



BY EMAIL AND US MAIL

September 21, 2012

Robert V. Racunas, Executive Director
Neighborhood Legal Services Association
928 Penn Avenue
Pittsburgh, PA 15222-3799

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Gloria Valencia-Weber
Albuquerque, NM

Re: CSR/CMS Visit, Recipient No. 339060

Dear Mr. Racunas:

Enclosed is the Legal Services Corporation's ("LSC") Final Report for the on-site Case Service Report/Case Management System review conducted by the Office of Compliance and Enforcement ("OCE") of Neighborhood Legal Services Association ("NLSA") which took place May 7 – 10, 2012. NLSA's comments provided in response to the Draft Report have been incorporated, where appropriate, and are attached in their entirety.

Based on the actions taken and documentation provided by NLSA in response to the Required Corrective Actions ("RCA") issued in the Draft Report, OCE finds that all RCAs have been implemented and that no further action is needed.

All original and copies of case lists provided to OCE by NLSA for the on-site review 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 you and your staff for your cooperation during this process. As is reflected in the Final Report, NLSA's commitment to compliance is evident and the efforts undertaken by NLSA staff in order to implement the RCAs before the issuance of the Final Report are notable. OCE remains available as a resource regarding the subjects addressed in this Final Report or any other compliance related matters.

Thank you for your time and cooperation.

Sincerely,

Lora M. Rath, Director
Office of Compliance and Enforcement

Enclosure

cc: Carol Mills McCarthy, Board Chairperson



FINAL REPORT
LEGAL SERVICES CORPORATION
Office of Compliance and Enforcement

Neighborhood Legal Services Association
Case Service Report/Case Management System Review
May 7-10, 2012

Recipient No. 339060

I. EXECUTIVE SUMMARY

Finding 1: NLSA's automated case management system ("ACMS") is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded; however, there were a few instances of human error revealing a need for improvement with data entry.

Finding 2: NLSA's intake procedures and case management system support the program's compliance related requirements. NLSA's financial eligibility policy is generally consistent with the requirements of 45 CFR Part 1611; however, a review of the program's policy and interviews with management and staff revealed one (1) exception regarding its 45 CFR 1611.4(c) authorized exceptions policy.

Finding 3: Review of the recipient's policies and sampled cases evidenced compliance with the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the Federal Poverty Guidelines ("FPG").

Finding 4: Review of the recipient's policies and sampled cases evidenced compliance with the asset eligibility documentation required by 45 CFR §§ 1611.3(c) and (d), and CSR Handbook (2008 Ed., as amended 2011), § 5.4.

Finding 5: Review of the recipient's policies and sampled cases evidenced compliance with 45 CFR Part 1626 (Restrictions on legal assistance to aliens).

Finding 6: Review of the recipient's policies and sampled cases, as well as documents reviewed, evidenced compliance with the retainer requirements of 45 CFR § 1611.9 (Retainer agreements); however, a review of NLSA's policy revealed a typographical error in the CFR section cited.

Finding 7: Review of the recipient's policies and sampled cases evidenced compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

Finding 8: Review of the recipient's policies and sampled cases, as well as documents reviewed, evidenced compliance with the requirements of 45 CFR § 1620.3(a) and § 1620.6 (Priorities in use of resources).

Finding 9: Sampled cases evidenced substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided).

Finding 10: NLSA's application of the CSR case closure categories is consistent with Chapters VIII and IX, of the CSR Handbook (2008 Ed., as amended 2011); however, there was one (1) pattern noted that is being reviewed by LSC's CSR Committee.

Finding 11: Sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases.

Finding 12: Sampled cases evidenced compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases.

Finding 13: Review of the recipient's policies and interviews with full-time attorneys who have engaged in the outside practice of law, as well as a review of the timekeeping records for the attorneys interviewed, did not reveal any violations of the requirements of 45 CFR Part 1604 (Outside practice of law).

Finding 14: Review of the recipient's policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities).

Finding 15: Review of the recipient's policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1609 (Fee-generating cases).

Finding 16: Review of the recipient's accounting and financial records evidenced compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity) and NLSA donor notification letters reviewed were found to be consistent with the requirements of 45 CFR § 1610.5(a).

Finding 17: Review of the recipient's policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced substantial compliance with 45 CFR Part 1614, which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Oversight and follow-up of PAI case files was found to be in compliance with 45 CFR § 1614.3(d)(3); however, NLSA was found to be in non-compliance with 45 CFR § 1614.3(e)(1)(i), which is designed to ensure that recipients of LSC funds correctly allocate administrative, overhead, staff, and support costs related to PAI activities, and that non-personnel costs are allocated on the basis of reasonable operating data.

Finding 18: Review of the recipient's policies and fiscal records, as well as interviews with fiscal staff, evidenced compliance with 45 CFR § 1627.4(a) which prohibits programs from utilizing LSC funds to pay membership fees or dues to any private or nonprofit organization.

Finding 19: Review of timekeeping and other fiscal records evidenced compliance with 45 CFR Part 1635 (Timekeeping requirement).

Finding 20: Review of sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1642 (Attorneys' fees).

Finding 21: Review of the recipient’s policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1612 (Restrictions on lobbying and certain other activities).

Finding 22: Review of sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and actions collaterally attacking criminal convictions).

Finding 23: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

Finding 24: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

Finding 25: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

Finding 26: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of prisoners).

Finding 27: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

Finding 28: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

Finding 29: Review of sampled cases, as well as interviews with management, evidenced compliance with the requirements of certain other LSC statutory prohibitions (42 USC 2996f § 1007 (a) (8) (Abortion), 42 USC 2996f § 1007 (a) (9) (School desegregation litigation), and 42 USC 2996f § 1007 (a) (10) (Military selective service act or desertion)).

Finding 30: Review of the recipient’s policies and a sample of signed written agreements evidenced compliance with the requirements of 45 CFR § 1620.6 (Signed written agreement).

Finding 31: A limited review of NLSA’s internal control policies and procedures revealed few weaknesses that are inconsistent with the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the

Accounting Guide for LSC Recipients (2010 Ed.); however, there are areas where improvement is warranted.

Finding 32: A limited review of NLSA's accounting records revealed no exceptions regarding its one (1) open LSC Technology Initiative Grant ("TIG") and found no unexpended funds remaining from any of NLSA's closed TIG grants.

II. BACKGROUND OF REVIEW

On May 7 through 11, 2012, the Legal Services Corporation's ("LSC") Office of Compliance and Enforcement ("OCE") conducted a Case Service Report/Case Management System ("CSR/CMS") review at Neighborhood Legal Services Association ("NLSA"). The purpose of the visit was to assess the program's compliance with the LSC Act, regulations, and other applicable LSC guidance such as Program Letters, the Accounting Guide for LSC Recipients (2010 Ed.), and the Property Acquisition and Management Manual. The visit was conducted by a team of four (4) attorneys and two (2) fiscal analysts. Two (2) team members were temporary employees and the remaining were OCE staff.

The on-site review was designed and executed to assess the program's compliance with basic client eligibility, intake, case management, regulatory and statutory requirements, and to ensure that NLSA has correctly implemented the 2008 CSR Handbook, as amended 2011. Specifically, the review team assessed NLSA for compliance with the regulatory requirements of: 45 CFR Part 1611 (Financial eligibility); 45 CFR Part 1626 (Restrictions on legal assistance to aliens); 45 CFR §§ 1620.3(a) and 1620.6 (Priorities in use of resources); 45 CFR § 1611.9 (Retainer agreements); 45 CFR Part 1636 (Client identity and statement of facts); 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, transfers of LSC funds, program integrity); 45 CFR Part 1614 (Private attorney involvement)¹; 45 CFR Part 1627 (Subgrants and membership fees or dues); 45 CFR Part 1635 (Timekeeping requirement); 45 CFR Part 1642 (Attorneys' fees)²; 45 CFR Part 1630 (Cost standards and procedures); 45 CFR 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 1638 (Restriction on solicitation); 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, or mercy killing); and 42 USC 2996f § 1007 (Abortion, school desegregation litigation and military selective service act or desertion).

NLSA currently provides legal services to eligible clients in the following counties in Southwest Pennsylvania: Allegheny, Beaver, Butler, and Lawrence County. NLSA provides client services at four (4) offices located in the cities of Pittsburgh, Butler, Bridgewater, and New Castle. The administrative office of the program, as well as NLSA's central office, is located in Pittsburgh, Pennsylvania.

The OCE team interviewed members of NLSA's upper and middle management, staff attorneys, and support staff. NLSA's case intake, case acceptance, case management, case closure, and Private Attorney Involvement ("PAI") practices and policies in all substantive units were assessed. In addition to interviews, a case file review was conducted. The sample case review

¹ In addition, when reviewing files with pleadings and court decisions, compliance with other regulatory restrictions was reviewed as more fully reported *infra*.

² On December 16, 2009, the enforcement of this regulation was suspended and the regulation was later revoked during the LSC Board of Directors meeting on January 30, 2010. During the instant visit, LSC's review and enforcement of this regulation was therefore only for the period prior to December 16, 2009.

period was from January 1, 2010 through March 15, 2012. In accordance with the approved work plan, a total of 445 case files were reviewed. OCE reviewed files from the main office in Pittsburgh, and NLSA branch offices in Butler, Bridgewater, and New Castle.

NLSA received grant awards from LSC in the amounts of \$1,913,586.00 for 2010, \$1,494,099.00 for 2011, and \$1,565,552.00 for 2012. In its 2010 CSR submission to LSC, the program reported 8,288 closed cases; in its 2011 CSR submission to LSC, the program reported 8,471 closed cases. NLSA's 2010 self-inspection certification revealed a 3.6% error rate in CSR reporting. NLSA's 2011 self-inspection certification revealed a 0.6% error rate in CSR reporting.

By letter dated March 6, 2012, OCE requested that NLSA provide a list of all cases reported to LSC in its 2010 CSR data submission (closed 2010 cases), a list of all cases reported in its 2011 CSR data submission (closed 2011 cases), a list of all cases closed between January 1, 2012 and March 15, 2012 (closed 2012 cases), and a list of all cases which remained open as of March 15, 2012 (open cases). OCE requested that the lists contain the client name, the file identification number, the name of the advocate assigned to the case, the opening and closing dates, the CSR case closure category assigned to the case, and the funding code assigned to the case. OCE requested that two (2) sets of lists be compiled - one (1) for cases handled by NLSA staff and the other for cases handled through NLSA's PAI component. NLSA was advised that OCE would seek access to such cases consistent with Section 509(h), Pub.L. 104-134, 110 Stat. 1321 (1996), LSC Grant Assurance Nos. 10, 11, and 12, and the LSC *Access to Records* protocol (January 5, 2004). NLSA was requested to promptly notify OCE, in writing, if it believed that providing the requested material in the specified format would violate the attorney-client privilege or would be otherwise protected from disclosure.

Thereafter, an effort was made to create a representative sample of cases that the OCE team would review during the on-site visit. The sample was developed proportionately among 2010, 2011, and 2012 closed and open cases. The sample consisted largely of randomly selected cases, but also included targeted cases selected to test for compliance with the CSR instructions relative to timely closings, proper application of the CSR case closure categories, duplicate reporting, etc.

During the visit, access to case-related information was provided through staff intermediaries. Pursuant to the OCE and NLSA agreement of April 19, 2012, NLSA staff maintained possession of the file and discussed with the team the nature of the client's legal problem and the nature of the legal assistance rendered. In order to maintain confidentiality, such discussion, in some instances, was limited to a general discussion of the nature of the problem and the nature of the assistance provided.³ NLSA's management and staff cooperated fully in the course of the review process. As discussed in greater detail below, NLSA was made aware any of compliance issues during the on-site visit. This was accomplished by informing intermediaries, as well as the Executive Director, of any compliance issues uncovered during case review.

³ In those instances where it was evident that the nature of the problem and/or the nature of the assistance provided had been disclosed to an unprivileged third party, such discussion was more detailed, as necessary to assess compliance.

OCE conducted an exit conference on May 10, 2012, during which NLSA was provided with OCE's preliminary findings and was made aware of any areas in which compliance issues were found. NLSA was advised that it would receive a Draft Report which would include all of OCE's findings and that the program would have 30 days to submit comments.

By letter dated July 19, 2012, OCE issued a Draft Report ("DR") detailing its findings, recommendations, and Required Corrective Actions ("RCA") regarding the May 7 through 10, 2012, CSR/CMS visit. NLSA was asked to review the DR and provide written comments within 30 days. By letter dated August 16, 2012, and by emails received on August 31, 2012, and September 14, 2012, NLSA responded to the RCAs and recommendations issued by OCE in the DR. In its responses, NLSA indicated the actions it has undertaken to implement the RCAs and recommendations issued by OCE, which included convening the Executive Committee of its Board of Directors ("Board") on August 31, 2012, in order to facilitate the implementation of the RCAs and recommendations requiring Board approval. NLSA also provided OCE with documentation, signed by its Board President, evidencing the Board's ratification of the approval of policy changes at its September 13, 2012, Board Meeting. Based on the actions taken and documentation provided by NLSA in response to the DR, OCE finds that all RCAs have been implemented and that no further action is needed. It should be noted that, although not required or enforceable by OCE, NLSA also detailed the actions it has undertaken and/or provided procedural explanations in response to the recommendations made by OCE which are sufficient to consider the recommendations similarly implemented. NLSA's comments are reflected in this Final Report and have been attached as an appendix hereto.

III. FINDINGS

Finding 1: NLSA’s automated case management system (“ACMS”) is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded; however, there were a few instances of human error revealing a need for improvement with data entry.

Recipients are required to utilize ACMS and procedures which will ensure that information necessary for the effective management of cases is accurately and timely recorded in a case management system. At a minimum, such systems and procedures must ensure that management has timely access to accurate information on cases and the capacity to meet funding source reporting requirements. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.1.

NLSA uses Kemps Prime Case Management from Kemps Case Works as its ACMS. Based on a comparison of the information yielded by the ACMS to information contained in the case files sampled, NLSA’s ACMS is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded; however some errors were noted that appeared to be the result of human error, as detailed below.

Three (3) closed files reviewed indicated different case closure categories than what was entered in the ACMS at case closure. *See* closed 2011 Case No. 200291416, where the case file indicated the use of the correct case closure category “L” (Extensive Service), but the ACMS indicated that the file was closed with “K” (Other), closed 2010 Case No. 200196923, where the case file indicated the use of the correct case closure category “G” (Negotiated Settlement With Litigation), but the ACMS indicated that the file was closed with “L” (Extensive Service), and closed 2010 Case No. 200193630, where the case file indicated the use of the correct case closure category “A” (Counsel and Advice), but the ACMS indicated that the file was closed with “B” (Limited Action). In all instances, the case closure category recorded in the file was correct and the case closure category used in the ACMS was incorrect; therefore, the errors found in these files presumably resulted from human error and were not indicative of an issue with the ACMS.

One (1) sampled file indicated a household size of two (2), making the client properly income eligible based on the client’s reported income, but the ACMS indicated that the household was over-income and not LSC eligible. Upon further inspection, it became evident that the ACMS indicated that the client was over-income because the eligibility calculation had been done for a household size of one (1). *See* closed 2012 Case No. 200385666. The intermediary indicated that this error could only have occurred if the household size was corrected to the proper size of two (2) *after* the ACMS had been utilized to calculate the household’s percentage of the FPG by using the incorrect household size of one (1). This inconsistency, therefore, also likely occurred due to human error.

Eight (8) exceptions were noted in case files that were designated as not LSC eligible by NLSA, as case review did not reveal a reason why the files were indicated as such or why they could not be reported to LSC in NLSA’s CSR. *See* open Case No. 120218960, closed 2012 Case Nos. 200385666, 110120776, 1107020209, 110418152, 121014399, and 120318568, and closed 2010

Case No. 110122408. Again, similar to the other ACMS exceptions noted, it appears that the incorrect not LSC eligible/not CSR reportable designations occurred due to human error.

The ability of NLSA's ACMS to generate reports was tested and NLSA was found to be capable of extracting files from the ACMS when specific criteria was indicated and a search was conducted. Common report queries were also saved in the ACMS and were able to be generated quickly and efficiently. The Director of Program Performance and Compliance demonstrated queries regularly run to check for duplicate cases such as a duplicate name query and a duplicate social security number query.

NLSA's ACMS appears sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded and the exceptions found during case review appear to have occurred as a result of human error. The Draft Report recommended that NLSA review its method of indicating LSC eligible/CSR reportable cases and develop additional oversight methods to counterbalance the potential for human error so that all eligible cases are reported to LSC in the CSRs.

In response to the DR and this finding, NLSA indicated that the Director of Program Performance and Compliance will continue to prepare and distribute periodic "compliance tips" to program staff and exercise continued oversight to minimize human error in reporting. NLSA also noted, in its response, that managers conduct reviews of all case files.

Finding 2: NLSA's intake procedures and case management system support the program's compliance related requirements. NLSA's financial eligibility policy is generally consistent with the requirements of 45 CFR Part 1611; however, a review of the program's policy and interviews with management and staff revealed one (1) exception regarding its 45 CFR 1611.4(c) authorized exceptions policy.

The intake and case management as well as oversight procedures in NLSA's offices were assessed by interviewing four (4) primary intake staff members, four (4) Managing Attorneys, and one (1) receptionist.

NLSA Intake, Case Management, and Oversight

Interviews revealed that NLSA's practices and procedures support the program's compliance related requirements. Individual office assessments are discussed below:

Pittsburgh Office

The Pittsburgh office conducts three (3) types of intake; emergency walk-in intake, telephone intake, and Protection from Abuse ("PFA") court intakes. The Pittsburgh office also conducts a Debt Advice Clinic for which applicants are screened by telephone in advance of the clinic date.

Emergency Walk-in Intake Procedure

When an applicant appears at the Pittsburgh office with an urgent legal matter, an NLSA receptionist located on the first floor of the building will ask the applicant some initial questions about the nature of their legal problem and basic eligibility questions and/or have the applicant complete an NLSA standard paper intake form. If the applicant has a legal problem outside of NLSA's priorities, or the applicant is clearly ineligible, the receptionist may provide them with an Agency Referral List. If the applicant's legal problem is within NLSA's priorities, and the applicant appears to be eligible, a receptionist will show the applicant to a client interview office from which the applicant is instructed to call intake staff located on a higher floor within the same Pittsburgh office. Intake staff receiving the call will proceed to conduct a full eligibility screening of the applicant by telephone while entering the information into the ACMS, as per the procedure detailed below.

If the applicant is eligible for services, intake staff will inform the receptionist who then prints a copy of the ACMS intake form created during the telephone intake interview. The receptionist will ask the applicant to review and sign two (2) lines: one (1) attesting to the veracity of the information provided during the intake screening and one (1) attesting to the applicant's citizenship. If the applicant is an eligible alien, the receptionist will review and copy the needed documentation and ask the applicant to complete NLSA's standard form on which applicants identify their eligible alien status.

Once the applicant has completed all the necessary paperwork, the receptionist and/or intake staff call staff attorneys within the building who practice in the relevant area of law in order to determine who can speak with the applicant. In most cases, a staff attorney is able to meet with emergency applicants on the same day that they come into the office.

Notably, the only walk-in intakes that are done in the Pittsburgh office are for emergency cases. If an applicant approaches reception in search of non-emergency legal services, a receptionist will provide the applicant with the office's general intake number to call at their convenience. The receptionist will not offer to let the non-emergency walk-in applicant use a NLSA telephone to call its intake staff.

Telephone Intake Procedure

Pittsburgh's Intake Unit is comprised of three (3) staff members who conduct telephone intake. The Intake Unit conducts intake for both staff attorney and PAI cases. Information obtained during each telephone intake is recorded in the ACMS. Intake staff begins an intake by inquiring into the nature of the applicant's legal issue to determine whether it falls within NLSA's priorities. If it does, staff proceeds to ask whether the applicant is a U.S. citizen. If the applicant says they are not, intake staff inquires whether they have a lawful permanent resident card or are an otherwise eligible alien. If the applicant is either a U.S. citizen or an eligible alien, intake staff then asks for their full name and the name of the opposing party in order to conduct a six (6) way conflict check. This check also serves as a duplicate case check. If the applicant appears to have no conflicts, intake staff will then conduct a comprehensive eligibility screening.

In conducting this screening, intake staff asks first about family and household size and income using scripted questions located in NLSA's Eligibility Manual (2004, as amended November

2011). Intake staff continues to ask NLSA's scripted questions relating to various sources of income, including whether the applicant, or anyone else in the household, is employed or self-employed. If any household member is employed, intake staff uses the tools in the ACMS to calculate the applicant's income based on the number of hours worked and the hourly wage earned. The intake review evidenced that intake staff was familiar with LSC's income and asset eligibility exceptions for those applicants over 125% and 200% of the FPG and how to properly document their use.

Intake interviews, however, revealed that intake staff is misinformed regarding the income and asset exception under 45 CFR § 1611.4(c). Intake staff stated that this exception applies to applicants whose sole income is derived from *any* governmental program for the poor. It is important to note that the practice of intake staff is in accordance with NLSA's current Board of Directors approved LSC-Funded Service Eligibility Guidelines (June 9, 2011), as the policy utilizes non-exclusive wording with regard to this exception. NLSA's policy reads as follows:

Any applicant whose sole source of income is from Supplemental Security Income, TANF, General Assistance, or *any other* governmental programs for low-income individuals or families which (*sic*) income standards are at or below 125% of the Federal Poverty Rate and which has an asset test for eligibility, is deemed financially eligible without the need for further inquiry regarding income or assets (emphasis added). *See* NLSA LSC-Funded Service Eligibility Guidelines, ¶ II(C) (June 9, 2011).

Conversely, 45 CFR § 1611.4(c) states that this exception can be applied "...provided that *the recipient's governing body* has determined that the income standards of the governmental program are at or below 125% of the Federal Poverty Guidelines amounts and that the governmental program has eligibility standards which include an assets test (emphasis added)." Therefore, NLSA's Board of Directors must first approve the specific governmental programs allowable under this exception before it can be applied at intake and intake staff must be informed of this requirement.

Intake staff indicated that they asked applicants whether they had reason to believe their income would change significantly in the near future. After asking the question, intake staff checks a field in the ACMS in order to document that the question has been asked and, if an affirmative indication is provided by an applicant, they detail how the applicant's income is expected to change in an ACMS notes field. Intake staff continues to utilize NLSA's scripted questions when inquiring about an applicant's assets. The information obtained from an applicant is noted in the appropriate ACMS assets fields. An applicant's income and asset levels are then evaluated by intake staff to determine whether they are financially eligible for services. If so, intake staff selects the appropriate funding code in the ACMS.

Once an applicant is deemed financially eligible for NLSA's services, intake staff will ask the applicant for additional information including their contact information, the applicant's race, and other demographic information. Intake staff will also ask for the applicant's social security number in order to run a second conflict check in order to ensure that no conflicts were missed in the name-based six (6) way conflict check done at the outset of the intake process. If the applicant is LSC eligible, intake staff will also check the "LSC eligible" box. As discussed

supra in Finding 1, it appears that additional oversight is necessary regarding this step as eight (8) case files reviewed were found to be indicated as not LSC eligible in error.

Once the intake staff has completed the intake process with an eligible applicant, they will refer to an online document that lists staff attorneys who are available to take on new clients with specific legal problems. The document provides a specific number of available “new client” slots for each advocate. Intake staff will enter the applicant’s name into one of the slots under the appropriate advocate’s name. At this stage, intake staff also identifies applicants who will be referred to Advice Helpline⁴ staff attorneys for assistance. The applicant is then informed that they will be contacted by a staff attorney. If the applicant is not eligible for services, intake staff may send them information regarding other area services or a reduced fee referral.

When an eligible applicant arrives at reception for their first appointment with the staff attorney assigned to their case, the receptionist prints a copy of the applicant’s ACMS intake form which contains an LSC compliant citizenship attestation. The receptionist asks the applicant to review the intake form and sign two (2) lines: one (1) attesting to the veracity of the information provided during the intake screening and one (1) attesting to the applicant’s citizenship. If the applicant is an eligible alien, the receptionist will review and copy the needed documentation and ask the applicant to complete NLSA’s standard form on which applicants identify their eligible alien status.

Protection from Abuse (“PFA”) Case Intake Procedure

NLSA’s Pittsburgh office handles a significant number of PFA cases, for which it receives additional non-LSC funding. Many of these cases are neither LSC funded nor CSR eligible and they are handled by a mix of both staff and PAI attorneys; however, cases that are CSR eligible are marked as such in the ACMS and reported to LSC. Each morning, a “PFA Daily List” is faxed from the local courthouse in order for NLSA staff to run a conflict check for all potential applicants appearing on the court docket that day. Potential applicants who are found to have a conflict with NLSA are identified on the PFA Daily List for the benefit of the intake staff member assigned to the courthouse on that day. PFA litigants are informed by court staff that they can apply for PFA legal assistance and are instructed where to go in order to apply.

Intake is conducted, in person, by a member of the Pittsburgh office’s intake staff. The intake staff member documents an applicant’s answers on a paper intake form and asks the same questions regarding key eligibility criteria as is asked during a telephone intake, as detailed above. The paper intake form utilized has sufficient fields to document applicant responses and contains a citizenship attestation. The intake staff member has applicants sign the intake application and included citizenship attestation during the intake process. If the applicant is an eligible alien, the intake staff member will review and document the necessary information. Cases containing particular factors, as outlined in NLSA’s Eligibility Manual, are identified for referral to specific PAI attorneys who have previously agreed to take on those types of cases. Applicants being referred to PAI attorneys are given a form titled “Instructions for Referral to a Pro Bono Attorney,” which explains how to contact their PAI attorney and also includes

⁴ The Advice Helpline provides eligible callers with legal information, advice, brief service, and referral over the telephone.

instructions to call NLSA should contact with the PAI attorney not occur or if the PAI attorney cannot accept their case.

When the intake staff member returns to the Pittsburgh office, a file is opened in the ACMS for each new applicant. Similar to cases that come through the regular telephone intake process, as detailed above, intake staff assigns PFA cases to available staff attorneys. A paralegal is tasked with forwarding case information to participating PAI attorneys after verifying that no conflicts exist.

Advice Helplines

- *NLSA Advice Helpline*

NLSA staffs a telephone Advice Helpline out of its Pittsburgh office. Applicants are contacted by telephone by Advice Helpline staff attorneys after they have been screened and found eligible for assistance by intake staff, per the telephone intake procedure above. The Advice Helpline provides eligible callers with legal information, advice, brief service, and referral over the telephone.

- *Custody Pro Bono Advice Helpline*

Custody Pro Bono Advice Helpline applicants are screened by telephone, as per the telephone intake procedures detailed above. Intake staff will add eligible applicants to a “call back” list that is sent to participating PAI attorneys every Thursday. A paralegal is tasked with communicating with the PAI attorneys via email in order to confirm that no conflicts exist with specific applicants. Once this is confirmed, the paralegal provides participating PAI attorneys with additional information regarding the referred applicant. Additional information provided includes the applicant’s contact information, intake notes, and court schedule. After the referral process is complete, participating PAI attorneys are sent a form that they are asked to complete and return within 10 days, to document any advice that is provided to the client. If the PAI attorney does not complete and return the form, NLSA staff will contact the attorney.

Clinics and Outreach

- *Elder Law Project*

Intake is conducted at specific senior centers in the Pittsburgh area at designated times. In advance of a visit, each senior center provides NLSA the names of applicants, including any adverse parties names, who would like to meet with a staff attorney in order for NLSA to run conflict checks. NLSA staff attorneys use a standard paper intake form to collect applicants’ eligibility information and obtain signed citizenship attestations or alien eligibility documentation. The staff attorneys will then fax the paper intake forms for eligible applicants to the Pittsburgh office, where intake staff enters the information into the ACMS.

As a standard practice, NLSA does not designate *any* Elder Law Project cases as CSR eligible, even when the client appears to meet LSC eligibility requirements. NLSA receives non-LSC

funding for these cases and applicants can be represented regardless of income or asset levels. NLSA has adopted this practice because many of the clients are not LSC eligible due to their significant finances and some clients refuse to provide NLSA with their financial information, as it is not required by the funding source for representation. Additionally, some clients have been found to under-report their income and assets. Due to the possibility that these files contain inaccurate financial information, NLSA has chosen not to report any Elder Law Project cases to LSC in its CSRs.

As outlined in the CSR Handbook (2008 Ed., as amended 2011), § 4.3, recipients “should report all cases in which there has been an income eligibility determination showing that the client meets LSC eligibility requirements, regardless of the source(s) of funding supporting the cases,” if the client is otherwise eligible and the file is properly documented. *See* CSR Handbook (2008 Ed., as amended 2011), §§ 5.3 and 5.4 (Income and Asset Documentation Requirements). However, § 4.3 of the CSR Handbook also states that it “does not require that programs document client financial eligibility for any cases that are wholly funded by non-LSC funding sources, unless such cases are reported to LSC.” In addition, LSC Program Letter 01-5 (July 25, 2001) specified that cases where client financial eligibility was not determined could not be reported to LSC in the CSRs. Considering that NLSA is not confident that the financial information obtained from clients in many of the Elder Law Project cases is accurate or complete and that LSC does not require the documentation of client financial eligibility information in cases that are wholly funded by non-LSC funding sources, NLSA’s practice of not reporting any Elder Law Project cases to LSC in the CSRs appears to be consistent with the requirements of the CSR Handbook (2008 Ed., as amended 2011) and LSC Program Letter 01-5 (July 25, 2001).

• *Medical Legal Collaborative*

NLSA receives non-LSC funding to provide legal services to patients at a local hospital. Hospital staff sends referral sheets with names of patients who would like to apply for services. NLSA then sends a staff attorney or paralegal to the hospital to conduct eligibility screenings using remote access to NLSA’s ACMS. At that time, applicants are asked to sign a citizenship attestation or to provide alien eligibility documentation. Eligible applicants may be provided with legal services at that time.

• *Debt Advice Clinic*

NLSA also staffs a Debt Advice Clinic in their Pittsburgh office every other Wednesday, with both staff and PAI attorneys providing services. Clinic applicants are screened by intake staff, as per the telephone procedure detailed above. Eligible applicants are scheduled for a clinic date and time by intake staff. When applicants appear for the clinic, they are asked to complete an additional paper intake form. At that time, attendees are asked to sign the citizenship attestation line contained on the paper intake form or to provide their eligible alien documentation in order for staff to make necessary copies or notations in the case file.

Case Management and Oversight

Open case file reviews are coordinated and scheduled by one (1) of the Managing Attorneys in the Pittsburgh office. Case reviews typically occur every six (6) months and are conducted by NLSA's Director of Program Performance and Compliance or one (1) of the Pittsburgh office's two (2) Managing Attorneys.

Staff attorneys are responsible for closing their cases. A "Case Information Sheet" is utilized at case closure to summarize the services that were provided to the client. All closed cases are reviewed for sufficiency by either a Managing Attorney or NLSA's Director of Program Performance and Compliance.

Butler, New Castle, and Bridgewater Offices

All three (3) branch offices conduct walk-in and telephone intakes. The Butler and Bridgewater offices do not have any clinics or conduct outreach intake. The New Castle office conducts a Pro Se Custody Clinic and intake is conducted by intake staff before applicants are scheduled for the clinic. Interviews evidenced that staff is well trained, familiar with LSC requirements, and conducts intake in a manner consistent with the methods of the intake staff in the Pittsburgh office. Staff mentioned that much of this is due to the Director of Program Performance and Compliance's efforts to make intake practices more consistent among offices.

Walk-in Intake Procedure

Unlike in Pittsburgh, intake staff conducts walk-in intake in person rather than by telephone. The actual intake screening process and questions are the same as those posed by intake staff in Pittsburgh. If an applicant is deemed financially eligible for services, intake staff will have the applicant review and sign their ACMS intake print-out and accompanying citizenship attestation or, when applicable, provide their eligible alien documentation in order for staff to make necessary copies or notations in the case file. Intake staff then informs eligible applicants that they will be contacted by a staff attorney. If an applicant is in need of immediate assistance, intake staff will attempt to have a staff attorney see them immediately.

Telephone Intake Procedure

All offices maintain the same procedure for telephone intakes as they do for walk-in intakes. Intake staff asks applicants to review and sign their ACMS print-out at their first scheduled appointment with their assigned staff attorney. At that time, applicants are asked to sign the citizenship attestation contained on their ACMS print-out or to provide their eligible alien documentation in order for staff to make necessary copies or notations in the case file.

Case Management and Oversight

Case management and oversight procedures are identical in all three (3) offices. Notably, the Butler and New Castle offices share a Managing Attorney. The Managing Attorneys require staff attorneys to draft opening memorandums for their review in each case assigned. Managing Attorneys utilize these memorandums to stay informed regarding newly assigned cases, as well as to be apprised of the services staff attorneys plan on providing to their clients.

Telephone advice-only cases are typically opened and closed within a few weeks and are documented in paperless case files in the ACMS. Managing Attorneys review these cases weekly or bi-weekly. All open cases are reviewed every six (6) months.

Staff attorneys are responsible for closing their cases. Managing Attorneys require the use of a compliance check-list by staff attorneys to assist them with assuring that closed files contain all required documentation. All closed cases are reviewed for sufficiency by Managing Attorneys.

NLSA LSC-Funded Service Eligibility Guidelines Review

NLSA's LSC-Funded Service Eligibility Guidelines ("financial eligibility policy"), approved by its Board of Directors on June 9, 2011, are generally consistent with the requirements of 45 CFR § 1611.3. The Draft Report indicated that two (2) revisions were recommended and one (1) revision was required. The revisions were as follows:

1. It was recommended that NLSA adopt language in its financial eligibility policy in order to guide its practice with regard to a client's change in financial eligibility status due to later discovered or disclosed information, as 45 CFR § 1611.8(b) requires that "a recipient shall discontinue representation supported with LSC funds if the discontinuation is not inconsistent with the applicable rules of professional responsibility."
2. It was recommended that NLSA correct the typographical error contained in the section related to retainer agreements contained in its financial eligibility policy, as NLSA's policy cites "§ 1611.8," instead of the appropriate section 45 CFR § 1611.9, when discussing the requirement of obtaining retainer agreements in certain cases. *See* NLSA "LSC-Funded Service Eligibility Guidelines," ¶ V. Retainer Agreement (Board of Directors approved June 9, 2011).
3. As discussed *supra* in the intake review portion of this finding, NLSA was advised that it must ensure that its Board of Directors has approved the specific governmental programs listed in its financial eligibility policy pursuant to 45 CFR § 1611.4(c), which states that an applicant whose income is derived solely from a government program for the poor can be determined financially eligible if "*the recipient's governing body* has determined that the income standards of the governmental program are at or below 125% of the Federal Poverty Guideline amounts and that the governmental program has eligibility standards which include an assets test (emphasis added)." NLSA's Board of Directors is required to "take some identifiable action to recognize the asset test of the governmental benefit program being relied upon." *See* 70 Fed. Reg. 45545, 45553 (Aug. 8, 2005). The preamble to 45 CFR Part 1611 explains that "[t]his ensures that the eligibility standards of the governmental program have been carefully considered and are incorporated into the overall financial eligibility policies adopted and regularly reviewed by the recipient's governing body." *See id.*

In response to the DR and this finding, NLSA indicated that, due to staffing issues, its Board Priorities and Regulations Committee recommended the elimination of all over income and asset

exceptions, including the 45 CFR § 1611.4(c) exception, from its financial eligibility policy. Additionally, NLSA indicated that it corrected the typographical error contained in its financial eligibility policy and that the Priorities and Regulations Committee recommended the adoption of language in its financial eligibility policy incorporating 45 CFR § 1611.8(b). All of the policy changes were indicated as having been approved by the Executive Committee of its Board of Directors on August 31, 2012, and the approvals were indicated as having been ratified by the Board on September 13, 2012. NLSA evidenced the approved policy changes by including with its response to the DR a copy of its updated financial eligibility policy titled “LSC-Funded Service Eligibility Guidelines,” which demonstrates the changes and is signed by NLSA’s Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board’s ratification of the previously approved policy changes at its September 13, 2012, Board Meeting.

Finding 3: Review of the recipient’s policies and sampled cases evidenced compliance with the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the Federal Poverty Guidelines (“FPG”).

Recipients may provide legal assistance supported with LSC funds only to individuals whom the recipient has determined to be financially eligible for such assistance. *See* 45 CFR § 1611.4(a). Specifically, recipients must establish financial eligibility policies, including annual income ceilings for individuals and households, and record the number of members in the applicant’s household and the total income before taxes received by all members of such household in order to determine an applicant’s eligibility to receive legal assistance.⁵ *See* CSR Handbook (2008 Ed., as amended 2011), § 5.3. For each case reported to LSC, recipients shall document that a determination of client eligibility was made in accordance with LSC requirements. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.2.

In those instances in which the applicant’s household income before taxes is in excess of 125% but no more than 200% of the applicable Federal Poverty Guideline and the recipient provides legal assistance based on exceptions authorized under 45 CFR § 1611.5(a)(3) and 45 CFR § 1611.5(a)(4), the recipient shall keep such records as may be necessary to inform LSC of the specific facts and factors relied on to make such a determination. *See* 45 CFR § 1611.5(b) and CSR Handbook (2008 Ed., as amended 2011), § 5.3.

For CSR purposes, individuals financially ineligible for assistance under the LSC Act may not be regarded as recipient “clients” and any assistance provided should not be reported to LSC. In addition, recipients should not report cases lacking documentation of an income eligibility determination to LSC. However, recipients should report all cases in which there has been an income eligibility determination showing that the client meets LSC eligibility requirements, regardless of the source(s) of funding supporting the cases, if otherwise eligible and properly documented. *See* CSR Handbook (2008 Ed., as amended 2011), § 4.3.

⁵ A numerical amount must be recorded, even if it is zero. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.3.

Review of the recipient's policies and sampled cases evidenced compliance with the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the FPG.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 4: Review of the recipient's policies and sampled cases evidenced compliance with the asset eligibility documentation required by 45 CFR §§ 1611.3(c) and (d), and CSR Handbook (2008 Ed., as amended 2011), § 5.4.

As part of its financial eligibility policies, recipients are required to establish reasonable asset ceilings in order to determine an applicant's eligibility to receive legal assistance. *See* 45 CFR § 1611.3(d)(1). For each case reported to LSC, recipients must document the total value of assets except for categories of assets excluded from consideration pursuant to its Board-adopted asset eligibility policies.⁶ *See* CSR Handbook (2008 Ed., as amended 2011), § 5.4.

In the event that a recipient authorizes a waiver of the asset ceiling due to the unusual circumstances of a specific applicant, the recipient shall keep such records as may be necessary to inform LSC of the reasons relied on to authorize the waiver. *See* 45 CFR § 1611.3(d)(2).

The revisions to 45 CFR Part 1611 changed the language regarding assets from requiring the recipient's governing body to establish, "specific and reasonable asset ceilings, including both liquid and non-liquid assets," to "reasonable asset ceilings for individuals and households." *See* 45 CFR § 1611.6 in prior version of the regulation and 45 CFR § 1611.3(d)(1) of the revised regulation. Both versions allow the policy to provide for authority to waive the asset ceilings in unusual or meritorious circumstances. The older version of the regulation allowed such a waiver only at the discretion of the Executive Director. The revised version allows the Executive Director or his/her designee to waive the ceilings in such circumstances. *See* 45 CFR § 1611.6(e) in prior version of the regulation and 45 CFR § 1611.3(d)(2) in the revised version. Both versions require that such exceptions be documented and included in the client's files.

Review of the recipient's policies and sampled cases evidenced compliance with the asset eligibility documentation required by 45 CFR §§ 1611.3(c) and (d), and CSR Handbook (2008 Ed., as amended 2011), § 5.4.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 5: Review of the recipient's policies and sampled cases evidenced compliance with the documentation requirements of 45 CFR Part 1626 (Restrictions on legal assistance to aliens).

⁶ A numerical total value must be recorded, even if it is zero or below the recipient's guidelines. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.4.

The level of documentation necessary to evidence citizenship or alien eligibility depends on the nature of the services provided. With the exception of brief advice or consultation by telephone, which does not involve continuous representation, LSC regulations require that all applicants for legal assistance who claim to be citizens execute a written attestation. *See* 45 CFR § 1626.6. Aliens seeking representation are required to submit documentation verifying their eligibility. *See* 45 CFR § 1626.7. In those instances involving brief advice and consultation by telephone, which does not involve continuous representation, LSC has instructed recipients that the documentation of citizenship/alien eligibility must include a written notation or computer entry that reflects the applicant’s oral response to the recipient’s inquiry regarding citizenship/alien eligibility. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.5; *See also*, LSC Program Letter 99-3 (July 14, 1999). In the absence of the foregoing documentation, assistance rendered may not be reported to LSC. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.5.

Prior to 2006, recipients were permitted to provide non-LSC funded legal assistance to an alien who had been battered or subjected to extreme cruelty in the United States by a spouse or parent, or by a member of the spouse’s or parent’s family residing in the same household, or an alien whose child had been battered or subjected to such cruelty.⁷ Although non-LSC funded legal assistance was permitted, such cases could not be included in the recipient’s CSR data submission. In January 2006, the Kennedy Amendment was expanded and LSC issued Program Letter 06-2, “Violence Against Women Act 2006 Amendment” (February 21, 2006), which instructs recipients that they may use LSC funds to provide legal assistance to ineligible aliens, or their children, who have been battered, subjected to extreme cruelty, is the victims of sexual assault or trafficking, or who qualify for a “U” visa. LSC recipients are now allowed to include these cases in their CSRs.

Review of the recipient’s policies and sampled cases evidenced compliance with the documentation requirements of 45 CFR Part 1626.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 6: Review of the recipient’s policies and sampled cases, as well as documents reviewed, evidenced compliance with the retainer requirements of 45 CFR § 1611.9 (Retainer agreements); however, a review of NLSA’s policy revealed a typographical error in the CFR section cited.

Pursuant to 45 CFR § 1611.9, recipients are required to execute a retainer agreement with each client who receives extended legal services from the recipient. The retainer agreement must be in a form consistent with the applicable rules of professional responsibility and prevailing practices in the recipient’s service area and shall include, at a minimum, a statement identifying the legal problem for which representation is sought, and the nature of the legal service to be provided. *See* 45 CFR § 1611.9(a).

The retainer agreement is to be executed when representation commences or as soon thereafter is practical and a copy is to be retained by the recipient. *See* 45 CFR §§ 1611.9(a) and (c). The

⁷ *See* Kennedy Amendment at 45 CFR § 1626.4.

lack of a retainer does not preclude CSR reporting eligibility.⁸ Cases without a retainer, if otherwise eligible and properly documented, should be reported to LSC.

Review of the recipient's policies and sampled cases, as well as documents reviewed, evidenced compliance with the retainer requirements of 45 CFR § 1611.9; however a review of NLSA's policy revealed a typographical error in the CFR section cited. As mentioned *supra* in Finding 2, when discussing the requirement of obtaining retainer agreements in certain cases, NLSA's financial eligibility policy cites "§ 1611.8," instead of the appropriate section 45 CFR § 1611.9. *See* NLSA LSC-Funded Service Eligibility Guidelines, ¶ V. Retainer Agreement (Board approved June 9, 2011). is the DR recommended that NLSA correct this error in order to avoid confusion.

In response to the DR and this finding, as well as Finding 2, NLSA indicated that it has corrected the typographical error contained in its financial eligibility policy. NLSA's response indicated that the Executive Committee of its Board of Directors approved the correction on August 31, 2012, and that the approval was ratified by the Board on September 13, 2012. NLSA evidenced the approved correction by including with its response to the DR a copy of its updated financial eligibility policy titled "LSC-Funded Service Eligibility Guidelines," which demonstrates the correction and is signed by NLSA's Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board's ratification of the previously approved correction at its September 13, 2012 Board Meeting.

Finding 7: Review of the recipient's policies and sampled cases evidenced compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

LSC regulations require that recipients identify by name each plaintiff it represents in any complaint it files, or in a separate notice provided to the defendant, and identify each plaintiff it represents to prospective defendants in pre-litigation settlement negotiations. In addition, the regulations require that recipients prepare a dated, written statement signed by each plaintiff it represents, enumerating the particular facts supporting the complaint. *See* 45 CFR §§ 1636.2(a) (1) and (2).

The statement is not required in every case. It is required only when a recipient files a complaint in a court of law or otherwise initiates or participates in litigation against a defendant, or when a recipient engages in pre-complaint settlement negotiations with a prospective defendant. *See* 45 CFR § 1636.2(a).

Review of the recipient's policies and sampled cases evidenced compliance with the requirements of 45 CFR Part 1636.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

⁸ However, a retainer is more than a regulatory requirement. It is also a key document clarifying the expectations and obligations of both client and program, thus assisting in a recipient's risk management.

Finding 8: Review of the recipient’s policies and sampled cases, as well as documents reviewed, evidenced compliance with the requirements of 45 CFR § 1620.3(a) and § 1620.6 (Priorities in use of resources).

LSC regulations require that recipients adopt a written statement of priorities that determines the cases which may be undertaken by the recipient, regardless of the funding source. *See* 45 CFR § 1620.3(a). Except in an emergency, recipients may not undertake cases outside its priorities. *See* 45 CFR § 1620.6.

Prior to the visit, NLSA provided OCE with a “Statement of Priorities,” which was approved by its Board of Directors on September 8, 2011. According to this document, NLSA’s priorities are protecting the safety of individuals and the stability and health of families, preserving housing, and economic stability. All of NLSA’s files that were reviewed during the visit were within NLSA’s priorities.

NLSA has adopted a written policy to guide its staff in complying with 45 CFR § 1620.6. OCE reviewed the policy and determined that it is consistent with Section 1620.6. A review of the 45 CFR § 1620.6 required written agreements signed by 10 randomly selected NLSA staff members who handle cases or matters, or who are authorized to make decisions about case acceptance, demonstrated that NLSA obtains these agreements from necessary personnel.

Review of the recipient’s policies and sampled cases, as well as documents reviewed, evidenced compliance with the requirements of 45 CFR § 1620.3(a) and § 1620.6.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 9: Sampled cases evidenced substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided).

LSC regulations specifically define “case” as a form of program service in which the recipient provides legal assistance. *See* 45 CFR §§ 1620.2(a) and 1635.2(a). Consequently, whether the assistance that a recipient provides to an applicant is a “case”, reportable in the CSR data, depends, to some extent on whether the case is within the recipient’s priorities and whether the recipient has provided some level of legal assistance, limited or otherwise.

If the applicant’s legal problem is outside the recipient’s priorities, or if the recipient has not provided any type of legal assistance, it should not report the activity in its CSR. For example, recipients may not report the mere referral of an eligible client as a case when the referral is the only form of assistance that the applicant receives from the recipient. *See* CSR Handbook (2008 Ed., as amended 2011), § 7.2.

Recipients are instructed to record client *and* case information, either through notations on an intake sheet or other hard-copy document in a case file, or through electronic entries in an ACMS database, or through other appropriate means. For each case reported to LSC such

information shall, at a minimum, describe, *inter alia*, the level of service provided. See CSR Handbook (2008 Ed., as amended 2011), § 5.6.

With two (2) exceptions, sampled cases evidenced substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6. NLSA's New Castle office conducts a custody clinic where attendees are provided general legal information as well as individualized legal advice. Case review revealed that the legal assistance provided at the custody clinic was not always clearly documented in the case file. See closed 2010 Case Nos. 120417278 and 120515904. These case files documented the clients' attendance at the clinic, but failed to state what assistance was provided. Lacking a description of the legal assistance provided to the client, these files should not have been reported to LSC in NLSA's CSR.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 10: NLSA's application of the CSR case closure categories is consistent with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011); however, there was one (1) pattern noted that is being reviewed by LSC's CSR Committee.

The CSR Handbook defines the categories of case service and provides guidance to recipients on the use of the closing codes in particular situations. Recipients are instructed to report each case according to the type of case service that best reflects the level of legal assistance provided. See CSR Handbook (2008 Ed., as amended 2011), § 6.1.

Case review revealed a pattern regarding the use of case closure category "K" (Other) when closing specific types of cases. NLSA's policies related to case closure categories, as well as discussions with NLSA's Director of Program Performance and Compliance, revealed that the program made a conscious decision to use "K" when closing specific types of cases based on a review of the CSR Handbook (2008 Ed., as amended 2011) and the CSR Frequently Asked Questions (2009 Ed.). The specific fact scenarios where NLSA has been using case closure category "K" are as follows:

1. An individual appears in court *pro se* and seeks a temporary Protection from Abuse ("PFA") Order. NLSA then agrees to represent the individual at the following PFA hearing and a PAI attorney is assigned to the case. The PAI attorney may or may not interview witnesses, issue subpoenas, or prepare routine documents in preparation for the hearing. The PAI attorney attends the subsequent hearing. One (1) of the following scenarios occurs at that hearing:
 - a. The client fails to show up, but a dismissal order is *not* entered. The initial PFA Order simply expires; or
 - b. The client shows up, but the case is continued for lack of service on the defendant. The client then fails to show up on the following court date. A dismissal order is *not* entered. The initial PFA Order simply expires.

See closed 2012 Case Nos. 2001103363 and 200385666 and closed 2011 Case Nos. 2001101737, 2001101049, and 200585105. These files were closed with case closure category “K” and contained evidence of the above described fact scenario 1(a). See closed 2012 Case No. 2002101380 and closed 2011 Case No. 200198779. These files were closed with case closure category “K” and contained evidence of the above described fact scenario 1(b). See also open Case Nos. 200284658, 201525369, and 120515746, closed 2012 Case Nos. 200993685, 2001103366, and 2002102135, and closed 2011 Case Nos. 1001023228 and 120710480. These files were also closed with case closure category “K” with fact patterns as described above.

2. A client is sued by a credit card company. The representing attorney files preliminary objections to the lawsuit. In response, the attorney representing the credit card company files a praecipe to discontinue and end the lawsuit. The praecipe effectively ends the lawsuit, but neither party ever appears in front of a judge and a dismissal order is *not* entered.

See closed 2011 Case No. 200198887 and closed 2010 Case No. 200360810. These files were closed with case closure category “K” and contained evidence of the above described fact scenario 2.

NLSA indicated, and case review evidenced, that these are common scenarios. Considering the nature of the scenarios, OCE has requested clarification from the CSR Questions Committee regarding what the preferable case closure category is. The CSR Handbook (2008 Ed., as amended 2011), § 8.3, explains that case closure category “K” should be used to close a case “that does not fit any of the other CSR case closure categories,” and that cases that “fit two or more CSR categories may not be closed in this category...” The CSR Questions Committee is reviewing the above described scenarios and will issue guidance with regard to the closure of these types of cases. NLSA has indicated its willingness to immediately change its policy and discontinue the use of “K” in the above described scenarios once it receives clarification from LSC.

Based on the need for clarification from the CSR Questions Committee in the above described scenarios, and the fact that there were no other patterns of error identified, NLSA’s application of the CSR case closure categories is consistent with Chapters VIII and IX of the CSR Handbook (2008 Ed., as amended 2011).

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 11: Sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases.

To the extent practicable, programs shall report cases as having been closed in the year in which assistance ceased, depending on case type. Cases in which the only assistance provided is counsel and advice or limited action (CSR Categories A and B), should be reported as having been closed in the grant year in which the case was opened. See CSR Handbook (2008 Ed., as

amended 2011), § 3.3(a).⁹ There is, however, an exception for limited service cases opened after September 30, and those cases containing a determination to hold the file open because further assistance is likely. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.3(a). All other cases (CSR Categories F through L, 2008 CSR Handbook) should be reported as having been closed in the grant year in which the recipient determines that further legal assistance is unnecessary, not possible or inadvisable, and a closing memorandum or other case-closing notation is prepared. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.3(b). Additionally, LSC regulations require that systems designed to provide direct services to eligible clients by private attorneys must include, among other things, case oversight to ensure timely disposition of the cases. *See* 45 CFR § 1614.3(d)(3).

With only one (1) exception, sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases. One (1) open file was found to be dormant as the last legal activity documented in the case file occurred on January 4, 2011, and the file did not contain a statement explaining why it should be held open into the following year as required by CSR Handbook (2008 Ed., as amended 2011), § 3.3(a)(ii). *See* open Case No. 250121129.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 12: Sample cases evidenced compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases.

Through the use of automated case management systems and procedures, recipients are required to ensure that cases involving the same client and specific legal problem are not recorded and reported to LSC more than once. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.2. When a recipient provides more than one (1) type of assistance to the same client during the same reporting period, in an effort to resolve essentially the same legal problem, as demonstrated by the factual circumstances giving rise to the problem, the recipient may report only the highest level of legal assistance provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.2.

When a recipient provides assistance more than once within the same reporting period to the same client who has returned with essentially the same legal problem, as demonstrated by the factual circumstances giving rise to the problem, the recipient is instructed to report the repeated instances of assistance as a single case. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.3. Recipients are further instructed that related legal problems presented by the same client are to be reported as a single case. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.4.

Sampled cases evidenced compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.2 regarding duplicate cases.

⁹ The time limitation of the 2001 Handbook that a brief service case should be closed “as a result of an action taken at or within a few days or weeks of intake” has been eliminated. However, cases closed as limited action are subject to the time limitation on case closure found in CSR Handbook (2008 Ed., as amended 2011), § 3.3(a) this category is intended to be used for the preparation of relatively simple or routine documents and relatively brief interactions with other parties. More complex and/or extensive cases that would otherwise be closed in this category should be closed in the new CSR Closure Category L (Extensive Service).

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 13: Review of the recipient’s policies and interviews with full-time attorneys who have engaged in the outside practice of law, as well as a review of the timekeeping records for the attorneys interviewed, did not reveal any violations of the requirements of 45 CFR Part 1604 (Outside practice of law).

This part is intended to provide guidance to recipients in adopting written policies relating to the outside practice of law by recipients’ full-time attorneys. Under the standards set forth in 45 CFR Part 1604, recipients are authorized, but not required, to permit attorneys, to the extent that such activities do not hinder fulfillment of their overriding responsibility to serve those eligible for assistance under the Act, to engage in pro bono legal assistance and comply with the reasonable demands made upon them as members of the Bar and as officers of the Court.

NLSA has adopted a written policy titled “Standards for Representation under Section 1604” to guide its staff in complying with 45 CFR Part 1604. OCE reviewed the policy and determined that it is consistent with Part 1604. A sample of time sheets for two (2) attorneys who had performed the outside practice of law, disclosed that the attorneys had taken vacation time to perform the outside law practice. It was also noted that the outside practice of law activities were in compliance with NLSA’s policy regarding the practice. Discussions with the Executive Director also confirmed that NLSA is not involved in any unauthorized outside practice of law.

Based on the review of the recipient’s policies and the list of attorneys who have engaged in the outside practice of law, as well as interviews with and a review of the time records of two (2) attorneys who engaged in the outside practice of law, and interviews with the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1604.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 14: Review of the recipient’s policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities).

LSC regulations prohibit recipients from expending grants funds or contributing personnel or equipment to any political party or association, the campaign of any candidate for public or party office, and/or for use in advocating or opposing any ballot measure, initiative, or referendum. *See* 45 CFR Part 1608.

NLSA has a written policy titled “Policy on Prohibited Political Activities, 45 CFR Section 1608,” which was adopted by its Board of Directors on April 20, 1988, to guide its staff in complying with 45 CFR Part 1608. OCE reviewed the policy and determined that it is consistent with Part 1608. NLSA’s Director of Program Performance and Compliance advised that she reviews all applicable policies, including NLSA’s policy on Prohibited Political Activities, with

its new employees as a part of their orientation. Additionally, NLSA's policies are available to all employees on-line through its internal file sharing program, "Sharepoint." The limited review of accounting records reflected in NLSA's Chart of Accounts, including cash disbursements and documentation for the period of 2010 through March 2012, and fiscal interviews with the Controller disclosed that NLSA does not appear to have expended any grant funds or used personnel or equipment in violation of 45 CFR § 1608.3(b). Additionally, a review of hard-copy informational materials and publications which NLSA makes available to applicants and clients which are published by NLSA and other federal, state, and private organizations, as well as a review of NLSA's website, did not evidence any content prohibited by 45 CFR §§ 1608.4, 1608.5, and 1608.6. Discussions with the Executive Director and the Director of Program Performance and Compliance further confirmed that NLSA is not involved in any prohibited political activities.

Based on the review of the recipient's policies, accounting records, hard-copy informational materials, and NLSA's website and interviews with the Executive Director, Controller, and Director of Program Performance and Compliance, NLSA appears to be in compliance with the requirements of 45 CFR Part 1608.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 15: Review of the recipient's policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1609 (Fee-generating cases).

Except as provided by LSC regulations, recipients may not provide legal assistance in any case which, if undertaken on behalf of an eligible client by an attorney in private practice, reasonably might be expected to result in a fee for legal services from an award to the client, from public funds or from the opposing party. *See* 45 CFR §§ 1609.2(a) and 1609.3.

Recipients may provide legal assistance in such cases where the case has been rejected by the local lawyer referral service, or two (2) private attorneys; neither the referral service nor two (2) private attorneys will consider the case without payment of a consultation fee; the client is seeking, Social Security, or Supplemental Security Income benefits; the recipient, after consultation with the private bar, has determined that the type of case is one that private attorneys in the area ordinarily do not accept, or do not accept without pre-payment of a fee; the Executive Director has determined that referral is not possible either because documented attempts to refer similar cases in the past have been futile, emergency circumstances compel immediate action, or recovery of damages is not the principal object of the client's case and substantial attorneys' fees are not likely. *See* 45 CFR §§ 1609.3(a) and 1609.3(b).

LSC has also prescribed certain specific recordkeeping requirements and forms for fee-generating cases. The recordkeeping requirements are mandatory. *See* LSC Memorandum to All Program Directors (December 8, 1997).

In light of recent regulatory changes, LSC has prescribed certain specific requirements for fee-generating cases. *See* Program Letters 09-3 (December 17, 2009) and 10-1 (February 18, 2010). LSC has determined that it will not take enforcement action against any recipient that filed a claim for, or collected or retained attorneys' fees during the period of December 16, 2009 through March 15, 2010. Enforcement activities related to claims for attorneys' fees filed prior to December 16, 2009, or fees collected or retained prior to December 16, 2009, are no longer suspended and any violations which are found to have occurred prior to December 16, 2009 will subject the grantee to compliance and enforcement action. Additionally, the regulatory provisions regarding accounting for and use of attorneys' fees and acceptance of reimbursement from clients remain in force, and violations of those requirements, regardless of when they have occurred, will subject the grantee to compliance and enforcement action.

NLSA has a written policy titled "Policy of Fee-Generating Cases, 45 CFR 1609," which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1609. OCE reviewed the policy and determined that it is consistent with Part 1609. A limited review of accounting records and documentation for the period of 2010 through March 2012 and interviews with NLSA management disclosed that NLSA did not have any fee-generating cases during the period of review and therefore Part 1609 was not applicable. None of the sampled files reviewed involved legal assistance with respect to a fee-generating case. Discussions with the Executive Director also confirmed that NLSA is not involved in any fee-generating cases.

Based on the review of accounting records, case files, and the recipient's policies, as well as interviews with management and the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1609.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 16: Review of the recipient's accounting and financial records evidenced compliance with 45 CFR Part 1610 (Use of non-LSC funds, transfer of LSC funds, program integrity) and NLSA donor notification letters reviewed were found to be consistent with the requirements of 45 CFR § 1610.5(a).

Part 1610 was adopted to implement Congressional restrictions on the use of non-LSC funds and to assure that no LSC funded entity engage in restricted activities. Essentially, recipients may not themselves engage in restricted activities, transfer LSC funds to organizations that engage in restricted activities, or use its resources to subsidize the restricted activities of another organization.

The regulations contain a list of restricted activities. *See* 45 CFR § 1610.2. They include lobbying, participation in class actions, representation of prisoners, legal assistance to aliens, drug related evictions, and the restrictions on claiming, collecting or retaining attorneys' fees.

Recipients are instructed to maintain objective integrity and independence from any organization that engages in restricted activities. In determining objective integrity and independence, LSC

looks to determine whether the other organization receives a transfer of LSC funds, and whether such funds subsidize restricted activities, and whether the recipient is legally, physically, and financially separate from such organization.

Whether sufficient physical and financial separation exists is determined on a case by case basis and is based on the totality of the circumstances. In making the determination, a variety of factors must be considered. The presence or absence of any one or more factors is not determinative. Factors relevant to the determination include:

- i) the existence of separate personnel;
- ii) the existence of separate accounting and timekeeping records;
- iii) the degree of separation from facilities in which restricted activities occur, and the extent of such restricted activities; and
- iv) the extent to which signs and other forms of identification distinguish the recipient from the other organization.

See 45 CFR § 1610.8(a); *see also*, OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

Recipients are further instructed to exercise caution in sharing space, equipment and facilities with organizations that engage in restricted activities. Particularly if the recipient and the other organization employ any of the same personnel or use any of the same facilities that are accessible to clients or the public. But, as noted previously, standing alone, being housed in the same building, sharing a library or other common space inaccessible to clients or the public may be permissible as long as there is appropriate signage, separate entrances, and other forms of identification distinguishing the recipient from the other organization, and no LSC funds subsidize restricted activity. Organizational names, building signs, telephone numbers, and other forms of identification should clearly distinguish the recipient from any organization that engages in restricted activities. *See* OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

While there is no *per se* bar against shared personnel, generally speaking, the more shared staff, or the greater their responsibilities, the greater the likelihood that program integrity will be compromised. Recipients are instructed to develop systems to ensure that no staff person engages in restricted activities while on duty for the recipient, or identifies the recipient with any restricted activity. *See* OPO Memo to All LSC Program Directors, Board Chairs (October 30, 1997).

Based on a limited review of the chart of accounts and the detailed General Ledger (“G/L”) for specific G/L accounts for 2010 through April 2012, observations of the physical locations of all offices by the LSC fiscal analysts and team members, and interviews with staff, NLSA does not appear to be engaged in any restricted activity which would present a 45 CFR Part 1610 compliance issue. NLSA does not have contracts with other organizations to provide personnel, accounting, information technology, or other support services that would require compliance with 45 CFR Part 1610. Discussions with the Executive Director confirmed that the program is

not involved in any restricted activities and that its use of non-LSC funds and transfer of LSC funds, are not inconsistent with this regulation.

A sample of donor “thank you” letters from 2010 and 2011 were selected for review and were found to contain the required notification language, in compliance with LSC requirements on prohibitions and conditions which apply to donated funds, in accordance with 45 CFR § 1610.5(a).

Based on the limited review of the chart of accounts, G/L, and donor letters, as well as interviews with staff and the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1610.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 17: Review of the recipient’s policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced substantial compliance with 45 CFR Part 1614, which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Oversight and follow-up of PAI case files was found to be in compliance with 45 CFR § 1614.3(d)(3); however, NLSA was found to be in non-compliance with 45 CFR § 1614.3(e)(1)(i), which is designed to ensure that recipients of LSC funds correctly allocate administrative, overhead, staff, and support costs related to PAI activities, and that non-personnel costs are allocated on the basis of reasonable operating data.

LSC regulations require LSC recipients to devote an amount of LSC and/or non-LSC funds equal to 12.5% of its LSC annualized basic field award for the involvement of private attorneys in the delivery of legal assistance to eligible clients. This requirement is referred to as the "PAI" or private attorney involvement requirement.

Activities undertaken by the recipient to involve private attorneys in the delivery of legal assistance to eligible clients must include the direct delivery of legal assistance to eligible clients. The regulation contemplates a range of activities, and recipients are encouraged to assure that the market value of PAI activities substantially exceed the direct and indirect costs allocated to the PAI requirement. The precise activities undertaken by the recipient to ensure private attorney involvement are, however, to be determined by the recipient, taking into account certain factors. *See* 45 CFR §§ 1614.3(a), (b), (c), and (e)(3). The regulations, at 45 CFR § 1614.3(e)(2), require that the support and expenses relating to the PAI effort must be reported separately in the recipient’s year-end audit. The term “private attorney” is defined as an attorney who is not a staff attorney. *See* 45 CFR § 1614.1(d). Further, 45 CFR § 1614.3(d)(3) requires programs to implement case oversight and follow-up procedures to ensure the timely disposition of cases to achieve, if possible, the results desired by the client and the efficient and economical utilization of resources.

Additionally, 45 CFR Part 1614 requires that recipients utilize a financial management system and procedures that document its PAI cost allocations, identify and separately account for direct

and indirect costs related to its PAI effort, and report separately the entire allocation of revenue and expenses relating to the PAI effort in its year-end audit.

NLSA PAI Procedures and Follow-up and Oversight Assessment

NLSA is in compliance with 45 CFR § 1614.3(d)(3), which requires oversight and follow-up of PAI cases. NLSA's PAI oversight and follow-up procedures are detailed below.

Pittsburgh Office

NLSA's Director of Program Performance and Compliance and a Managing Attorney in the Pittsburgh office act as PAI Coordinators and oversee the successful completion of PAI cases.¹⁰ The Pittsburgh office refers a variety of cases to PAI attorneys, including Protection from Abuse ("PFA") cases, unemployment compensation cases, credit card litigation cases, and Chapter 7 bankruptcy cases. Intake procedures for these cases are the same as for staff cases, as described *supra* in Finding 2. When a staff attorney identifies a case for referral to a PAI attorney, a paralegal will work to refer the case. A combination of emails and telephone calls are made to PAI attorneys in order to place cases, depending on the nature of the case and the relationship NLSA has with the PAI attorney. After a PAI attorney has confirmed that no conflicts exist, and a case is being placed, a paralegal will then send the PAI attorney more detailed information regarding the case.

All PAI cases are placed under a NLSA case handler's identification number for tracking purposes. For instance, all PFA cases being referred to PAI attorneys are first assigned to the PFA paralegal, all unemployment compensation cases and custody *pro bono* cases being referred to PAI attorneys are first assigned to the *Pro Bono* Manager, all Advice Helpline cases identified for referral to PAI attorneys remain under the staff attorney's number who initially handled the call, and credit card litigation cases being referred to PAI attorneys remain under the identification number of the staff attorney who first handled the case. However, a majority of referred cases go directly to accepting PAI attorneys, without first being provided services by staff attorneys. Specifically, PFA, unemployment compensation, and Custody *Pro Bono* Advice Helpline cases are referred to PAI attorneys without first receiving services from NLSA. In addition, PAI attorneys participating in NLSA's Debt Advice Clinic speak directly to clients, without the client first speaking to an NLSA case handler.

All PAI attorneys who accept cases are sent a referral packet which includes a *Pro Bono* Closure Report that they are asked to complete at the conclusion of representation. PAI attorneys are also asked to provide NLSA with copies of any case-related documents. Referred clients are asked to complete a *Pro Bono* Referral Program Evaluation Form at the conclusion of representation. If a PAI attorney fails to return the *Pro Bono* Closure Report, one (1) of the PAI Coordinators will check the status of the case via an online court docket search engine and/or will follow up with the PAI attorney.

¹⁰ Notably, these oversight duties have been absorbed by these two senior staff members due to recent funding cuts which necessitated staff to absorb the duties of former staff.

A review of PAI cases in the Pittsburgh office evidenced successful follow-up and oversight, as there were no patterns of error found.

Butler Office

One (1) of the two (2) intake staff members in the Butler office also serves as the office's PAI Coordinator. The office handles very few PAI cases and staff estimates that they close three (3) to four (4) PAI cases per year.

The office's Managing Attorney determines which cases should be referred to PAI attorneys. Once this determination is made, the PAI Coordinator contacts attorneys who have agreed to take on PAI cases, usually by telephone, and attempts to refer the case. After a PAI attorney has confirmed that no conflicts exist, and a case is placed, an appointment is made for the applicant to come to the Butler office. At the appointment, applicants are asked to sign their intake form and the corresponding citizenship attestation included on the form, or they are asked to provide their eligible alien documentation in order for staff to make necessary copies or notations in the case file. The PAI Coordinator also provides clients with a referral packet which includes a Pro Bono Closure Report for the client to give to the PAI attorney at their first appointment and a Pro Bono Referral Program Evaluation Form for the client to complete at the conclusion of their representation.

PAI cases are overseen in the same manner as staff attorney cases, as is detailed *supra* in Finding 2. Since the office handles so few PAI cases per year, the PAI Coordinator typically knows the date of clients' hearings or other major deadlines. Therefore, the PAI Coordinator will follow up with the PAI attorney shortly after the event. Interviews indicated that PAI attorneys are generally very responsive to the PAI Coordinator's request for information on the status of a case. When the PAI Coordinator is notified that a case has been completed, the PAI Coordinator will assign a case closure category, close the case in the ACMS, and provide the file to the Managing Attorney for review.

New Castle Office

The New Castle office reported closing only two (2) to three (3) PAI cases per year. Intake for New Castle's PAI cases occurs in the same manner as for all other cases, as described *supra* in Finding 2. When intake staff identifies a potentially suitable case for PAI referral, they provide the file to the Office Manager, who also serves as the office's PAI Coordinator. The Office Manager has a list of attorneys in the area who have agreed to represent referred clients *pro bono*.

When making a PAI referral, the Office Manager will provide a client with a referral packet, consistent with the referral packets provided by the Pittsburgh and Butler Offices. Interviews indicate that the Office Manager contacts PAI attorneys by telephone or email to ensure that a case has been successfully referred and that the client is receiving services. The Managing Attorney indicated that because the office handles so few PAI cases, she oversees them on a case-by-case basis. PAI cases are reviewed in the normal course of case review, as described *supra* in Finding 2.

Bridgewater Office

The Bridgewater office reported that it only refers PAI cases to one (1) family law attorney in Pittsburgh who has agreed to provide clients with *pro bono* telephone advice. Intake for these cases is conducted in normal course by intake staff in the Bridgewater office, as described *supra* in Finding 2. The PAI files are managed and closed by the Director of Program Performance and Compliance in Pittsburgh and they are also reviewed by the Managing Attorney in Bridgewater during her regular closed case review, as is also described *supra* in Finding 2.

Allocation of PAI Costs

At the time of the on-site review, NLSA was found to be in non-compliance with 45 CFR § 1614.3(e)(1)(i) which is designed to ensure that recipients of LSC funds correctly allocate administrative, overhead, staff, and support costs related to PAI activities, and that non-personnel costs are allocated on the basis of reasonable operating data. Review of the PAI schedule disclosed in the Audited Financial Statements for Fiscal Year Ending December 31, 2010, determined that there was adequate compliance with 45 CFR Part 1614 in the allocation of direct and indirect expenses to PAI; however, the calculation of the wages and benefits of NLSA's attorneys and paralegals charged to PAI were not in accordance with LSC requirements. The review revealed that NLSA was using actual work hours to calculate the wage rate per hour charged towards its PAI requirement, instead of the required scheduled work hours. Actual work hours are the hours recorded on the employees' timesheets for the period of one (1) year, less vacation leave, holiday leave, sick leave, personal leave, etc., taken by the employee. Scheduled work hours calculated for NLSA are based upon an eight (8) hour work day five (5) days per week, or 40 hours, multiplied by the 52 weeks in a year for a total of 2,080 hours. Therefore, NLSA was advised that it should use 2,080 when calculating the hourly rate to be charged to PAI.

There were no NLSA PAI contracts or invoices as all PAI work was done *pro bono*.

PAI Compliance Overview

NLSA is in substantial compliance with 45 CFR Part 1614 which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Oversight and follow-up of NLSA managed PAI case files was in compliance with 45 CFR § 1614.3(d)(3).

In response to the DR and this finding, NLSA indicated that it is currently calculating the PAI wage rate per hour properly, in compliance with 45 CFR § 1614.3(e)(1)(i). The change in calculation was stated to have been effectuated in July 2012, upon receipt of the DR. NLSA indicated that a meeting was held within days of its receipt of the DR, involving the Executive Director, Accountant, and Director of Program Performance, where it was decided that any necessary corrections would be made so as to ensure that the FY 11-12 Audit would accurately reflect PAI expenditures in the manner specified by OCE in the DR.

Finding 18: Review of the recipient’s policies and fiscal records, as well as interviews with fiscal staff, evidenced compliance with 45 CFR § 1627.4(a) which prohibits programs from utilizing LSC funds to pay membership fees or dues to any private or nonprofit organization.

LSC has developed rules governing the transfer of LSC funds by recipients to other organizations. *See* 45 CFR § 1627.1. These rules govern subgrants, which are defined as any transfer of LSC funds from a recipient to an entity under a grant, contract, or agreement to conduct certain activities specified by or supported by the recipient related to the recipient’s programmatic activities.¹¹ Except that the definition does not include transfers related to contracts for services rendered directly to the recipient, *e.g.*, accounting services, general counsel, management consultants, computer services, etc., or contracts with private attorneys and law firms involving \$25,000 or less for the direct provision of legal assistance to eligible clients. *See* 45 CFR §§ 1627.2(b)(1) and (b)(2); *see also*, 48 Federal Register 28485 (June 2, 1983) and 48 Federal Register 54207 (November 30, 1983).

Additionally, 45 CFR § 1627.4(a) states that:

- a) LSC funds may not be used to pay membership fees or dues to any private or nonprofit organization, whether on behalf of a recipient or an individual.
- b) Paragraph (a) of this section does not apply to the payment of membership fees or dues mandated by a government organization to engage in a profession, or to the payment of membership fees or dues from non-LSC funds.

NLSA has a written policy titled “Policy on Membership Fees and Dues Payments, 45 CFR 1627,” which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1627. OCE reviewed the policy and determined that it is consistent with Part 1627. A limited review of NLSA’s fiscal records and discussions with its Controller confirmed that the program had no LSC funded subgrants in effect during the review period. Additionally, a limited review of NLSA’s accounting records and interviews with its Controller determined that NLSA is in compliance with 45 CFR § 1627.4(a) as the program pays for membership fees and dues, including any dues to National Legal Aid and Defender Association, with non-LSC funds.

Based on a review of the recipient’s policies and fiscal records and interviews with the fiscal staff, NLSA appears to be in compliance with 45 CFR § 1627.4(a) which prohibits programs from utilizing LSC funds to pay membership fees or dues to any private or nonprofit organization.

¹¹ Programmatic activities includes those that might otherwise be expected to be conducted directly by the recipient, such as representation of eligible clients, or which provides direct support to a recipient’s legal assistance activities or such activities as client involvement, training or state support activities. Such activities would not normally include those that are covered by a fee-for-service arrangement, such as those provided by a private law firm or attorney representing a recipient’s clients on a contract or *judicare* basis, except that any such arrangement involving more than \$25,000.00 is included.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 19: Review of timekeeping and other fiscal records evidenced compliance with 45 CFR Part 1635 (Timekeeping requirement).

The timekeeping requirement, 45 CFR Part 1635, is intended to improve accountability for the use of all funds of a recipient by assuring that allocations of expenditures of LSC funds pursuant to 45 CFR Part 1630 are supported by accurate and contemporaneous records of the cases, matters, and supporting activities for which the funds have been expended; enhancing the ability of the recipient to determine the cost of specific functions; and increasing the information available to LSC for assuring recipient compliance with Federal law and LSC rules and regulations. *See* 45 CFR § 1635.1.

Specifically, 45 CFR § 1635.3(a) requires that all expenditures of funds for recipient actions are, by definition, for cases, matters, or supporting activities. The allocation of all expenditures must satisfy the requirements of 45 CFR Part 1630. Time spent by attorneys and paralegals must be documented by time records which record the amount of time spent on each case, matter, or supporting activity. Time records must be created contemporaneously and account for time by date and in increments not greater than one-quarter of an hour which comprise all of the efforts of the attorneys and paralegals for which compensation is paid by the recipient. Each record of time spent must contain: for a case, a unique client name or case number; for matters or supporting activities, an identification of the category of action on which the time was spent. The timekeeping system must be able to aggregate time record information on both closed and pending cases by legal problem type. Recipients shall require any attorney or paralegal who works part-time for the recipient and part-time for an organization that engages in restricted activities to certify in writing that the attorney or paralegal has not engaged in restricted activity during any time for which the attorney or paralegal was compensated by the recipient or has not used recipient resources for restricted activities.

A review of 10 advocates' timekeeping records, selected at random, for the two (2) pay periods ending in October 2011, disclosed that the records are electronically and contemporaneously kept. The time spent on each case, matter, or supporting activity is recorded in compliance with 45 CFR §§ 1635.3(b) and (c). Additionally, it was noted that PAI hours are recorded into the time system properly.

Based on the limited review of the program's fiscal and timekeeping records, NLSA appears to be in compliance with 45 CFR Part 1635.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 20: Review of sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1642 (Attorneys' fees).

Prior to December 16, 2009, except as otherwise provided by LSC regulations, recipients could not claim, or correct and retain attorneys' fees in any case undertaken on behalf of a client of the recipient. *See* 45 CFR § 1642.3.¹² However, with the enactment of LSC's FY 2010 consolidated appropriation, the statutory restriction on claiming, collecting or retaining attorneys' fees was lifted. Therefore, at its January 30, 2010, meeting, the LSC Board of Directors took action to repeal the regulatory restriction on claiming, collecting or retaining attorneys' fees. Accordingly, effective March 15, 2010, recipients may claim, collect, and retain attorneys' fees for work performed, regardless of when such work was performed.

LSC further determined that it will not take enforcement action against any recipient that filed a claim for, or collected or retained attorneys' fees during the period December 16, 2009, and March 15, 2010. Claims for, collection of, or retention of attorneys' fees prior to December 16, 2009, may, however, result in enforcement action. As well, the regulatory provisions regarding accounting for and use of attorneys' fees and acceptance of reimbursement remain in force and violation of these requirements, regardless of when they occur, may subject the recipient to compliance and enforcement action. *See* LSC Program Letters 09-3 (December 17, 2009) and 10-1 (February 18, 2010).

A limited review of NLSA's fiscal records and the 2010 and 2011 Audited Financial Statements, as well as interviews with NLSA management and the Executive Director, evidenced that there were no attorneys' fees awarded, collected, or retained for cases serviced directly by NLSA that would violate 45 CFR Part 1642.

Based on case files reviewed, as well as a limited review of fiscal records, and interviews with management and the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1642.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 21: Review of the recipient's policies and sampled cases, as well as fiscal and other records, and interviews with management and staff evidenced compliance with the requirements of 45 CFR Part 1612 (Restrictions on lobbying and certain other activities).

The purpose of 45 CFR Part 1612 is to ensure that LSC recipients and their employees do not engage in certain prohibited activities, including representation before legislative bodies or other direct lobbying activity, grassroots lobbying, participation in rulemaking, public demonstrations, advocacy training, and certain organizing activities. This part also provides guidance on when recipients may participate in public rulemaking or in efforts to encourage State or local governments to make funds available to support recipient activities, and when they may respond to requests of legislative and administrative officials.

¹² The regulations defined "attorneys' fees" as an award to compensate an attorney of the prevailing party made pursuant to common law or Federal or State law permitting or requiring the award of such fees or a payment to an attorney from a client's retroactive statutory benefits. *See* 45 CFR § 1642.2(a).

NLSA has a written policy titled “Policy on Prohibitions on Advocacy Efforts Intended to Influence Certain Legislative and Administrative Activities; Prohibited Advocacy Training, Participation in Public Demonstrations and Related Activities, and Organizing,” which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1612. OCE reviewed the policy and determined that it is consistent with Part 1612. The program’s Director of Program Performance and Compliance advised that she reviews all applicable policies, including NLSA’s policy regarding Part 1612, with its new employees as a part of their orientation. Additionally, NLSA’s policies are available to all employees on-line through Sharepoint. OCE also reviewed NLSA’s 45 CFR § 1612.10(c) Semi-Annual Reports regarding Legislative Rulemaking Activities submitted to LSC for the years of 2010 and 2011. NLSA disclosed activities permissible under 45 CFR § 1612.6(f). None of the documents reviewed evidenced any lobbying or other prohibited activities. A limited review of NLSA’s fiscal records provided no indication that the program was involved in lobbying or other restricted activities during the review period. Moreover, as discussed *supra* in Finding 14 with regard to Part 1608, a review of hard-copy informational materials and publications which NLSA makes available to applicants and clients which are published by NLSA and other federal, state, and private organizations, as well as a review of NLSA’s website, did not evidence any content prohibited by 45 CFR §§ 1612.4, 1612.8, and 1612.9. Discussions with the Executive Director, Controller, and Director of Program Performance and Compliance also confirmed that NLSA is not involved in any prohibited public rulemaking or lobbying activities.

Based on a review of the recipient’s policies and sampled cases, as well as fiscal and other records, and interviews with the Executive Director, Controller, and Director of Program Performance and Compliance, NLSA appears to be in compliance with the requirements of 45 CFR Part 1612.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 22: Review of sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and actions collaterally attacking criminal convictions).

Recipients are prohibited from using LSC funds to provide legal assistance with respect to a criminal proceeding. *See* 45 CFR § 1613.3. Nor may recipients provide legal assistance in an action in the nature of a habeas corpus seeking to collaterally attack a criminal conviction. *See* 45 CFR § 1615.1.

None of the sampled files reviewed involved legal assistance with respect to a criminal proceeding, or a collateral attack in a criminal conviction. Discussions with the Executive Director also confirmed that NLSA is not involved in this prohibited activity.

Based on the case files reviewed and interviews with the Executive Director, NLSA appears to be in compliance with 45 CFR Parts 1613 and 1615.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 23: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

Recipients are prohibited from initiating or participating in any class action. *See* 45 CFR § 1617.3. The regulations define “class action” as a lawsuit filed as, or otherwise declared by a court of competent jurisdiction, as a class action pursuant Federal Rules of Civil Procedure, Rule 23, or comparable state statute or rule. *See* 45 CFR § 1617.2(a). The regulations also define “initiating or participating in any class action” as any involvement, including acting as co-counsel, amicus curiae, or otherwise providing representation relative to the class action, at any stage of a class action prior to or after an order granting relief. *See* 45 CFR § 1617.2(b)(1).¹³

NLSA has a written policy titled “Policy on Class Actions, 45 CFR 1617,” which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1617. OCE reviewed the policy and determined that it is consistent with Part 1617. None of the sampled files reviewed involved initiation or participation in a class action. Interviews with the Executive Director also confirmed that NLSA is not involved in this prohibited activity.

Based on the program’s policies, the case files reviewed, and interviews with the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1617.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 24: Review of the recipient’s policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

Recipients may not make available any funds , personnel, or equipment for use in advocating or opposing any plan or proposal, or representing any party, or participating in any other way in litigation, related to redistricting. *See* 45 CFR § 1632.3.

NLSA has a written policy titled “Policy on Redistricting Activities, 45 CFR 1632,” which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1632. OCE has reviewed the policy and has determined that it is consistent with Part 1632. None of the sampled files reviewed revealed participation in litigation related to redistricting. Interviews with the Executive Director also confirmed that NLSA is not involved in this prohibited activity.

¹³ It does not, however, include representation of an individual seeking to withdraw or opt out of the class or obtain the benefit of relief ordered by the court, or non-adversarial activities, including efforts to remain informed about, or to explain, clarify, educate, or advise others about the terms of an order granting relief. *See* 45 CFR § 1617.2(b)(2).

Based on the program's policies, case files reviewed, and interviews with the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1632.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 25: Review of the recipient's policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

Recipients are prohibited from defending any person in a proceeding to evict the person from a public housing project if the person has been charged with, or has been convicted of, the illegal sale, distribution, manufacture, or possession with intent to distribute a controlled substance, and the eviction is brought by a public housing agency on the basis that the illegal activity threatens the health or safety or other resident tenants, or employees of the public housing agency. *See* 45 CFR § 1633.3.

NLSA has a written policy titled "Policy on Representation in Certain Eviction Proceedings, 45 CFR 1633," which was adopted by its Board of Directors on April 20, 2005, to guide its staff in complying with 45 CFR Part 1633. OCE reviewed the policy and determined that it is consistent with Part 1633. None of the sampled files reviewed involved defense of any such eviction proceeding. Interviews with the Executive Director also confirmed that NLSA is not involved in this prohibited activity.

Based on the program's policies, case files reviewed, and interviews with the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1633.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 26: Review of the recipient's policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of prisoners).

Recipients may not participate in any civil litigation on behalf of a person incarcerated in a federal, state, or local prison, whether as plaintiff or defendant; nor may a recipient participate on behalf of such incarcerated person in any administrative proceeding challenging the condition of the incarceration. *See* 45 CFR § 1637.3.

NLSA has a written policy titled "Policy on Representation of Incarcerated Persons, 45 CFR 1637," which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1637. OCE reviewed the policy and determined that it is consistent with Part 1637. None of the sampled files reviewed involved participation in civil litigation, or administrative proceedings challenging the conditions of incarceration, on behalf of an incarcerated person. Interviews with the Executive Director also confirmed that NLSA is not involved in this prohibited activity.

Based on the program's policies, case files reviewed, and interviews with the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1637.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 27: Review of the recipient's policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

In 1996, Congress passed, and the President signed, the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (the "1996 Appropriations Act"), Pub. L. 104-134, 110 Stat. 1321 (April 26, 1996). The 1996 Appropriations Act contained a new restriction which prohibited LSC recipients and their staff from engaging a client which it solicited.¹⁴ This restriction has been contained in all subsequent appropriations acts. This restriction is a strict prohibition from being involved in a case in which the program actually solicited the client. As stated clearly and concisely in 45 CFR § 1638.1: "This part is designed to ensure that recipients and their employees do not solicit clients."

NLSA has a written policy titled "Policy on the Restrictions on Solicitation, 45 CFR 1638," which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1638. OCE reviewed the policy and determined that it is consistent with Part 1638. None of the sampled files reviewed, including documentation such as community education materials and program literature, indicated program involvement in such activity. Interviews with the Executive Director also confirmed that NLSA is not involved in this prohibited activity.

Based on the program's policies, case files reviewed, and interviews with the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1638.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 28: Review of the recipient's policies and sampled cases, as well as interviews with management, evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

No LSC funds may be used to compel any person, institution or governmental entity to provide or fund any item, benefit, program, or service for the purpose of causing the suicide, euthanasia, or mercy killing of any individual. No may LSC funds be used to bring suit to assert, or advocate, a legal right to suicide, euthanasia, or mercy killing, or advocate, or any other form of legal assistance for such purpose. *See* 45 CFR § 1643.3.

¹⁴ *See* Section 504(a)(18).

NLSA has a written policy titled “Policy on Restriction on Assisted Suicide, Euthanasia, and Mercy Killing, 45 CFR 1643,” which was adopted by its Board of Directors on December 17, 1997, to guide its staff in complying with 45 CFR Part 1643. OCE reviewed the policy and determined that it is consistent with Part 1643. None of the sampled files reviewed indicated program involvement in such activity. Interviews with the Executive Director also confirmed that NLSA is not involved in this prohibited activity.

Based on the program’s policies, case files reviewed, and interviews with the Executive Director, NLSA appears to be in compliance with the requirements of 45 CFR Part 1643.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 29: Review of sampled cases, as well as interviews with management, evidenced compliance with the requirements of certain other LSC statutory prohibitions (42 USC 2996f § 1007 (a) (8) (Abortion), 42 USC 2996f § 1007 (a) (9) (School desegregation litigation), and 42 USC 2996f § 1007 (a) (10) (Military selective service act or desertion)).

Section 1007(b) (8) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation which seeks to procure a non-therapeutic abortion or to compel any individual or institution to perform an abortion, or assist in the performance of an abortion, or provide facilities for the performance of an abortion, contrary to the religious beliefs or moral convictions of such individual or institution. Additionally, Public Law 104-134, Section 504 provides that none of the funds appropriated to LSC may be used to provide financial assistance to any person or entity that participates in any litigation with respect to abortion.

Section 1007(b) (9) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation relating to the desegregation of any elementary or secondary school or school system, except that nothing in this paragraph shall prohibit the provision of legal advice to an eligible client with respect to such client's legal rights and responsibilities.

Section 1007(b) (10) of the LSC Act prohibits the use of LSC funds to provide legal assistance with respect to any proceeding or litigation arising out of a violation of the Military Selective Service Act or of desertion from the Armed Forces of the United States, except that legal assistance may be provided to an eligible client in a civil action in which such client alleges that he was improperly classified prior to July 1, 1973, under the Military Selective Service Act or prior law.

All of the sampled files reviewed demonstrated compliance with the above LSC statutory prohibitions. Interviews with the Executive Director further evidenced and confirmed that NLSA was not engaged in any litigation which would be in violation of Section 1007(b) (8) of the LSC Act, Section 1007(b) (9) of the LSC Act, or Section 1007(b) (10) of the LSC Act.

Based on the case files reviewed and interviews with the Executive Director, NLSA appears to be in compliance with the above LSC statutory prohibitions.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 30: Review of the recipient’s policies and a sample of signed written agreements evidenced compliance with the requirements of 45 CFR § 1620.6 (Signed written agreement).

All staff who handle cases or matters, or are authorized to make decisions about case acceptance, must sign a simple agreement developed by the recipient which indicates that the signatory:

- a) Has read and is familiar with the priorities of the recipient;
- b) Has read and is familiar with the definition of an emergency situation and the procedures for dealing with an emergency that have been adopted by the recipient; and
- c) Will not undertake any case or matter for the recipient that is not a priority or an emergency.

NLSA has a written policy titled “Program Policy/Priorities, 45 CFR 1620,” which was adopted by its Board of Directors on September 8, 2011, to guide its staff in complying with 45 CFR Part 1620. OCE reviewed the policy and determined that it is consistent with Part 1620. A review of the 45 CFR § 1620.6 required written agreements signed by 10 randomly selected NLSA staff members, who handle cases or matters, or who are authorized to make decisions about case acceptance, demonstrated that NLSA obtains these agreements from necessary personnel.

Based on the policies and signed written agreements reviewed, NLSA appears to be in compliance with 45 CFR § 1620.6.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

Finding 31: A limited review of NLSA’s internal control policies and procedures revealed few weaknesses that are inconsistent with the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the Accounting Guide for LSC Recipients (2010 Ed.); however, there are areas where improvement is warranted.

In accepting LSC funds, recipients agree to administer these funds in accordance with requirements of the Legal Services Corporation Act of 1974 as amended, any applicable appropriations acts and any other applicable law, rules, regulations, policies, guidelines, instructions, and other directives of the LSC, including, but not limited to, LSC Audit Guide for Recipients and Auditors, the Accounting Guide for LSC Recipients (2010 Ed.), the CSR Handbook, the LSC Property Acquisition and Management Manual, and any amendments to the

foregoing. Applicants agree to comply with both substantive and procedural requirements, including recordkeeping and reporting requirements.

An LSC recipient, under the direction of its board of directors, is required to establish and maintain adequate accounting records and internal control procedures. Internal control is defined as a process put in place, managed and maintained by the recipient's board of directors and management which is designed to provide reasonable assurance of achieving the following objectives: (1) safeguarding of assets against unauthorized use or disposition; (2) reliability of financial information and reporting; and (3) compliance with regulations and laws that have a direct and material effect on the program. *See* Chapter 3 of the Accounting Guide for LSC Recipients (2010 Ed.).

Bank Account Reconciliations Review

NLSA currently maintains numerous bank accounts used for various purposes, including bank accounts utilized for operating cash (regular account), payroll, client escrow, business sweep, client litigation grants, and investments. The bank statement reconciliation process is performed monthly by NLSA's Accountant and the completed bank statement reconciliations are then reviewed by the Controller. A limited review of NLSA's bank statement reconciliations revealed that the bank statements are reconciled timely and that the review is appropriately documented, as required by the Accounting Guide for LSC Recipients (2010 Ed.), § 3-5.2 and LSC Program Letter 12-2, "Compliance Guidance" (April 2, 2012).

Upon review of NLSA's bank statement reconciliations from March 31, 2012, it was determined that its general operating account contained seven (7) outstanding checks totaling \$492.00 which were outstanding and over six (6) months old. Review of the Citizens Bank account reconciliations for the Pittsburgh office's client escrow account revealed two (2) outstanding items over six (6) months old totaling \$377.50. The Controller advised that NLSA does not have a written policy or procedure regarding stale checks (over six (6) months old); however, the Controller stated that he refers to the Accounting Guide for LSC Recipients for guidance. The DR advised that NLSA should develop a written policy and/or procedure which requires that stale checks be researched and resolved. The DR also directed that NLSA should also investigate all current outstanding stale checks and resolve according to the Accounting Guide for LSC Recipients (2010 Ed.), Appendix VII, Accounting Procedures and Internal Control Checklist, I-7.

Accounting Manual Review

NLSA has developed a comprehensive Accounting Manual which includes a table of contents for ease of use. The guidance contained in the manual is program-wide and it incorporates the fiscal duties and responsibilities for both NLSA's Board of Directors and its staff. The policy content of the Accounting Manual includes the following: I. Financial Philosophy; II. Definition of Responsibilities in the Financial Planning, Management and Implementation Process: (i.e., Board of Directors, Budget Committee, Audit Committee, Executive Director, Comptroller, and Additional Program Staff Performing Financially Related Functions); III. Fiscal Management Planning (i.e., Management Reports and Budget Processes); and IV. Fiscal Accountability Procedures. NLSA's Accounting Manual is updated periodically, with its most recent edition

being implemented on June 20, 2011. By updating its Accounting Manual on a rolling basis, in order to maintain consistency with changes in fiscal requirements, NLSA has demonstrated its commitment to comply with the criteria outlined in the Accounting Guide for LSC Recipients (2010 Ed.) and its desire to improve and strengthen its internal control structure.

Financial Oversight Committee

NLSA's Board of Directors maintains a separate Budget Committee and Audit Committee. Based on a limited review of NLSA's policies, and through on-site interviews with its Controller, it was determined that the two (2) committee structure enables NLSA to perform all the functions of a financial oversight committee. The Budget Committee meets monthly with NLSA's Controller and reviews the current Revised Budget Report which includes Actual Income and Expenses, Budgeted Income and Expenses, and variances from the budget listed both by dollar amounts and percentages. Also, the Budget Report contains a Balance Sheet, which includes the cash in banks. The Controller prepares a detailed Summarized Report, Consolidated Income Statement, and Balance Sheet which lists any notable items. The Chairman of the Audit Committee subsequently receives the Revised Budget Report, as do all members of the Board of Directors. Interviews with the Controller revealed that a member of the Budget Committee has financial expertise and that a member of the Audit Committee is a Certified Public Accountant.

Staff Training

NLSA's Controller advised that the fiscal staff attends numerous fiscal related trainings. Training attended during the review period included Fiscal and Management training conducted by the Pennsylvania Legal Aid Network ("PLAN"), webinar training on changes in 990 (tax) reporting, Fraud Prevention training conducted by LSC, and a webinar on Cost Allocation conducted by PLAN, as well as periodic in-house training.

Segregation of Duties and Internal Controls

NLSA management, as part of the CSR/CMS review, were required to complete the LSC Internal Control Worksheet which is a matrix of the financial duties performed by NLSA's employees and is designed to reveal any internal control deficiencies within the program's financial operations. A review of the completed Internal Control Worksheet disclosed that there were no material or significant internal control deficiencies within the financial operations of NLSA and that financial operations appeared to be conducted in an effective and efficient manner.

Company Credit Card Internal Controls

NLSA maintains two (2) American Express credit cards. One (1) is used solely for bankruptcy cases and court charges. The second card is the program's corporate credit card and has three (3) authorized users: the Executive Director, the Assistant Director, and the Controller. Through interviews with the Accountant, it was determined that the cardholders are authorized to use the

credit cards exclusively for business expenses and that the cards do not have a feature for cash advances.

Limited testing was conducted covering three (3) months of NLSA's credit card statements. Based on this review it was determined that the program routinely retains receipts associated with its charges. In instances of missing receipts, the Accountant sends a follow-up letter to the authorized user who incurred the charge and requests that they provide the receipt or a written explanation of the charges and that documentation be subsequently obtained. The Accountant marks the applicable funding codes on each credit card statement for each charge incurred. The review also revealed that NLSA paid its monthly credit card balances in full and incurred no finance charges.

Salary Advances

NLSA's Accountant advised that the program does not extend salary advances and a review of NLSA's accounting records did not indicate that there were any such advances.

Travel Advance Procedures

NLSA's Accountant advised that NLSA does extend travel advances to the client members of its Board of Directors ("client board members") so that they do not have to pay out-of-pocket for program-related travel costs. As of March 31, 2012, the program had 13 outstanding travel advances of \$52.00 each for a total of \$676.00. All client board members that receive advances also receive letters from the Accounting Department which detail the procedures for the travel advances, including the requirement of a submission of documentation and/or receipts within 30 days of the program related event. The letter also states that any remaining funds should be refunded to NLSA. NLSA should investigate the 13 outstanding travel advances given to client board members in order to determine the length of time they have been outstanding and to ensure compliance with NLSA travel advance procedures.

Records Retention Policy

NLSA has a written Document/Accounting Records Retention and Destruction Policy which was adopted in June 2005, with no subsequent revisions noted. A comparison of NLSA's record retention requirements to LSC guidelines was conducted. Based on this review, it was determined that the program's policy does not conform to the LSC guidelines for two (2) account types. Specifically, LSC recommends that bank reconciliations be retained for seven (7) years, while NLSA's policy states that bank reconciliations be retained for two (2) years. Also, the Accounting Guide for LSC Recipients (2010 Ed.) recommends that the Payroll Master Ledger be retained permanently, while NLSA's policy states that payroll records be retained for seven (7) years. *See Accounting Guide for LSC Recipients (2010 Ed.), Appendix II, Description of Accounting Records – Retention Times for Nonprofit Records.*

During the on-site review, NLSA was advised that it should revise its Document/Accounting Records Retention and Destruction Policy to ensure that the specified retention requirements meet, at least, the LSC's current minimum guidelines, as contained in the Accounting Guide for LSC

Recipients (2010 Ed.), Appendix II, Description of Accounting Records – Retention Times for Nonprofit Records. During the review, the Controller advised that, in practice, NLSA does retain these records indefinitely and indicated that the program will revise its Document/Accounting Records Retention and Destruction Policy to ensure it conforms to LSC guidelines.

Client Cash Receipts

NLSA does accept cash from clients to cover anticipated fees in connection with a client's legal representation. Funds are held in Client Trust Accounts. NLSA has a written procedure to guide staff with regard to this practice entitled "Clients' Funds Account Procedures" and it is contained in the program's Accounting Manual. The procedure states, in part, that it is preferable to ask a client to submit either a check or money order, when possible, and to accept cash only as a last resort. The procedure states that a receipt should be given to the client, with a copy retained in NLSA's receipt book.

Interviews with the Controller revealed that when a client comes in to an NLSA office to submit a payment, they first let the receptionist know. The receptionist will then contact the employee designated to receive payments for the office and that designated employee will accept the payment, including cash payments. The employee receiving the funds will, in turn, issue a receipt to the client.

To strengthen NLSA's internal controls, with the goal of reducing opportunities for fraudulent activities to occur, LSC recommends that clients be provided a notice regarding the program's cash receipts policy. The Clients' Funds Account Procedure states that a client is entitled to a receipt for cash provided and that if a receipt is not provided the client should see a supervisor. See Accounting Guide for LSC Recipients (2010 Ed.), Appendix VII, Accounting Procedures and Internal Control Checklist – Controls over Cash Receipts, H-15. A survey of the lobby area at the Pittsburgh office and interviews with the Controller revealed that there is currently no such written notification provided to clients informing them of the program's policy regarding the issuance of cash receipts.

During the review, OCE recommended that NLSA place a sign in each of its office lobbies that contains a notice informing clients of NLSA's cash receipts policy. The program is encouraged to implement this recommendation, as it provides a control to better inform its clients and also serves as a deterrence to possible fraudulent activities. During the review, the Controller advised that the program will implement this recommendation.

Fiscal Compliance Overview

A limited review of NLSA's internal control policies and procedures revealed few weaknesses that are inconsistent with the elements outlined in Chapter 3 - Internal Control/Fundamental Criteria of an Accounting and Financial Reporting System of the Accounting Guide for LSC Recipients (2010 Ed.); however, it was determined that the program should further strengthen its internal controls by: adopting the Record Retention Guidelines contained in the 2010 edition of the Accounting Guide for LSC Recipients; developing a written policy and implementing a corresponding procedure which requires that stale checks (over six months old) be researched

and resolved, as detailed in the Accounting Guide for LSC Recipients (2010 Ed.); and by taking steps to notify its clients in writing about NLSA’s cash receipts policy.

In response to the DR and this finding, NLSA indicated that it has revised the Document/Accounting Records Retention and Destruction Policy found in its Accounting Manual and, also, that it developed a policy and procedure regarding stale checks and incorporated it into its Accounting Manual. NLSA’s response indicated that the Executive Committee of its Board of Directors approved the policy changes on August 31, 2012, and that those approvals were ratified by the Board on September 13, 2012. NLSA evidenced the approved policy changes by including with its response to the DR a copy of its updated Accounting Manual, which demonstrates the policy changes and is signed by NLSA’s Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board’s ratification of the previously approved policy changes at its September 13, 2012 Board Meeting. The policies and corresponding procedures were reviewed by OCE and found to be consistent with the Accounting Manual for LSC Recipients (2010 Ed.). NLSA further stated that it will investigate all checks that are outstanding for longer than six (6) months. Additionally, NLSA indicated that it has placed signs in the waiting rooms of each of its four (4) offices informing clients that they are entitled to a receipt for all cash submitted to NLSA and that they should request to see a supervisor if a receipt is not issued. Finally, NLSA indicated that its Accounting Department maintains a specific account which tracks all advances to client board members and that the account is reconciled each month and any outstanding balances and/or required documentation is requested at that time if needed. NLSA further clarified that the outstanding travel advance balances noted by OCE at the time of the visit resulted from very recent advances given to client board members for the purpose of enabling them to attend an upcoming meeting.

Finding 32: A limited review of NLSA’s accounting records revealed no exceptions regarding its one (1) open LSC Technology Initiative Grant (“TIG”) and found no unexpended funds remaining from any of NLSA’s closed TIG grants.

NLSA has one (1) TIG grant which was active during the review period, as detailed below:

YEAR	TIG	AWARD AMOUNT	PURPOSE	GRANT STATUS
2008	08133	\$200,000	Website Grants with National Impact	Active

Since its inception in 2008, \$180,000 has been disbursed to NLSA for TIG #08133 with a remaining balance of \$20,000. The balance reflected in NLSA’s financial records agrees with LSC’s internal records. A limited review of NLSA’s accounting records and interviews with its Accountant revealed that there are no unexpended funds remaining from any of NLSA’s closed TIG grants.

In response to the DR, NLSA offered no individualized comments with respect to this finding.

IV. RECOMMENDATIONS¹⁵

Consistent with the findings of this report, it is recommended that NLSA:

1. Adopt language in its financial eligibility policy in order to guide its practice with regard to a client's change in financial eligibility status due to later discovered or disclosed information, as 45 CFR § 1611.8(b) requires that "a recipient shall discontinue representation supported with LSC funds if the discontinuation is not inconsistent with the applicable rules of professional responsibility;"

In response to the DR and this Recommendation, NLSA indicated that the Priorities and Regulations Committee recommended the adoption of language in its financial eligibility policy incorporating 45 CFR § 1611.8(b). NLSA's response indicated that the Executive Committee of its Board of Directors approved the added language on August 31, 2012, and that the approval was ratified by the Board on September 13, 2012. NLSA evidenced the approved language incorporating 45 CFR § 1611.8(b) by including with its response to the DR a copy of its updated financial eligibility policy titled "LSC-Funded Service Eligibility Guidelines," which demonstrates the language, and is signed by NLSA's Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board's ratification of the previously approved language at its September 13, 2012 Board Meeting.

2. Place a sign in each of its office lobbies that contains a notice informing its clients of NLSA's cash receipts policy that includes a statement informing clients that they are entitled to a receipt for cash submitted, and that if a receipt is not provided they should ask to see a supervisor; and

In response to the DR and this Recommendation, NLSA indicated that it has placed signs in the waiting rooms of each of its four (4) offices informing clients that they are entitled to a receipt for all cash submitted to NLSA and that they should request to see a supervisor if a receipt is not issued.

3. Review its method of indicating LSC eligible/CSR reportable cases and develop additional oversight methods to counterbalance the potential for human error so that all eligible cases are reported to LSC in the CSRs;

In response to the DR and this Recommendation, NLSA indicated that the Director of Program Performance and Compliance will continue to prepare and distribute periodic "compliance tips" to program staff and exercise continued oversight to minimize human error in reporting. NLSA also noted, in its response, that managers conduct reviews of all case files.

¹⁵ Items appearing in the "Recommendations" section are not enforced by LSC and therefore the program is not required to take any of the actions or suggestions listed in this section. 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.

4. Correct the typographical error contained in the section related to retainer agreements contained in its financial eligibility policy, as NLSA's policy cites "§ 1611.8," instead of the appropriate section 45 CFR § 1611.9, when discussing the requirement of obtaining retainer agreements in certain cases. *See* NLSA "LSC-Funded Service Eligibility Guidelines," ¶ V. Retainer Agreement (Board approved June 9, 2011); and

In response to the DR and this Recommendation, NLSA indicated that it has corrected the typographical error contained in its financial eligibility policy. NLSA's response indicated that the Executive Committee of its Board of Directors approved the correction on August 31, 2012, and that the approval was ratified by the Board on September 13, 2012. NLSA evidenced the approved correction by including with its response to the DR a copy of its updated financial eligibility policy titled "LSC-Funded Service Eligibility Guidelines," which demonstrates the correction, and is signed by NLSA's Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board's ratification of the previously approved correction at its September 13, 2012 Board Meeting.

5. Investigate the 13 outstanding travel advances given to client members of its Board of Directors in order to determine the length of time they have been outstanding and to ensure compliance with NLSA travel advance procedures.

In response to the DR and this Recommendation, NLSA stated that its Accounting Department maintains a specific account that tracks all advances to client board members and that the account is reconciled each month and any outstanding balances and/or required documentation is requested at that time if needed. NLSA further clarified that the outstanding travel advance balances noted by OCE at the time of the visit resulted from very recent advances given to client board members for the purpose of enabling them to attend an upcoming meeting.

V. REQUIRED CORRECTIVE ACTIONS

Consistent with the findings of this report, NLSA is required to take the following corrective actions:

1. Ensure that its Board of Directors has approved the governmental programs listed in its financial eligibility policy pursuant to 45 CFR § 1611.4(c);

In response to the DR and this Required Corrective Action, NLSA indicated that, due to staffing issues, its Board Priorities and Regulations Committee recommended the elimination of all over income and asset exceptions, including the 45 CFR § 1611.4(c) exception, from its financial eligibility policy. NLSA's response indicated that the Executive Committee of its Board of Directors approved the policy change on August 31, 2012, and that the approval was ratified by the Board on September 13, 2012. NLSA evidenced the approved policy change by including with its response to the DR a copy of its updated financial eligibility policy titled "LSC-Funded Service Eligibility Guidelines," which demonstrates the policy change, and is signed by NLSA's Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board's ratification of the previously approved policy change at its September 13, 2012 Board Meeting.

Based on the actions taken and documentation provided by NLSA in response to the DR and this Required Corrective Action, OCE finds that Required Corrective Action No. 1 has been implemented and that no further action is needed.

2. Ensure that scheduled work hours (2,080 hours at NLSA) are used when calculating the wage rate per hour that can be charged towards its PAI requirement and not the actual hours worked;

In response to the DR and this Required Corrective Action, NLSA indicated that it is currently calculating the PAI wage rate per hour properly, in compliance with 45 CFR § 1614.3(e)(1)(i). The change in calculation was stated to have been effectuated in July 2012, upon receipt of the DR. NLSA indicated that a meeting was held within days of its receipt of the DR, involving the Executive Director, Accountant, and Director of Program Performance, where it was decided that any necessary corrections would be made so as to ensure that the FY 11-12 Audit would accurately reflect PAI expenditures in the manner specified by OCE in the DR.

Based on the actions taken and comments provided by NLSA in response to the DR and this Required Corrective Action, OCE finds that Required Corrective Action No. 2 has been implemented and that no further action is needed.

3. Revise its Document/Accounting Records Retention and Destruction Policy to ensure that the specified retention requirements meet, at least, LSC's current minimum guidelines as contained in the Accounting Guide for LSC Recipients (2010 Ed.), Appendix II, Description of Accounting Records – Retention Times for Nonprofit Records; and

In response to the DR and this Required Corrective Action, NLSA indicated that it has revised its Document/Accounting Records Retention and Destruction Policy found in its Accounting Manual. NLSA's response indicated that the Executive Committee of its Board of Directors approved the revised policy on August 31, 2012, and that the approval was ratified by the Board on September 13, 2012. NLSA evidenced the approved policy revision by including with its response to the DR a copy of its updated Accounting Manual, which demonstrates the policy revision, and is signed by NLSA's Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board's ratification of the previously approved policy revision at its September 13, 2012 Board Meeting. The revised policy and corresponding procedure was reviewed by OCE and found to be consistent with the Accounting Manual for LSC Recipients (2010 Ed.).

Based on the actions taken and documentation provided by NLSA in response to the DR and this Required Corrective Action, OCE finds that Required Corrective Action No. 3 has been implemented and that no further action is needed.

4. Develop a written policy and corresponding procedure which require that stale checks (over six (6) months old) be researched and resolved and also investigate all currently outstanding stale checks and resolve consistent with the Accounting Guide for LSC Recipients (2010 Ed.), Appendix VII, Accounting Procedures and Internal Control Checklist, I-7.

In response to the DR and this Required Corrective Action, NLSA indicated that it developed a policy and procedure regarding stale checks titled "Cash Account Reconciliation Procedures" and incorporated it into its Accounting Manual. NLSA's response indicated that the Executive Committee of its Board of Directors approved the new policy on August 31, 2012, and that the approval was ratified by the Board on September 13, 2012. NLSA evidenced the approved policy by including with its response to the DR a copy of its updated Accounting Manual, which demonstrates the policy and is signed by NLSA's Board President, dated August 31, 2012. In addition, NLSA provided documentation, signed by its Board President, evidencing the Board's ratification of the previously approved policy at its September 13, 2012 Board Meeting. The policy and corresponding procedure was reviewed by OCE and found to be consistent with the Accounting Manual for LSC Recipients (2010 Ed.). NLSA further stated that it will investigate all checks that are outstanding for longer than six (6) months.

Based on the actions taken and documentation provided by NLSA in response to the DR and this Required Corrective Action, OCE finds that Required Corrective Action No. 4 has been implemented and that no further action is needed.



Neighborhood Legal Services Association

928 Penn Avenue
Pittsburgh, PA 15222-3799

Toll Free: 1-866-761-6572
Phone: 412-586-6100
Fax: 412-765-3223
Web site: www.nlsa.us

August 16, 2012

Lora M. Rath, Acting Director
Office of Compliance and Enforcement
Legal Services Corporation
3333 K Street, NW - 3rd Floor
Washington, DC 20007-3522

Re: Case Service Report/Case Management System Review Visit
Recipient No. 339060
Program: Neighborhood Legal Services Association (NLSA)
Date of Visit: May 7-10, 2012

Dear Director Rath:

Below is the response to the draft report from NLSA regarding the Recommendations and Required Corrective Actions. A hard copy of this response will be sent to you. Let me begin, however, by complimenting the team you assembled for their professionalism and courteous manner in which they conducted the review.

Recommendations

1. The NLSA staff will request that the Priorities and Regulations Committee adopt the change and refer the amended provision to the full Board for a vote this fall.
2. A sign has been placed in each of the four program office waiting rooms. The signs inform clients that they are entitled to a receipt for all cash submitted to NLSA and that they should request to see a supervisor if a receipt is not issued.
3. The Director of Program Performance and Compliance will continue to prepare and distribute periodic "compliance tips" to program staff and exercise continued oversight to minimize human error in reporting. NLSA managers review every case file.
4. The typographical error in the NLSA financial eligibility policy has been corrected.

Lora M. Rath, Acting Director

Page 2

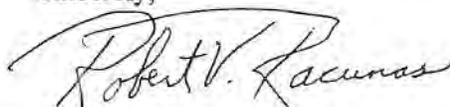
August 16, 2012

5. The Accounting Department has a specific account that tracks all client/board advances. Each month the account is reconciled and the accounting department sends out requests for any outstanding balances and/or required documentation. The outstanding balances at the time of the site visit resulted from very recent advances given to client board members to enable them to attend an upcoming meeting.

Required Corrective Actions

1. The NLSA Board Priorities and Regulations Committee will review and recommend full board approval of the governmental programs listed in our financial eligibility policy.
2. The change in calculating the wage rate per hour has been made.
3. NLSA staff has revised its Document/Accounting Records Retention and Destruction Policy and will have the Board of Directors vote on the amended version at the September, 2012 meeting.
4. A policy and procedure on stale dated checks, consistent with the LSC Accounting Guide, will be developed and placed in the program Accounting Manual by September 30, 2012. The program will investigate all checks that are outstanding for a period in excess of 6 months.

Sincerely,



Robert V. Racunas, Esquire
Executive Director



Neighborhood Legal Services Association

928 Penn Avenue
Pittsburgh, PA 15222-3799

Toll Free: 1-866-761-6572
Phone: 412-586-6104
Fax: 412-765-3223
Web site: www.nlsa.us

September 13, 2012

Legal Services Corporation
Julia M. A. Kramer
Program Counsel II
Legal Services Corporation
3333 K Street NW, 3rd Floor
Washington, D.C. 20007-3522

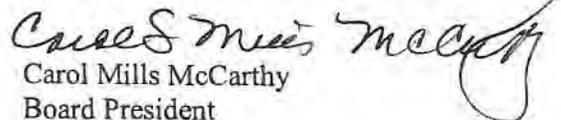
RE: Neighborhood Legal Services Association Corrective Actions

Dear Ms. Kramer:

This is to confirm that on September 13, 2012 the Neighborhood Legal Services Association (NLSA) Board of Directors met and ratified/approved program policy changes regarding records retention and NLSA eligibility guidelines. My understanding is that you were sent executed copies of these policies which were signed by former Board Chair, Efram Grail. My term began with the September 13 meeting. If you have any further questions, please feel free to contact Pamela Dalton-Arlotti, NLSA's Director of Program Performance and Compliance at 412-586-6104.

We were extremely pleased to hear that the visit went so well, and look forward to continuing to work toward equal access to justice for the low income community.

Sincerely Yours,


Carol Mills McCarthy
Board President

Cc: Robert V. Racunas, Executive Director

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

ACCOUNTING MANUAL



(UPDATED 8/31/2012)

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

ACCOUNTING MANUAL

TABLE OF CONTENTS

I. Financial Philosophy	
1. Introduction	p.4
II. Definition of Responsibilities in the Financial Planning, Management and Implementation Process	
1. Board of Directors	p.5
2. Audit Committee	p.5
3. Executive Director	p.6
4. Comptroller	p.6
5. Additional Program Staff Performing Financially Related Functions	p.6
III. Fiscal Management Planning	
1. Management Reports	p.7
2. Budget Process	p.8
IV. Fiscal Accountability Procedures	
1. Local Travel Procedure	p.9-10
i. Local Travel Expense Statement	p.11
2. Out of Town Travel Procedure	p.12-13
i. Out of Town Travel Expense Statement	p.14
3. Purchase Authorization	p.15
i. Purchase Authorization Form	p.16
4. Reimbursement Request	p.17
i. Check Request Form	p.18
5. Board Reimbursement Procedure	p.19
6. Transportation Plan	p.20
7. Flexible Spending Account	p.21
8. Time Sheet Policy	p.22
i. Time Sheet	p.23
9. Check Signing	p.24
10. Check Receipts	p.25
11. Incoming Mail	p.26-27
12. Accounts Payable	p.28
13. Accounts Receivable	p.29
14. Payroll Procedures	p.30-31

i. Payroll Addition/Change/Termination Form	p.32
15. Cash Account Reconciliation Procedures	p.33
16. Clients' Funds Accounts	p.34-38
i. Subsidiary Ledger Form	p.39
ii. Client Escrow Monthly Review Form	p.40
iii. Client Fund Account Check Request	p. 41
17. Client Escheatable Funds	p.42
18. Internal Accounting Review	p.43
19. Journal Entries	p.44
20. Gift Processing	p.45-46
21. Credit Card Statement Approval	p.47
22. Gift Acceptance Policy	p.48-54
23. Investment Policy	p.55
24. Prepaid Expense	p.56
25. Equipment/Furniture Inventory	p.57
26. Standard of Conduct for Procurement	p.58-61
27. Document Retention Policy	p.62-66
28. Master Computer Login Database	p.67

Comptroller's Job Description..... Appendix A

I. FINANCIAL PHILOSOPHY

1. INTRODUCTION

Neighborhood Legal Services Association is a non-profit corporation, chartered pursuant to statutes of the Commonwealth of Pennsylvania, recognized as a 501(c)(3) tax-exempt organization by the Internal Revenue Services. General policies of NLSA are established by its Board of Directors whom are chosen from three general categories: (a) local Bar Association appointments, (b) client representatives, and (c) two at-large appointments.

The mission of the organization is to provide quality legal services to eligible indigent individuals requiring such assistance whom reside in the program's target services area.

The program carries out service delivery with funds derived from various governmental and private sources. In order to insure that such funds are expended for the purpose intended, and in order to insure that the program maximizes utilization of such funds for the benefit of its clientele, it has established financial management, planning and accountability practices to serve as guidelines in the use of such funds. Clearly, such policies must be adjusted from time to time to meet the changing circumstances of the organization, as well as to implement recommended revisions. This process will be a continuous one. Future revisions may result from changes in personnel assignments, as well as program restructuring due to funding changes and continued automation of financial processes.

In their totality, these policies (and all program efforts associated with financial management) seek to accomplish the following basic objectives:

1. To insure that funds made available to the program are used in a manner that will maximize their value to the client population served.
2. To insure that the Board, program management and financial personnel discharge their respective functions in a manner that accomplishes the primary objective, noted above.
3. To insure that the Board, program management, and financial personnel comply with the various requirements and guidelines for fiscal accountability as set forth in funding source criteria, audit reports, and other governing regulations by:
 - i. Clarifying the responsibility and obligations of each participant in the process.
 - ii. Establishing guidelines which can be relied upon to insure conformity to financial policy requirements.
 - iii. Insuring that the program has established sufficient safeguards to preclude the possibility of error in the discharge of duties by each participant.

II. DEFINITION OF RESPONSIBILITIES IN THE FINANCIAL PLANNING, MANAGEMENT AND IMPLEMENTATION PROCESS

1. BOARD OF DIRECTORS

The Board of Directors is charged with general responsibility to insure that the program preserves and utilizes funds provided it in a manner that meets the basic objectives of the program and is consistent with its financial philosophy.

The Board of Directors will delegate to the Executive Director responsibility for carrying out necessary planning, management and use of such funds in manner consistent with its own basic policy and guidelines. However, the Board will retain authority to make all financial policy decisions it deems appropriate.

In order to insure maximum congruence of Board-program management function, the Board shall guide expenditure of funds received by the program. It shall approve a budget that seeks to meet the objectives of that plan. It shall then delegate to the Executive Director responsibility for implementing such plan and expending program funds in accordance with that budget. It shall periodically monitor program efforts to implement such plan by analyzing progress in plan implementation as well as reviewing financial reports provided to the Board as a whole or to its Budget Committee, which shall act on behalf of the Board. Such reports will detail program expenditures in comparison to such previously approved budget. Where necessary, it shall revise such plan/budget to meet unplanned contingencies.

In addition to its establishment and monitoring of program budgetary plan, the Board shall review all reports and evaluations of program financial management policies and practices and, where necessary, shall direct appropriate modifications or other action to insure that the program discharges its responsibilities.

The Board will not seek to intervene into day-to-day discharge of financial duties.

It shall rely upon the program's financial management for the implementation of its policies.

2. AUDIT COMMITTEE

The Board of Directors shall establish an audit committee to act on its behalf in insuring that the program is adequately meeting the standards and objectives governing financial policies and practices as established by the Board or otherwise required by funding sources, auditors and other governing authorities. At its discretion, the Board may choose to assume the functions of the Audit Committee, requiring submission of reports and assumption of responsibilities to itself directly.

The Comptroller shall provide members of the committee with monthly reports, which reflect the program's expenditures in comparison to its budgeted plan. The committee shall review such reports and, where necessary, resolve any questions arising from such reports and propose any modifications to the budget plan that may be necessary.

The committee shall meet periodically with the Executive Director and/or the Comptroller to discuss

program financial planning and implementation.

The committee shall be delegated primary responsibility for working with the Executive Director in the formulation of an annual program budget to be provided to the Board for consideration and approval.

The Audit committee shall meet with the auditors to review their assessment after completion of the annual audit and shall make recommendations to the Board.

3. EXECUTIVE DIRECTOR

The Executive Director is charged by the Board with responsibility for insuring that the program's financial policies and practices are carried out consistent with the general directives established by the Board. The primary responsibilities entrusted to the Executive Director include:

- i. Carrying out necessary financial planning to insure that the Board is provided with adequate data and analysis upon which it can establish a program annual budget that best meets its objectives.
- ii. Monitoring the implementation of that plan so that the Board may be apprised periodically on progress in carrying out such plan and, where necessary, of the need to modify it.
- iii. Monitoring the program's compliance with financial management guidelines in order to insure the program meets the criteria established in its own written policies and those fixed by auditors, funding sources and other governing authorities. Where necessary, the Executive Director shall propose modification of policies in order to insure compliance with such guidelines. Routine procedures will be implemented by the Executive Director on his own authority. Material changes will be proposed to the Board which shall have the Responsibility for approving them.
- iv. Establishment and maintenance of constructive, effective relations with financial management personnel of program funding sources in order to insure compliance with their respective funding criteria, as well as to maximize their useful input in program financial planning and implementation.
- v. Carrying out any other action which the Board may, from time to time, require.

4. COMPTROLLER

The Comptroller shall be delegated primary responsibility for implementing the day to day financial affairs of the program pursuant to the direction and supervision of the Executive Director. Specific tasks entrusted to him/her are set forth in the Job Description summary appended to these policies, as well as any additional financially-related responsibilities which the Executive Director, in the discharge of his/her duties, may from time to time require.

5. ADDITIONAL PROGRAM STAFF PERFORMING FINANCIAL FUNCTIONS

In order to insure maximum accountability for use of program funds and to insure adequate safeguards exist to preclude potential problems in the use of such funds, the program will, from

time to time delegate specific, limited financially related functions to program clerical and administrative staff. Typically, staff will be employed in those situations where bifurcation of specific functions (e.g., reconciliation of bank accounts, receipt of cash) is desirable in order to meet the optimal standards of protecting such funds. Specific delegation is set forth in these written policies, but may be altered where insufficient staffing precludes implementation consistent with these policies.

III. FISCAL MANAGEMENT PLANNING

1. Management Reports

It is expected that the program management process will be a continuing one, requiring routine meetings between principal personnel (Executive Director, Assistant Director, Director of Program Performance and Compliance, Comptroller, and all Accounting staff) in order to insure that all aspects of program policies and practices are being discharged adequately.

In these day-to-day contacts, the primary means of sharing information shall be through discussions and joint review of financial materials.

However, in order to insure that the larger process of management is carried out with sufficient structure and that the program's basic plans are being implemented, the program Comptroller shall prepare certain management reports on a regular basis:

i. Monthly Management Reports

The Comptroller shall prepare monthly management reports which provide the Executive Director with a summary of data reflecting the progress of the program in expending funds consistent with the budgetary plan established by the Board of Directors. The report will be derived from program financial reports required to be submitted to funding sources and shall be delivered to the Executive Director by the tenth of the month. Such reports shall provide information on both monthly and year-to-date expenses in comparison with the program's annual budget.

ii. Projections

In order to insure that the program is able to carry out necessary modifications in its financial planning to meet situations not anticipated at the point at which the annual budget was enacted, the Comptroller shall prepare, upon at least a quarterly basis, projections of anticipated financial expenditures for various future time periods. Clearly, the scope and depth of these projections as well as the need for additional analyses will depend upon contingent situations. In all cases, the Comptroller shall adequately provide the data accompanying these projections and the assumptions upon which they are based.

2. Budget Process

In order to insure that the program's annual budget reflects the maximum utilization of funds for the purpose of achieving program objectives, the following process shall govern its formulation, approval and implementation.

- i. Three months prior to the inception of the next fiscal year, the principal program personnel (see III (1) above) shall meet to review anticipated revenue and expenditures for this budgetary period. Revenue estimates shall reflect various projected amounts from worst to best-case scenarios. Expenditures shall reflect maintenance, to as great a degree as possible, of current program structure, staffing and resources, together with any initial proposed additions to such structure where additional funds are anticipated.
- ii. During June of each year, the Executive Director shall review the result of annual program priority-setting to determine whether current structure, personnel or resource allocation must be modified in order to meet such priorities. If alternations are necessary, he/she shall request the Comptroller to provide projections which incorporate such modifications, together with an analysis of the scope and degree of the impact such changes. As more accurate estimates of expected revenues are secured during this period, the projected budgets shall be continuously adjusted.
- iii. During the final quarter preceding the inception of the next fiscal year, the Comptroller shall meet with the Budget Committee and provide it with a budget prepared by the program management, reflecting differing levels of revenue and differing priorities in expenditures from which the Budget committee will recommend a budget.
- iv. Based upon such date (and any additional revisions that the program management will provide up until the annual budgetary meeting of the Board), the Budget Committee shall recommend a budget.
- v. The Board will meet in June of each year prior to the inception of the next fiscal year to consider such proposal. Following review and modifications, if necessary, the Board shall enact and approve a budget which shall govern program implementation during the next fiscal year, subject to modifications if - - following adoption - - funding conditions alter.

PROCEDURE FOR LOCAL TRAVEL VOUCHERS

Expense vouchers for local travel* should have the following information:

- A. Date of local travel.
- B. Description of activity.
- C. Insert appropriate funding code listed to reflect the source of the used funds.
- D. Number of miles traveled.
- E. Multiply number of miles by the appropriate mileage rate** and type figure in the amount column.
- F. Public transportation such as bus, trolley fare, etc. should be written in the public transportation column.
- G. List public parking expense where indicated (**original receipts required**).
- H. Telephone calls should be written where indicated.
- I. The miscellaneous column can be used for such items as costs for copying (out of office, maximum of \$20.00), toll charges and travel related expenses only.
- J. Charges that are not local travel related will be deleted or report returned for correction.
- K. Parking receipts (originals) should be attached to the travel voucher or a completed explanation as to why receipts are not attached should be given (if neither is included the amount will be deleted or report returned for correction).

- L. Each column should be totaled horizontally and vertically before submission to the Accounting Department. They will be returned if this is not done.

- M. After completing your expense voucher you should print a copy and keep it for your own records. This is not required of you by the Accounting Department, but is recommended for your protection should the voucher become lost. It is also a good practice to follow for your tax records.

- N. Reimbursement for any other expense should not be placed on this report as it will not be reimbursed.

- O. The time period your Local Travel Expense statement should cover is up to the 24th of the month. Your expense report should be turned into Accounting by the 1st working day of the following month. Reports turned in on time will be reimbursed by the 16th of the month. Reports turned in later may be held until the following month.

- P. Additional questions can be answered by calling the Comptroller of the Accounting Department.

*Local Travel is defined as travel “inside” our 4 county area of Allegheny, Beaver, Butler, and Lawrence counties.

**The mileage rate is adjusted on the form annually.

LOCAL TRAVEL EXPENSE STATEMENT

SEE EXCEL ATTACHMENT IN SHAREPOINT

PROCEDURE FOR OUT OF TOWN TRAVEL EXPENSE STATEMENT

All Out of Town travel must be approved by the Executive Director or an Authorized Designee.

The following sections should be completed when doing your Out of Town Expense Statement (out of town is anywhere outside our 4 county service area):

1. **Employee's Name:** Enter your name here.
2. **Office:** List your office location.
3. **Period Covered:** Put the date(s) you traveled.

Section A

4. Cash which I rec'd in advance from NLSA
5. Air/Bus/R.R. travel paid by NLSA
6. Misc. Hotel, etc. (explain)
7. For all of the above; if NLSA previously reimbursed you for this same out of town travel you should list the amount in the appropriate **Amount** column.
8. **Total Amount Paid:** This is automatically added for you.

Section B

9. All amounts will be calculated automatically after you have entered your expenses in Section C.
10. **Net Difference:** Automatically calculates the amount NLSA owes you To Be Paid To Me will show in red below Net Difference amount. Or it will calculate the amount you owe NLSA Which I Will Return will show in red below Net Difference amount. This would occur if your actual expenses were less than your advance.

For Section C

11. **Date:** List the beginning and ending dates for your travel (use two lines if needed).
12. **Activity & Location Detail:** Enter where you traveled to and the purpose of your trip.
13. **Funding Code:** Enter appropriate funding code listed to reflect the source of the used funds.
14. **Mileage:** Enter the miles you drove for that trip (ground travel).
15. **Amount:** The spreadsheet automatically calculates this for you.
16. **Trans.:** Enter your personal expenses for airplane, taxi, bus, etc. here.
17. **Meals:** Enter your personal meal expenses here. **DO NOT EXCEED THE PER DIEM* RATE. The current rate is \$40.00.**
 - a. If meals are provided in connection with any conference or training, the per diem is adjusted as follows: Breakfast \$10.00; Lunch \$12.00; Dinner \$18.00.
 - b. Alcohol is not a permissible expenditure.
18. **Hotel:** List room charges only. (NLSA does not pay for any movies you may have rented)
19. **Misc.:** Enter any other amounts associated with this particular trip. Any expenses not related to this trip should be listed on the appropriate check request form.

20. **Totals:** All rows and columns will automatically be added for you.
21. **Signature of Payee:** Your signature goes here. The date is automatically entered for you.
22. **Approved By:** Your supervisor or managing attorney puts their signature here showing they have approved your Travel Statement.
23. All receipts should be stapled to the Statement (upper left corner). If you don't have a receipt explain why on the Expense Statement. Failure to attach a receipt or explanation will result in that amount being deleted from the report.
24. **IF THERE ARE ANY ERRORS ON YOUR OUT OF TOWN TRAVEL EXPENSE STATEMENT IT WILL BE RETURNED TO YOU FOR CORRECTION THEREBY DELAYING REIMBURSEMENT.**
25. Keep a copy for your own records in case the original is lost. It is also good practice for your tax records.
26. Contact the Accounting Department for any questions you may have.

***Per Diem is set by the Board of Directors and is exclusive of tip and taxes**

OUT OF TOWN TRAVEL EXPENSE STATEMENT

SEE EXCEL ATTACHMENT IN SHAREPOINT

PURCHASE AUTHORIZATION PROCEDURE

1. An employee wishing to make a worked related purchase greater than one hundred dollars (\$100.00) shall first complete a Purchase Authorization Form and attach a detailed explanation of the purchase.
2. The form shall be submitted to the Executive Director or Assistant Director for approval.
3. If the approval is granted, a signature shall be affixed, employee notified and a copy of the signed Purchase Authorization Form sent to the Accountant and Comptroller.
4. Once the purchase has been made, the employee shall save original receipt(s) and complete a Check Request Form (See *Reimbursement Procedure*).

PURCHASE AUTHORIZATION FORM

SEE EXCEL ATTACHMENT IN SHAREPOINT

REQUEST FOR REIMBURSEMENT CHECK

1. Any time you have to spend personal funds for:
 - a. Client related expenses, e.g. medical records, copying expenses or filing fees, or
 - b. Business related activitiesyou must save the original receipts.

Fill out the "Check Request" form for the costs.

Procedure for completing a **Check Request** form:

1. Type the name of the person/company on the "PAY TO" line.
2. Type the address of the person/company on the "PAY TO" "ADDRESS" line.
3. Under the "DATE" heading put the date of the check request.
4. Under the "DESCRIPTION" heading type a detailed description of what the reimbursement is for.
5. Under the "FUNDING CODE" heading, employee shall choose appropriate funding code listed to reflect the source of the used funds.
6. Under the "AMOUNT" heading enter the amount for the check request.
7. Print the request form.
8. Sign your name on the "REQUESTED BY" line.
9. Have your Managing Attorney sign their signature on the "APPROVED BY" line. MA's are to have their requests signed by the Assistant Director, Executive Director or Director of Program Performance and Compliance. The Assistant Director is to have her requests signed by the Executive Director.
10. Hand deliver or mail the request to the Accounting Department located on the 6th floor of the Central Office.

**Neighborhood Legal Services Association is tax exempt. You will not be reimbursed for any tax that you pay.*

CHECK REQUEST FORM

SEE EXCEL ATTACHMENT IN SHAREPOINT

BOARD REIMBURSEMENT PROCEDURE

1. Members of the NLSA Board of Directors may be reimbursed for expenses related to their duties, including travel, hotel expense, telephone calls and other out of pocket expenses.
2. A Board member requesting reimbursement shall complete the appropriate form (Local Travel Expense Statement, Out of Town Travel Expense Statement, and/or Check Request Form), clearly state the reason and purpose of the expense, and submit original invoice, bill, etc. reflecting person to be paid to the Executive Director or Assistant Director for approval and processing.

TRANSPORTATION PLAN

1. Assistant Director notifies all employees of the option to enroll in the transportation plan before the plan year opens.
2. Employees must reenroll each year.
3. To enroll, an employee must complete a Qualified Transportation Election Form, indicating how much pay should be deducted each month and whether it is for parking or public transportation costs.
4. To be reimbursed, an employee must fill out a Qualified Transportation Reimbursement Form and attach all receipts each month.
5. Comptroller reviews paperwork to ensure form is filled out correctly and receipt(s) are attached.
6. All employees are required to submit the reimbursement form no later than the 15th day of the month for the expenses incurred in the preceeding month.
7. Comptroller codes document and delivers to Data Entry Operator.
8. Data Entry Operator issues checks at the end of the month for expenses incurred during the previous month.
9. Any funds remaining in the plan after the close of the plan year are reimbursed the following month (less appropriate taxes).

FLEXIBLE SPENDING ACCOUNT (FSA)

1. The Assistant Director shall notify employees of the option to enroll before the plan year opens.
2. To enroll, an employee must complete an Enrollment Form for the Flexible Spending Account (FSA), indicating how much should be deducted from each month's pay, and the source of the expense e.g. medical and/or child care.
3. To get reimbursed, employee must send documentation for related expenses incurred directly to the FSA agency "Take Care By Wage Works", for their approval.
4. "Take Care By Wage Works" shall determine if expense(s) are eligible for reimbursement.
5. "Take Care By Wage Works" will issue payment either by check or direct deposit..
6. Employees are reimbursed for expenses incurred in the plan year (fiscal year). However, employees may also be reimbursed for expenses incurred form the end of the plan year through September 15.
7. Employees have 60 days after September 15 of each year to submit the reimbursement request for incurred expenses. Any funds remaining in the plan after the plan year closes are forfeited.

TIME SHEET POLICY

1. Time Sheets

Each time sheet gives a breakdown of how the employee's time was spent; example, client services, sick days, vacation days, etc. (See completed example attached).

A. Time sheets are to be completed on a weekly basis by all employees, signed and approved by his/her managing attorney or supervisor. Time sheets are to accurately reflect time worked.

1. All time entered on the signed time sheet must match the time entered into the PRIME case management system for those required to enter time into PRIME e.g. attorneys and paralegals.
2. A print out from PRIME reflecting that the time is accurate must be attached to the signed time sheet.
3. Employees shall print their time sheet to be signed and turned in, and save a copy for their personal records.
4. Hours on the signed time sheet must be totaled vertically and horizontally
5. Sick days, vacation days, and personal leave granted are to be listed.
6. Vacation and holidays should be indicated in the spaces provided by entering the number of hours.
7. Special leave must have a written explanation and must be initialed by the authorizing supervisor in addition to being signed.
8. Failure to adhere to this policy will subject the employee to progressive discipline consistent with the NLSA - ICLAW Collective Bargaining Agreement.

B. Time sheets shall be turned into the Accounting Office on the Monday following the previous weeks time entries along with a printout of the time entered in PRIME (for staff required to enter time into PRIME).*

1. After checking that the PRIME printout matches the signed time sheet, the print out can be destroyed by the manager signing the time sheet
2. The Assistant Director/Managing Attorney returns the pink copy to employee.

C. Once received by the Accounting Office, the following is done:

1. Hours are totaled and checked for accuracy.
2. Checked for proper signatures.
3. Recorded in time sheet record book. [**this will be computerized**]
4. Filed in employee file.
5. A listing is made for employees with delinquent time sheets
6. Employees are notified of delinquent time sheets.

*This section is not applicable to Beaver, Butler, or Lawrence who use electronic sheets

TIME AND ATTENDANCE REPORT

SEE EXCEL ATTACHMENT IN SHAREPOINT

CHECK SIGNING PROCEDURE

1. One signature is required for checks drawn on NLSA bank accounts if the amount is under \$5,000.00.
2. All checks over \$5,000.00, drawn on NLSA bank accounts, must have two signatures.
3. NLSA staff authorized to sign checks are the Executive Director and the Assistant Director.
4. Officers of the NLSA Board authorized to sign checks are the President, Treasurer, President-Elect, Vice President, and Secretary.
5. When the Executive Director and/or the Assistant Director will be away from the office for an entire day(s), the Comptroller, or, in his/her absence the Accountant, will query an authorized Board member(s) as to availability to sign checks on that day(s) to ensure appropriate number of signatures are available, depending on amount of the check.
6. In the event a Board member(s) is required to sign a check(s), a memo will accompany the check(s) indicating the purpose of the check and supporting documentation will be attached to the check voucher.
7. Each month the accounting department will prepare a listing of all checks prepared including date and payee in numerical order and provide a copy regularly to the Executive Director, Assistant Director and the chair of the NLSA Board Budget Committee.

PROCEDURES FOR CHECK RECEIPTS (CHECKS & CASH)

1. Cash and checks are received by the Executive Secretary.
2. The checks are stamped “For Deposit Only” with the bank account number and photocopied.
3. The checks and cash are logged by the Executive Secretary who gives them to the Comptroller who will code the checks/cash and then deliver them to the Accounting Clerk to prepare a deposit slip.
4. The Accounting Clerk shall make the deposit and return the slip to the Accountant who will verify the account number.
5. The Comptroller shall assign an account number for each check and then give the check to the Accounting Clerk. (The Accountant shall be responsible for this in the absence of the Comptroller.)
 - a. The Account Clerk shall write the account number for each item on the copy of the deposit slip.
 - b. The Data Entry Operator shall be given the deposit slip along with copies of the checks, and the check stubs for entry into the computer.
 - c. Data Entry Operator shall initial and date the documents and then give them to the Comptroller.
 - d. Comptroller shall review, initial, date, and then file the documents.
6. At the end of the month, the Executive Secretary will reconcile the cash receipts log against the cash receipts journal. Any discrepancies will be corrected.
7. If any staff member receives a check, they are to immediately deliver the check and the envelope to the Executive Secretary.

PROCESSING INCOMING MAIL

- I. All incoming mail is received by the receptionist.
 - A. In the Central office all envelopes shall be date stamped, mail sorted and delivered to appropriate floor and addressee (attorney/paralegals/support staff) to be opened.
 1. In the Butler and New Castle offices, Receptionist shall open mail (unless paycheck or marked confidential), date stamped received and place in appropriate mail tray.
 2. In the Bridgewater office, mail is date stamped and delivered to the addressee.
 - B. In the Central Office, the Executive Secretary shall open all mail* for Executive staff and administrative staff on the 6th floor. Items are to be placed back in envelopes after mailing and are not to be clipped to the envelope.
- II. Accounting staff mail receipt and procedures on handling:
 - A. All detail in envelopes is removed, stamped and secured firmly (stapled if possible) with the following exceptions:
 1. Bank statements should not be opened; however, stamping date of the receipt is required.
 2. Personal and confidential mail should not be opened; also, stamping date of receipt, etc. is required.
 3. Only the Accountant opens mail from American Express.
 4. Only the Executive Director or Assistant Director open bank statements and any materials related to taxes. They shall initial approval and deliver the documents to the Comptroller who shall then deliver the documents to the Accountant or Accounting Clerk for reconciliation.
 - B. Accounting Clerk shall:
 1. Foot indicating he/she has checked billing amount to be accurate.
 2. Stamped blanks are completed: date received, footed and extended by, discount, amount paid.
 3. Make sure proper approval has been affixed (authorized Director, Manager, etc.)
 4. Vendor number is placed in top right corner.
 5. Codes invoice if not over 30 days old. When coding individual must reflect account number program, office and county in lower right hand corner if possible.
 6. Statements are given to the Accounting Clerk for checking for prior payments, as statements cannot be processed for payment.
 - C. Invoices are given to the Accountant for final review who then gives it to the Comptroller. The Comptroller then delivers them to the Data Entry Operator for processing.

B-2 Sample of Footing Stamp:

NLSA

Date Received

Footed and Extended

Discount

Approved for Payment

Amount Paid

Date Paid

Check No.

Check Review

*Bank Statements and Credit Card Statements are not to be opened ...see Credit Card Statement
Approval Policy Page 38

ACCOUNTS PAYABLE PROCEDURE

1. When an outer office (Bridgewater, Butler, New Castle) receives an invoice it should be stamped with the date it was received.
2. The Managing Attorney or Office Manager shall review the invoice to verify correctness.
3. If there was a packing slip received prior to the invoice attach it to the invoice and verify that the quantities are correct. If not correct, note any discrepancies.
4. Once the invoice has been checked, the Managing Attorney or Office Manager shall initial the invoice.
5. Once initialed the invoices should be mailed to the Central Office Accounting Department.
 - a. Accounting Clerk shall:
 - i. Foot indicating he/she has checked billing amount to be accurate.
 - ii. Stamped blanks are completed: date received, footed and extended by, discount, amount paid.
 - iii. Make sure proper approval has been affixed (authorized Director, Manager, etc.)
 - iv. Vendor number is placed in top right corner.
 - v. Codes invoice if not over 30 days old. When coding individual must reflect account number program, office and county in lower right hand corner if possible.
 - vi. Statements are given to a person responsible for checking for prior payments, as statements cannot be processed for payment.
 - b. Invoices are given to the Accountant for final review who then gives it to the Comptroller. The Comptroller then delivers them to the Data Entry Operator for processing.
6. Checks are typed by the data entry clerk. She/he shall record the check number and date in the lower left-hand corner where the stamp for auditing is affixed. She/he shall then give the checks to the Comptroller who audits for accuracy.
 - a. **Under no circumstances should a check be made payable to "Cash".**
7. The Comptroller then gives the checks to the Assistant Director or the Executive Director for signature. In the event the check exceeds \$5,000.00, both the Assistant Director and the Executive Director must sign.
8. Checks are returned to the Accounting Clerk who may need to copy them for his/her files:
 - a. Then given to the Accounting Clerk for mailing and disbursement.
 - b. The yellow copy of the check voucher is attached to invoice and filed numerically by check number.
 - c. The pink copy goes into the files set up alphabetically by vendor's name.

ACCOUNTS RECEIVABLE

1. Accounts receivable are booked at the end of the fiscal year by the Comptroller and Accountant.
2. Beginning in fiscal year 2010-2011, Accounts Receivable will be booked when notification of the grant or award is received.

PAYROLL PROCEDURES AND SALARY ADJUSTMENTS

I. Placing A New Employee on Payroll

The following must be completed to put an individual on the payroll.

- A. The Executive Director or a designee must give Comptroller a letter reflecting the employees start/hire date, position, office/floor assignment, annual salary and, if appropriate, whether the employee is to be assigned to a specific funding source. (Items in B below should accompany the letter)
- B. The following forms should accompany the letter:
 - i. W-4 form
 - ii. I-9 Form with copy(s) of required documentation
 - iii. Direct Deposit Form with copy of check or bank verification
 - iv. Union dues authorization (if applicable)
- C. The Comptroller completes a **Payroll Addition/Change/Termination Form** for the data entry operator (form at page 26(b)).
- D. After the data entry operator processes payroll, the Payroll Addition/Change/Termination Form is initialed, dated and returned to the Comptroller.
- E. After the payroll is processed, the employment forms (contained in Section B above) are given to the Comptroller for filing.
- F. All payroll, vacation, sick leave, personal leave changes must be approved by the Executive Director or Assistant Director before being processed by the computer operator.

II. Payroll Processing

- A. Payroll is processed 2-3 days prior to the disbursement which occurs twice a month.
- B. Employees complete Direct Deposit as part of initial paperwork.
- C. Data Entry operator enters employee name, payroll number, bank information, account type percentage of pay to be disbursed, and will run a "Pre-note" through Citizens Bank to check for accuracy.
- D. Direct Deposit is managed through Citizen Bank's "Money Manager GPS."
- E. Data Entry operator enters all changes at the beginning of each payroll run.
- F. Comptroller proof reads the Payroll Journal Report and checks the totals for accuracy.
- G. Any changes needed are made and another Payroll Journal Report is completed and review by the Comptroller. This is done until there are no corrections of errors.
- H. The final Payroll Journal Report is emailed to the Comptroller.
- I. Comptroller gives authorization to process payroll checks, and check stubs are generated.
- J. Running payroll automatically generates a journal entry that will be reflected in the general ledger.

III. Salary adjustments, Termination, Leave, Vacation Advance, Etc.

- A. Terminations are processed from a letter received from the Executive Director or an authorized designee.
- B. A letter is given to Comptroller for processing. If a termination, a memo from the computer operator updating vacation/sick/personal leave will accompany the letter and indicate how the terminated employee will be paid any outstanding amounts, including deductions if they went over their leave allotment.
- C. The Comptroller reviews, makes calculations/adjustments, when required. The letter is given to the computer operator for processing
- D. Data Entry operator processes the Payroll Addition/Termination/Change Form, initials and dates form and returns it to the comptroller for filing
- E. Data Entry Operator should maintain information concerning dates of items processed in his/her files for future references.
- F. All payroll adjustments must be approved and authorized by the Executive Director or Assistant Director.

IV. Law Students

- A. All summer law students are required to let the Assistant Director know by August 10th when their last working day will be.
- B. Law students working in the Fall will be paid twice per month.

NEW HIRE FORM

SEE EXCEL ATTACHMENT IN SHAREPOINT

CASH ACCOUNT RECONCILIATION PROCEDURES
(Includes checking, payroll & investment accounts)

1. Bank statements for all cash accounts are received unopened and reviewed by the Executive Director or Assistant Director, initialed, and given to the Accountant each month.
2. The Accountant shall use NLSA's accounting software, Peachtree, to do the reconciliation.
3. Any corrections requiring journal entries will be done by the Accountant.
4. Accountant returns to Comptroller who is responsible to see that the entries are correct and completed, and shall initial and date to document approval.
5. These accounts should be reconciled correctly by the 15th of the month.
6. The Accountant shall investigate all checks that are outstanding for a period in excess of 6 months. The appropriate action shall be taken by the Accountant or Comptroller to clear any outstanding balance.

CLIENTS' FUNDS ACCOUNT PROCEDURES

1. Account Procedures

Whenever a client must pay costs (rental obligations, court fees, etc.), it should be handled in the following manner. The money should be given to the person responsible for the receipt book and general ledger. The information contained in the pre-numbered receipt book can be found in **Example #1**. A copy of the receipt should be given to the client, with a copy retained in the receipt book. The money should be deposited daily. It is desirable to ask the client to give you either a check or money order, at all times when possible, and cash only as a last resort.

An entry should be made on a 5x8 index card, kept alphabetically in a card file. An example of the information on the client's card can be found in Example #2.

A deposit from a client is a credit and should be entered in the credit column of the client's card. The balance should also be in red to indicate that this is client's funds (money). It can also be indicated by putting parenthesis around the figure.

When the funds are used, it is indicated as a debit and subtracted from the credit, i.e. (\$75.00 minus \$15.00 leaves a credit balance (\$60.00)). See Example #3.

Whenever the client's funds are needed to expedite his or her case, a check request must be filled out by the attorney, paralegal or law student. (See Check Request Procedure) Whenever receipts are available, attach them to the request. If the check is for a reimbursement to one of our employees, a receipt must always accompany the request. Before issuing the check, go to the client's card to see if he/she has money in the account. If there is enough to cover the check, use the check request form. If the client has no funds in his/her account, you must secure or request a check from the Litigation Account and see the Assistant Director.

The person responsible for handling the checks and the disbursements ledger must keep very careful control of the checks. Each check must be accounted for. If a check must be voided, it should be returned to the person responsible for the checks. That person must write VOID across the check and cut off the signature. When posting disbursements, list only the check number and write VOID in the payee column. Do not post any amounts of money.

After everything is posted in the disbursements ledger for the month, a tape/print-out should be run on the credit balances in the client's index card box. List the date on the tape for the month ending and retain each monthly tape for the Comptroller or a designee. The totals of each column at the end of the month must be called into the Central Office accounting department by the first working day of the

following month. A copy of the disbursement ledger and client balances along with a print-out of the monthly review form (electronic) should be mailed to the Central Office accounting department by the first working day of the following month. A copy of the disbursement ledger and clients balances along with a tape of clients balance should be mailed to the Central Office accounting department by the third working day of the following month. Any question should also be directed to the Central Office accounting department responsible person.

It is imperative that each receipt and each check be accounted for at the end of the month. If they are not, a written explanation for the discrepancy should be submitted to the Comptroller.

On any checks received from clients you should wait 5 working days (if the check is drawn on a local bank) or 10 working days (if the check is drawn on an out of state bank) before any disbursements are made.

2. Account Reconciliation

- a. Bank statements for each office (Central, Bridgewater, Butler, New Castle) is received unopened by the Comptroller at NLSA's Central office. Comptroller also receives from each office by mail a listing of client balances and a copy of that month's cash receipts/disbursements journal.
 - i. Comptroller reviews these documents then gives to Accountant to reconcile. The checks that came with the statement are placed in numerical order. They are then checked against the disbursement journal. A printout of the outstanding checks is prepared. All outstanding checks over 6 months old are investigated. The appropriate action shall be taken by the Accountant or Comptroller to clear the balance.
 - ii. The cash is then reconciled. Balance per the bank statement is reconciled against balance per general ledger. Any journal entries needed are noted on the reconciliation. The comptroller is responsible to see that the entries are correct and completed.
 - iii. The Client Cards are then reconciled. The listing of client balances is reconciled against the appropriate ledger account. Any corrections needed are noted. The Comptroller is responsible to see that the corrections are correct and completed.
 - iv. The Comptroller and Accountant then review the reconciliation. If correct, they initial the reconciliation. Each office receives the original bank statement, original cancelled checks and a copy of the reconciliation. A copy of bank statement, copy of client balances, copy of cash receipts/disbursement and the original reconciliation is kept by the accounting department.
 - v. The account should be reconciled correctly by the 1st of the month.
 - vi. Accountant shall return to comptroller for review and for comptroller to make journal entries if necessary.
- b. Comptroller goes to each office to review various transactions, cash receipts, cash disbursements, etc. monthly.

3. Bankruptcy Procedure

- a. The attorney shall complete a check request form for the use of NLSA's bankruptcy credit card.
- b. After the credit card has been used, the attorney will get a receipt from the Bankruptcy Court. This receipt **MUST** be given to the Client Fund Administrator (CFA) who normally disburses the client fund checks. This is needed so that NLSA can be reimbursed for the charge when the client is responsible for the charge. The receipt is attached to a printout from the Bankruptcy Court website (ecf.pawb.uscourts.gov). The printout lists:
 - i. Transaction amount
 - ii. Transaction date
 - iii. Client and attorney names [posted by the CFA]

The CFA shall give a copy of the printout to the Accountant. From the printout and American Express statement, the Accountant prepares a journal entry debiting a Bankruptcy Payable account and crediting the Regular Checking Cash Account. In certain situations, due to the attorney's or another person's error, NLSA is sometimes responsible for bankruptcy charges occurring, instead of the client. In these instances, the CFA is to mark on the printout that NLSA is responsible for payment and explain why.

- c. When the client is responsible for payment (from monies in their Client Fund Account), the CFA, upon receiving the Bankruptcy Court Receipt, will issue a check reimbursing NLSA for the client card charge. The following information should be listed on the check stub:
 - i. Client name
 - ii. Amount
 - iii. Attorney name

The CFA shall give a copy of the check stub to the Accountant. Issuing a check to NLSA clears the Bankruptcy Payable Account.

- d. When NLSA is responsible for the credit card charge, the Accountant will write off the amount, charging it against the Litigation Account and clearing the Bankruptcy Payable Account (currently 122-015).

e. Each month, the Accountant will make sure, via reimbursement from the CFA and write-offs, that the Bankruptcy Payable Account is reconciled and that all of the necessary transactions have taken place to keep the account current.

f. List of those who can issue (prepare) Client Fund Account checks:

i. Central Office: Mary Beth Ladley
Thelma Reese
Phyllis Stevens

ii. Bridgewater: Qiana Avera
Debi Sheets

iii. Butler: Kathleen Hilliard
Debbie Gall

iv. New Castle: Krys Aluisia

g. List of those who are authorized to sign Client Fund Account checks:

i. Central Office: Robert Racunas Phyllis Stevens
Cathy Martin
Barbara Kern Pamela Dalton-Arlotti
Phyllis Stevens Ed VanStevenson

ii. Bridgewater: Michelle DeBord Joe Olimpi
Robert Racunas Phyllis Stevens
Leo Clements

iii. Butler: Michelle DeBord Robert Racunas
Debbie Gall Phyllis Stevens
Leo Clements

iv. New Castle:

Michelle DeBord
Phyllis Stevens
Claudia Bistyga

Robert Racunas
Leo Clements

SPECIAL ACCOUNT SUBSIDIARY LEDGER

SEE EXCEL ATTACHMENT IN SHAREPOINT

CLIENT ESCROW ACCOUNTS

MONTHLY REVIEW FORM

SEE EXCEL ATTACHMENT IN SHAREPOINT

CLIENT FUND ACCOUNT CHECK REQUEST

SEE EXCEL ATTACHMENT IN SHAREPOINT

CLIENT ESCHEATABLE FUNDS

If a client has funds in his/her account that has been inactive and closed, an attempt shall be made to reimburse the client. The following steps should be taken:

1. The attorney should advise the individual maintaining the account to return the funds to the client. Currently, these individuals are Mary Beth Ladley, Nellie Eaves, and Doreen Mitchell.

2. The individual maintaining the Client Fund Account shall send a letter by first class mail to the client's last known address. The letter should state he/she has money that is due to them and ask them to reply to NLSA requesting that they want their money. It should be noted either in the letter or verbally (if they do talk to the client) that identification will be needed to confirm the identity of that person in order for them to claim their monies.

3. If the client responds to such notification then NLSA can reimburse them.

4. If no response is received and the first class letter was not returned, the individual maintaining the Client Fund Account shall proceed as follows:
 - A. Make sure all correspondence and documentation of contact efforts to return the funds to the client are maintained in the client's file
 - B. Prepare a list reflecting:
 - Date the funds were received
 - Last day of activity
 - Amount to be submitted
 - List all funds/money if more than one client in a letter to the Comptroller reflecting all of the above information for each
 - Add any amounts to provide a total
 - Prepare a check made payable to NLSA for the total and submit it to the Comptroller for deposit into NLSA's Escheat account

5. In no event shall the individual maintaining the account "hold" the funds in the client's fund account if there has been no response from the client. Funds must be delivered to the Comptroller as soon after all efforts have been exhausted to refund the funds to the client.

6. If there is no response from the client and the mail is returned to the person responsible for maintaining the Client Fund Account, the envelope shall be immediately given to the Comptroller to attach to his/her files for the Escheat Account. This will verify that an attempt was made to contact the client.

7. The Comptroller, on the 5th year after the date of the last activity on the account, will send in the appropriate amount along with the required forms to the appropriate Government Escheat Account Fund by April 15 of each year.

INTERNAL ACCOUNTING REVIEW

1. At least monthly, the Accountant and Data Entry Operator shall conduct an Internal Accounting Review in Peachtree to ensure all financial accounting data is accurate.
2. Any inaccuracies shall be noted and corrected.

PROCEDURES FOR JOURNAL ENTRIES

1. Journal Entries are accounting entries made to record payroll, taxes paid electronically, account transfers and deposits, cash fund cash receipts, cash fund disbursements, and other adjustments.
2. All journal entries must have documentation supporting the entry.
3. All journal entries must be approved by the Comptroller. This approval will be shown by the Controller's initial and date of approval.
4. The Controller or Accountant shall review the accounts affected by the journal entries to make sure everything was done correctly.

GIFT PROCESSING

Gift Processing Policy

NLSA is a 501 (c) (3) organization and accepts donations according to Board approved gift acceptance policy.

- All monetary gifts to NLSA are collected by the Executive Secretary, who will ensure the gift is recorded, acknowledged and entered into tracking database (SAGE), and forwarded to the accounting department.
- Donations can be made online through NLSA's website as well as mailed in via credit card and check. Gifts are also accepted via NLSA's participation in various giving programs (i.e. UnitedWay, Network for Good, Igive, Justgive, Causes, Pittsburgh Gives, and Guidestar Custom)
- Executive Secretary shall prepare and issue a timely acknowledgement letter to all gifts received.
- All gifts to NLSA will be recognized, as appropriate, in NLSA publications unless otherwise stipulated by the donor.
- All end of year gifts must be processed by December 31st, and receipts mailed in a timely manner.
- All phone queries regarding donations should be routed to the Development Coordinator.

Gift Processing Procedure

Checks and Cash

1. Executive Secretary receives and opens all donations to NLSA.
2. Donation information (including check, envelope and any notation) is photocopied.
 - a. Actual checks are stamped "For Deposit Only" with the account number and then given to the Accounting Clerk.
 - b. Credit card information is delivered directly to Executive Secretary who shall process the donation using PayPal Virtual Terminal.
 - i. Executive Secretary shall notify Comptroller and Accountant via email that credit card donation has been processed and funds are in PayPal Virtual Terminal.
 1. Credit card information is shredded immediately upon completion of processing by Executive Secretary.
 - ii. The Executive Secretary shall make the fund transfer. In her absence, it will be the Accountant
 1. Executive Secretary shall print-out transfer record and deliver it to the Comptroller.

3. Executive Secretary enters donation information (donator's name, address, amount of donation, etc.) into SAGE, prints a Gift Processing Log and files with a copy of all donation information in the Computer Room filed under Equal Justice Campaign.
 - a. A copy is delivered to the Executive Director, Development Coordinator and Accountant.

Grants/Contracts

1. A fully executed grant/contract (evidenced by signatures of all parties involved) shall be photocopied by the Executive Secretary and placed in PDF format.
2. The PDF file shall be emailed to the Director of Program Performance and Compliance, the Development Coordinator, the Comptroller, and the Accountant.
3. The Director of Program Performance and Compliance shall place the grant/contract in a "Grant/Contract" computer folder designated for Grants/Contracts and filed by fiscal year.
4. The original hard copy of the document is given to the Director of Program and Compliance.
5. The Development Coordinator shall maintain a "Grants Prospectus" sheet, located in the server's grant folder by submission year, to track grants and communicate their purpose with accounting staff.
6. The Executive Secretary shall log grant specifics into the tracking database (SAGE) capturing grant amount, date and purpose, utilizing the "Foundation" Campaign.

Stock

1. Donor is notified that NLSA maintains a fund through The Pittsburgh Foundation and shall be given routing number and information.
2. NLSA will book the gift based on the amount of the sale.
3. Converted gift stock shall then be processed according to NLSA Gift Processing Policy.

In-Kind

1. In-kind gifts shall be entered into tracking database (SAGE) capturing the item and date utilizing "In-kind/other gifts" Campaign.
2. The value of the donation is the responsibility of the donor.

Credit Card Statement Approval

When all NLSA American Express card statements are received each month, the following steps are to be followed.

1. The Executive Secretary will give the statement directly to the Accountant leaving the envelope unopened.
2. The Accountant will review the statement, create a list of charges for each person listed on the card, and deliver the list of charges to each person for review.
3. Each person getting the list of charges shall prepare and sign a detailed statement describing what each listed charge was for and attach any receipts or supporting documentation.
4. Each person shall provide the detailed listing statement and supporting documentation to the Executive Director for approval of the expenditures, and once approved the Executive Director will return the approval documents to the Accountant.
5. Expenses incurred by the Executive Director will follow the same procedure listed above except that a copy of the list of charges along with the detailed statement and supporting receipts/documentation will be given to the Board President for review and approval.
6. Once the Accounting Department receives the approved statement it will then be paid by the Controller via phone using the Regular NLSA checking account. The Controller will mark on the original statement that the payment was made listing the date, amount paid and the confirmation number given to him/her by American Express.
7. The statement will then be given to the Accountant who will prepare a journal entry to record the payment and record the expenses to the appropriate accounts. This will be given to the Controller to record.
8. The American Express statement along with all supporting documentation will then be stored in the Accountant's office.

GIFT ACCEPTANCE POLICY NEIGHBORHOOD LEGAL SERVICES ASSOCIATION

NEIGHBORHOOD LEGAL SERVICES ASSOCIATION (NLSA) welcomes gifts of cash, securities, insurance, vehicles, property and gifts by bequest and direct donation. These policies are designed to encourage gifts to NLSA without encumbering it with gifts that do not fulfill the mission of NLSA or are not cost efficient to manage. These policies are intended as guidelines. Some gifts may be complex in nature and require careful consideration of a number of factors before a decision can be made regarding the acceptance of a gift. Therefore, in some instances, the Board of Directors may need to make the determination whether to accept a gift when staff feels that it does not fall within the guidelines of the adopted Gift Acceptance Policy.

It is our intention to publish NLSA's list of donors. However, donors shall always have the option not to have their names publicized. Under no circumstances shall NLSA furnish a list of its donors to anyone for the purposes of marketing and donor records are to be kept confidential. This policy seeks to avoid potential conflicts of interest and donor relations problems. NLSA shall adhere to the Association of Fundraising Professionals' Donor Bill of Rights in all aspects of solicitation, confidentiality, and donor intent.

GIFT DESIGNATION

To ensure that gifts go to NLSA as the donor intends, any legal vehicles related to these gifts (stock transfer papers, insurance beneficiary designations, will, or the like) should identify the organization as NEIGHBORHOOD LEGAL SERVICES ASSOCIATION.

OUTRIGHT GIFTS

Cash

1. Gifts of cash, checks, money orders or credit cards shall be accepted regardless of amount unless, as in the case of all gifts, there is a question whether the donor has sufficient title or is mentally competent to legally make a gift to NLSA.

2. All checks must be made payable to either NLSA or the Equal Justice Campaign (EJC) and shall in no event be made payable to an employee, agent or volunteer for the credit of NLSA.

Publicly Traded Securities

Securities that are listed on the New York and American Stock Exchanges and on NASDAQ shall be accepted by NLSA. Negotiable securities for which there is a readily available secondary market will be accepted under the same policy as cash gifts. By policy, securities will be converted to cash at the earliest possible date through the Pittsburgh Foundation or a broker

approved by the Executive Committee or its designated representative committee, unless extenuating circumstances cause the NLSA board to hold onto the securities for a determined time. In no event shall an employee or volunteer working on behalf of NLSA commit to a donor that a particular security will be held by NLSA unless specific action is taken by the board or Executive Committee acting on their behalf. NLSA retains the right to select the broker for all stock related transactions.

Non-publicly Traded Securities

1. It is NLSA's policy not to accept non-publicly traded securities, unless at the discretion of the Board.
2. The Board's discretion shall include the right to dispose of any non-publicly traded stocks. NLSA retains the right to select the broker for all stock related transactions, as noted above.

Real Estate

1. No gift of real estate shall be accepted without prior approval of the Board or the Executive Committee acting on their behalf.
2. No gift of real estate shall be accepted without first being appraised by a party mutually chosen by NLSA and the donor, who shall have no business or other relationship to the donor.
3. The donor is responsible for all costs entailed in appraisals, environmental impact study and title search. NLSA will be responsible for all costs entailed in the selling of real estate. The donation amount attributed to the donor for recognition and tax purposes will be the selling cost, minus costs associated with maintaining the property until a final sale (ie: local taxes, maintenance costs, advertising, realtor costs)
4. No real estate gift shall be accepted without first taking the environmental liability risks and an appraisal into account.

Tangible Personal Property

1. Jewelry, artwork, collections and other personal property shall not be accepted unless the employee, agent or volunteer working on behalf of NLSA believes the property has a value in excess of \$500, and is easily liquidated to cash. All such property will be accepted only by the approval of the Board. An exception to this policy are items intended for use in the day to day operations of NLSA and are regularly budgeted and purchased items or items utilized in fundraising such as: auction items, prizes or supplies needed for the event.

2. The gift of vehicles or boats shall be accepted by NLSA only after an agent designated by NLSA takes possession of the property in NLSA's best interest and is the agent designated to dispose of the property and renumerate NLSA. Donors wishing to donate vehicles or boats will be recognized and acknowledged for the amount realized by NLSA after the agent's commission and selling costs are realized. NLSA will not accept permanent title to vehicles or boats unless the board and executive staff deem the vehicles an integral part of providing services to NLSA clients.

3. Personal property shall not be accepted if NLSA is obligated to own it in perpetuity. Perishable property or property that will require special facilities or safeguards will not be accepted without prior approval of the Board.

In-Kind Gifts

In-kind donations of goods and services may be accepted providing they reflect the needs and mission of the organization. The donor shall provide a written statement of the fair market value at the time of donation of the articles or services. NLSA will not appraise or assign a value to any in-kind gift.

Other Property

Other property such as mortgages, notes, copyrights, royalties and easements shall only be accepted by action of persons duly acting on behalf of the Board.

II. PLANNED (DEFERRED) GIFTS

Bequests

1. Gifts of cash or other liquid assets through wills shall be actively encouraged by NLSA.
2. In the event of inquiry by a prospective donor, representations as to the future acceptability of property proposed to be left to NLSA in a will or other deferred gift shall only be made in accordance with the terms of the accepted NLSA Gift Policy.
3. Gifts from the estates of deceased donors consisting of property that is not acceptable shall be rejected only by action of the Board. NLSA shall expeditiously communicate the decision of the Board to the legal representatives of the estate. If there is any indication that the representatives of the estate or any family member of the deceased is dissatisfied with the decision of the Board, this fact shall be communicated to the Board as quickly as possible.

4. Attempts shall be made to discover bequest expectancies. Prospective bequests often can be converted to inter vivos life income plans that provide greater tax and financial benefits for donors and larger (and “guaranteed”) gifts to NLSA.

5. Where possible, intended bequests of property other than cash or marketable securities should be brought to the attention of the Board and every attempt should be made to encourage the donor involved to conform his or her plans to NLSA policies. This keeps the good will of donors and their families.

Charitable Remainder Trusts

1. Generally, NLSA will not serve as trustee of a charitable remainder trust for its benefit.

2. The Board will identify a number of corporate fiduciaries in which it has confidence. Only with the approval of the Board may a corporate fiduciary be recommended to a donor.

3. The fees for management of a charitable remainder trust will only be paid by NLSA upon approval of the Board.

4. The Board, and other volunteers and employees acting on behalf of NLSA should become familiar with the types of property that are generally accepted by corporate fiduciaries as suitable contributions to charitable remainder trusts. Employees or others acting on behalf of NLSA shall not encourage donors to make gifts of any property to charitable remainder trusts that are not in keeping with the general practice of corporate fiduciaries.

5. No representations shall be made by any employee or other persons acting on behalf of NLSA as to the manner in which charitable remainder trust assets will be managed or invested by a corporate fiduciary that may be recommended by NLSA.

6. Charitable remainder trusts and all other planned gifts shall be encouraged as a method of making gifts to NLSA. Those trusts shall not be marketed as tax avoidance devices or as investment vehicles.

Gifts of Life Insurance/Designating NLSA as Beneficiary

1. NLSA may encourage donors to name NLSA to receive all or a portion of the benefits of life insurance policies that they have purchased on their lives. NLSA must be named as both the beneficiary and owner for the donor to qualify for an income tax charitable deduction.

2. NLSA may not, however, as a matter of course, agree to accept gifts from donors for the purpose of purchasing life insurance on the donor's life. Exceptions to this policy will be made only after researching relevant state laws to assure that NLSA has an insurable interest.

PAYMENT OF FEES RELATED TO GIFTS TO NLSA

Finder's Fees or Commissions

NLSA will pay no fee to any person as consideration for directing a gift to NLSA

Professional Fees

1. NLSA will pay reasonable fees for professional services rendered in connection with the completion of a gift to NLSA as stated in the above gift policy.
2. Fees shall be reasonable and directly related to the completion of a gift. They shall be limited to: appraisal fees by persons who are competent and qualified to appraise the property involved and who have no conflict of interest (should the Board of Directors elect to seek appraisal); legal fees for the preparation of documents; and accounting fees incident to the transaction.
4. In situations where advisors retained by NLSA prepare documents or render advice in any form to NLSA and/or a donor to NLSA, it must be disclosed to the donor that the professional involved has been retained by NLSA.

ENDOWMENT

Named Funds

1. A donor must contribute a minimum of \$10,000 to create a named endowment fund.
2. NLSA reserves the right to place any endowment funds with a public foundation or recognized trust entity for management. NLSA intends at the creation of this document to utilize the Pittsburgh Foundation for such management or like organization in the other NLSA communities. The NLSA Board is wholly responsible for the decision on whether to maintain or change the endowment management entity.
3. Endowment Funds are created for the long term sustainability of NLSA and as such only the interest is to be used to maintain and/or enhance the provision of services under NLSA's mission. By management decision interest may be applied to the capital or utilized in the provision of services to NLSA clients.
4. Donor Intent is to be the primary use of funds realized from an Endowment Fund. Only in the case of the elimination of services directed by the Endowment (Elder Law, Domestic Violence, etc.) would the Board then direct the funds to be utilized in a like area of practice or without an obvious link funds would then resort to unrestricted support.

Restrictions

Any restrictions set by the donor must be approved by the Board before acceptance of any restricted gift.

PLEDGES

Donor pledges to NLSA from any fundraising effort will be assumed to be promised in good faith. NLSA will make every effort to make donors aware of outstanding pledges. In the event a donor does not fulfill their pledge within a timely manner NLSA will adjust their donor level accordingly. NLSA does not intend to publicly embarrass or legally solicit donors who do not fulfill their obligations.

NAMING RESTRICTIONS

1 – Donors may make gifts in their own name, the name of their business or community entity, in honor of someone else, or anonymously. Acknowledgements should be in good taste and consistent with the tone of NLSA. Religious, political, racial or bigoted statements or references will not be accepted. Any questions on the appropriateness of an acknowledgment should be referred to the board or Executive Committee after review by NLSA senior staff.

2 – Donors may not use or request the use of their contribution in any political marketing or advertising. NLSA should not be put in the position of appearing to endorse any candidate due to their personal or professional support.

3 – Any entity which does not adhere to the principles in the overriding mission of NLSA will not be welcomed as a recognized donor to NLSA. For example any business or firm who traditionally prays on poverty level citizens, domestic violence victims, children or seniors would not be recognized as a donor. Members of the Pennsylvania Bar under ethical or criminal investigation will be prohibited from public recognition of their gifts until such time as they are in good standing, cleared of all charges, or completed any punitive actions by the courts.

4 – Naming Opportunities and categories associated with a specific campaign or event will be reviewed and published by the Development Office with input from event committees and/or the board, and should be consistent throughout the program. All donors will be honored at the advertised levels. Board Members, volunteers and/or staff are prohibited from offering or providing enhanced naming opportunities over and above the advertised levels. This is an important point in maintaining a fair and equitable recognition program. In-kind donations will be honored at the fair market value of the gift as stated by the donor. In-kind donations are only accepted for goods or services already deemed essential to the provision of services to clients or for expenses budgeted for development efforts.

INVESTMENT POLICY

NLSA is able to invest government monies in Money Market Accounts, with the provision that all accounts are covered under FDIC insurance.

PREPAID EXPENSE

1. Prepaid expenses are defined as items that are paid during the fiscal year and a portion of the money is applicable to expenses for the next year.
2. The general ledger accounts for prepaid and travel accounts are reconciled each month by the Accountant.

EQUIPMENT/FURNITURE INVENTORY PROCEDURES

1. A physical inventory is taken once a year prior to June 30.
2. Each office shall have a designee to take the inventory
 - a. Designees in Bridgewater, Butler and New Castle offices are Office Manger and Managing Attorney.
 - b. Designees in Central office are Accountant and Controller.
3. Items that should be included on the inventory are those items that cost one thousand (\$1,000.00) or more. These items must have been purchased by NLSA or been donated to NLSA. Do not include items that are cased (water cooler, postage meters, etc.).
4. The inventory should include: Quantity, item name, description, location, and inventory number.
5. The Central Office's Accounting Department will be responsible for recording: Cost of item, estimated life, inventory number for new items, and depreciation figures and label each item with an NLSA id number.
6. During the year, records should be kept for any new inventory items acquired. This would include copy of check and a copy of the invoice. Central Accounting is responsible for these records.
7. The Accountant will then verify each offices inventory listing.
8. Any changes needed shall be made before June 30.
9. The Central Office Accounting Department should be made aware of any additions or deletions to an office's inventory during the course of the year.
10. If a piece of equipment or furniture is moved from one office to another (Ex. Central to Butler) a description a serial number of that piece should be kept by the offices involved and also sent to Accounting.
11. The Comptroller will keep records of any inventory items that are sold or given away. These records will include: Item description, inventory number, selling price, date sold, and whom item was sold to.
12. As per the IOLTA Grant Use Provisions Section 2000.5 Capital Expenditures, it is NLSA Policy to not charge any funds to IOLTA when cost allocating expenditures. NLSA cost allocation spreadsheets are set up so no capital expenditures can be charged to IOLTA.

STANDARD OF CONDUCT FOR PROCUREMENT
POLICIES AND PROCEDURES

PURPOSE:

This document establishes a procurement policy which provides specific procurement procedures for Neighborhood Legal Services Association (NLSA), in accordance with various laws and regulations established for recipients of federal funds. For purposes of networking and ensuring that these policies are adhered to, the Assistant Director shall be appointed as the “procurement person” for NLSA.

1. No staff and/or board member(s) shall participate in the selection, award, or administration of a contract, where to their knowledge, their immediate family or partner(s) have a financial interest with the organization with whom NLSA is negotiating or has any arrangement concerning prospective employment.
2. The recipient’s officers, employees, or agents shall neither solicit or accept gratuities, favors, or anything of monetary value from contractors, potential contractors, or subcontractors.
3. The Executive Director or his/her designee shall review the proposed procurement to assure that unnecessary items are not purchased.
4. A review of the proposed procurement will be made by the Comptroller and Accountant to ensure that unnecessary or duplicate items are not purchased. Purchase alternatives will also be reviewed and considered (e.g. lease vs. purchase).
5. Comparative prices will be obtained from vendors for purchases of consumable supplies by the executive director and/or his/her designee.
6. Contracts will be awarded only to reputable and responsible contractors who comply with the terms, conditions, and specifications of the contracts or orders. The Assistant Director is assigned the responsibility of monitoring compliance with the contract terms.
7. Prior approval from funding sources shall be obtained as required by the funding source.
8. Adequate descriptions and/or specification of products to be procured shall be clearly set forth in solicitations.
9. The Executive Director shall receive prior approval from Legal Services Corporation, Inc. for all purchases exceeding \$10,000 using any LSC funds. This may flow through the yearly budgeting process.
10. Encouragement of minority-owned and small businesses to participate in the competitive bidding process, with special emphasis on locally owned sources of procurement, will be pursued. Documentation of steps taken shall be maintained.

Some form of price or cost analysis shall be made by the Assistant Director in connection with every procurement action. Competitive bids will be obtained for all equipment purchases wherein the total cost of the purchase exceeds \$2,500.00 and will be obtained on all equipment leases regardless of cost. Competitive bidding shall also be obtained for all leasehold/building improvements in excess of \$5000.00. In purchasing supplies, the Executive Director or his/her designee shall take into consideration best price and quality of the items purchased.

11. Competitive bid requests must be in writing (which includes electronic price quotes and advertising), in such a way that provides for open competition among all potential bidders and contain clear and complete requirements with which the bidder must comply. Justification for not seeking competitive bids includes, but is not limited to, purchases of similar equipment, services, or supplies from a vendor within the past year; lack of competing vendors; another bid process within the past year for similar equipment, services, or supplies; or price quotes received from vendors in the past which exceed the price quoted by the vendor to whom the contract is offered.
12. Procurement records and files for single purchases in excess of \$10,000.00 shall include, but not necessarily be limited to, the following: the rationale for the method of procurement; selection of contract type; contractor selection or rejection; basis for the contract price; and a justification for lack of competition when competitive bids or offers are not obtained. Sufficient records to detail adequate history of procurement should be maintained.
13. Contracts in excess of \$10,000.00 shall contain contractual provisions that will allow for administrative, contractual, legal remedies, or termination in instances in which contractors violate or breach contract terms. They shall also contain a provision requiring compliance with Executive Order 11246, entitled "Equal Employment," as amended by Executive Order 11375, and as supplemented in Department of Labor Regulations (41 CFR part 60). This provision shall also be applied to subcontractors. A provision to the effect that the recipient, the federal sponsoring agency, the Comptroller General of the United States or any of their duly authorized representatives, shall have access to any books, documents, papers, and records of the contractor which are directly pertinent to a specific program for the purpose of making audits, examinations, excerpts and transcriptions shall be included in all contracts. A provision for record retention requirements shall be included in all contracts. A system shall be maintained for contract administration which assures adherence to terms, conditions, and specifications.
14. Contracts for construction or facility improvement in excess of \$10,000.00 shall observe bonding requirements.
15. All construction contracts in excess of \$2,000.00 and \$2500.00 for other contracts, shall comply with OMB Circular #A-110, Appendix A procedures items e.(Copeland Anti-Kickback Act), item 3 .(Davis-Bacon Act), and item 4 (Contract Work Hours and Safety Standards Act).
16. Contracts and grants in excess of \$100,000.00 per circular A-110 Appendix A shall contain a provision that requires the recipient to agree to comply with all applicable standards, orders, or regulations issued pursuant to the Clean Air Act of 1970 and the Federal Water Pollution Control

Act as amended. Violations shall be reported to the federal sponsoring agency and the regional office of the Environmental Protection Agency.

17. Contracts for construction or facility improvement shall observe bonding requirements.

Emergency conditions that do not meet the above policy standards will be documented regarding both the circumstances and any preventive measures taken to ensure that the problem will not be repeated.

Procurement orders that do not follow the above procedures shall be documented as to the circumstances and/or rationale for non-compliance.

Attachment A

Outline of a potential bid and contract cycle:

Bid Cycle -	Requisition initiated Approvals obtained Specification Developed Vendors Identified Market Selection Bids Advertised Bids Distributed Bids Opened Bids Analyzed Bid Awarded
Contract Cycle -	Bid Awarded P.O./Contract Prepared Contract Approved Contract Signed Vendor Delivery Inspection Payment

**NEIGHBORHOOD LEGAL SERVICES ASSOCIATION
DOCUMENT/ACCOUNTING RECORDS RETENTION AND
DESTRUCTION POLICY**

Document Retention and Destruction Policy

The Sarbanes-Oxley Act makes it a crime to alter, cover up, falsify, or destroy any document (or persuade someone else to do so) to prevent its use in an official proceeding. **If an official investigation is underway, or management has reason to believe that an investigation will be conducted, document destruction should immediately cease.**

Client file Retention/Destruction

The purpose of this policy is to clarify the procedures for maintaining and destroying files held by Neighborhood Legal Services Association. The requirements for program records retention and destruction come from several different sources:

The Pennsylvania Rules of Professional Conduct (Rule 1.15(a)) provides as follows: “ A lawyer shall hold property of clients or third persons that is in a lawyer’s possession in connection with a representation separate from the lawyer’s own property. Funds shall be kept in a separate account. Other property shall be identified as such and appropriately safeguarded. Complete records of such account funds and other property shall be preserved for a period of five years after termination of the representation”. NLSA has determined that other property could include client files, including electronic files.

Funding Source requirements of Pennsylvania Legal Services require that NLSA maintain program records, books, documents and other evidence pertaining to the program administration for the period of time required by the Department of Public Welfare regulations which state “Grantee shall preserve program records until the expiration of three years after the grant has expired or until any litigation, claims, or exceptions have reached final disposition.” Such program records shall include but not be limited to, the following: all intake/application forms used for redetermining eligibility of clients; other approved service request documents; and service logs (such as waiting lists).

Funding Source requirements of the Legal Services Corporation require the we retain and assure “that there are provisions to preserve closed client files for a period of not less than five (5) years from the date the file is closed”.

Client Files

All client files, open or closed, should be kept in a manner that allows for the protection of client confidentiality. All closed client files should be stored in an easily retrievable manner and in a secure location not accessible by the public. This includes files that have been administratively closed. All electronic files maintained by NLSA shall be considered a part of the client file and follow the file retention/destruction policy. NLSA's voice mail system is not designed to retain messages for longer than 6 months. However, voice mail messages can be saved to the computer if there is a voice mail message of significance to the client file. *Handwritten notes placed in the file to preserve the message are also permissible.* If no litigation is anticipated voice mail messages can be deleted as desired.

During the course of representation, original client papers should not be retained where such retention is unnecessary to the representation of the client. In any event, prior to closing the file and storing the file in a secure location, the NLSA supervising attorney (if the case is handled by a paralegal) or the NLSA attorney to whom the case has been assigned must review the file and return all original documents to the client as well as ensure that the client is owed no monies out of the program trust account.

Client files (*with the exceptions listed below*), including electronic files, shall be retained for a minimum of ten (10) years from the date work is completed and the file is closed within the PRIME case management system. Client files scheduled for and subject to destruction shall be reviewed by the attorney or his/her designee for the possibility that someone may have overlooked returning original client materials to the client. This procedure shall be supervised by an attorney. In addition the following will apply:

1. Any files destroyed will be 10 years or older from the date the dead filing occurs.
2. If important original documents (the importance is to be determined by a Managing Attorney) cannot be returned, the file will be retained.
3. All files containing social security medical records should be retained unless it can be determined that there is no likelihood that the case will come up for review i.e. the client has now become a person of "advanced age" as that term is defined by social security.
4. If files being destroyed are not in the PRIME case management system, each office shall keep a list of the numbers of these files destroyed so that it can be confirmed that a particular file has in fact been destroyed. The files can be listed by ranges. If a client has multiple files such that files 1-4 have been destroyed but files 5-7 have been retained, the list shall note this fact.
5. If at all possible, the list of numbers destroyed should be placed onto the computer in chronological order for easy access as opposed to merely keeping paper lists.

Managers are responsible for seeing that all closed files are kept secure and that file destruction is completed in a manner that ensures client confidentiality.

Retention Times for Accounting Records

Funding source requirements of Pennsylvania Legal Services requires that NLSA preserve and make available its fiscal records for a period of four years from the date of final payment under an agreement. Funding Source requirements of the Legal Services Corporation require the we “maintain all records pertaining to the grant during the grant period and for a period of six (6) years after termination of the grant”. Records which relate to litigation or the settlement of claims arising out of the performance of an agreement shall be retained by NLSA until such litigation, claims or exceptions have reached final disposition.

All destruction of financial records must be approved by the Chief Financial Officer. Destruction shall be done in a manner that protects the confidentiality of the information in the financial records and protects against identify theft.

Accounting Records Retention Period

Accounts payable.....	7 years
Accounts receivable.....	7 years
Audit reports.....	Permanent
Cash receipts ledger, log, book.....	7 years
Cash disbursement ledger.....	7 years
Chart of accounts.....	Permanent
Depreciation schedules.....	Permanent
Expense records.....	7 years
Financial statements (annual).....	Permanent
Financial statements (monthly or quarterly).....	7 years
General journal.....	Permanent
General ledger.....	Permanent
Indirect cost allocation documentation.....	7 years
Loan payment schedules.....	7 years
Petty cash records.....	7 years

Purchase orders (1 copy).....	7 years
Sales records.....	7 years

We removed General Ledger and Tax Record categories

Bank Records

Bank reconciliations.....	7 years
Bank statements.....	7 years
Canceled checks.....	7 years
Electronic payment records.....	7 years

Corporate Records

Annual reports.....	Permanent
Board minutes.....	Permanent
Bylaws.....	Permanent
Business licenses.....	Permanent
Contracts-major.....	Permanent
Contracts-minor.....	Life plus 4 years
Corporate charter and certificate of incorporation....	Permanent
Insurance policies.....	Life plus 3 years
Leases/mortgages.....	Permanent
Patents/trademarks.....	Permanent
Shareholder records.....	Permanent
Stock registers.....	Permanent
Stock transactions.....	Permanent

Employee Records

Benefit plans.....	Permanent
Employee files (ex-employees).....	7 years
Employment applications.....	3 years
Employment taxes.....	7 years
Payroll records.....	7 years
Payroll master ledger (annual).....	Permanent
Pension/profit sharing plans.....	Permanent
Timecards and daily reports (after termination).....	4 years

Union agreements..... Permanent

Fixed Assets

Equipment (after disposition)..... 3 years
Equipment traded in on similar asset (after disposition)..3 years
Equipment disposed of (no trade-in).....3 years
Depreciation schedule.....Permanent
Purchases.....Permanent

Real Property Records

Construction records.....Permanent
Leasehold improvements.....Permanent
Lease payment records.....Life plus 4 years
Real estate purchases.....Permanent

Tax Returns

Federal form 990 and working papers.....Permanent
State information returns and working papers.....Permanent
Payroll tax returns.....4 years
Withholding tax statements (W-2).....4 years

Date: August 31, 2012

Efrem Grail
President
Neighborhood Legal Services Association

COMPUTER LOGIN INFORMATION DATABASE

1. Manager of Technology shall maintain a master password file on the 6th floor computer network to securely store login and password information for websites, software and programs used by the Accounting Department e.g. PayPal Virtual Terminal, SAGE, Groundspring.org, etc.

APPENDIX A

CONTROLLER

The Controller shall be selected by the NLSA Executive Director and shall serve at the will of the NLSA Executive Director. He/she shall be directly responsible to the NLSA Executive Director in all respects and shall at all times conduct himself/herself and execute his/her duties in a manner consistent with overall program policies as established by the NLSA Board of Directors.

The Controller's duties are those of monitoring and controlling all expenditures when possible and revenues for NLSA. He/she keeps the Executive Director apprised of the status of all budgetary accounts.

Specific Tasks

1. Prepares monthly financial statements and reports to LSC, State, County, and others as designated by the Executive Director or required by funding agencies.
2. Prepares all withdrawals of cash and supervises deposits of cash received, including forecast of cash required.
3. Prepares all journal entries for the program and/or supervises such posting if done by the bookkeeper.
4. Prepares or assists in budget preparation for the program.
5. Maintains the general ledgers and all books of original entries for the program and various other funding sources.
6. Supervises reconciliation of all bank accounts (monthly) and reviews for accuracy.
7. Audits, verifies and approves all computations, etc. on vendor invoices after being processed by accounting clerk.
8. Reviews check requests submitted for all payments and code for proper account.
9. Audits petty cash reimbursements from all offices.
10. Supervises preparation of all payroll tax returns.

11. Processes various (theft, workman's compensation, etc.) insurance claims, payment of claims.
12. Maintains record of in-kind contributions.
13. Supervises accounting staff.
14. Prepares and supervises inventory schedules of all program furniture, leasehold improvement and equipment.
15. Sets up depreciation schedules on furniture, equipment and leasehold improvement.
16. Prepares all tax reports required to be submitted by the agency.
17. Performs periodic audits on various client escrow, litigation, etc. bank accounts maintained by the agency.
18. Reviews all employees' time sheets received in the accounting department.
19. Closes books at the end of each month and fiscal year or contract period.
20. Reviews for proper approval, etc. all payroll changes, additions, deletions, adjustments, etc., prior to giving to computer operator for processing.
21. Reviews for approval, accuracy, etc. all employees' time and attendance reports or delegate the same duties to a clerk/accounting.
22. Prepares various reports for independent auditing firm when necessary.
23. Maintains documentation, correspondence, etc. related to various NLSA office leases.
24. Prepares year in accrued expense reports, vacation accrued and sick leave reports for audit purpose Y F.
25. Reviews all maintenance agreements, purchase agreements, leases agreements, etc.
26. Makes recommendations to Executive Director on hiring and firing.
27. Performs related tasks as required by the Executive Director and/or Board of Directors.



LSC-FUNDED SERVICE ELIGIBILITY GUIDELINES

Pursuant to 45 CFR part 1611, Neighborhood Legal Services Association has developed the following guidelines for determining an applicant=s eligibility for Legal Services Corporation (LSC) - funded service when the applicant=s case or matter falls within Neighborhood Legal Services Association=s priorities.

For an applicant to be financially eligible for service, the income and assets of the applicant=s family unit, as defined below or of the individual applicant, as defined below, must meet NLSA=s income and asset guidelines. Only individuals and groups determined to be financially eligible under these financial eligibility policies and LSC regulations may receive legal assistance supported with LSC funds.

1. Definitions:

A. A Family Unit is defined as one or more adults and unemancipated minor children, if any, who are related by blood or by law, and who reside in the same household.

B. An Individual is defined as:

1. an emancipated minor
2. an unemancipated minor living with persons not his/her natural or adoptive parents, including minors who live in residential facilities for dependent or delinquent children;
3. an adult residing alone; or,
4. an adult residing with other related or unrelated adults other than persons who are married or who have a child or children in common.

C. An Emancipated Minor is defined as a person under 21 who is:

1. married (whether or not the person is living with a parent or parents), or
2. financially independent of and acting independent of the control of a parent/s or other/s acting in *loco parentis*. The person may be receiving financial assistance or benefits to which he/she is entitled in his/her own right.

D. Income means actual, current, annual, total cash receipts before taxes.

E. Total cash receipts@ includes, but is not limited to: money wages and salaries before any deduction; income from self-employment after deductions for business or farm expenses; regular payments from governmental programs for low income persons or persons with disabilities; social security; unemployment and worker=s compensation; strike benefits from union funds; veterans benefits; training stipends; alimony, child support and military family allotments or other regular support from an absent family member or someone not living in the household; public or private employee pensions, and regular insurance or annuity payments; income from dividends, interest, rents, royalties or from estates and trusts, and other regular or recurring sources of financial support that are currently and actually available to the applicant.

F. Total cash receipts@ does not include: money withdrawn from a bank, tax refunds, gifts, compensation and/or one-time insurance payments for injuries sustained, non-cash benefits, food or rent in lieu of wages, and up to \$2000 per year of funds received by individual Native Americans that is derived from Indian trust income or other distributions exempt by statute.

G. An Asset@ consists of cash or other resources that are readily convertible to cash, which are currently and actually available to the applicant, including but not limited to: anything owned that has value, including but not limited to: bank accounts, pensions, tax refunds, IRA=s, gifts, compensation and/or one-time insurance payments for injuries sustained, and non-cash benefits.

II. Maximum Income Level

A. NLSA sets the maximum income level at 125% of the Official Poverty Threshold (OPT).

B. In assessing the income of an applicant who is a victim of domestic violence, NLSA shall consider only the income of the applicant and members of the applicant=s household other than those of the alleged perpetrator of the domestic violence. The service for which representation is sought does not have to relate to alleviating domestic violence or require that the perpetrator be the adverse party.

C. Legal assistance may be provided to a group, corporation, or association with a legal issue that is within NLSA=s priorities if the group has a principal activity the delivery of services to those persons in the community who would be financially eligible for LSC-funded legal assistance and the legal assistance sought relates to such activity, or if the group is primarily composed of persons eligible for legal assistance under these guidelines. In addition, the group must provide information showing that it lacks, and has no practical means of obtaining, funds to retain private counsel. NLSA shall consider the resources available to the group, such as the group=s income and income prospects, assets and obligations and either:

(1) For a group primarily composed of individuals who would be financially eligible for LSC-funded legal assistance whether the financial or other socioeconomic characteristics of the persons comprising the group are consistent with those of persons who are financially eligible for LSC-funded legal assistance; or

(2) For a group having as a principal activity the delivery of legal services to those persons in the community who would be financially eligible for LSC-funded legal assistance, whether the financial or other socioeconomic characteristics of the persons served by the group are consistent with those of persons who are financially eligible for LSC-funded legal assistance and the assistance sought relates to such activity of the group.

D. NLSA may provide representation to the groups as defined herein with non-LSC funds as long as said representation is otherwise permissible under applicable law and regulations. All representation of groups must receive approval from the Executive Director prior to commencement of the representation.

E. The applicable monthly and annual gross income levels are set forth in NLSA=s ΔFinancial Eligibility Guidelines@ for Title XX and LSC Funded Legal Services.

III. Asset Ceilings

In addition to the above consideration of income, for an applicant to be eligible for service, all assets of the family unit as defined above shall be considered with the exception of the following:

- A. Equity in the person=s principal residence;
- B. Household goods, furnishings and appliances, books, musical instruments, crops or animals held primarily for personal, family or household use of the applicant or applicant=s dependants in which the applicant or member of the applicant=s household has an interest not to exceed \$475.00 in value in any individual item or \$9,850.00 in aggregate value.
- C. The cash value of life insurance;
- D. Vehicles used for transportation;
- E. Assets used in producing income;
- F. Assets owned jointly with a spouse who is not a member of the family unit as defined above, which are not accessible to the family unit except through court action.
- G. In assessing the assets of an applicant who is a victim of domestic violence, NLSA shall consider only the assets of the applicant and members of the applicant=s household other than those of the alleged perpetrator of the domestic violence and shall not include any assets held by the alleged perpetrator of the domestic violence, jointly held by the applicant with the alleged perpetrator of the domestic violence, or assets jointly held by any member of the applicant=s household with the alleged perpetrator of the domestic violence. The service for which representation is sought does not have to relate to alleviating domestic violence or require that the perpetrator be the adverse party.

After appropriate exclusions as in paragraphs A-G above and taking into account the equity value of the asset, the asset ceilings shall be as follows: \$5800 for a single individual; \$6600 for a two member family and \$300 for each additional family member. The asset ceiling for an individual who is 60 or older, is institutionalized, or who is receiving disability benefits shall be \$7000; for each additional member of the family unit who is also over 60, or who is receiving disability payments, and \$450.

In cases where the net available assets exceed the ceilings set forth above, representation will not be afforded while the excess in assets exists. However, in

unusual circumstances, the Executive Director or his/her designee may grant waivers of these assets ceilings. When the Executive Director or his/her designee grants a waiver, the decision shall be documented and included in the client=s file. A copy of the signed waiver shall be forwarded to the Executive Director or his/her designee.

IV. Manner of Determining Eligibility

- A. The Client Information Intake form shall be used to obtain the information necessary to determine eligibility. If there is substantial reason to doubt the accuracy of the information, NLSA shall make appropriate inquiry to verify it, in a manner consistent with an attorney-client relationship.
- B. Information furnished to NLSA by a client to establish financial eligibility shall not be disclosed to any person who is not employed by NLSA in a manner that permits identification of the client, without express written consent of the client, except that the recipient shall provide such information to LSC when:
 - 1. LSC is investigating allegations that question the financial eligibility of a previously identified client and NLSA=s representation thereof;
 - 2. The information sought by LSC relates solely to the financial eligibility of that particular client;
 - 3. The information sought by LSC is necessary to confirm or deny specific allegations relating to that particular client=s financial eligibility and NLSA=s representation thereof; and
 - 4. The specific information sought by LSC is not protected by the attorney-client privilege.

V. Retainer Agreement

Consistent with the requirements ' 1611.9, NLSA shall execute a retainer agreement for each client who receives legal services from NLSA when representation commences (or, if not possible owing to an emergency situation, as soon thereafter as is practicable), and shall clearly identify: the relationship between the client and NLSA; the matter in which representation is sought; the nature of the legal services to be provided; and the rights and responsibilities of the client. NLSA shall retain the executed retainer agreement as part of the client=s file, and shall make the agreement available for review by LSC in a manner which protects the identity of the client.

Program staff is not required to execute a written retainer agreement when the only service to be provided is brief advice and consultation.

VI. Change in Circumstances

If, after making a determination of financial eligibility and accepting a client for service, the recipient later determines that the client is financially ineligible on the basis of later discovered or disclosed information, a recipient shall discontinue representation supported with LSC funds, if the discontinuation is not inconsistent with applicable rules of professional responsibility.

August 31, 2012

Efrem M. Grail,
President

Timecards and daily reports (after termination).....4 years
Union agreements..... Permanent

Fixed Assets

Equipment (after disposition)..... 3 years
Equipment traded in on similar asset (after disposition)..3 years
Equipment disposed of (no trade-in).....3 years
Depreciation schedule.....Permanent
Purchases.....Permanent

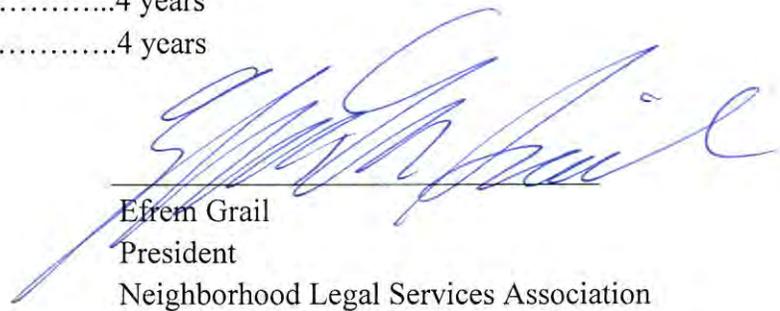
Real Property Records

Construction records.....Permanent
Leasehold improvements.....Permanent
Lease payment records.....Life plus 4 years
Real estate purchases.....Permanent

Tax Returns

Federal form 990 and working papers.....Permanent
State information returns and working papers.....Permanent
Payroll tax returns.....4 years
Withholding tax statements (W-2).....4 years

Date: August 31, 2012

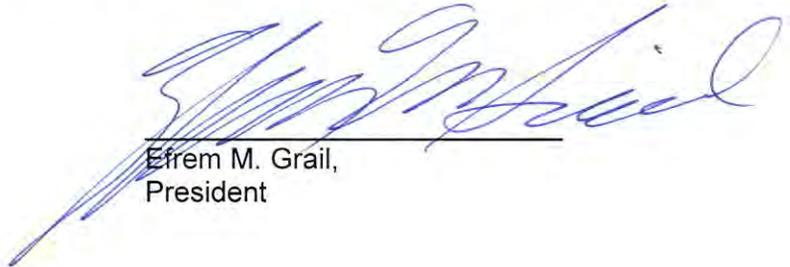


Efrem Grail
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Neighborhood Legal Services Association

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