentation, in compliance with 45 CFR § 1630.5. Further, SLS should develop a detailed methodology on how to use LSC funding in compliance with 45 CFR § 1630.5 and Program Letter 18-2 if non-LSC funding sources refuse or limit indirect cost allocation.	
Status: Open. In its response to the DR submitted, SLS provided a revised allocation policy on July 10, 2019. The revised policy was scheduled to be reviewed by SLS' Finance and Audit committee on July 29, 2019 and is scheduled to be approved by its Board on September 16, 2019. In order to close this RCA, SLS must provide OCE with documentation showing its Board has approved the policy and the actions SLS' has taken to implement it.	
Required Corrective Action H2 - SLS should take steps to ensure non-mandatory dues are not allocated to LSC funding in compliance with 45 CFR § 1630.7, and SLS should provide documentation showing that non-mandatory dues/fees were not allocated to LSC funding in 2018.	
Status: Closed. On April 22, 2019, SLS provided its 2018 Audit Worksheets showing non-LSC funds were charged for these expenses.	

I. Regulatory Part or Section: 45 CFR Part 1631	Level of Compliance: Partial Compliance
FINDINGS & OBSERVATIONS	

<ul style="list-style-type: none"> A review of SLS' procurement policy indicates it does not contain all of the provisions required under 45 CFR § 1631.7. Specifically, the policy neither addresses conflicts of interest in the purchasing process, nor indicates grounds for non-competitive purchases. Under 45 CFR § 1631.5, SLS must also adopt written policies, as a part of its procurement policy or otherwise, to guide its staff in complying with Part 1631. SLS's policies, however, do not: 1) set out LSC's requirements under Part 1631 relating to the use of LSC funds for capital improvements, leases of personal property, and real estate; 2) indicate the correct LSC prior approval threshold of \$25,000 or more (or any amount for real estate); or 3) include the correct thresholds and procedures for disposing of personal/real property in which LSC has reversionary interest. 	
RECOMMENDATIONS	
<p>Recommendation II - SLS should submit its revised procurement policy to OCE for review prior to its adoption and implementation.</p> <p>Recommendation 12 - SLS should provide training on its revised procurement policy to all impacted staff.</p>	
REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS	
<p>Required Corrective Action II- SLS should update its procurement policy to include all the requirements of 45 CFR § 1631.7, and to set out, in its procurement policy or elsewhere, all 45 CFR Part 1631 requirements to guide staff in their compliance with that regulation.</p> <p>Status: Open. In its response to the DR submitted on July 10, 2019, SLS provided a revised procurement policy. The policy was reviewed and needs additional revisions to be fully compliant. Specifically, the section on LSC's disposal requirements needs to reflect the requirements of 45 CFR §1631.12 (personal property) and 45 CFR §1631.20 (real estate). In order to close this RCA, SLS must adopt and implement policies to guide staff in following those requirements. OCE also advises SLS to resubmit its further revised procurement policy for LSC's review before it is implemented.</p>	

J. Regulatory Part or Section: 45 CFR Part 1635	Level of Compliance: Partial-Compliance
FINDINGS & OBSERVATIONS	
<ul style="list-style-type: none"> SLS' ACMS, Legal Files, does not indicate time stamps of its employees' timekeeping records. As such, OCE was unable to review contemporaneous timekeeping of SLS attorneys and paralegals for compliance with 45 CFR § 1635.3. 	
RECOMMENDATIONS	
None	
REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS	
<p>Required Corrective Action J1 - SLS should maintain contemporaneous timekeeping in accordance with 45 CFR § 1635.3(b)(1) and be able to document compliance.</p>	

Status: Open. In its response to the DR submitted on July 10, 2019, SLS stated that it has re-trained staff to emphasize the importance of recording paid leave in the case management system to ensure exact correlation to the payroll records. SLS further stated that it's Managers and the Program Administrator will continue to monitor the situation to ensure compliance. In the Supplemental Information provided on July 25, 2019, SLS further stated that on "June 25th – Executive Director Jan Chiaretto and Program Administrator Sara Ramos held a meeting for all staff on the importance of coding cases correctly in Legal Files. In addition, the OCE [DR] was presented to staff members in attendance and the elements requiring corrective actions were discusses in terms of future corrective actions. Every SLS staff member was present." Although the actions SLS describes in its comments to the DR are responsive to this RCA, in order to close it, SLS must provide documentation showing the actions it has taken to address this matter (e.g., agenda or materials from the described trainings).

K. Accounting Guide Section: Cash Disbursements § 3-5.4(c)(4) – Recordkeeping - Petty Cash	Level of Compliance: Partial Compliance
<p align="center">FINDINGS & OBSERVATIONS</p> <ul style="list-style-type: none"> ■ SLS' cash disbursements policies were found to be in partial compliance with the criteria outlined in Section 3-5.4(c)(4) of the LSC Accounting Guide under the following key element: petty cash. There was one (1) exception noted related to annual/occasional surprise counts not being performed over the petty cash fund account. ■ Sampling of petty cash disbursements were found to be approved prior to a commitment of resources; timely disbursed; verified and documented; summarized and recorded to the general ledger; and filed. However, one (1) exception was noted in the coding of petty cash expenses that were distributed across funding source(s) at the end of the related period, rather than during the initial posting of the transaction and/or general journal. As a result, possible unallowable expenses could be charged to LSC funds. ■ Interviews found SLS to have adequate internal control procedures over petty cash and staff duties were consistent with the responsibilities outlined in SLS' accounting policies and procedures manual. 	
<p align="center">RECOMMENDATIONS</p>	
<p align="center">None</p>	
<p align="center">REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE</p>	
<p>Required Corrective Action K1 - SLS' accounting policies and procedures manual must be updated to include language requiring annual/occasional surprise counts be performed over the petty cash fund account. These changes must be approved by SLS' Board.</p> <p>Status: Open. In its response to the DR submitted on July 10, 2019, SLS provided a revised petty cash fund policy. The revised policy was scheduled to be reviewed by SLS' Finance and Audit committee on July 29, 2019 and is scheduled to be approved by its Board on September 16, 2019. In order to close this RCA, SLS must provide OCE with documentation showing its Board has approved the revised policy and the actions SLS' has taken to implement it.</p>	

L. Accounting Guide Section: Cash Disbursements § 3-5.4(a-c) (1)-(2)	Level of Compliance at Time of Draft Report: Non-Compliance Level of Compliance at Time of Final Report: Substantial Compliance ⁶
<p style="text-align: center;">FINDINGS & OBSERVATIONS</p> <ul style="list-style-type: none"> ■ SLS' cash disbursements policies were found to be compliant with the criteria outlined in Section 3-5.4(a-c) of the LSC Accounting Guide under the following key elements: managing purchases; check preparation; and recordkeeping. There were no exceptions noted. ■ Sampling of cash disbursements were found to be approved prior to a commitment of resources; timely disbursed; verified and documented; summarized and recorded to the general ledger; and filed. However, four (4) exceptions were noted: (1) in the payments to several bar associations in which unallowable expenses were charged to LSC funds, related to membership dues and fees in 2017 (\$14,481); and 2018 (\$12,690.97) (the corresponding RCA for this finding is in Section H above); (2) in the payments made to two (2) agencies in which invoices were not timely disbursed, resulting in late fees being assessed in 2018, totaling \$431.14 to the Commissioner of Revenue and U.S. Treasury; (3) in the payments made to several vendors/merchants in which unallowable expenses were charged to LSC funds, totaling \$3,608.88 related to miscellaneous expenses that appear to be unreasonable and/or unnecessary; and (4) in the coding of invoices that were distributed across funding source(s) at the end of the related period, rather than during the initial posting of the transaction(s) and/or general journal. ■ Interviews found SLS' to have adequate internal control procedures over cash disbursements and staff duties were consistent with the responsibilities outlined in SLS' accounting policies and procedures manual. 	
<p style="text-align: center;">RECOMMENDATIONS</p>	
None	
<p style="text-align: center;">REQUIRED CORRECTIVE ACTIONS/STATUS OF REQUIRED CORRECTIVE ACTIONS</p>	
<p>Required Corrective Action L1 - SLS' must provide supporting documentation showing that the unallowable expenses totaling \$431.14 in 2018 related to late fees have been re-allocated to the correct funding source(s).</p>	
<p>Status - Closed. On April 22, 2019 SLS' provided its 2018 Audit Workpapers showing that non-LSC funds were charged for these expenses.</p>	
<p>Required Corrective Action L2 - SLS' must provide supporting documentation showing that the unallowable expenses in 2018 of \$3,608.88 related to miscellaneous expenses that appears unreasonable and/or unnecessary have been re-allocated to the correct funding source(s).</p>	

⁶ Absent a follow-up onsite review, OCE cannot fully assess SLS' current compliance with these requirements. However, based on actions taken to date to cure the noted deficiencies, SLS appears to now be in substantial compliance with the noted documentation requirements.

Status: Closed. On April 22, 2019, SLS' provided its 2018 Audit Workpapers showing that non-LSC funds were charged for these expenses.

Required Corrective Action L3 - SLS must code its invoices across funding source(s) during the initial posting of the transaction and/or general journal, rather than at the end of the related period. Coding invoices in a later time period could lead to subsidization of costs and unallowable expenses or costs being charged to LSC funds.

Status: Open. In its response to the DR submitted on July 10, 2019, SLS stated that:

Starting on August 1, 2019, the Bookkeeper will code all invoices with the proper SLS funding code. We have just purchased the Quickbooks Premier Nonprofit 2019 Edition that will allow us to implement, track, and run appropriate reports on fund coding. These reports will be reviewed by the Finance Manager on a monthly basis. Any corrections to the postings will be corrected by the Bookkeeper immediately. Once we have everything in place, we will go back to January 1, 2019 and code all transactions made thus far to the appropriate funding code.

In the Supplemental Information provided on July 25, 2019, SLS further stated that "Finance Manager Linda Spada will furnish OCE with a copy of the journal entries made to show that the proper funding codes have been applied to all transactions incurred since January 1, 2019. She expects to have the journal entries completed by August 31, 2019, after the upgraded Quickbooks Premier – Nonprofits 2019 Edition accounting software has been installed." In order to close this RCA, SLS must provide the journal entries (covering the period from January 1, 2019 to July 31, 2019) demonstrating that the transactions are being coded to the appropriate funding code(s).

Items appearing in the "Recommendations" sections above are not enforced by LSC and therefore the program is not required to take any of the actions or suggestions listed in these sections.

Recommendations are offered when useful suggestions or actions are identified that, in OCE's experience, could help the program with topics addressed in the report. Often recommendations address potential issues and may assist a program to avoid future compliance errors. By contrast, the items listed in "Required Corrective Actions" must be addressed by the program, and will be enforced by LSC.

In order to close the above listed Required Corrective Actions, SLS is required to provide documentation showing the actions taken to address the noted concerns (e.g., training agendas and materials, training sign-in sheets, communications to staff, revised policies and procedures, etc.).

V. **Appendix of Controlling Authorities**

[Click here to view Detailed Appendix of Controlling Authorities](#)

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