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BY THE U.S. GENERAL ACCOUNTING OFFICE
**Report To The President Of
The Legal Services Corporation**

**Review Of Legal Services Corporation's
Activities Concerning Program Evaluation
And Expansion**

GAO reviewed the Legal Services Corporation's activities concerning program evaluation, expansion of the availability of free legal services to the poor, and several other Corporation activities.

GAO believes that the Corporation should (1) evaluate grantees on a regular basis, (2) ensure that its expansion procedures are followed, (3) closely monitor grantees' use of funds and adjust subsequent funding for excessive carryover balances, and (4) implement those actions it indicated it could adopt to ensure that the lobbying activities of its grantees are in full compliance with the Legal Services Corporation Act of 1974, as amended, and clearly define for its grantees which lobbying activities are prohibited.



011848

HRD-80-103
AUGUST 28, 1980

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The Honorable Dan J. Bradley
President, Legal Services Corporation

Dear Mr. Bradley:

We have reviewed the Legal Services Corporation's activities concerning program evaluation, expansion of the availability of free legal services to the poor, and the implementation of certain provisions of the Legal Services Corporation Act of 1974, as amended. The results of our review are summarized below and discussed in more detail in the appendix.

We believe that the Corporation's evaluations of grantees' activities, including the quality of legal services provided, could be improved if (1) they were made on a regular basis, (2) evaluation reports were prepared in a more timely manner, and (3) evaluations included more extensive contacts with the community served. Also, the Corporation could better assure the best use of grantee resources, if grantees established and implemented priorities and verified client eligibility, particularly in cases where an applicant's needs may require substantial grantee resources.

In response to criticisms from local bar associations and other community groups, the Corporation has improved its procedures for establishing new programs in areas not previously served. These changes have resulted in (1) increased communications between the Corporation and interested parties in prospective expansion areas and (2) fewer complaints. We believe that the Corporation should ensure that the new procedures are followed not only when it expands its programs to achieve minimum access to legal services in areas not previously served, but also when it expands or establishes additional programs to increase services in areas already being served.



Grantees are not required to return unexpended funds at the end of the fiscal year. Because some grantees have continued to carry over significant fund balances, we believe the Corporation should closely monitor grantees' use of funds and adjust subsequent funding for excessive carryover balances. Also, the Corporation should require that its recently established policy, which provides for limiting funds initially released to new grantees and to grantees who are expanding services until they can show a need for the total amount of the grant, be followed unless there is a demonstrated need for not doing so.

Because concerns about the extent and nature of lobbying activities by Corporation grantees have been expressed often by Members of Congress, we believe the Corporation should (1) implement certain actions it recently indicated it could adopt to ensure that the lobbying activities of its grantees are in full compliance with the act and (2) clearly define for its grantees the lobbying activities that are prohibited.

This report contains recommendations to you on pages 8, 9, 11, 12, 14, and 17. We would appreciate being advised of any action taken by the Corporation on our recommendations.

We are sending copies of this report to the Chairmen of the Senate Committee on Governmental Affairs, the House Committee on Government Operations, the House and Senate Committees on Appropriations, the House Committee on the Judiciary, and the Senate Committee on Labor and Human Resources, and the Director of the Office of Management and Budget. Copies are also being sent to six Members of Congress--Senator Donald Stewart and Representatives Skip Bafalis, Bo Ginn, Michael Lowry, Jack Brinkley, and Billy Lee Evans--who had expressed their concerns to us about the activities of certain Corporation grantees.

Sincerely yours,

Edward A. Hensmore

for Gregory J. Ahart
Director

C o n t e n t s

	<u>Page</u>
APPENDIX	
I THE LEGAL SERVICES PROGRAM NEEDS BETTER MANAGEMENT	
INTRODUCTION	1
Program development and adminis- tration	1
Prior reports	2
Scope of review	3
 THE CORPORATION'S MONITORING AND EVALU- ATING ACTIVITIES NEED TO BE IMPROVED TO PROVIDE GREATER ASSURANCE THAT GRANTEES MEET PROGRAM REQUIREMENTS AND OBJECTIVES	 4
Annual evaluations of all grantees not made	5
Timely evaluation reporting needed	6
Corporation actions	7
 MEASURES NEEDED FOR ASSESSING QUALITY OF LEGAL SERVICES PROVIDED BY GRANTEES	 7
Recommendation	8
 PRIORITIES NEEDED TO ASSURE THAT SERV- ICES PROVIDED CONFORM TO COMMUNITY NEEDS	 8
Recommendations	9
 ASSURANCE NEEDED THAT ONLY ELIGIBLE CLIENTS ARE SERVED	 10
Recommendation	11
 EXPANSION PROCEDURES IMPROVED	11
Recommendation	12
 NEED TO MINIMIZE FUND CARRYOVERS	12
Recommendation	14
 GRANTEE LOBBYING ACTIVITIES	14
Recommendations	17



THE LEGAL SERVICES PROGRAMNEEDS BETTER MANAGEMENTINTRODUCTION

The Congress enacted the Legal Services Corporation Act of 1974 (Public Law 93-355, July 25, 1974, as amended) to provide free legal assistance in civil matters to persons unable to afford such services. The act established the Legal Services Corporation to furnish financial assistance to programs that provide legal aid to eligible persons and requires the Corporation to insure that its grantees

- provide the highest quality of legal services to poor persons,
- determine eligibility of clients in accordance with guidelines established by the Corporation,
- develop and implement priorities for providing services that reflect the relative needs of the poor, and
- provide the most economical and effective delivery of legal assistance.

The Corporation's appropriation has increased from \$92 million in fiscal year 1976--its first year of operation--to \$300 million for fiscal year 1980, and it has requested \$353 million for fiscal year 1981. The increased funding has enabled the Corporation to expand the number of legal services programs it supports from 258 grantees employing nearly 3,300 lawyers in October 1975 to 319 grantees employing about 5,300 lawyers in 1980.

Because several Members of Congress expressed concern regarding the propriety of activities undertaken by certain Corporation-funded legal services programs and the manner in which the Corporation establishes and funds programs in previously unserved areas, we reviewed the Corporation's methods for monitoring and evaluating grantee activities and expanding the availability of free legal services for the poor in a period of rapidly increasing appropriations.

Program development and administration

The first Federal program to provide free civil legal services to the poor was established in the Office of Economic Opportunity (OEO) in 1965. The OEO-administered program grew

from 135 local projects and an appropriation of \$600,000 in fiscal year 1965 to 258 local projects and an appropriation of \$71.5 million in fiscal year 1975.

In January 1975--pending creation of the new Legal Services Corporation--responsibility for the program was transferred to the Community Services Administration, and in October 1975 the Corporation assumed control and funding of the program. The Corporation continued to fund the 258 legal services programs supported by OEO and the Community Services Administration.

The Corporation's Office of Field Services is responsible for managing grants to local legal services programs, and assisted by nine regional offices, it reviews and approves grant applications, supervises grant processing, provides management assistance, and monitors and evaluates program performance to insure compliance with the act.

Corporation-funded programs employ lawyers and staff who provide legal advice and representation to those who qualify. The Corporation prescribes maximum income eligibility levels within which each program must set its own standards that account for living costs and other local factors. Most of the programs provide general civil legal assistance to the poor. Some emphasize such areas as consumer affairs, law for the elderly, government benefits, housing, and family law, while others specialize in serving migrant workers or native Americans.

Prior reports 1/

We issued reports, in 1969 and 1973, which discussed the Legal Services Program administered by OEO and recommended actions to improve its effectiveness. Among the areas identified

1/The five reports mentioned are: "Effectiveness and Administration of the Legal Services Program Under Title II of the Economic Opportunity Act of 1964" (B-130515, Aug. 7, 1969), "The Legal Services Program--Accomplishments of and Problems Faced by its Grantees" (B-130515, Mar. 21, 1973), "Expanding Budget Requests for Civil Legal Needs of the Poor--Is More Control for Effective Services Required?" (B-130515(6), Apr. 26, 1978), "Free Legal Services for the Poor--Increased Coordination, Community Legal Education, and Outreach Needed" (B-130515(6), Nov. 6, 1978), and "Quality Civil Legal Services for the Poor and Near Poor are Possible Through Improved Productivity" (B-163762, Oct. 19, 1979).

in the reports as needing improvement were (1) the process for evaluating grantee activities, (2) project management information systems, and (3) client eligibility determinations.

In April 1978, we issued a third report which discussed the Corporation's budget and appropriation processes and its efforts to identify more efficient and effective systems for delivering legal services to the poor. We again recommended that project information systems be developed and implemented to more effectively formulate budgets and better evaluate local legal services programs and also recommended that grantees establish priorities for serving clients. In a November 1978 report, we recommended that the Corporation increase coordination activities at the national and local levels and ensure that grantees periodically assess community needs to ensure that service priorities reflect the most prevalent community needs.

We also issued a report in October 1979, which discussed the status of the Corporation's study of alternative legal services delivery methods and development of management information systems, and we recommended that the Corporation systemize and automate its operations to improve productivity.

In March 1979, the Surveys and Investigations Staff of the House Appropriations Committee reported on the results of its review of Corporation activities, including development of the Corporation, monitoring and evaluation, program expansion, lobbying, national support centers, recruiting, and unionization of personnel in legal services programs. The staff identified problems or potential problems in these areas and discussed actions planned and taken by the Corporation to correct the deficiencies.

Scope of review

Between July 1978 and September 1979 we reviewed the Corporation's activities at four regional offices and nine Corporation grantees in nine States. Our selection of grantees in four States--Alabama, Florida, Georgia, and Washington--was based on requests we received from Members of Congress. We selected five additional grantees--in Illinois, Indiana, North Carolina, Oregon, and Texas--to gain greater geographical representation. We examined records and interviewed officials in these locations to assess the Corporation's evaluation and program expansion procedures and other activities relating to delivery of free legal services to the poor. We also reviewed applicable legislation, regulations, policies, financial reports, and other related records.

In addition, we interviewed members of State and county bar associations; Federal, State, and county judges; members of State Advisory Councils; and concerned citizens to obtain their views on the Corporation's expansion activities, including the extent of its local needs assessments, its monitoring procedures, and the impact of its services.

We reviewed the Corporation's activities at its headquarters in Washington, D.C. We discussed the results of our reviews with officials at the selected field locations and have reviewed actions taken or proposed by the Corporation through May 1980 that would affect our findings.

THE CORPORATION'S MONITORING AND EVALUATING
ACTIVITIES NEED TO BE IMPROVED TO PROVIDE
GREATER ASSURANCE THAT GRANTEES MEET PROGRAM
REQUIREMENTS AND OBJECTIVES

The Legal Services Corporation Act requires the Corporation to monitor and evaluate and provide for independent evaluations of the programs it supports to insure that high-quality legal services are being provided and that applicable laws, rules, regulations, and bylaws are followed. However, evaluations of all grantees have not been made. When conducted, the resulting reports have often been late and, in some instances, have not been prepared. Reports not received timely or not at all limit the impact of the evaluation process on improving operations.

In our 1969 report on the Legal Services Program administered by OEO (see p. 2), we also discussed the need to improve the process for evaluating legal services programs and noted that many evaluation reports were incomplete, grantees were not always formally advised of the results of the evaluations so they could initiate corrective actions, and there was little followup on recommendations. OEO agreed that an effective evaluation system was needed and indicated it was preparing to initiate such a system in the near future.

The Surveys and Investigations Staff of the House Appropriations Committee issued a March 19, 1979, report on its review of the Corporation's activities. Regarding the monitoring and evaluation process, the report noted that the Corporation's policy--which required four evaluations of each grantee annually--had not been followed and that, in fact, some grantees had never been fully evaluated and many others had been evaluated less than once a year. The report also noted frequent failures to submit evaluation reports on a timely basis. The staff found inconsistencies among regional

offices in conducting evaluations, noting that some regions had efficient and current procedures, while others were very sporadic.

The monitoring and evaluation process developed by the Corporation consists of a multifaceted approach designed to help grantees develop effective management and ensure that grantees provide quality legal service. The approach, as described by the Corporation, includes visits by evaluation teams for assessments of grantees' activities, visits by Corporation and non-Corporation personnel to provide technical assistance, training programs for grantee personnel, and annual financial audits of each grantee by independent auditing firms.

According to the Corporation, the evaluation team visit is an important element of its monitoring system, and the reports on the results of such visits are used as a basis for funding adjustments, program improvement decisions, and other budgetary and administrative purposes.

The evaluation teams are composed of attorneys and management specialists from the Corporation regional offices and grantees other than the one under evaluation and on occasion may include outside consultants knowledgeable in delivering legal assistance to the poor. The Corporation has developed guidelines to be followed by the teams during their evaluation. The guidelines concentrate on determining whether grantees have established systems and policies for managing activities. However, the Corporation relies on the team members' experience to assess the effectiveness of the programs' policies and procedures.

Annual evaluations of
all grantees not made

Until 1979, the Corporation had a policy that required the regional offices to conduct four evaluations of each grantee annually. In April 1979, the Corporation revised its policy to require one evaluation annually with followup visits as needed.

None of the four regional offices we visited had met the requirement of four evaluations annually of all grantees. Moreover, we noted that, at two of the four regional offices, some grantees were not being evaluated at least once a year. At the Atlanta regional office, 41 of its 57 grantees had not been evaluated by an evaluation team at least once during 1978, and at the Chicago regional office, 11 of its 27 grantees had not been evaluated at least once during 1978. In some cases,

grantees in these regional offices had not been evaluated by evaluation teams for 3 or 4 years. Two grantees in the Chicago region had not been evaluated for 3 years, and two grantees in the Atlanta region were evaluated in 1979 for the first time since the Corporation assumed responsibility for the programs in 1975.

We were advised by regional officials that staffing was a factor in limiting the number of evaluations that could be made. However, the Corporation also lacked an effective system which would assure that regional offices scheduled and made required evaluations. The Legal Services Corporation headquarters could not furnish us with an accurate list of evaluations made by the four regional offices we visited. One of the regional offices had difficulty in providing us a list of the grantees that were evaluated and the number of visits made. This region did not maintain records that would show this information. To compile the information, the region had to review travel vouchers, individual grantee files, and the files of the regional office personnel who made the visits.

Timely evaluation reporting needed

The Legal Services Corporation Act requires that copies of all evaluation reports be submitted on a timely basis to the grantee and that copies be furnished to Corporation headquarters. While reports were generally prepared by the regional evaluation team within 3 months of the team visit, we noted some significant deviations from the timely reporting expectation. For example, in June 1979 one region had 10 reports that had not yet been written (8 from visits in 1978 and 2 in September 1977); in another region, reports had not been prepared on 10 visits in 1978 and 7 in 1977.

In its March 1979 report, the Surveys and Investigations Staff had similar findings concerning the Corporation's evaluation activities. The staff stated that "if monitoring visits are not conducted on a systematic basis and reports submitted immediately thereafter, the Corporation does not have a product it can use with confidence * * *."

Regional office personnel advised us that low staffing levels in regional offices, involvement of regional personnel in program expansion activities, and lack of time were the reasons for delays in issuing written reports.

Corporation actions

In June 1979, the Corporation initiated actions to improve the evaluation process by requiring the regional offices to develop work plans for formally scheduling evaluation team visits to grantees and requiring that final evaluation reports be submitted to Corporation headquarters and the grantee within 6 weeks of the visit. Also, the Corporation created and filled a senior level position in the Office of Field Services at the headquarters office to ensure that regional offices carry out evaluation policies in a uniform and timely manner. In addition, the Corporation has increased regional office staffing since August 1979 to help alleviate workload problems.

The corrective actions initiated by the Corporation should, if properly implemented, enhance the grantee evaluation process.

MEASURES NEEDED FOR ASSESSING
QUALITY OF LEGAL SERVICES
PROVIDED BY GRANTEES

The act requires the Corporation to "insure the maintenance of the highest quality of service." However, neither the legal profession nor the Corporation has yet developed standards for measuring the quality of legal services provided.

The Corporation's evaluation process focuses primarily on management and fiscal operations. Procedures to assess the quality of services are generally limited to reviewing selected case files with grantee personnel and interviews with clients and attorneys who are members of the local program's board of directors.

According to the Corporation, developing standards and mechanisms for evaluating the quality of legal services is a difficult task that has not yet been accomplished by the legal profession. However, the Corporation, as part of a congressionally mandated study of alternative delivery systems using the private bar, is assessing the relative performance of selected staff attorney programs and programs using the private bar in terms of cost, quality of service, client satisfaction, and community impact. The study may indicate that the assessment techniques developed will be useful in developing full standards for evaluating all of its programs. In addition, the Corporation has met with representatives from its grantees and from the client community to discuss the Corporation's evaluation policy and the development of program standards.

The Corporation also undertook planning efforts to address the quality and effectiveness of services provided. These efforts, which included extensive consultation with grantee staff and clients, members of the private bar, and others interested in legal services for the poor, resulted in a report ^{1/} which pointed out that participation of clients and other persons from a grantee's community in the evaluation process could greatly enhance the usefulness of evaluation results.

Evaluation teams did not always contact other knowledgeable sources in the community--such as local bar associations, clients, judges, and other members of the legal system--to obtain their views of the quality and impact of service provided by grantees.

Pending development of accepted standards for assessing the quality of legal services provided, we believe the Corporation needs to expand the evaluation process to include more extensive contacts with the community served to obtain additional information to better assess the quality of the services provided by its grantees.

Recommendation

We recommend that the President of the Legal Services Corporation expand the evaluation process, pending development of accepted standards for measuring quality of service, to provide for more extensive contacts with individuals and organizations in the community served--including clients, local bar associations, and judges--to obtain additional information to better assess the quality and impact of services provided.

PRIORITIES NEEDED TO ASSURE THAT SERVICES PROVIDED CONFORM TO COMMUNITY NEEDS

The Legal Services Corporation Act requires the Corporation to insure that grantees adopt procedures for determining and implementing priorities for providing legal services based on community needs. The Corporation's regulations implementing the mandate require grantees to adopt priority-setting procedures that include participation of the client community,

^{1/}"NEXT STEPS FOR THE LEGAL SERVICES CORPORATION, A Set of Discussion Papers," April 1978, Legal Services Corporation, Washington, D.C.

to report on the priorities established, and to review the priorities annually.

Many Legal Services Corporation grantees have not fully developed and implemented priorities for providing legal services to ensure that resources are used to address the most prevalent needs of the communities served.

In four previous reports--two concerning the Legal Services Program operated by OEO and two concerning the successor program administered by the Corporation (see p. 2)--we identified deficiencies in the local priority-setting process and recommended actions to improve it. In our reports on the program operated by OEO, issued in 1969 and 1973, we noted that grantees needed to develop program priorities and to insure the maximum participation of the poor in developing and implementing the program. In our reports during 1978 on the program, as administered by the Corporation, we again noted the need for grantees to establish priorities for accepting clients and to develop such priorities on the basis of needs assessments that include participation of the poor in the communities served. We also pointed out that an effective program management information system was needed to measure the degree to which grantees allocate resources in accordance with established priorities.

Both OEO and the Corporation agreed that grantees needed to establish service priorities and implement information systems and indicated that they were working to carry out our recommendations. The Corporation had encountered delays in implementing its proposed local management information system and expected it to be in full operation by July 1980.

Some Corporation grantees have not yet established priorities for providing services. Of the nine grantees we reviewed, two had set priorities for each location they served, five had not completed setting priorities for all of the locations served, and two had not set any priorities. According to the Corporation, almost one-quarter of its grantees had not developed service priorities as of January 1980.

The Corporation is conducting a study designed to learn more about the best and most economical ways of setting priorities.

Recommendations

We recommend that the President of the Legal Services Corporation:

- Expand monitoring and evaluation procedures to assure that grantees comply with priority-setting requirements.
- Place a high priority on implementing the program management information system and ensure that it will enable comparison of grantee services provided with established priorities.

ASSURANCE NEEDED THAT ONLY
ELIGIBLE CLIENTS ARE SERVED

The Legal Services Corporation Act requires the Corporation to establish guidelines to insure that grantees determine the eligibility of clients. The Corporation's regulations establish a maximum allowable annual income level for applicants (currently 125 percent of the official poverty level income determined by the Office of Management and Budget), identify other eligibility factors that can be considered, and require grantee boards of directors to adopt guidelines for determining client eligibility in a manner that promotes trust between attorney and client.

While the Corporation's regulations and evaluation process are designed to ensure that the income reported by clients falls within eligibility guidelines, it lacks assurance that the information is accurate. Corporation grantees do not generally verify the financial information furnished by those applying for free legal services, and Corporation regulations do not require grantees to confirm eligibility except when there is substantial reason to doubt the accuracy of the information provided. The Corporation believes that verifying client eligibility would destroy the trust between attorney and client, and therefore, it does not require its grantees to confirm the information provided by applicants.

With regard to confidentiality of information furnished by clients to their attorneys, the American Bar Association Committee on Ethics and Professional Responsibility has ruled that financial eligibility information provided by a client may not be disclosed to anyone not employed by the program. This ruling would not prohibit the grantee's attorneys from verifying financial information furnished by their clients. Also, we believe that, if applicants were advised when they applied for free legal services that information as to their eligibility for such services is subject to verification by the grantee's attorneys, the potential problems with regard to client relationships would be minimized while providing greater assurance that only eligible persons are served. Therefore, we believe that the Corporation should require its

grantees to implement procedures for verifying eligibility information reported by applicants, particularly when substantial program resources may be required to serve a client's needs.

Recommendation

We recommend that the President of the Legal Services Corporation require grantees to establish procedures for verifying client eligibility, particularly when the applicants' legal needs will require significant program resources.

EXPANSION PROCEDURES IMPROVED

Although the Corporation has made substantial progress in meeting its interim goal of expanding its activities to provide minimum access to legal services to all eligible clients, it has been criticized for the methods it followed before 1979 to establish and fund new programs in areas which it previously did not serve. In response to the criticisms, the Corporation adopted procedures to improve the publicity about the availability of program expansion funds and thereby has reduced complaints from local bar associations and other community interests that they were not informed and given an opportunity to comment on the Corporation's expansion plans. Also, the new procedures should enhance the opportunities for obtaining more competition within the community when the Corporation expands its program services.

For fiscal year 1980 expansion, the Corporation has further refined and standardized its procedures for advertising expansion proposals by providing for larger and more noticeable newspaper advertisements, better publicized and more convenient public meetings, and improved notifications to bar associations.

To fulfill its mandate to provide high-quality legal assistance to those who are unable to afford adequate legal counsel, the Corporation has adopted an interim goal of funding a minimum level of access to legal services for each poor person in the Nation. Minimum access, as defined by the Corporation, requires two attorneys for every 10,000 poor persons. Annual increases in the Corporation's appropriations for fiscal years 1976-79 allowed it to expand programs and provide minimum access for about 26.3 million of an estimated 29 million poor persons in the Nation. According to the Corporation, its fiscal year 1980 appropriation will enable it to achieve its minimum access goal.

According to the Corporation, minimum access is only the first step in providing legal services to the poor, because an unmet need still exists for legal services by those who cannot afford it. The Corporation should ensure that the new procedures are followed not only when it expands its services to achieve minimum access, but also when it expands or establishes programs to increase the services in areas already being served.

Recommendation

We recommend that the President of the Legal Services Corporation ensure that the expansion procedures adopted for achieving minimum access are followed whenever new legal services delivery programs are established and when existing programs are expanded.

NEED TO MINIMIZE FUND CARRYOVERS

The Corporation's grantees are not required to return funds not expended by the end of the fiscal year. As a result, millions of dollars of unused grant funds have been accumulated by grantees and deposited in checking and interest-bearing savings accounts and, in some cases, invested in interest-bearing Treasury bills.

According to the Corporation, yearend fund carryovers by grantees have been small. However, in three of the four regional offices we visited, some grantees had relatively large carryovers when compared to their total grants. For example, one grantee had a carryover of \$562,000, or 27 percent of its 1978 grant. For 37 grantees, reports by independent auditing firms showed that each had yearend fund carryovers which exceeded \$100,000 and averaged 20 percent of grant funding. These 37 grantees accounted for about \$8.7 million of 1978 carryovers.

At the time of our review, audit reports for 1979 were available for 15 of these 37 grantees. Of these 15 grantees, 9 had fiscal year 1979 carryovers greater than those in 1978, 4 had carryovers less than those in 1978, and 2 had a fund deficit. The grantee that had a 1978 carryover of \$562,000, or 27 percent of its grant, had a 1979 carryover amounting to more than \$1.2 million, or about 31 percent of its grant.

The Corporation developed a revised funding policy in 1979 designed to deter the accumulation of fund balances in the accounts of new or existing grantees who were expanding their services. The revised policy, which the Corporation

refers to as "slope funding," provides that regional offices may recommend that the funds released to such grantees be limited until the grantees can demonstrate a need for the total amount of the grant. The funds not released to the grantee are held in trust for the grantee until it can demonstrate a need for the funds.

If, at the end of the grant year, the regional office does not believe that the withheld funds should be released, the funds are reprogramed to other Corporation activities. The revised funding policy is used when initially financing new grantees and when initially financing the expansion of existing grantees into areas that they previously had not served.

The Corporation funded 13 new grantees in fiscal year 1979 with expansion funds. Slope funding was recommended by the regional offices for four of these new projects and for two existing grantees that received expansion funds. Because financial statements were not available for all of the 13 new grantees, we could not fully assess the impact of the new policy. However, the Corporation has indicated that for the six projects where slope funding was used, about \$251,000 in awarded grant funds that was not released to the grantees was later reprogramed to other Corporation activities. In contrast, for two of the new grantees, which were not slope funded, large yearend balances had occurred. One grantee had reported total expenses of \$30,000 and a yearend fund balance of \$433,000, of which \$397,000 was invested in certificates of deposits and in a savings account. The other grantee reported using \$106,000 and had a yearend balance of \$206,000, which was used to purchase a U.S. Treasury bill.

The Corporation's new funding policy, which is applicable to the initial financing of new or existing grantees that are expanding their operations, is designed to deter the accumulation of unused fund balances in the accounts of such grantees. Indications are that this new funding concept, when used, has had an impact on the extent to which unused funds remained in the accounts of the grantees. However, this concept, which is initiated by the regional offices, has not been used in all cases. Also, some grantees have been unable to use all funds provided on a year-to-year basis, and several have had increasing fund carryovers.

We believe that the Corporation should closely monitor the use of funds by its grantees to minimize yearend carryovers and reduce subsequent funding to adjust for excessive carryover balances. Also, we believe that the Corporation should change

its current policy of allowing regional offices the discretion of recommending when slope funding will be used and require the application of slope funding for all new or expanding grantees unless the regional offices document in writing that this funding method should not be used.

Recommendation

We recommend that the President of the Legal Services Corporation require regional offices to closely monitor the expenditures of funds by grantees to minimize yearend fund carryovers and adjust subsequent year funding of grantees with significant carryovers. Also, we recommend that the Corporation's President require the use of slope funding for all new or expansion grantees unless the regional office can satisfactorily demonstrate that such funding is not warranted.

GRANTEE LOBBYING ACTIVITIES

The Legal Services Corporation Act prohibits lobbying activities by grantees, but provides exceptions when a client's legal rights are involved; when requested to do so by a government agency, a legislative body, or a member of a legislative body; or when such agencies or legislative bodies are considering legislation directly affecting authorized grantee or Corporation activities.

Among the concerns expressed by Members of Congress requesting our review was the propriety of the legislative advocacy efforts conducted at State and local levels by Corporation grantees. Also, the Surveys and Investigations Staff of the House Appropriations Committee--in its March 1979 report on Corporation activities--described the extensive lobbying efforts by Corporation grantees and questioned whether the Congress intended this activity to be so widespread.

Corporation-funded legal services representatives in one State advised the State bar association that, as a practical matter, the statutory exceptions nullify the lobbying prohibition in the act. While Corporation officials at the headquarters level advised us that they do not share this opinion, we believe that the exceptions, particularly the one dealing with clients' rights, provide a great deal of latitude for engaging in such activities. For example, a legal services coalition was formed and funded by six Corporation grantees to deal with legislative matters. In April 1978, the coordinator of the coalition issued a preliminary report to its sponsoring grantees describing the coalition's lobbying efforts and stating that:

"* * * we were searching for a priority issue to concentrate on, * * *. After receiving unanimous consent from you (the grantees' project directors) we began searching for sponsors in the House for the bill we had drafted, * * *. Realizing that legislators are influenced by the constituents back home-not by (the state capitol) based pressure groups-a major outreach effort was initiated to involve the cooperation and assistance of the staff and clients of each local legal services office, members of local NAACP branches, staff and participants in Head Start and Community Action Programs, as well as other community based groups and individuals. In a little over two months we have traveled over 6,500 miles in the state developing this network and seeking constituent influence on specific legislation * * *. The growing statewide network was urged to write and call their senators asking them to accept H.B. 1012." (H.B. 1012 called for a 100-percent increase in maximum payments through the Aid for Dependent Children program.)

Corporation officials advised us that they examined this matter and found that the project had documentation on file which showed that it represented numerous eligible clients seeking assistance as a result of the low grant levels in the State's Aid to Dependent Children program, and a member of the State legislature had requested legislative assistance on this issue. The Corporation, therefore, believes that the actions of the coalition were neither illegal nor improper.

The Corporation's Appropriation Acts for 1979 and 1980 included an amendment prohibiting the use of any appropriated funds for publicity or propoganda purposes designed to support or defeat legislation pending before the Congress or any State legislature. This amendment became effective after the activities by the coalition had occurred with regard to the State legislation.

On April 14, 1980, the Corporation's Office of General Counsel sent a memorandum to the staff of the Corporation's grantees noting a significant apprehension on the part of several Members of Congress about whether grantees are complying with current statutory and regulatory limitations on lobbying activities. The memorandum suggested several procedures that the grantees could follow to substantiate that a given act of legislative advocacy was pursued consistently with the act. In commenting on the provisions contained in the amendments to the Appropriations Acts, the General Counsel stated

that, in his opinion, the amendments "neither narrowed nor broadened the existing restrictions on legislative advocacy." The General Counsel also commented in the memorandum that the language of the statutes and regulations concerning lobbying activities was not self-defining and offered to assist the grantees should they require specific interpretations.

On April 1, 1980, the Corporation wrote a letter to the Member of Congress who had introduced the amendments to the Appropriation Acts stating that it recognized the need to better ensure full compliance with the letter and spirit of the Legal Services Corporation Act and these amendments. The Corporation advised the Congressman that it was prepared to take several steps to fulfill this need. These steps included issuing instructions regarding the legislative representation restrictions to all employees of legal services programs, requiring the Corporation's regional offices to specifically monitor the grantee legislative representational activities, and instituting a quality review process that is intended to selectively review the legislative representation activities of a sample of grantees each year and those grantees against which a serious complaint has been made. The Corporation also stated that it is prepared to request its Board of Directors to adopt regulations that would require all grantees to establish systems and procedures to ensure that legislative representation activities comply with congressionally imposed restrictions, require all grantees to report to the Corporation on a regular basis all legislative representational activities, and prohibit a grantee from having a full-time legislative office without specific approval of the grantee's governing body.

While the Corporation has indicated what steps it could take to better assure that its grantees are in compliance with the act and the amendment to the Appropriations Act, it has not yet acted to establish procedures for systematically determining if its grantees are, in fact, in compliance with the act's provisions. Presently, the Corporation responds to specific complaints it has received on the propriety of lobbying activities of its grantees.

In view of the continuing concern expressed by Members of Congress about the lobbying activities of the Corporation's grantees, we believe that the Corporation should implement those actions it has indicated it could adopt to ensure full compliance with existing legislation by its grantees. Moreover, we believe that the Corporation's regulations should specifically define the legislative restrictions on lobbying activities and the types of activities that its grantees may not engage in.

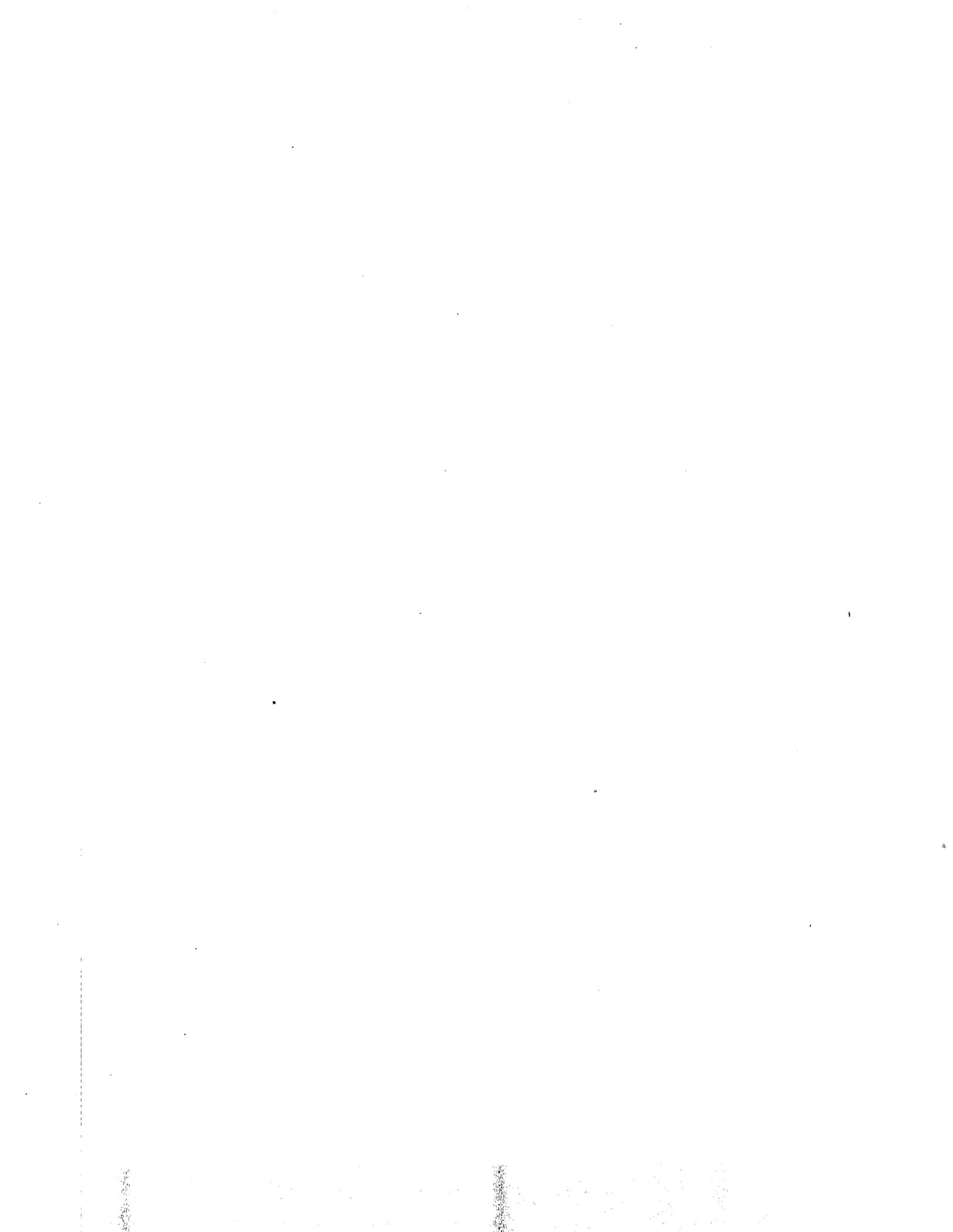
Recommendations

We recommend that the President and Board of Directors of the Legal Services Corporation:

- Implement procedures to gain greater assurance that legislative representation activities are in compliance with the letter and spirit of congressionally imposed restrictions. These steps should include requiring (1) all programs to report to the Corporation on a regular basis all of their legislative representation activities and (2) the Corporation's regional offices to regularly review legislative representation activities of its grantees.

- Revise Corporation regulations to more specifically define the legislative restrictions on grantees' lobbying activities and the types of lobbying activities that are not permissible.

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