



Highlights of [GAO-10-194T](#), a testimony before the Subcommittee on Commercial and Administrative Law, Committee on the Judiciary, House of Representatives

Why GAO Did This Study

In August 2007, GAO reported ([GAO-07-993](#)) that Legal Services Corporation (LSC) had not kept up with evolving reforms aimed at strengthening governance, accountability and internal controls. In December 2007, GAO reported ([GAO-08-37](#)) weaknesses in LSC's internal controls over grants management and oversight of grantees. GAO was asked to testify on the status of accountability practices of the LSC. GAO's testimony is primarily a summary of our prior reporting, but includes follow up work conducted between May and October 2009 to obtain information on the status of our prior recommendations.

What GAO Recommends

In its August 2007 report, GAO made 8 recommendations to LSC's Board of Directors to improve LSC's governance and accountability practices and four recommendations to management to improve key management processes. GAO also provided a matter for congressional consideration on whether LSC could benefit from additional mandated governance and accountability requirements. In its December 2007 report, GAO made 1 recommendation to LSC's Board and 4 recommendations to management to improve LSC's internal control and oversight of grantees. LSC agreed with our recommendations and has addressed 9 of GAO's 17 recommendations as of October 20, 2009. GAO will continue to monitor LSC's corrective actions.

View [GAO-10-194T](#) or [key components](#). For more information, contact Susan Ragland at (202) 512-8486 or raglands@gao.gov.

LEGAL SERVICES CORPORATION

Some Progress Made in Addressing Governance and Accountability Weaknesses, But Challenges Remain

What GAO Found

In August 2007, GAO reported that the governance practices of LSC's board fell short of the modern practices employed by other nonprofit corporations and public companies. Although the board members had demonstrated active involvement in LSC through regular board meeting attendance and participation, we pointed out several areas where LSC's governance practices could be strengthened. LSC's management practices had also not kept up with the current practices for key processes in risk assessment, internal control, and financial reporting. We pointed out certain areas where management's practices could be strengthened. GAO concluded that a properly implemented governance and accountability structure might have prevented incidents, such as compensation rates in excess of statutory caps, questionable expenditures, and potential conflicts of interest. GAO made 12 recommendations – 8 to the board and 4 to management. LSC's management has implemented all 4 recommendations to improve its management practices. The board has fully implemented 3 recommendations, but it needs to take additional actions to fully implement the other 5 recommendations. For example, LSC's board has fully implemented the key recommendation to establish an audit committee. However, another key recommendation for the board to implement procedures to periodically evaluate key management processes has not yet been fully implemented. LSC told GAO that it plans to take additional actions to more fully address the five recommendations.

In December 2007, GAO reported weaknesses in LSC's internal controls over grants management and oversight of grantees that negatively affected LSC's ability to provide assurance that grant funds were being used for their intended purposes in compliance with applicable laws and regulations. Effective internal controls over grants and grantee oversight are critical to accomplishing LSC's mission because it relies extensively on grantees to provide legal services to individuals who otherwise could not afford to pay for legal counsel. GAO made 5 recommendations to address these issues. LSC management fully implemented two of our report recommendations, including following up on identified improper or potentially improper uses of grants funds. However, LSC has only partially implemented three key recommendations, including only limited action to implement an approach for selecting grantees for review using consistently applied, risk-based criteria.

In order to improve LSC's board and management's ability to maintain accountability over LSC's mission, it will be critical for LSC's board and management to maintain priority focus on fully implementing all remaining GAO recommendations.