



Highlights of [GAO-10-540](#), a report to the Ranking Member, Committee on Finance, U.S. Senate

Why GAO Did This Study

The Legal Services Corporation (LSC) was created as a private, nonprofit corporation to support legal assistance for low-income individuals on civil legal matters, primarily through federal grants and is primarily funded through federal appropriations. Effective internal controls over grant awards and oversight of grantees' performance are critical to LSC's mission. GAO and the LSC Inspector General have previously reported weaknesses and made recommendations. GAO's objectives for this report were to determine the extent to which LSC (1) implemented key internal controls in awarding and overseeing grantees, (2) measured its performance, (3) evaluated staffing needs, and (4) adhered to its budget execution processes.

GAO analyzed key records and prior recommendations as well as interviewed LSC officials regarding LSC's internal control and performance frameworks, staffing, and contract processes.

What GAO Recommends

GAO makes recommendations to LSC management to improve internal controls over grant awards and oversight including such key areas as (1) documenting specific controls over the grant application review, evaluation, and approval processes, (2) implementing a tracking system for LSC's recommendations, and (3) establishing comprehensive performance measures linked to responsible offices. LSC agreed with GAO's recommendations.

[View GAO-10-540 or key components.](#)
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LEGAL SERVICES CORPORATION

Improvements Needed in Controls over Grant Awards and Grantee Program Effectiveness

What GAO Found

Although LSC's controls over reviewing and awarding grants are intended to help ensure fair and equitable consideration, they need improvement. Final award and fund decisions are documented and approved; however, LSC's grant application evaluation process and associated decisions were not documented, including key management discussions in the evaluation process. This lack of documentation of factors considered in making these decisions increases the risk that grantee application evaluation and funding decisions may not consider all key relevant information and makes it difficult to describe the basis for decisions later. In addition, LSC has no requirement for carrying out and documenting managerial review and approval of competitive grant evaluations or renewals, limiting its ability to identify gaps or incompatible data in applications. Although LSC has efforts underway to ensure it visits all grantee sites at least once every 3 years, LSC did not consistently or explicitly document the application of risk criteria when selecting which grantees to visit, complete timely site visit reports, or track the recommendations from the site visits. These weaknesses hindered LSC's ability to effectively oversee grantees.

LSC is not required to follow the Government Performance and Results Act but has developed a Strategic Directions document with some performance measures. However, these measures do not reflect all of LSC's core activities and are not linked to its two primary offices for awarding and overseeing grants. Therefore, LSC cannot effectively measure its performance in several key dimensions, such as identifying and targeting resources in addressing the most pressing civil legal needs of low-income individuals across the nation.

LSC has not systematically assessed its long-term staffing needs to achieve strategic goals and objectives, which could help ensure it has the staff capabilities needed to meet its short- and long-term goals. LSC has not consistently provided performance reviews for all of its staff, limiting opportunities to encourage high performance, identify training needs, and communicate with staff.

At times, LSC did not adhere to its budget execution process in awarding contracts supporting its key grant-making responsibilities. Because officials did not follow LSC's approval controls for two contracts and there was a breakdown in tracking funds, LSC had a budget shortfall of \$70,000 in 2009.

Missing or flawed internal controls limit LSC's ability to effectively manage its grant award and grantee performance oversight responsibilities. Although LSC has taken steps to address all 17 GAO recommendations identified in prior work, several have yet to be fully addressed. In the near term, it will be important for LSC leadership to address both current and continuing weaknesses. For the long term, LSC will need to focus on strengthening its overall system of internal controls in order to establish a solid basis for effectively accomplishing its core mission.