



**VIA US MAIL AND EMAIL**

August 25, 2015

Lcdo. Charles Hey-Maestre, Executive Director  
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**Re: Follow-Up Review, Recipient No. 253010**

Dear Mr. Hey-Maestre:

I would like to thank you for the comments you provided in response to the Draft Follow-Up Review letter, issued on April 16, 2015, as part of the Legal Services Corporation's ("LSC") Office of Compliance and Enforcement ("OCE") Follow-up Review ("2014 FUR") which took place on May 12-16, 2014.

As noted in OCE's April 16, 2015 Draft Follow-Up Review Letter ("Draft FUR Letter"), Required Corrective Action ("RCA") Nos. 4, 5, 6, 7, 8, 9, 10, and 11, stemming from OCE's Case Service Reports/Case Management System Review in 2010, were previously closed by OCE, with confirmation sent via letter to PRLS on March 9, 2012. Also, OCE's 2014 FUR evidenced that PRLS had made concerted efforts to correct deficiencies identified during the 2010 Review and, as a result of those efforts, the actions taken by PRLS in response to RCA Nos. 1, 2, 13, 14, 15, 16, 18, 19, 20, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37 were found to be responsive and sufficient and were deemed closed. Finally, the comments, additional information, and documentation provided by PRLS to OCE in response to the Draft FUR Letter were found to be responsive and sufficient with regard to RCA Nos. 3, 12, 17, 22, and the New RCA and, therefore, no further action is required for those items.

OCE does not, however, find the comments and information provided by PRLS in response to RCA No. 21 to adequately resolve the noted compliance errors and, as such, RCA No. 21 remains open. Given the ongoing inability to sufficiently resolve RCA No. 21 and the document intensive nature of conducting this review off-site, OCE anticipates either a future targeted onsite fiscal review or a comprehensive desk review to further provide guidance to Pro Bono, Inc. ("PBI") and PRLS in order to bring this RCA to a close. OCE will contact PRLS, by separate letter, to schedule the additional review.

The bases for these findings are detailed below.

### **A. 2014 Follow-up Review Process**

During the 2014 FUR, the review team assessed the actions taken by PRLS in response to the RCAs issued on May 2, 2011, in OCE's Final Report. The areas of review included intake policies and practices, internal controls, and PRLS' compliance with LSC regulatory and reporting requirements. During the visit, the team reviewed approximately 350 targeted and randomly selected cases, including both open cases and cases closed by PRLS in 2014, 2013, and 2012. Additionally, interviews were conducted of the Executive Director, Controller, PAI Coordinator, managing attorneys, intake staff, senior attorneys, staff attorneys, and support staff and reviews were conducted of selected policies, procedures, financial records, and related documents.

Consistent with the access protocol agreed to on May 6, 2014, PRLS afforded the 2014 FUR team access to case information through the use of staff intermediaries. To determine the sufficiency of the actions taken by PRLS in response to the RCAs, the 2014 FUR team assessed PRLS' automated case management system ("ACMS"), PROMAC, and its financial internal controls practices, as well as its compliance with the Accounting Guide for LSC Recipients (2010 Ed.) and the Case Service Report Handbook (2008 Ed., as amended 2011).<sup>1</sup>

PRLS' management and staff cooperated fully during the course of the review process and PRLS was made aware of preliminary findings throughout the week and again at an exit conference. PRLS was advised that the preliminary findings could be subject to modification after a more thorough review was conducted, upon return to LSC, of the information gathered during the visit and after the Team Leader's review of team member individual reports. PRLS was advised that it would receive a Draft FUR letter, which would include all of OCE's findings, and that it would have 30 days to submit a written response. Thereafter, a Final FUR letter would be issued incorporating PRLS' comments.

On April 16, 2015, OCE issued the Draft FUR letter and, on two (2) occasions in July 2015, PRLS submitted comments and supporting documents in response. PRLS' comments and supporting documentation were reviewed and incorporated in this letter, where appropriate. PRLS' comments and documents have been attached to this Final FUR letter in their entirety.

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<sup>1</sup> Although the 2008 Edition of the CSR Handbook was in effect at the time of OCE's 2010 onsite review, PRLS must adhere to the amended edition issued in 2011.

## **B. 2014 Follow-up Review Findings**

The 2014 FUR team assessed whether PRLS successfully implemented the 2011 Final Report RCAs. Listed below are the 2011 RCAs followed by the findings of the 2014 FUR team:

### **2011 Required Corrective Action No. 1**

1. PRLS must take such measures as necessary to ensure that the information necessary for the effective management of cases is accurately timely recorded in its ACMS, including, but not limited to:
  - a. ensuring that each staff member has access to a computer and case management system that has the technological capacity to ensure cost effective and efficient management of data and workflow; and
  - b. ensuring that PROMAC:
    - i. is not producing errors and/or erroneous information;
    - ii. is allowing access to data;
    - iii. has retained functionality in the transition from APPLICA to PROMAC;
    - iv. did not lose or have data corrupted in the transition;
    - v. has no denial of service issues with regard to its firewall protection;
    - vi. hard drives have adequate processors, memory, and operating systems to run required applications; and
    - vii. has the memory sufficient for connectivity, up-to-date OS patches, and software updates.

### ***PRLS' Comments, as reflected in the 2011 Final Report***

According to PRLS' March 29, 2011, response to the Draft Report, the initial problems presented by PROMAC have been resolved, and, indeed, the system is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded.

PRLS stated that since the 2010 visit, all of the computers used by case handlers and several others – approximately 140 – have been upgraded. The new computers use Windows 7 operating system, which, together with the enhanced memory, greatly improves PROMAC's performance. PRLS stated that it has trained its staff on PROMAC and is providing on-going technical support to each of the direct service centers. As well, necessary adjustments have been made so that PROMAC records all of the information entered into the system.

### ***2014 Follow-Up Review Finding No. 1***

The actions taken by PRLS in response to RCA No. 1 were found by the 2014 FUR team to be sufficient as sampled cases evidenced that all of the above listed PROMAC functionality issues were, in fact, remedied by PRLS as indicated in its March 29, 2011, response to the OCE Draft Report. Additionally, the few inconsistencies noted during the review between the information recorded in the ACMS and case files were determined to be a result of isolated human error and, thus, not due to ACMS functionality. *See* Closed PAI Case No. 1705-2009-8-14 (date of closure

was entered into the ACMS as September 9, 2012, when the paper file reflected the actual closure date of February 9, 2012); Closed 2013 Staff Case No. 1600-2007-10-6 (the ACMS file reflected that the case was being handled by the Migrant Division, when the paper file reflected that it had been transferred to another office supported by their basic field grant); and Open PAI Case No. 8005-2013-6-10, Closed 2014 PAI Case Nos. 2014-8005-2013-8-1 and 8005-2013-8-6, Closed PAI 2013 Case Nos. 4105-2012-9-17 and 4105-2013-2-27, and Closed 2012 PAI Case Nos. 8005-2010-2-7, 8005-2010-4-8, and 8005-2010-11-2 (these files contained inconsistencies between the ACMS file and paper file in the recorded "open" date, but it was determined that the date recorded in the ACMS was the date of placement with a PAI attorney).

It is recommended that PRLS review the errors noted and discuss them with the appropriate staff as needed; however, the 2014 FUR evidenced that PRLS' ACMS is functioning as intended. As such, no further action is required and RCA No. 1 is closed.

### **2011 Required Corrective Action No. 2**

2. Make reasonable inquiry into the income prospects of each applicant for LSC-funded legal assistance and keep such records or documentation as may be necessary to inform LSC of its compliance with 45 CFR § 1611.7(a)(1).

#### ***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS stated that it will instruct the direct service centers to conduct a manual income prospect inquiry and document the response in the files. Once re-programmed, the centralized intake system personnel will routinely screen all applicants for income prospects.

#### ***2014 Follow-Up Review Finding No. 2***

The actions taken by PRLS in response to RCA No. 2 were found by the 2014 FUR team to be sufficient. Intake interviews, review of the ACMS, and case review evidenced that a 45 CFR § 1611.7(a)(1) prospective income inquiry is included in its case management system and staff are unable to complete an eligibility screening without first entering a response. In addition, a review of PRLS' Guidelines for Financial Eligibility (Revised December 2011) and PROMAC Manual found that guidelines regarding the required 45 CFR § 1611.7(a)(1) prospective income inquiry were adequately contained therein.

As such, no further action is required and RCA No. 2 is closed.

### **2011 Required Corrective Action No. 3**

3. Take such measures as necessary to remove all asset and income defaults from its computerized intake system as required by LSC Program Letter 02-6 (June 6, 2002).

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS stated that PROMAC is being re-programmed in conjunction with its revisions to its financial eligibility policies to bring it into compliance with LSC Program Letter 02-6 (June 6, 2002) and the RCA.

***2014 Follow-Up Review Finding No. 3***

The actions taken by PRLS in response to RCA No. 3 were found by the 2014 FUR team to be responsive, although not as previously requested by OCE. Therefore, the Draft FUR Letter directed PRLS to provide additional information for OCE's evaluation in order to determine whether the actions taken are sufficient to render RCA No. 3 closed.

A review of PRLS' PROMAC ACMS found that it contains placeholder digits in both the income and asset screening fields. Staff interviewed, including the Director of Compliance and Statistics, indicated that PRLS had inquired with the ACMS manufacturer regarding the removal of the placeholder digits, but were informed that such an adjustment could not be accomplished. As a result, PRLS has compensated for their inability to remove the defaults by incorporating additional "checks" that significantly reduce the risk of default numbers being understood as financial amounts entered by intake staff. An explanation of the screening process and built-in assurances are detailed below.

In the income screening field, the digits "0.0" appear next to each income inquiry line; however, when staff "click" on the placeholder to enter an amount, a field opens below the placeholder for the appropriate amount to be entered. Subsequent to amounts being entered, the placeholder digits are replaced with a tally of the individual amounts entered below them for that particular income inquiry (e.g., if the question relates to income from employment and there are two (2) sources of income entered, the placeholder calculates the total household amount of income from employment). The financial amounts entered by staff remain visible once entered. If no income amounts are entered, the placeholders remain.

While the asset screening field displays "0" next to each asset inquiry line, staff is not able to move beyond the field leaving the "0" as a default value. The field contains a dormant "accept values" button that only becomes "live" if staff first certifies that they have screened for assets by clicking a check-box next to a certification statement.

OCE found the "checks" in place in the asset screening field to be more significant than in the income field and recommended that PRLS add the same checks to its income screening field; however, at the time the Draft FUR Letter was issued, OCE was not able to make a determination regarding compliance with Program Letter 02-6 (June 6, 2002) and CSR Handbook (2008 Ed., as amended 2011), §§ 3.6, 5.3, and 5.4, which indicate that screening for income and assets is critical to the determination of eligibility and that default values in these fields are not permitted.

For OCE to determine whether compliance with this RCA can be noted, PRLS was directed to detail in writing why it is not possible to replace the aforementioned placeholder digits and how it ensures that staff conduct income and asset screening as required.

### ***PRLS Comments Regarding 2014 Follow-Up Review Finding No. 3***

In response to RCA No. 3, PRLS commented that it was able to re-program its ACMS, PROMAC, in order to remove the existing placeholder digits in both the income and asset screening fields. PRLS also adjusted its eligibility screening process to further address the corrective action, including a detailed description of the changes, with screen-shots, to evidence the changes.

PRLS detailed how it modified its financial eligibility screening process to ensure that users could not skip any essential inquiries. Currently, users can only make changes to client information by opening the income information window and walking through the screening process from that point. If the number of household members is edited, for example, the system will remove the existing numerical values related to the Federal Poverty Guidelines (“FPG”) calculation and the user must conduct a new financial eligibility screening. Further, if a user attempts to open any other screening field, the field will open for informational purposes only as the user is not able to enter changes or updates to the existing numbers.

#### ***Income Screening***

PRLS’ submission also demonstrated that its income screening field no longer has any default values, as the user must “click” “Afiadir” (add) for the income field to become available for information to be entered. Once a user elects to add income information, a window showing “Detalle de ingresos” (income detail) becomes available and the user is able to select an income category from an inclusive drop-down menu. Upon selection of an income category, the user must next enter an amount in the available window. For each additional income source entered, the user must repeat the same process.

All sources and values of income entered, as well the calculated total, remain visible on the income detail window. Finally, when no additional sources of income remain to be entered, the user must enter a “check” next to the statement “Colocar ceros a categorias no utilizadas” (enter zeros in unused categories) for the system to insert zeros in the categories remaining with no values entered.

If an applicant has no income sources, the system automatically prompts for a note to be entered regarding the applicant’s particular circumstance. Next, the user is prompted to select any applicable governmental sources of income. Once the entire income screening process is completed, a summary window shows all income sources and amounts, including those reflecting a value of zero.

#### *45 CFR § 1611.5 Authorized Expense Screening*

When considering 45 CFR § 1611.5 authorized exceptions to the income ceiling, the user must enter a numeric value in the field for a reported expense and the expense interval (e.g., weekly). The user must enter a numeric value in at least one field, even if the value is zero, to be able to “click” on the “Aceptar Valores” (accept values) button, which then calculates the subtotal and total amounts.

#### *Asset Screening*

PRLS demonstrated that it was able to remove the zeros appearing in its assets screening field by providing screen shots and a description of the new screening process. Currently, the user must enter a numeric value in each field in order to proceed. If asset information is provided by an applicant, once the values are entered, the user must enter zeros in the categories that remain empty or “click” a green checkmark which will insert zeros in the blank categories and total the asset amounts entered.

The system is programmed to inform the user of the applicable asset ceiling and to indicate an applicant’s asset eligibility. Finally, even after asset eligibility has been calculated, the user must “check” “Certifico que verifique los activos” (I certify that I verified the assets) and “click” “Aceptar Valores” (Accept Values) in order to move beyond the asset screening field.

Based on the above detailed ACMS and procedural changes made by PRLS in response to RCA No. 3, OCE finds the actions taken to be responsive and sufficient. As such, no further action is required and RCA No. 3 is closed.

#### **2011 Required Corrective Action No. 4**

4. Revise its financial eligibility policy to specify that only individuals and groups determined to be financially eligible under the PRLS’ financial eligibility policies and LSC regulations may receive LSC supported legal assistance as required by 45 CFR § 1611.3(b).

#### ***PRLS’ Comments, as reflected in the 2011 Final Report***

In its response to the Draft Report, PRLS stated that it began the revision of its financial eligibility policy and has completed its final draft, which will be forwarded to OCE for review before being submitted to its Board of Directors for final approval. The review of PRLS financial eligibility policies, which is being performed, will address all of the observations set out in the Draft Report.

#### ***2014 Follow-Up Review Finding No. 4***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS’ current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 4 remains closed.

**2011 Required Corrective Action No. 5**

5. Revise its financial eligibility policy to specify that, in assessing the financial eligibility of an individual who is a victim of domestic violence, the recipient shall consider only the income and assets of the applicant and shall not consider any assets jointly held with the abuser as required by 45 CFR § 1611.3(e).

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 4.

***2014 Follow-Up Review Finding No. 5***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS' current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 5 remains closed.

**2011 Required Corrective Action No. 6**

6. Eliminate the distinction in its financial eligibility policy between "liquid" and "non-liquid" asset.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 4.

***2014 Follow-Up Review Finding No. 6***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS' current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 6 remains closed.

**2011 Required Corrective Action No. 7**

7. Revise its financial eligibility policy to conform its authorized exceptions to 45 CFR § 1611.5 and ensure that consideration is limited to actual expenses and not pre-determined amounts.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 4.

***2014 Follow-Up Review Finding No. 7***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS' current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 7 remains closed.

**2011 Required Corrective Action No. 8**

8. Eliminate the section within its financial eligibility policy entitled "Disqualifying Factors."

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 4.

***2014 Follow-Up Review Finding No. 8***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS' current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 8 remains closed.

**2011 Required Corrective Action No. 9**

9. Revise its group eligibility policy consistent with 45 CFR § 1611.6.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 4.

***2014 Follow-Up Review Finding No. 9***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS' current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 9 remains closed.

**2011 Required Corrective Action No. 10**

10. Revise the confidentiality section of its financial eligibility policy consistent with Section 509(h), Pub.L 104-134, 110 Stat. 1321 (1996).

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 4.

***2014 Follow-Up Review Finding No. 10***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS' current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 10 remains closed.

**2011 Required Corrective Action No. 11**

11. After revising its financial eligibility policy, submit same to OCE for review prior to adoption by its governing body.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 4.

***2014 Follow-Up Review Finding No. 11***

This RCA was previously confirmed closed by OCE via letter to PRLS dated March 9, 2012. The 2014 FUR team reviewed PRLS' current financial eligibility policies and found no new exceptions requiring corrective action and, thus, RCA No. 11 remains closed.

**2011 Required Corrective Action No. 12**

12. Ensure compliance with 45 CFR §§ 1626.6 and 1626.7 and CSR Handbook (2008 Ed.),<sup>2</sup> § 5.5.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS stated that written instructions will be issued in order to ensure compliance with LSC regulations and the corrective actions. PRLS also commented that new guidance will be provided to the centralized intake system and direct service centers to document the alien eligibility verification. PRLS stated that it will also re-program PROMAC to make this verification process a required field.

Regarding the four (4) files cited in the Draft Report as lacking the citizenship/alien eligibility documentation required by LSC regulations and the CSR Handbook, PRLS commented that closer supervision will be undertaken to avoid lapses in compliance.

***2014 Follow-Up Review Finding No. 12***

The actions taken by PRLS in response to RCA No. 12 were found by the 2014 FUR team to be, in large part, sufficient, as sampled cases evidenced compliance with the citizenship restrictions

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<sup>2</sup> Although the CSR Handbook (2008 Ed.) was in effect at the time of OCE's 2010 review of PRLS, it was revised in 2011. As such, PRLS should now look to the latest version, CSR Handbook (2008 Ed., as amended 2011), for case reporting guidance.

of 45 CFR Part 1626; however, the Draft FUR Letter directed PRLS to provide detailed confirmation that it has addressed the errors noted below in order for OCE to consider RCA No. 12 closed.

While all sampled ACMS files contained evidence of telephonic citizenship screening, two (2) files reviewed, in which the client was seen in person, lacked evidence of a signed paper attestation in the corresponding paper or electronic files. *See* Closed 2014 Case Nos. 5100-2013-7-14 and 5100-2013-7-04. In another instance, an electronic copy of a signed citizenship attestation appeared to have been uploaded to the electronic file, but verification was not possible as the file appeared corrupted and it could not be opened. *See* Closed 2014 Case No. 5100-2014-1-03. LSC Regulations, at 45 CFR § 1626.6(a), require that all applicants seen in person attest to their citizenship in writing. As no cases (2013 or earlier) were found to have been reported to LSC in PRLS' CSRs without evidence of citizenship screening, no pattern or substantial risk of error was identified. However, PRLS must ensure that the aforementioned files, and any others like them, are not reported to LSC in PRLS' 2014 CSRs unless the required documentation is obtained. The files containing the aforementioned errors all originated from the same staff division and, therefore, PRLS management should conduct an assessment to determine where the breakdown in compliance is occurring in order to provide support to staff as needed.

Finally, two (2) signed citizenship attestations were found to be in a format not consistent with the requirements of the CSR Handbook (2008 Ed., as amended 2011), § 5.5, as the signature line was not tied *only* to the attestation. *See* Closed 2014 Case Nos. 4101-2014-1-69 and 4101-2014-1-8. Although both of these files originated from the same staff division, the review demonstrated that PRLS has, in fact, implemented the use of an updated and CSR-compliant citizenship attestation. It is, therefore, necessary for PRLS management to determine the source of these outdated forms and provide support and guidance to staff as needed.

In response to the Draft FUR Letter, PRLS was directed to provide detailed information reflecting how it has addressed the errors noted above, its plan to ensure staff compliance in the future, and documentation showing that action has been taken (*e.g.*, submission of revised forms, communications to staff, training agendas, revised procedures, etc.). PRLS was advised to provide the requested materials no later than 60 days from the issuance of the letter.

#### ***PRLS Comments Regarding 2014 Follow-Up Review Finding No. 12***

In response to RCA No. 3, PRLS explained that several files identified as lacking signed CSR-compliant citizenship attestations did, in fact, have compliant and signed attestations and provided copies of the attestations to OCE for review. PRLS further explained the reasons why the intermediaries were not able to locate the documents during the course of the onsite follow-up review, as is detailed below.

With regard to Closed 2014 Case No. 5100-2013-7-14, PRLS indicated that the original case number was 2800-2013-04-23, as it had originated in a field office, and that the required citizenship attestation was found in the original file. Via email on July 10, 2015, PRLS

submitted ACMS notes demonstrating the case transfer and a copy of the signed citizenship attestation to OCE.

With regard to Closed 2014 Case No. 5100-2014-1-03, PRLS explained that the corrupted electronic file was deleted, but that the retainer agreement, which includes a signed citizenship attestation, was located in the paper file. Via email on July 10, 2015, PRLS submitted a copy of the signed attestation. Finally, PRLS stated that the retainer agreement containing the attestation has since been uploaded to the electronic file.

With regard to Closed 2014 Case Nos. 4101-2014-1-69 and 4101-2014-1-8, which were cited as having non-CSR compliant citizenship attestations, PRLS explained that the files did, in fact, have CSR-compliant signed citizenship attestations, but that they were located in a separate database maintained for limited action cases. PRLS further explained that the database was not accessed by the intermediaries working with OCE staff during the onsite case review process. Via email on July 10, 2015, PRLS submitted copies of the CSR-compliant signed attestations. Finally, PRLS indicated that it had made efforts to remove non-CSR compliant attestations from its files, instructed its branch office managing attorneys to discard all outdated forms remaining in those offices, and that it would reiterate these instructions at upcoming managers' meetings and in writing.

With regard to Closed 2014 Case No. 5100-2013-7-04, PRLS confirmed that a signed citizenship attestation could not be located, but reiterated that the client was screened for 45 CFR Part 1626 eligibility during the intake screening process and that the client's indication of United States citizenship was properly recorded in the ACMS at that time.

Based on the clarifications and documents provided by PRLS in response to RCA No. 12, the number of errors noted during the course of the onsite follow-up review has been significantly reduced and that, based on this reduction, OCE now finds actions taken by PRLS to be responsive and sufficient. However, it is recommended that PRLS ensure that all staff have knowledge of and, where appropriate, access to the databases needed to access all LSC required documents, as it can serve an additional support system to ensure that all required documents are obtained.

As such, no further action is required and RCA No. 12 is closed.

### **2011 Required Corrective Action No. 13**

13. Ensure compliance with 45 CFR § 1611.9(a).

#### ***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS stated the direct service centers will receive guidance once more on the proper way to comply with the requirements of 45 CFR § 1611.9 and that the direct service centers will be instructed to review all opened files to ensure compliance with LSC's retainer agreement requirement.

***2014 Follow-Up Review Finding No. 13***

The actions taken by PRLS in response to RCA No. 13 were found by the 2014 FUR team to be sufficient, as the review evidenced that all files requiring a retainer contained one. In addition, a review of PRLS' Guidelines for Financial Eligibility (Revised December 2011) found that guidelines regarding the requirements of 45 CFR § 1611.9 were adequately contained therein.

As such, no further action is required and RCA No. 13 is closed.

**2011 Required Corrective Action No. 14**

14. Ensure compliance with 45 CFR Part 1636.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS commented that the direct service centers will be instructed to review all open files to ensure that they have the form for client identity and statement of facts correct, complete and on file.

***2014 Follow-Up Review Finding No. 14***

The actions taken by PRLS in response to RCA No. 14 were found by the 2014 FUR team to be sufficient, as sampled cases evidenced 45 CFR Part 1636 documentation when required.

As such, no further action is required and RCA No. 14 is closed.

**2011 Required Corrective Action No. 15**

15. Ensure compliance with CSR Handbook (2008 Ed.), § 5.6.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS commented that closer supervision will be undertaken to avoid lapses in compliance. Instruction will be provided to direct service center Directors and PAI Coordinators to review files periodically to ensure compliance with the requirements of CSR Handbook (2008 Ed.), § 5.6.

***2014 Follow-Up Review Finding No. 15***

The actions taken by PRLS in response to RCA No. 15 were found by the 2014 FUR team to be sufficient, as all sampled cases evidenced compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6.

As such, no further action is required and RCA No. 15 is closed.

**2011 Required Corrective Action No. 16**

16. Ensure compliance with 45 CFR Part 1620.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS commented that it has instructed the Migrant Division not to accept cases outside of the approved priorities. The Division Manager was instructed to review the open cases cited in Finding 9 to determine whether they can be transferred to basic field or must be closed. All such cases have been transferred to a basic field direct service center.

PRLS stated that, prior to the commencement of employment at PRLS, attorneys must sign a document agreeing to comply with the requirements of Part 1620.

***2014 Follow-Up Review Finding No. 16***

The actions taken by PRLS in response to RCA No. 16 were found by the 2014 FUR team to be sufficient, as the review evidenced that all sampled files were within the priorities established for each applicable PRLS unit, as detailed in the statement of priorities approved by its Board of Directors on August 23, 2013.

As such, no further action is required and RCA No. 16 is closed.

**2011 Required Corrective Action No. 17**

17. Ensure compliance with CSR Handbook (2008 Ed.), Chapter VIII.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS commented that it will design training to refresh all of its personnel and PAI attorneys on the proper application of the CSR Case Closure Categories.

***2014 Follow-Up Review Finding No. 17***

The actions taken by PRLS in response to RCA No. 17 were found by the 2014 FUR team to be insufficient, as sampled cases evidenced a total of 13 errors in the application of CSR case closure categories. See CSR Handbook (2008 Ed., as amended 2011), Chapter VIII. PRLS management should, therefore, conduct an evaluation to determine the source of these deficiencies and provide additional training and support to staff as needed. The patterns of error noted are detailed below.

Five (5) sampled cases closed with case closure category "I(b) – Contested Court Decision" were determined to be uncontested and, therefore, the cases should have been closed with "I(a) – Uncontested Court Decision." See Closed 2014 PAI Case No. 9005-2013-11-13, Closed 2014

Case No. 1700-2010-11-19, Closed 2013 PAI Case No. 9005-2013-12-6, and Closed 2012 PAI Case Nos. 9005-2012-12-2 and 2005-2012-12-3. The legal assistance provided in two (2) cases closed with case closure category “L – Extensive Service” was found to be more consistent with case closure category “B – Limited Action.” See Closed 2014 Case No. 1700-2014-1-58 and Closed 2012 PAI Case No. 4105-2012-5-8. The legal assistance provided in one (1) case closed with case closure category “L – Extensive Service” was found to be more consistent with “A – Counsel and Advice.” See Closed 2013 PAI Case No. 8801-2012-1-251. One (1) case closed with case closure category “L – Extensive Service” involved contested litigation and, therefore, should have been closed with “I(b) – Contested Court Decision.” See Closed 2012 PAI Case No. 9005-2012-12-9. One (1) case closed with case closure category “I(b) – Contested Court Decision” involved the withdrawal of the opposing party prior to the court hearing and, therefore, should have been closed with “L – Extensive Service.” See Closed 2014 Case No. 1700-2014-2-28. One (1) case closed with case closure category “I(b) – Contested Court Decision” involved a negotiated settlement and, therefore, should have been closed with “G – Negotiated Settlement with Litigation.” See Closed 2013 PAI Case No. 8801-2013-1-96. The legal assistance provided in one (1) case closed with case closure category “F – Negotiated Settlement without Litigation” was found to be more consistent with “G – Negotiated Settlement with Litigation.” See Closed 2014 PAI Case No. 9005-2013-12-10. Finally, the legal assistance provided in one (1) case closed with case closure category “B – Limited Action” was found to be more consistent with “L – Extensive Service.” See Closed 2013 PAI Case No. 4102-2012-11-1.

In response to the Draft FUR Letter, PRLS was directed to provide detailed information reflecting how it has addressed the errors noted above, its plan to ensure staff compliance in the future, and documentation showing that action has been taken (*e.g.*, submission of revised forms, communications to staff, training agendas, revised procedures, etc.). PRLS was advised to provide the requested materials no later than 60 days from the issuance of the letter.

### ***PRLS Comments Regarding 2014 Follow-Up Review Finding No. 17***

#### ***PRLS’ Response Regarding Individual Case Findings***

In response to RCA No. 17, PRLS commented that it agreed with OCE’s assessment of Closed 2014 Case Nos. 1700-2010-11-19, 1700-2014-1-58, and 1700-2014-2-28, Closed 2014 PAI Case No. 9005-2013-12-10, Closed 2013 PAI Case Nos. 8801-2013-1-96 and 4102-2012-11-1, and Closed 2012 PAI Case No. 9005-2012-12-9. The suggested corrections were made to files closed in 2014 by the applicable field office managing attorneys on May 14, 2014.

With regard to Closed 2012 PAI Case No. 4105-2012-5-8, PRLS explained that representation on the case related to the preparation of an “Acta de Hogar Seguro” (Homestead Notary Act), a type of deed that requires an investigation at the Property Registry to corroborate the client’s title, the description of the property, and its origin. As such, PRLS stated that the case was properly closed with case closure category “L – Extensive Service” and that “B – Limited Action,” as suggested by OCE, would not have been appropriate. Based on the information provided by PRLS, OCE agrees that the case was properly closed as an “L.”

With regard to Closed 2013 PAI Case No. 8801-2012-1-251, PRLS explained that the representation involved filing a support claim in court and that the support claim was ultimately dismissed due to lack of cooperation by the client; not based on litigation or a court decision on the merits. As such, PRLS stated that the case was properly closed with case closure category “L – Extensive Service” and that “I(b) – Contested Court Decision,” as suggested by OCE, would not have been appropriate. Based on the information provided by PRLS, OCE agrees that the case was properly closed as an “L.”

With regard to Closed 2014 PAI Case No. 9005-2013-11-13, Closed 2013 PAI Case No. 9005-2013-12-6, and Closed 2012 PAI Case Nos. 9005-2012-12-2 and 2005-2012-12-3, PRLS commented that the cases related to representation in an ex parte hearing to obtain a civil protection order and that the cases were properly closed with case closure category “I(b) – Contested Court Decision. In its response, PRLS describes the legal process related to Puerto Rico’s Domestic Violence Law 54 (“Law 54”). If representation had been provided for the entirety of the legal process as dictated by Law 54, these files could have been properly closed with “I(b),” but, as PRLS indicates in its response, representation was only provided during the initial ex parte hearing. Therefore, without more information, OCE finds that these files should have been closed with “I(a) – Uncontested Court Decision,” as there was no opposing party or position represented during the ex parte court hearings. If, for example, the opposing party (*i.e.*, the alleged perpetrator) had his/her position represented during the hearing (*e.g.*, by filing an answer for the court to consider), then files like these may properly be closed with “I(b).”

#### *PRLS Response Regarding Programmatic Efforts*

PRLS indicated that it has updated an internal document, titled “Summary of Closure Categories,” to help refresh staff and management’s familiarity with the concepts relating to the CSR case closure categories. The document, which was provided as an attachment to PRLS’ response, provides guidance on how to select the appropriate closure category and provides examples of proper applications. Additionally, the document was reviewed during a monthly teleconference, held on June 2, 2014, for its managing attorneys who were also instructed to review the document with their branch office staff. PRLS submitted a copy of the meeting agenda with its response. Finally, PRLS stated that these actions will support its ongoing efforts to properly close its cases and that, considering that it closes approximately 24,000 cases per year, the incidence of error noted by OCE is very low.

Based on the clarifications, corrections, and efforts described by PRLS, above, in response to RCA No. 17, OCE finds the actions taken to be responsive and sufficient. As such, no further action is required and RCA No. 17 is closed.

**2011 Required Corrective Action No. 18**

18. Ensure compliance with CSR Handbook (2008 Ed.), § 3.3.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS commented that instructions will be given to direct service center Directors and PAI Coordinators to check case inventories and review files to ensure timely closure, especially those that appear to be inactive or dormant.

***2014 Follow-Up Review Finding No. 18***

The actions taken by PRLS in response to RCA No. 18 were found by the 2014 FUR team to be sufficient, as all but two (2) sampled cases were in compliance with CSR Handbook (2008 Ed., as amended 2011), § 3.3. See Open Case Nos. 4102-2102-1-14 (there was no activity noted in the file after the February 1, 2012, "open" date) and 5100-2013-8-71 (the only activity noted in file subsequent to the September 9, 2013, "open" date was a notation indicating a telephonic message was left for the applicant in 2014).

As such, no further action is required and RCA No. 18 is closed.

**2011 Required Corrective Action No. 19**

19. Ensure compliance with CSR Handbook (2008 Ed.), Chapter VI.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS commented that the duplicate cases have been eliminated.

***2014 Follow-Up Review Finding No. 19***

The actions taken by PRLS in response to RCA No. 19 were found by the 2014 FUR team to be sufficient, as the review did not evidence any duplicate cases. In addition, an interview of PRLS' Telephone Services Director and a review of the PROMAC Manual found that duplicate checks are conducted as part of the conflict check process, which is the second step of the intake screening process (only after 45 CFR Part 1626 screening).

As such, no further action is required and RCA No. 19 is closed.

**2011 Required Corrective Action No. 20**

20. Ensure compliance with 45 CFR Part 1609.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS stated that it has instructed Tele-Abogado not to accept tort cases for legal advice. The remaining fee-generating cases that fall under PRLS' priorities will be referred to the direct service center in order to comply with Part 1609.

***2014 Follow-Up Review Finding No. 20***

The actions taken by PRLS in response to RCA No. 20 were found by the 2014 FUR team to be sufficient, as the review did not evidence any cases that violated 45 CFR Part 1609.

As such, no further action is required and RCA No. 20 is closed.

**2011 Required Corrective Action No. 21**

21. Ensure compliance with 45 CFR § 1614.3(e).<sup>3</sup>

***PRLS' Comments, as reflected in the 2011 Final Report***

In its response to the Draft Report, PRLS stated that it is developing and will establish a policy and procedure to properly distribute PAI costs. This will include adjustments in the amount of the subgrant to Pro Bono, Inc. ("PBI") and the funds committed to its Compensated Private Practice program, that are charged to PAI, but should not be, as well as an assignment of funds from non-LSC which are invested in its PAI effort and had not been properly credited. PRLS stated that this revised allocation scheme will be applied retroactively to 2010, but prospectively in 2011 and beyond, so that adjustments are made in the same year the costs were incurred. Based on the new policy to be developed to properly distribute PAI costs, staff and other costs will be timely identified and recorded. PRLS will review the allocation of non-LSC costs associated to PAI and correct any deficiencies identified.

PRLS also stated that it is already working with PBI to identify those attorneys employed by the subrecipient who receive more than one half of his/her professional income from non-LSC sources, so as to document them as "private attorneys" for purposes of correctly allocating the LSC funds assigned to their salaries as PAI expenses, and conversely, to exclude as "private attorneys" those PBI attorneys who receive more than half of their professional income from

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<sup>3</sup> Notably, a revised 45 CFR Part 1614 took effect on November 14, 2014. See 79 *Federal Register* 61770 (October 15, 2014). Except as otherwise noted, all references and citations contained in this Finding are to Part 1614 as published at 50 *Federal Register* 48501 (November 26, 1985). The scope of OCE reviews is retrospective. As such, PRLS was reviewed for compliance with the former rule. OCE notes, however, that PRLS must now adhere to the revised regulation going forward.

LSC funds, for purposes of reporting the cases in which these attorneys provide legal assistance as non-PAI cases.

PRLS stated that it will work with PBI to have the subrecipient adopt specific written methodology on how common and administrative and general expenditures are distributed and/or allocated between funding sources (LSC and Puerto Rico State funds). PRLS stated that this Finding will be communicated to PBI for future audits.

### ***2014 Follow-Up Review Finding No. 21***

The actions taken by PRLS in response to RCA No. 21 were found by the 2014 FUR team to be insufficient, as several of the fiscal documents reviewed relating to PBI contained inconsistent information needing clarification, and additional information is needed in several areas of the review in order for OCE to determine whether PBI is properly allocating its costs. As such, RCA No. 21 remains open. In response to the Draft FUR Letter, PRLS was directed to provide the additional information requested below no later than 60 days from the issuance of the letter.

To provide a frame of reference, for 2013, PRLS' PAI expenditures totaled \$1,945,623, meaning that PRLS utilized approximately 14.4% of its 2013 LSC grant towards its PAI requirement. Further, in 2013, PRLS subgranted to PBI \$544,555 of its LSC grant, equaling approximately 28% of its total PAI allocation. Finally, the subgrant from PRLS to PBI was reportedly \$384,428 in 2014 and is projected to be \$409,000 in 2015.

#### **PRLS' PAI Cost Allocations**

The 2014 FUR team found that PRLS has taken steps to accurately identify and account for staff costs related to its PAI activities by calculating PAI costs using final hours, rather than preliminary hours, of attorney and paralegal time. It was also determined that PRLS' method of allocating in-house non-LSC funded administrative, overhead, staff, and support costs related to its PAI activities is reasonable. However, as explained below, several questions remain with relation to the PBI subgrant and, therefore, a final determination regarding PRLS' PAI cost allocations cannot be made at this time.

#### **PRLS/PBI Subgrant**

The primary purpose of the annual subgrant agreement between PRLS and PBI is clearly stated in the PRLS/PBI 2014 Subgrant Agreement signed by the Executive Directors and Board Chairpersons of each entity on November 5, 2013 – “PBI will process, through its panel of volunteer attorneys, a minimum of three thousand (3,000) cases during the 2014 contract year.” See PRLS/PBI 2014 Subgrant Agreement, ¶ I(A)(5)(a) (November 5, 2013). Section I(A)(5)(f) of the Subgrant Agreement, however, makes reference to cases handled by PBI staff attorneys, as does PBI's Procedures Manual, ¶ VII, wherein it discusses case handling procedures for staff attorneys providing counsel and advice and/or limited action. See Pro-Bono, Inc. Procedures Manual (revised November 2013, effective date January 2014).

### **Allocation of PBI's Personnel Expenses**

During the entrance conference held on May 12, 2014, as part of the 2014 FUR, PRLS' Executive Director advised that PBI had changed the allocation of funds used to pay its attorneys' salaries, whereby they now receive less than 50% of their salaries from the LSC subgrant for the purpose of keeping them within the "private attorney" definition, per 45 CFR § 1600.1, in order for PRLS to continue allocating the entire subgrant as a PAI expense. Revised LSC Regulation 45 CFR Part 1614, at § 1614.3(i)(1), indicates that the term "[p]rivate attorney does not include ... [a]n attorney employed half time or more per calendar year by an LSC recipient or subrecipient," and, at § 1614.3(a), that, for purposes of Part 1614, an "...attorney does not have the meaning stated in 45 CFR 1600.1." Therefore, PRLS should note that there is no current regulatory consequence of its method of funding PBI staff attorneys' salaries.

Furthermore, LSC found some notable inconsistencies in PBI's financial documents, relating to personnel costs, which are of concern. PBI's 2013 Audited Financial Statement ("AFS"), prepared by Certified Public Accountants, Pedilla, Medina & Associates, P.S.C. ("PMA-CPA"), indicated that PBI's aggregate personnel expenses for "lawyers and staff" totaled \$559,602, and that the LSC funded personnel expenses for "lawyers" totaled \$316,899.

During the 2014 FUR, however, financial documents provided by PRLS contained conflicting information regarding what amount of PBI's attorneys' salaries are supported by the subgranted LSC funds. For example, the "Statement of Revenue and Expenses for the Period Ending December 31, 2013," and PBI's "December 2013 Subrecipient Monthly Report on Actual Expenses," (both attachments to a February 21, 2014, letter addressed to PRLS' PAI Director and signed by PBI's Executive Director) demonstrated that, for 2013, LSC funded personnel expenses for lawyers was \$171,025 (not \$316,899 as reported in PMA-CPA AFS for 2013). It is notable that when the amount reported as LSC funded personnel costs for "lawyers," \$171,025, is added to the amount reported as LSC funded personnel costs for "other staff," \$145,873, the resulting total amount is \$316,898 – essentially the same amount reported in PBI's 2013 AFS as LSC funded expenses for only "lawyers."

Further, several documents were provided to the review team that purportedly showed the individual breakdowns of PBI's attorneys' salaries among its LSC and non-LSC funds. One (1) document indicated that between 43% and 49% of the annual salaries paid to PBI attorneys in its San Juan office were LSC funded (the total LSC funded amount being \$116,601, or 45%). The document was certified as correct by the signature of PBI's San Juan office Director and was included as an attachment to a May 13, 2014, letter addressed to PRLS' PAI Director. A second document, also reporting the breakdown of PBI's attorneys' salaries for the same time frame and location, indicated that LSC funds had been used to pay between 40% and 46% of the annual salaries (the total LSC funded amount being \$171,957, or 44%). The second document was certified as correct by the signature of PBI's Executive Director, however, these documents appear to be inconsistent.

### **Allocation of PBI's Non-Personnel Expenses**

The 2014 FUR team was unable to determine if PBI's non-personnel costs were allocated on the basis of reasonable operating data, as required by revised 45 CFR § 1614.7(a)(1), as no documentation was provided in support of the allocation percentages utilized by PBI. *See also, former 45 CFR § 1614.3(e)(1)(i).* In 2013, PBI reported that 49% of its non-personnel expenses were charged to its subgranted LSC funds and that 51% were charged to its other funds (Puerto Rico House of Representative ("ELA") funding). As part of the 2014 FUR, PRLS' PAI Director was asked to provide a description of PBI's reasonable operating data utilized to determine the 2013 allocation of qualifying PAI expenses, including the supporting methodology and calculations. While PRLS was able to provide a copy of PBI's Policy on Cost Allocation, the calculations demonstrating the 49% allocation to PBI's LSC funds were not immediately available and, therefore, PRLS' PAI Director advised that the request for information would be submitted to PBI.

Subsequent to the on-site visit, OCE fiscal staff contacted PRLS' PAI Director via e-mail on June 2, 2014, to again request the following information:

For 2013, PBI's records provided during the OCE review indicated they spent \$13,668 total on insurance, which was funded by \$13,132 of LSC funds and \$556 of non-LSC funds. Please explain the allocation methodology that was used to arrive at this distribution of funds between LSC and non-LSC funding. Further, provide a breakdown of the expenses charged to LSC funds and non-LSC funds by each type of insurance policy maintained by PBI.

PRLS' PAI Director responded via email on June 6, 2014, by forwarding a response from PBI stating that PBI follows the institutional cost allocation policy prepared and approved by its Board of Directors. Part III of PBI's allocation policy was included in the response, as follows:

*"Allocation Policy of Pro-Bono, Inc., for the distribution of expenditures among received Funds"*

Part III. (Allocation) Policy of Pro-Bono, Inc. (portion translated to English<sup>4</sup>)

*In order to comply with the requirements of the Accounting Guide of LSC, Pro-Bono, Inc. follows an accounting method by funds, distributing them according to transactions of revenues and expenses.*

*Pro-Bono, Inc., shall determine, before making any payment or expenditure, if said expenditure benefits one or more of the funds (this does not include Restricted Funds). Expenditures must be related to*

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<sup>4</sup> Translated prior to email submission.

*the specific source that provided the funds and the LSC funds should not subsidize restricted or prohibited activities by the Rules and Regulations of Legal Services Corporation nor with any other fund with specific restrictions for a definite purpose.*

*PBI management will apply the following distribution criteria for direct and indirect costs while making payments:*

*Any Item that corresponds to a requisite (a signed contract with any grant received by Pro-Bono) will be charged as a direct cost of said grant.* (underlined by PBI)

PBI's response further explained that in 2013 it had used LSC funds to pay for 100% of its insurance, litigation, and audit expenses, as they were requirements (a requisite) of the 2013 Subgrant Agreement it had entered into with PRLS. PBI indicated that its other funding source did not have these requirements, that its 2013 budget was reviewed by Juan A. Vázquez Aldea, the Certified Public Accountant ("A-CPA") contracted by PRLS to audit PBI, and that both PRLS and the A-CPA approved PBI's 2013 budget. Finally, PBI responded that "[t]he other items in the budget were allotted generally 49% LSC funds and 51% ELA funds, following the allocation policy in effect."

Based on the information available to the 2014 FUR team, PBI's 2013 insurance and audit cost allocations do not appear to have been applied on an equitable basis, due to PBI not following its established cost allocations for fidelity bond insurance, financial statement audits, and malpractice and litigation insurance. These items were found to have been fully charged as direct costs to PBI's subgranted LSC funds on the basis that the financial statement audit and insurance costs are LSC required items that PBI must maintain per its subgrant contract with PRLS. OCE does not find this argument to be persuasive, as maintaining insurance and obtaining audited financial statements benefit the entire PBI program and, therefore, the costs must be allocated equitably between PBI's funding sources. Therefore, OCE finds that PBI's 2013 non-personnel costs were not allocated on the basis of reasonable operating data. *See revised 45 CFR § 1614.7(a)(1) and former 45 CFR § 1614.3(e)(1)(i).*

### **External Auditor Evaluations of PBI's Common Costs**

LSC revised Regulation 45 CFR Part 1614, at § 1614.7(a)(3), indicates that:

Contracts or subgrants concerning transfer of LSC funds for PAI activities shall require that such funds be accounted for by the recipient in accordance with LSC guidelines, including the requirements of the Audit Guide for Recipients and Auditors and the Accounting Guide for LSC Recipients and 45 CFR Parts 1610, 1627, and 1630.

*See also, former 45 CFR § 1614.3(e)(1)(iii).*

LSC Regulations, at 45 CFR § 1627.3(c), further indicate that “[r]ecipients shall be responsible for ensuring that subrecipients comply with the financial and audit provisions of the Corporation.” Therefore, it is PRLS’ responsibility to ensure that PBI complies with all applicable LSC requirements.

The concern regarding PBI’s methodologies for allocating its personnel and non-personnel costs has been a recurring issue, previously raised in monitoring reports prepared by PMA-CPA and A-CPA. A report by A-CPA, dated October 13, 2012, indicated that PBI’s Board of Directors had approved a non-compliant allocation policy on June 10, 2011, as the policy indicated that PBI should use funds subgranted to it by PRLS “before spending any other source of funds.” A-CPA explained in the report that “[w]hen we reviewed the distribution as of July 31, 2012, we could not evidence a rationale for the actual distribution of costs” and cited as an example that “...only 44% of attorneys’ salaries were covered by subgrant funds, but 86% of the fringe benefits related to those salaries were also classified as subgrant costs.”

A subsequent report by A-CPA, dated August 20, 2013, noted that PRLS’ Board of Directors had approved an allocation policy on June 10, 2011, but that “...although the [allocation] policy correctly states that they will distribute costs in an equitable manner, an examination of the Statement of Support, Revenues and Expenses and Changes in funds Balances for the period ended March 31, 2013 and June 30, 2013 revealed that they are not in compliance with the approved cost allocation policy” as they “...could not determine that an equitable distribution of funds was made.” A-CPA’s August 20, 2013, report also cited Finding No. 12-02 from PBI’s 2012 AFS, prepared by PMA-CPA, which stated that “the allocation of costs was not consistently applied to all indirect costs because the policy did not clearly identify the criteria or the base for the cost allocation used for the distribution of direct and indirect costs.” Further, a report by A-CPA, dated October 3, 2013, described a review of “...adjustments made to comply with the cost allocation policy requirements” of PBI. The report indicated that A-CPA had reviewed PBI’s amended 2013 budget and salary distribution schedule as well as a memorandum describing PBI’s new criteria for the distribution of costs. With some exceptions, A-CPA indicated that the review had evidenced that “...the application of the [cost allocation] policy and ... the application[s] made in the 2013 Amended Budget and the Schedule of Salaries...” were in compliance with PBI’s policy; however, the report made several adjustment recommendations and suggested that, after the adjustments were made, PMA-CPA “...should evaluate the final document to assure that PB[I] complies with the matters raised in Finding No. 12-02” from PBI’s 2012 AFS.

A follow-up letter drafted by A-CPA to PRLS’ Executive Director, dated January 13, 2014, described a review of PBI’s August, September, and October 2013 financial reports submitted to PRLS and confirmed that some adjustments recommended in the October 3, 2013, report had been made, but did not mention whether PMA-CPA had reevaluated PBI for compliance with Finding No. 12-02 from its 2012 AFS, as was also recommended. Finally, PBI’s 2013 AFS were reviewed and, while the Summary of Schedule of Prior Year Findings and Questioned Costs noted that the condition for Finding No. 12-02 from the 2012 AFS had been “corrected,” the AFS did not describe a basis for this conclusion.

***Actions and Information Required Regarding RCA No. 21***

Based on all of the foregoing, in its response to the Draft FUR Letter, PRLS was directed to provide the following no less than 60 days from the issuance of the letter:

1. Information and documentation detailing PBI's methods for allocating *all* common costs, including personnel costs and non-personnel costs;
2. Evidence that PBI's allocation methods have been implemented by providing true samples of the implementation;
3. Evidence that PBI's allocation methods are clearly documented for future use;
4. Specific to non-personnel costs:
  - a. Description of the reasonable operating data utilized by PBI to determine the allocation of *all* common costs, including insurance and audit costs;
  - b. Supporting methodology for PBI's allocations; and
5. Information and documentation evidencing how PRLS determines whether cases handled and/or placed by PBI are reportable as a PAI case; and
6. Information and documentation evidencing how PRLS is fulfilling its responsibility, pursuant to 45 CFR § 1627.3(c), of providing meaningful and ongoing fiscal oversight of PBI to ensure that it is in compliance with LSC financial and audit provisions.

***PRLS Comments Regarding 2014 Follow-Up Review Finding No. 21***

PRLS' comments are added below each of OCE's requests for additional information from the April 16, 2015, Draft Follow-up Review letter. The entirety of the letter's text remains above, but the informational requests and other portions of the letter are reiterated below, as needed, for ease of review. All restated text is clearly identified.

*Text from OCE's Draft Follow-Up Review Letter:*

Furthermore, LSC found some notable inconsistencies in PBI's financial documents relating to personnel costs, which are of concern. PBI's 2013 Audited Financial Statement ("AFS"), prepared by Certified Public Accountants, Pedilla, Medina & Associates, P.S.C. ("PMA-CPA"), indicated that PBI's aggregate personnel expenses for "lawyers and staff" totaled \$559,602, and that the LSC funded personnel expenses for "lawyers" totaled \$316,899.

During the 2014 FUR, however, financial documents provided by PRLS contained conflicting information regarding what amount of PBI's attorneys' salaries are supported by the subgranted LSC funds. For example, the "Statement of Revenue and Expenses for the Period Ending December 31, 2013," and PBI's "December 2013 Subrecipient Monthly Report on Actual Expenses," (both attachments to a February 21, 2014, letter addressed to PRLS' PAI Director and signed by PBI's Executive Director) demonstrated that, for 2013, LSC funded personnel expenses for lawyers was \$171,025 (not \$316,899 as reported in PMA-CPA AFS for 2013). It is notable that when the amount reported as LSC funded personnel costs for "lawyers," \$171,025, is added to the amount reported as LSC funded personnel costs for "other staff," \$145,873, the

resulting total amount is \$316,898 – essentially the same amount reported in PBI’s 2013 AFS as LSC funded expenses for only “lawyers.”

*PRLS’ Comments in Response to Above Text:*

In response to the above text, PRLS indicated that PMA-CPA's AFS Statement of Functional Expenses states that the total expenses for “lawyers and staff” in 2013 was \$595,321. *See* 2013 AFS, Page 7. The amount is allocated as follows: \$559,602 for “program services” and \$35,719 for “management and general.” A total of \$316,899 was allocated to LSC funds and identified as “lawyers” in the Statement of Support, Revenues, and Expenses for the subgrant of LSC funds to PBI. *See* 2013 AFS, Page 15. PRLS further stated that it examined PBI's trial balance for the year ended December 31, 2013, and determined that the expenses were allocated to LSC funds in the amounts of \$171,025 for “lawyers” and \$145,874 for “staff,” for a total of “\$316,889” (this appears to be a typographical error and, instead, should indicate \$316,899). PRLS went on to say that these figures were supported by PBI’s monthly Report of Actual Expenses. PRLS concluded that PMA-CPA erroneously indicated in the AFS Statement of Support, Revenues, and Expenses that the “\$316,899” (this appears to be a typographical error and, instead, should indicate \$316,899) figure only represented total expenses for “lawyers,” when it should have indicate that the expenses were for both “lawyers and staff.” *See* 2013 AFS, Page 15.

*Text from OCF’s Follow-Up Review Letter:*

Several documents were provided to the review team that purportedly showed the individual breakdowns of PBI’s attorneys’ salaries among its LSC and non-LSC funds. One (1) document indicated that between 43% and 49% of the annual salaries paid to PBI attorneys in its San Juan office were LSC funded (the total LSC funded amount being \$116,601, or 45%). A second document, also reporting the breakdown of PBI’s attorneys’ salaries for the same time frame and location, indicated that LSC funds had been used to pay between 40% and 46% of the annual salaries (the total LSC funded amount being \$171,957, or 44%).

*PRLS’ Comments in Response to Above Text:*

In response to the above text, PRLS clarifies that the “conflicting” figures are due to the fact that one (1) of the documents represented the funds budgeted in 2013 for PBI’s lawyer’s salaries, which was \$171,957, and the second was a certification of lawyer’s salaries paid during 2013, which was sent to PRLS’ PAI Director on May 13, 2014. PRLS included in its response a chart illustrating how and why the budgeted amounts were adjusted to the amounts actually paid. PRLS indicated that the primary differences were the following: (1) PBI’s Executive Director’s salary was not included in proposed budget, as administrator’s salaries were not included; (2) two (2) attorneys resigned over the course of the year, causing reductions in actual expenses versus the amounts budget; and (3) one (1) attorney’s salary increased because she received maternity leave, sick leave, and vacation leave payments, resulting in additional compensation. Therefore, PRLS stated that both documents are correct, but one (1) relates to budgeted salaries and the other relates to salaries actually paid.

Inquiry No. 1 of Finding No. 21 from OCE's Draft Follow-Up Review Letter:

1. Information and documentation detailing PBI's methods for allocating *all* common costs, including personnel costs and non-personnel costs;

PRLS' Comments in Response to Inquiry No. 1:

In response to Inquiry No. 1, PRLS stated that PBI revised its cost allocation policy and that it was approved by its Board of Directors on February 21, 2014. While the policy was approved in 2014, it was retroactively applied PBI's financial data for the year ended December 31, 2013. With its response, PRLS included a chart demonstrating how the cost allocation policy was applied in 2013. PRLS indicated that the policy contains the following four (4) principle rules:

- (1) Expenses which are required by the contract requisite of PRLS were allocable 100% to LSC funds. These expenses were audit, insurance, litigation and training;
- (2) Executive Director's salary was allocated 70% to PRLS (LSC) and 30% to Non-LSC funds; this distribution was determined by the Executive Director of PBI based on the estimated time he dedicated to PRLS;
- (3) Other direct and common expenses were allocated 49% to PRLS and 51% to Non-LSC Funds as a result of the funds available from each source of funds; and
- (4) Expenses which are not allocable to LSC funds are charged directly to Non-LSC Funds.

See Exhibit B of PRLS' July 1, 2015, Letter in Response to OCE's April 16, 2015, Draft Follow-Up Review Letter.

PRLS further explained that PBI's cost allocation policy distributed its costs among its available funding sources. PRLS agreed that while the position can be taken that the audit expenses incurred by PBI benefit both of its funding sources, the fact is that Puerto Rico requires these types of audits only if an entity has more than \$3 million in income. Therefore, it follows that the requirement of an independent auditor is an LSC-only required and incurred expense. PBI also indicates that the same argument applies with regard to the insurance, litigation, and training expenses it must maintain per LSC requirements. PBI must incur these expenses, as indicated in its contract with PRLS, because LSC requires them and would otherwise not exist or would be minimal. PRLS concludes that if PBI distributed the expenses in proportion to its sources of income, the result would be an allocation of 52% LSC and 48% non-LSC, instead of the current 49%/51% cost allocation methodology utilized by PBI.

Inquiry No. 2 of Finding No. 21 from OCE's Draft Follow-Up Review Letter:

2. Evidence that PBI's allocation methods have been implemented by providing true samples of the implementation;

PRLS' Comments in Response to Inquiry No. 2:

In response to Inquiry No. 2, PRLS enclosed a spreadsheet of PBI's audited expenses for 2013 to demonstrate the how its LSC and non-LSC funds were distributed, including the percentage distribution for each allocated expense. PRLS states that the spreadsheet demonstrates that PBI properly applied the cost allocation policy approved by its Board in February 2014.

See Exhibit B of PRLS' July 1, 2015, Letter in Response to OCE's April 16, 2015, Follow-Up Review Letter.

Inquiry No. 3 of Finding No. 21 from OCE's Draft Follow-Up Review Letter:

3. Evidence that PBI's allocation methods are clearly documented for future use;

PRLS' Comments in Response to Inquiry No. 3:

In response to Inquiry No. 3, PRLS indicated that PBI's Office Manager, who is the individual tasked with classifying accounting entries, codified the distribution of expenses among PBI's funding sources in accordance with its policy. PRLS further stated that the Office Manager adequately understands the approved distribution policy, as she was able to explain and provide examples to PRLS when approached. Finally, PRLS indicated that PBI's Office Manager maintains a hard copy of PBI's cost allocation policy within her workspace for reference, as needed, to ensure that the allocations are correctly applied.

Inquiry No. 4 of Finding No. 21 from OCE's Draft Follow-Up Review Letter:

4. Specific to non-personnel costs:
  - a. Description of the reasonable operating data utilized by PBI to determine the allocation of *all* common costs, including insurance and audit costs;

PRLS' Comments in Response to Inquiry No. 4(a):

In response to Inquiry No. 4(a), PRLS indicated that the allocation of all common costs was based on PBI's total available sources of income. PRLS referred to Exhibit B from its July 1, 2015, response to OCE's Draft Follow-up Review Letter, as an exemplar of the allocation computation. With regard to PBI's cost allocation policy, PRLS stated that costs which can be tracked directly to the activities of a funding source are applied in-full to those funds. Based on this practice, PBI's subgranted LSC funds are adjusted to compensate for expenses that are considered to be requirements of its subrecipient contract with PRLS. Therefore, in 2013, PBI's

insurance and audit costs were allocated primarily to its LSC funds (PRLS notes that a small amount of insurance expenses were allocated to non-LSC funds), as the costs are incurred by PBI due to the requirements contained in its subrecipient contract with PRLS. PRLS further explained that, in Puerto Rico, an audit is only required for entities with income that exceeds \$3,000,000 and, for 2013, PBI's income totaled \$1,047,964.

- b. Supporting methodology for PBI's allocations; and

PRLS' Comments in Response to Inquiry No. 4(b):

In response to Inquiry No. 4(b), PRLS quoted Page 4 of PBI's cost allocation policy as follows: "the cost allocation should be always in rational, fair and equitable manner following the criteria established in CFR 45 1630(f) Allocating of Indirect Cost." PRLS further explained that PBI's allocations for 2013 were based on the percentages of funds it received from each of its funding sources. Finally, PRLS directed OCE to its response to Inquiry No. 3, above, and to Exhibit B from its July 1, 2015, letter in response to OCE's April 16, 2015, Draft Follow-up Review letter.

Inquiry No. 5 of Finding No. 21 from OCE's Draft Follow-Up Review Letter:

5. Information and documentation evidencing how PRLS determines whether cases handled and/or placed by PBI are reportable as a PAI case; and

PRLS' Comments in Response to Inquiry No. 5:

No comments were provided by PRLS in response to Inquiry No. 5.

Inquiry No. 6 of Finding No. 21 from OCE's Draft Follow-Up Review Letter:

6. Information and documentation evidencing how PRLS is fulfilling its responsibility, pursuant to 45 CFR § 1627.3(c), of providing meaningful and ongoing fiscal oversight of PBI to ensure that it is in compliance with LSC financial and audit provisions.

PRLS' Comments in Response to Inquiry No. 6:

In response to Inquiry No. 6, PRLS referred to Section A-5(b) of PBI's contract with PRLS which requires proper "expenditure, accounting and auditing of the delegated funds, including a submission of a timely audit report to PRLS." PRLS added that PBI is required, by contract, to submit monthly fiscal reports regarding its expenditure of LSC funds to PRLS. Finally, PRLS indicated that it has contracted with an independent CPA to perform up to two (2) annual financial audits of PBI.

Based on the above, PRLS stated that it has the procedures in place to evaluate PBI's compliance with its financial requirements, pursuant to 45 CFR § 1627.3(c), including the "...proper expenditures, accounting and audits of LSC funds delegated to a sub recipient." PRLS'

comments continued continues that, due to "...prior evaluations and the monitoring processes, PRLS has been able to evaluate financial operations of the sub recipient and identified findings which were discussed with PBI so they could take the necessary actions to correct them." PRLS concluded that these actions are evidenced "...by clauses or amendments that have been added to the contract with PBI related to financial compliance."

*OCE's Determination Based on PRLS' Comments in Response to Inquiry Nos. 1-6:*

Based on PRLS' responses to RCA No. 21 and the included Inquiry Nos. 1-6, OCE has determined that PBI, and, thus, PRLS, has not sufficiently resolved this RCA. OCE is unable to make the determination that PBI's costs are being allocated and implemented pursuant to cost allocation policy that is in compliance with § 2-3.2 of the LSC Accounting Guide and 45 CFR § 1630.3. *See also* 2 CFR Part 230, Cost Principles for Non-Profit Organizations (*formerly* OMB Circular A-122). The information provided by PRLS in response to this RCA does not identify the criteria, or the base, used by PBI in its cost allocation policy for the distribution of its direct and indirect costs. Additionally, the information provided is not responsive to several of the determinations made by OCE in the 2014 FUR letter.

PRLS and PBI should thoroughly review the regulatory requirements referenced, in part, below for guidance in order to adequately resolve these issues.

LSC Regulations, at 45 CFR § 1630.3(c), state, in part, that:

A cost is allocable to a particular cost objective, such as a grant, project, service, or other activity, *in accordance with the relative benefit received*. Costs may be allocated to Corporation funds either as direct or indirect costs according to the provisions of this section [emphasis added].

LSC Regulations, at 45 CFR § 1630.3(d), define direct costs as follows:

Direct costs are those that can be identified specifically with a particular final cost objective, i.e., a particular grant award, project, service, or other direct activity of an organization. ... Direct costs include, but are not limited to, the salaries and wages of recipient staff who are working on cases or matters that are identified with specific grants or contracts. Salaries and wages charged directly to Corporation grants and contracts must be supported by personnel activity reports.

LSC Regulations, at 45 CFR § 1630.3(e), define indirect costs as follows:

Indirect costs are those that have been incurred for common or joint objectives and cannot be readily identified with a particular final cost objective. ... Indirect costs include, but are not limited to, the costs of

operating and maintaining facilities, and the costs of general program administration, such as the salaries and wages of program staff whose time is not directly attributable to a particular grant or contract. Such staff may include, but are not limited to, executive officers and personnel, accounting, secretarial and clerical staff.

LSC Regulations, at 45 CFR § 1630.3(f), with regard to the allocation of indirect costs, state that:

Where a recipient has only one major function, i.e., the delivery of legal services to low-income clients, allocation of indirect costs may be by a simplified allocation method, whereby total allowable indirect costs (net of applicable credits) are *divided by an equitable distribution base and distributed to individual grant awards accordingly*. The distribution base may be total direct costs, direct salaries and wages, attorney hours, numbers of cases, numbers of employees, or another base *which results in an equitable distribution of indirect costs among funding sources* [emphasis added].

Office of Management and Budget Regulations, at 2 CFR Part 230, Appendix A, § D, titled “Allocation of Indirect Costs and Determination of Indirect Cost Rates,” provides additional guidance and examples of allocation methodologies. Subsection D(3)(b) of Appendix A, regarding the multiple allocation base method and the identification of indirect costs, discusses the establishments of cost groupings and states that they “...shall be established so as to permit the allocation of each grouping *on the basis of benefits provided to the major functions* [emphasis added].”

Finally, LSC Regulations, at 45 CFR § 1614.7(a)(1), state, in part, that “[n]on-personnel costs shall be allocated on the basis of *reasonable operating data* [emphasis added].”

Utilizing the above authorities as guidance, OCE, below, has reviewed the first three (3) principle rules of PBI’s cost allocation policy, as provided by PRLS in its response to this RCA.

Principle Rule No. 1 of PBI’s cost allocation policy has been described as follows: “Expenses which are required by the contract requisite of PRLS were allocable 100% to LSC funds. These expenses were audit, insurance, litigation and training.” Here, PBI is simply restating a previously made argument with regard to these costs. OCE has previously responded to this position by indicating that it does not find this argument to be persuasive. As maintaining insurance and obtaining audited financial statements benefit the entire PBI program, the costs must be allocated *equitably* between PBI’s funding sources. PBI employs full-time attorneys and other staff and provides services in addition to those it provides with LSC funds. Further, this argument is unreasonable as it takes the ancillary position that, but for the “contract requisite[s],” PBI would be operating without routine audits, without insurance coverage for its staff attorneys and volunteer attorneys, without providing training for its staff attorneys and volunteer attorneys, and without any litigation costs.

Principle Rule No. 2 of PBI's cost allocation policy has been described as follows: "Executive Director's salary was allocated 70% to PRLS (LSC) and 30% to Non-LSC funds; this distribution was determined by the Executive Director of PBI based on the estimated time he dedicated to PRLS." Here, PBI fails to provide a cost allocation methodology or other information to indicate that this is an equitable distribution. An estimate does not satisfy this requirement. See 45 CFR §§ 1630.3(c), (d), (e), and (f) and the LSC Accounting Guide, § 2-3.2.

Principle Rule No. 3 of PBI's cost allocation policy has been described as follows: "Other direct and common expenses were allocated 49% to PRLS and 51% to Non-LSC Funds as a result of the funds available from each source of funds." Here, PBI fails to provide a cost allocation methodology or other information to indicate that this is an equitable distribution. An estimate or a distribution based on available funding does not satisfy this requirement. See 45 CFR §§ 1630.3(c), (d), (e), and (f) and the LSC Accounting Guide, § 2-3.2.

In addition to the above detailed deficiencies, PBI, and thus PRLS, has, again, failed to provide the requested information regarding what reasonable operating data it uses and what supporting methodology it has in place to ensure an equitable allocation of its non-personnel common costs. Furthermore, PRLS has not provided a response to Inquiry No. 5 regarding how it determines whether cases handled and/or placed by PBI are reportable to LSC as a PAI cases. Therefore, based on the totality of the information provided and the deficiencies noted, PRLS has failed to demonstrate that it is fulfilling its responsibility, pursuant to 45 CFR § 1627.3(c), of providing meaningful and ongoing fiscal oversight of PBI to ensure that it is in compliance with LSC financial and audit provisions.

As such, RCA No. 21 remains open. Given the ongoing inability to sufficiently resolve RCA No. 21 and the document intensive nature of conducting this review off-site, OCE anticipates either a future targeted onsite fiscal review or a comprehensive desk review to further provide guidance to PBI and PRLS in order to bring this RCA to a close. OCE will contact PRLS, by separate letter, to schedule the additional review.

### **2011 Required Corrective Action No. 22**

22. Comply with the terms of the subgrant agreement with PBI and ensure compliance with 45 CFR § 1627.3(b)(3).

#### ***PRLS' Comments, as reflected in the 2011 Final Report***

In its response to the Draft Report, PRLS stated that it will ensure that LSC is notified, in writing, of changes in funding of less than 10% as required by 45 CFR § 1627.3(b)(3). PRLS also stated that it is taking measures to improve and better coordinate the exchange of information with PBI in an effort to provide LSC with timely notice of training and community/client education activities conducted by PBI, as per the terms of the subgrant. PRLS stated that it has taken measures to avoid delays in payments so that in 2011, all payments to PBI will be made in the first five (5) days of each month[.] PRLS also stated that other oversights mentioned in Finding 18 have been corrected.

### ***2014 Follow-Up Review Finding No. 22***

The actions taken by PRLS in response to RCA No. 22 were found by the 2014 FUR team to be insufficient, as the review evidenced that PRLS was not in compliance with provisions of 45 CFR § 1627.3(b)(3) regarding subgrant modifications in 2012 and in 2013 and, in one (1) instance, it failed to comply with the terms of the subgrant agreement regarding the timely payment of funds to PBI.

#### **PRLS' 2013 Subgrant Modification**

On December 18, 2012, LSC approved PRLS' 2013 subgrant agreement with PBI, pursuant to which PBI was to receive \$571,838 in LSC funds. By letters dated May 21, 2013, and June 24, 2013, PRLS informed LSC that it had decreased the amount subgranted to PBI in 2013 from \$571,838 to \$544,555, resulting in a \$27,283 reduction in the total subgranted amount.

Under 45 CFR § 1627.3(b)(3), PRLS was not required to seek LSC prior approval to make this modification because it constituted less than a 10% change in the amount subgranted to PBI and did not result in a modification of PBI's work program. PRLS was, instead, required to provide LSC written notification of the change, which it did on June 24, 2013. OCE's response letter, dated August 7, 2013, advised PRLS that it should notify LSC of such modifications at the time it determines that the modification is required and before, or at the same time, it notifies the subgrantee of the modification. Additionally, OCE reminded PRLS that:

Each recipient's LSC Grants home page includes a "Request Modification" button for each LSC-approved subgrant. Recipients must utilize the LSC Grants system to request LSC's approval for, or notify LSC of, proposed changes to a subgrant. ... LSC requests that any future subgrant modifications or notification be submitted electronically via the method described...

#### **PRLS' 2012 Subgrant Modification**

On December 19, 2011, LSC approved PRLS' 2012 subgrant agreement with PBI, pursuant to which PBI was to receive \$714,739 in LSC funds. The term of the PRLS/PBI subgrant agreement ended on December 31, 2012. By letter dated May 21, 2013, PRLS informed LSC that on January 4, 2012, it had informed PBI that, due to funding reductions, PRLS would reduce the amount of their 2012 subgrant from \$714,739 to \$609,960, or by \$104,779.

In OCE's response letter to PRLS dated August 7, 2013, which was previously discussed above, PRLS was advised that the LSC requirement for subgrant modifications is provided under 45 CFR § 1627.3(b)(3):

A substantial change in the work program of a subgrantee or an increase or decrease in funding of more than 10% shall require

Corporation approval pursuant to the provisions of section 1627.3(a). Minor Changes of work program or changes in funding of less than 10% shall not require prior Corporation approval, but the Corporation shall be informed in writing thereof.

The August 7, 2013 letter further stated:

Under 45 CFR §1627.3, LSC has 45 days to approve, disapprove, or suggest modifications to the subgrant terms submitted for approval. As such, LSC grantees need to request approval for such modifications at least 45 days in advance of their effective date. Since the reduction of PRLS' 2012 subgrant with Pro Bono (\$104,779) was greater than 10% of the originally approved amount (10% of \$714,739 being \$71,474), PRLS was required to request LSC prior approval before making this modification. As such, PRLS' notification sent to LSC on May 21, 2013, informing LSC of this modification – over a year after it was made – does not meet the requirements of 45 CFR § 1627.3(b)(3).

Modifications to an approved subgrant lacking required LSC prior approval are subject to question under 45 CFR Part 1630. LSC also cannot provide retroactive prior approval for the modification. However, LSC finds this modification was reasonable and prudent considering it was a decrease (and not increase) in the subgranted amount, the decrease was due to 2012 reductions in LSC funding, and LSC recognizes PRLS' duty to adjust expenditures downward in a timely manner to account for this decrease.

PLRS is advised that failure to submit a timely request for LSC approval for a subgrant modification requiring such approval under 45 CFR § 1627.3(b)(3) constitutes an instance of non-compliance with an LSC requirement, which could negatively impact PRLS' compliance record and LSC's approval of future subgrant applications. As such, PRLS is requested to, within 30 days of the receipt of this letter, provide LSC with a description of the actions it has taken to ensure that such requests will be submitted in a timely manner going forward.

OCE has not been provided a response to the above request.

As such, in response to the Draft FUR Letter, PRLS was directed to provide OCE with information and documentation evidencing the actions it has taken to ensure that such requests will be submitted in a timely manner going forward. PRLS was advised that these materials must be received no later than 60 days from the issuance of the letter.

## **Payments to Subgrantee PBI**

On-site testing was performed during the 2014 FUR to determine if 2014 payments of subgranted funds were made in a timely manner in accordance with the terms of the subgrant agreement. The testing revealed that payments to PBI were generally submitted in a timely manner, with one (1) exception. The 2014 and 2015 subgrant agreements between PRLS and PBI state that subgranted funds will be transferred from PRLS to PBI in 12 equal monthly payments to be paid, in advance, during the first five (5) PRLS working days for each month, beginning in February of each year. The January payments, however, were to be transferred by the ninth (9) day of the month. A review of PRLS' accounting records evidenced that the January 2014 payment was not transferred to PBI until January 29, 2014, although the date on the invoice indicated January 1, 2014. PRLS' Controller advised that the late payment was due to a delay in LSC's approval of the PBI subgrant amount, but it was later determined by the 2014 FUR team that on December 19, 2013, LSC had approved the subgrant agreement effective January 1, 2014. PRLS' Controller then advised that the subgrant approval information had not been provided to his department until shortly before the payment was made to PBI on January 29, 2014.

In response to the Draft FUR Letter, PRLS was directed to provide OCE with information and documentation evidencing the actions it has taken to ensure that subgrant modification requests are submitted in the manner required by 45 CFR § 1627.3. PRLS must further inform OCE of the measures it has taken to ensure that payments to its subgrantee are made timely in accordance with the terms of the approved subgrant agreement. PRLS was advised that these materials must be received no later than 60 days from the issuance of the letter.

### ***PRLS Comments Regarding 2014 Follow-Up Review Finding No. 22***

In response to RCA No. 22, PRLS provided individualized comments for each error noted which are attached hereto, provided information and supporting documentation demonstrating efforts made to prevent their recurrence, and correctly noted that the errors have not recurred.

PRLS provided documentation demonstrating that it has instituted new procedures to ensure compliance with 45 CFR § 1627.3 and agreed that it will utilize the LSC Grants system in the future for subgrant related requests, notifications, and changes. Additionally, PRLS indicated that it has instructed its PAI Director to follow said processes and procedures and, further, provided a copy of a memorandum dated July 6, 2014, to the Executive Director of PBI, with a copy to PRLS' Controller, notifying them of the following procedures:

1. The PAI Director receives a copy of the PBI Sub grant Agreement from the Executive Director of PRLS once it is signed by all required parties and approved by LSC by December of each year.
2. The PAI Director delivers a copy of such agreement to the PAI Accountant, which she uses to acknowledge and plan for the monthly amounts to be paid to PBI for the following year. This is done in December of each year. Beginning in January of the new

year, a copy of the Sub grant Agreement will be sent to the Controller, together with a letter from the PAI Director, authorizing the preparation of the checks for the twelve equal monthly payments.

3. The PAI Accountant shall verify the amounts, insuring that payments are timely made, according to the terms of the Agreement, beginning in January of each year.
4. The PAI Accountant schedules the monthly payments to PBI, including payment in the first batch of each month. Schedule of payments and copy of the PAI Director letter are included as "invoice" document for approval of payment by the Controller.
5. The Controller approves the payment to PBI and the check is sent to their offices, within the first five working days of each month, except January, when a longer period is allowed due to the holidays.

*See PRLS Memorandum, dated July 6, 2014.*

Based on the procedural changes made by PRLS in response to RCA No. 22 and the fact that no further errors have been noted, OCE finds the actions taken to be responsive and sufficient. As such, no further action is required and RCA No. 22 is closed.

### **2011 Required Corrective Action No. 23**

23. Take such measures as will ensure the proper expenditure, accounting for, and audit of PBI, including, but not limited to, ensuring that the costs of PBI's public liability insurance are not charged to its LSC funds and ensuring that PBI reimburse its LSC funds the costs of public liability insurance charged to PBI's LSC fund over the last five (5) years.

#### ***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS offered no comments.

#### ***2014 Follow-Up Review Finding No. 23***

The actions taken by PRLS in response to RCA No. 23 were found by the 2014 FUR team to be sufficient, as the review evidenced that the cost of PBI's public liability insurance is not currently being charged to its subgranted LSC funds and because PBI reimbursed PRLS, using its non-LSC funds, for the costs of the public liability insurance it had previously paid with its subgranted LSC funds.

During the 2014 FUR, PRLS was asked to provide the fiscal review team with documentation evidencing that PBI had reimbursed its LSC funds for the costs of the public liability insurance it was found to have been charging to its subgranted LSC funds for the five (5) years prior to the

2010 Compliance Review. PRLS was also asked to confirm that PBI was no longer using LSC funds for this expense.

PRLS was able to provide the review team with documentation showing that PBI had reimbursed its LSC account a total of \$1,601 for years 2008 through 2010 from its non-LSC funds. PRLS advised that this amount included all applicable charges relating to the insurance payments. It was noted, however, that PBI did not reimburse this amount to its LSC funds as requested by this RCA, but, rather, returned the amount directly to PRLS. As described below in Finding 24, PRLS was able to demonstrate that the returned funds were deposited in its LSC account.

As such, no further action is required and RCA No. 23 is closed.

#### **2011 Required Corrective Action No. 24**

24. Ensure that expenditures of LSC funds by PBI conform to the criteria enumerated at 45 CFR § 1630.3(a).

#### ***PRLS' Comments, as reflected in the 2011 Final Report***

In its response to the Draft Report, PRLS stated that it will request that PBI charge the expenditure referenced in Finding 18 to non-LSC funds or repay the amounts noted in the Finding.

#### ***2014 Follow-Up Review Finding No. 24***

The actions taken by PRLS in response to RCA No. 24 were found by the 2014 FUR team to be sufficient, as the review evidenced the PRLS has taken measures to ensure that expenditures of LSC funds by PBI conform to the criteria detailed in 45 CFR § 1630.3(a).

As noted above in the follow-up discussion to RCA No. 23, PRLS was able to provide the review team with documentation showing that PBI had reimbursed PRLS' LSC account a total of \$1,601 for years 2008 through 2010 from its non-LSC funds. During the FUR, PRLS provided a letter dated October 4, 2011, from its former PAI Director to PBI's Executive Director requesting the reimbursement. PRLS' Controller was able to provide the review team with documentation confirming that PBI had submitted a reimbursement check to PRLS for \$1,601, dated October 6, 2011, that was documented as received by PRLS on October 7, 2011, and that PRLS deposited the check in its LSC account on October 11, 2011.

Finally, review of PRLS' 2013 insurance policy expenses and interviews with the PAI Director further confirmed that PBI is no longer using LSC funds to pay for public liability insurance.

As such, no further action is required and RCA No. 24 is closed.

**2011 Required Corrective Action No. 25**

25. Ensure that attorneys and paralegal to report all time, including leave time, as required by 45 CFR § 1635.3(b)(1).

***PRLS' Comments, as reflected in the 2011 Final Report***

In its response to the Draft Report, PRLS stated it modified its timekeeping report program to include a new category of activities, namely "licencias," or "leave," and attorneys and paralegals have been instructed to record use of their leave accordingly.

***2014 Follow-Up Review Finding No. 25***

The actions taken by PRLS in response to RCA No. 25 were found by the 2014 FUR team to be sufficient, as the review evidenced that case handlers record leave as mandated by 45 CFR § 1635.3(b)(1). An interview with PRLS' Director of Compliance and Statistics evidenced that attorneys and paralegals record leave in PROMAC's timekeeping system. In addition, PRLS issued a memorandum, dated January 24, 2011, to applicable staff that provided direction on the leave codes they are required to enter into PROMAC, as follows: "D01" for sick leave; "D02" for vacation leave; and "D03" for all other types of leave. Finally, an onsite review of 2014 time records for selected PRLS staff members confirmed that the required leave codes were entered into PROMAC as required.

As such, no further action is required and RCA No. 25 is closed.

**2011 Required Corrective Action No. 26**

26. Finalize and distribute all job descriptions.

***PRLS' Comments, as reflected in the 2011 Final Report***

In its response to the Draft Report, PRLS stated that job descriptions have undergone extensive review and will be complete in the next month, at which time they will be distributed to all employees

***2014 Follow-Up Review Finding No. 26***

The actions taken by PRLS in response to RCA No. 26 were found by the 2014 FUR team to be sufficient, as the review evidenced that all job descriptions have been completed and finalized as required by the Accounting Guide for LSC Recipients (2010 Ed.), § 3-4(2). Further, interviews indicated that the Director of Human Resources is in the process of developing a system for routine staff evaluations.

As such, no further action is required and RCA No. 26 is closed.

**2011 Required Corrective Action No. 27**

27. Ensure segregation of accounting duties.

***PRLS' Comments, as reflected in the 2011 Final Report***

PRLS also stated that it will establish a procedure to provide for the proper segregation of duties in the preparation of monthly bank reconciliations. Such procedure will include review by the Executive Director or his designee after they are completed by the Comptroller.

***2014 Follow-Up Review Finding No. 27***

The actions taken by PRLS in response to RCA No. 27 were found by the 2014 FUR team to be sufficient, as PRLS demonstrated that it has entered into a contract with a CPA firm for the purpose of conducting its monthly bank account reconciliations. In addition, a review of PRLS fiscal documents evidenced a segregation of duties, as the signature and date of review of its Comptroller and staff CPA were found on the documents in compliance with the Accounting Guide for LSC Recipients (2010 Ed.), § 3-4(3).

As such, no further action is required and RCA No. 27 is closed.

**2011 Required Corrective Action No. 28**

28. Make necessary adjustments to reconcile the subsidiary records with the general ledger as required by the Accounting Guide in a timely manner.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS stated that its Finance Office has specific instructions to reconcile the subsidiary ledger with the audited financial statement at the end of the year. PRLS also stated that measures are being taken to complete the reconciliation before the close of the year.

***2014 Follow-Up Review Finding No. 28***

The actions taken by PRLS in response to RCA No. 28 were found by the 2014 FUR team to be sufficient, as PRLS' Comptroller provided via email<sup>5</sup>, on May 22, 2014, documentation evidencing that the adjustments referenced in this RCA were made to several accounts for the year 2010 and that its 2010 financial statements were corrected.

As such, no further action is required and RCA No. 28 is closed.

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<sup>5</sup> At the time of the onsite review, the documents requested by the 2014 FUR team were in a storage facility. It was agreed that PRLS would retrieve the documents and provide them electronically to OCE fiscal staff.

**2011 Required Corrective Action No. 29**

29. Reconcile the property and equipment subsidiary ledger with the general ledger account as required by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 27.

***2014 Follow-Up Review Finding No. 29***

The actions taken by PRLS in response to RCA No. 29 were found by the 2014 FUR team to be sufficient, as the review found that PRLS' property and equipment are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, and that it is reconciling the property and equipment subsidiary ledger with the general ledger, as required by the Accounting Guide for LSC Recipients (2010 Ed.). In addition, a review conducted by PRLS' independent CPA of its financial statements for the period ending December 31, 2012, with comparative totals for 2011, evidenced compliance with regard to the reconciliation of the property and equipment subsidiary ledger.

As such, no further action is required and RCA No. 29 is closed.

**2011 Required Corrective Action No. 30**

30. Reconcile the property and subsidiary ledger with the general ledger account as required by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 27.

***2014 Follow-Up Review Finding No. 30***

The actions taken by PRLS in response to RCA No. 30 were found by the 2014 FUR team to be sufficient, as the review found that PRLS' property and equipment are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, and that PRLS is reconciling between the property and subsidiary ledger account, as required by the Accounting Guide for LSC Recipients (2010 Ed.). In addition, a review conducted by PRLS' independent CPA of its financial statements for the period ending December 31, 2012, with comparative totals for 2011, evidenced compliance with regard to the reconciliation of the property and subsidiary ledger.

As such, no further action is required and RCA No. 30 is closed.

**2011 Required Corrective Action No. 31**

31. Make the necessary adjustments to reconcile the depreciation expenses of the subsidiary ledger with General Ledger as required by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 27.

***2014 Follow-Up Review Finding No. 31***

The actions taken by PRLS in response to RCA No. 31 were found by the 2014 FUR team to be sufficient, as the review found that PRLS' property and equipment are recorded at cost at the date of acquisition, or fair market value at the date of donation in the case of gifts, and depreciation and amortization is calculated using the straight-line method over the estimated useful life of the assets, which range from five (5) to 40 years for property and equipment in compliance with the Accounting Guide for LSC Recipients (2010 Ed.), §§ 2-2.4 and 2-2.5.

As such, no further action is required and RCA No. 31 is closed.

**2011 Required Corrective Action No. 32**

32. Properly code all expenditures, especially if it is a LSC or non-LSC expenditures as required by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 27.

***2014 Follow-Up Review Finding No. 32***

The actions taken by PRLS in response to RCA No. 32 were found by the 2014 FUR team to be sufficient, as PRLS' expenditures were found to have been coded properly by funding source.

As such, no further action is required and RCA No. 32 is closed.

**2011 Required Corrective Action No. 33**

33. Provide supporting documentation for the \$338.58 of lodging expenses or LSC funds should be reimbursed as required by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

In response to the Draft Report, PRLS stated that the missing credit card receipt has been located.

***2014 Follow-Up Review Finding No. 33***

The actions taken by PRLS in response to RCA No. 33 were found by the 2014 FUR team to be sufficient, as the review team was able to confirm that the required documentation was obtained by PRLS.

As such, no further action is required and RCA No. 33 is closed.

**2011 Required Corrective Action No. 34**

34. Have an individual at the same level of the Executive Director or a Board Member review and approve his expenditures as require by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 26.

***2014 Follow-Up Review Finding No. 34***

The actions taken by PRLS in response to RCA No. 34 were found by the 2014 FUR team to be sufficient, as a review of the Executive Director's credit card expenditures from January through April, 2014, evidenced that the PRLS Board of Directors reviewed and approved all charges.

As such, no further action is required and RCA No. 34 is closed.

**2011 Required Corrective Action No. 35**

35. Have the Office of Human Resources finalize and implement all staff job descriptions as required by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 25.

***2014 Follow-Up Review Finding No. 35***

The actions taken by PRLS in response to RCA No. 35 were found by the 2014 FUR team to be sufficient, as the review evidenced that all job descriptions have been completed and finalized as required by the Accounting Guide for LSC Recipients (2010 Ed.), § 3-4(2). Further, interviews indicated that the Director of Human Resources is in the process of developing a system for routine staff evaluations.

As such, no further action is required and RCA No. 35 is closed.

**2011 Required Corrective Action No. 36**

36. Monitor the Budget Control Reports to avoid the possibility of a deficit as required by the Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

PRLS also stated that it will adopt proper procedures to establish the annual budget distribution by account. It will also review, control and adjust the budget, if necessary, on a monthly basis to guarantee year-end financial results. PRLS will develop a policy to establish accountability within the organization for budget control. The budget will be restructured by responsible unit, so that each unit supervises the variances from month to month and, in coordination with the Executive Director, can make adjustments to avoid deficits at year-end.

PRLS also stated that it will adopt proper procedures to establish the annual budget distribution by account. It will also review, control and adjust the budget, if necessary, on a monthly basis to guarantee year-end financial results. PRLS will develop a policy to establish accountability within the organization for budget control. The budget will be restructured by responsible unit, so that each unit supervises the variances from month to month and, in coordination with the Executive Director, can make adjustments to avoid deficits at year-end.

PRLS stated that although several account balances required reconciliation, it is taking steps to remedy the situation with structural changes in the management of accounts. These changes should be in place before the arrival of a new Comptroller in June 2011.

***2014 Follow-Up Review Finding No. 36***

The actions taken by PRLS in response to RCA No. 36 were found by the 2014 FUR team to be sufficient, as a review of PRLS' 2014 budget control reports and statistical charts evidenced that both its monthly and yearly reporting contained sufficient information to control its operational costs.

As such, no further action is required and RCA No. 36 is closed.

**2011 Required Corrective Action No. 37**

37. Have a responsible individual with no accounting duties review and approve bank reconciliations, and signed and dated for better internal controls as required by Accounting Guide.

***PRLS' Comments, as reflected in the 2011 Final Report***

See PRLS' comments to RCA No. 35.

***2014 Follow-Up Review Finding No. 37***

The actions taken by PRLS in response to RCA No. 37 were found by the 2014 FUR team to be sufficient, as PRLS demonstrated that it has entered into a contract with a CPA firm for the purpose of conducting its monthly bank account reconciliations. In addition, fiscal documents reviewed evidenced a segregation of duties, as the signature and date of review of PRLS' Comptroller and outside CPA personnel were appropriately found on the documents in compliance with the Accounting Guide for LSC Recipients (2010 Ed.), § 3-4(3).

As such, no further action is required and RCA No. 37 is closed.

**C. New Required Corrective Action Finding**

As part of the 2014 FUR, PRLS' compliance with 45 CFR § 1627.4 was reviewed and it was determined that PRLS is not in compliance with the Regulation. Review of relevant fiscal documents evidenced that membership dues to the Puerto Rico Bar Association (Colegio de Abogados de Puerto Rico) ("PRBA"), which are non-mandatory, were paid using LSC funds. Subsequent to the 2010 Compliance Review, membership fees and dues to the PRBA were legislated as non-mandatory and, therefore, can no longer be paid with LSC funds due to the restrictions of 45 CFR § 1627.4.

LSC Regulations, at 45 CFR § 1627.4, indicate 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 governmental organization to engage in a profession, or to the payment of membership fees or dues from non-LSC funds.

During the 2014 FUR entrance conference on May 14, 2014, PRLS' Executive Director indicated his understanding that PRLS was not paying membership fees and dues to the PRBA from LSC funds; however, a review of PRLS' Historical Detailed Trial Balances for 2013 evidenced that the PRBA expenses were paid exclusively out of LSC funds. While the 2014 FUR team was onsite, the Executive Director agreed that this was an error and that all required corrections would be made.

At the 2014 FUR exit conference on May 16, 2014, PRLS' Controller provided documentation to the review team demonstrating that PRLS had deposited \$29,625 drawn from its non-LSC funds to its LSC fund account for the purpose of reimbursing the PRBA dues paid in error from its LSC funds. PRLS' Controller advised that the amount covered reimbursements for 2013. The review team inquired further to determine whether additional reimbursements would be required for other periods of time and on May 22, 2014, an email was received from PRLS' Executive Director with additional information.

The May 22, 2014, email from PRLS' Executive Director contained an attachment demonstrating that a second check in the amount of \$70,783, dated May 22, 2014, had been reimbursed to its LSC fund account for the years 2010 through 2014. The email provided a breakdown of the \$70,783 check as follows: \$34,375 for 2010; \$18,513 for 2011; \$5,300 for 2012; \$12,345 for 2013; and \$29,875 for 2014. As such, the new total reimbursed amount reported by PRLS pursuant to this email was \$100,408; however, the amount cited in the email as reimbursed for 2013 (\$12,345) was different than the amount provided to the review team at the May 16, 2014, exit conference (\$29,625).

On June 2, 2014, OCE sent PRLS a follow-up email asking for clarification of reimbursement total for 2013. On July 14, 2014, PRLS' Executive Director responded via email with additional information. In response to OCE's request for clarification of the two (2) different reimbursement amounts reported for 2013 (\$29,625 and \$12,345), PRLS simply indicated that "incorrect payments were made in varying degrees in 2010, 2011, 2012, 2013 and 2014," but that "[m]easures have been taken to avoid a repetition of such payments." While PRLS' email included supporting documents such as journal entries and copies of checks, there was no clarification of the differing 2013 refund amounts. PRLS' July email and attachments, instead, cited the originally reported amount for 2013 of \$29,625 and failed to mention the \$12,345 cited in the May email. Furthermore, the July email contained a different breakdown of the amounts reimbursed to PRLS' LSC funds and included a third reimbursement check for \$10,835, dated June 24, 2014, bringing the total reimbursed amount to \$111,243.

The table below indicates the variances as provided by PRLS:

<b>Year</b>	<b>May 22, 2014 Email PRLS Reported Amount</b>	<b>July 14, 2014 Email PRLS Reported Amount</b>	<b>Variance</b>
2010	\$34,375	\$32,657	(1,718)
2011	18,513	13,786	(4,727)
2012	5,300	5,300	0
2013	12,345	29,625	17,280
2014	29,875	29,875	0
<b>Totals</b>	<b>\$100,408</b>	<b>\$111,243</b>	<b>\$10,835</b>

In its response to the Draft FUR Letter, PRLS was directed to provide an explanation for the variance(s) noted above, and indicate what measures it has put in place to avoid such errors going forward. PRLS must further provide evidence that it has updated its 45 CFR § 1627.4 policy and procedure to ensure that payments of membership fees and dues are allocated appropriately and in compliance with the Regulation. PRLS was advised that these materials must be received no later than 60 days from the issuance of the letter.

***PRLS Comments Regarding the 2014 Follow-Up Review New RCA Finding***

In response to the new RCA, PRLS provided information and documentation that demonstrated its adjustment of fund allocations for its payments to the PRBA. PRLS explained that these adjustments had been "inadvertently not considered" during the 2014 FUR "creating the

variances.” PRLS also explained that it had identified the existence of the proper allocations during its audit and provided OCE with a revised report. As attachments to its response, PRLS provided a copy of a memorandum from its Controller to its Accountant, dated June 24, 2014, communicating the below detailed adjustments with a copy of a statement and check stub dated June 24, 2014, in the amount of \$10,835 demonstrating the transfer from its non-LSC funds to its LSC funds; a printout from its General Ledger and General Transaction Edit List, both demonstrating the transfer dated June 24, 2014; and two (2) statements listing all payments made to the PRBA from 2010 through 2014 demonstrating the adjustments.

Finally, to demonstrate that measures have been put in place to prevent such errors in the future, PRLS attached to its response a memorandum dated June 2, 2015, from its Controller to the members of the Finance Department detailing the requirements and restrictions contained in 45 CFR § 1627.4. Specifically, the memorandum instructs staff that no LSC funds may be used to pay PRBA membership dues. In addition to the memorandum provided to the four (4) staff members of the Finance Department, PRLS indicated that the Controller also held a meeting with his staff to discuss the requirements and restrictions of § 1627.4.

PRLS provided the following summary of the variances:

**Year 2010 (\$1,718)**

*Adjustment for LSC (reduced debt balance), for allocation of \$1,718*

- April 30, 2010           \$1,444
  - September 30, 2012    \$275
- \$1,718 = Total Allocation**

**Year 2011 (\$20,089)**

*Adjustment for LSC (reduced debt balance), for allocation of \$4,727*

- July 31, 2011           \$14,935
  - November 30, 2011     \$427
  - December 31, 2011    \$4,727
- \$20,089 = Total Allocation**

**Year 2013 (\$17,280)**

*PRLS found an accounting entry invalidating the allocation of \$17,280 against LSC, increasing the balance of the debt assumed by LSC*

- August 31, 2013        \$17,280 = **Total Allocation**

Based on the information and documentation provided by PRLS in response to this RCA, OCE finds the actions taken to be responsive and sufficient. As such, no further action is required and this RCA is closed.

#### **D. Summary of Findings**

As noted in OCE's April 16, 2015 Draft FUR Letter, RCA Nos. 4, 5, 6, 7, 8, 9, 10, and 11 were previously closed by OCE, with confirmation sent via letter to PRLS on March 9, 2012. Also, OCE's 2014 FUR of PRLS evidenced that PRLS had made concerted efforts to correct deficiencies identified during the 2010 Compliance Review and, as a result of those efforts, the actions taken by PRLS in response to RCA Nos. 1, 2, 13, 14, 15, 16, 18, 19, 20, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, and 37 were found to be responsive and sufficient and these RCAs were deemed closed. Finally, the comments, additional information, and documentation provided by PRLS to OCE in response to the Draft FUR Letter were found to be responsive and sufficient with regard to RCA Nos. 3, 12, 17, 22, and the New RCA and, therefore, no further action is required.

OCE does not, however, find the comments and information provided by PRLS in response to RCA No. 21 to adequately resolve the noted compliance errors and, as such, RCA No. 21 remains open. Given the ongoing inability to sufficiently resolve RCA No. 21 and the document intensive nature of conducting this review off-site, OCE anticipates either a future targeted onsite fiscal review or a comprehensive desk review to further provide guidance to Pro Bono, Inc. and PRLS in order to bring this RCA to a close. OCE will contact PRLS, by separate letter, to schedule the additional review.

If you have any questions or concerns about the findings contained in this letter, please contact Julia Kramer at (202) 295-1519 or via email.

I would like to offer OCE's continued assistance to you and your staff; please do not hesitate to use us as a resource.

Sincerely,



Lora M. Rath, Director  
Office of Compliance and Enforcement

Enclosures: As stated

Cc: Adi G. Martinez-Roman, Board Chairperson  
Puerto Rico Legal Services, Inc.



DIRECTOR EJECUTIVO

July 1, 2015

Ms. Lora M. Rath  
Director  
Office of Compliance and Enforcement  
Legal Services Corporation  
3333 K Street, NW, 3<sup>rd</sup> Floor  
Washington, DC 20007

**RE: Follow-up Review, Recipient No. 253010 (PRLS)**

Dear Ms. Rath:

On April 16, 2016, you sent a letter to Puerto Rico Legal Services, Inc. (“PRLS”) regarding the above-referenced visit conducted by LSC’s Office of Compliance and Enforcement (“OCE”) in May 2014. The letter sets out, *in extenso*, the findings of the visit, specifies five (5) different areas which require corrective actions (of a total of 37 reviewed), in addition to one new required corrective action finding, and concludes on page 33 by stating that our responses are to be sent within 60 days.

PRLS recently requested and received a short extension of time to complete our response to your findings. PRLS now responds to your April 16<sup>th</sup> letter, with our responses and supporting documents regarding Required Corrective Actions 3, 12, 17 and 21, making reference to each of the findings which require a response (a total of 6) in the same numerical order in which they appear in the April 16<sup>th</sup> letter, with a reference to the page(s) of the letter on which each one appears. Despite our best efforts, however, we have not been able to complete our response regarding RCA 22 and the new RCA. This remaining part of the PRLS response will be sent as soon as possible.

**Finding 3, pp. 4-5:**

In order to satisfy Required Corrective Action (RCA) 3, we have re-programmed our case management system (CMS), PROMAC, to remove the placeholder digits in both the income and asset screening fields. We have also implemented a new screening process to address the corrective action.

The eligibility process has been modified to avoid skipping any step by the user. The only way to make changes to the client information is for the user to open the income information window and then continue the process from that point. If the user opens any other window using the buttons in the application, the form will open for information purposes and the user will not be able to make any updates to the numbers. If the household number is edited, the system will delete all numerical values and the user must carry out a new eligibility screening.



The screens below show the new process.

### *Income Screening*

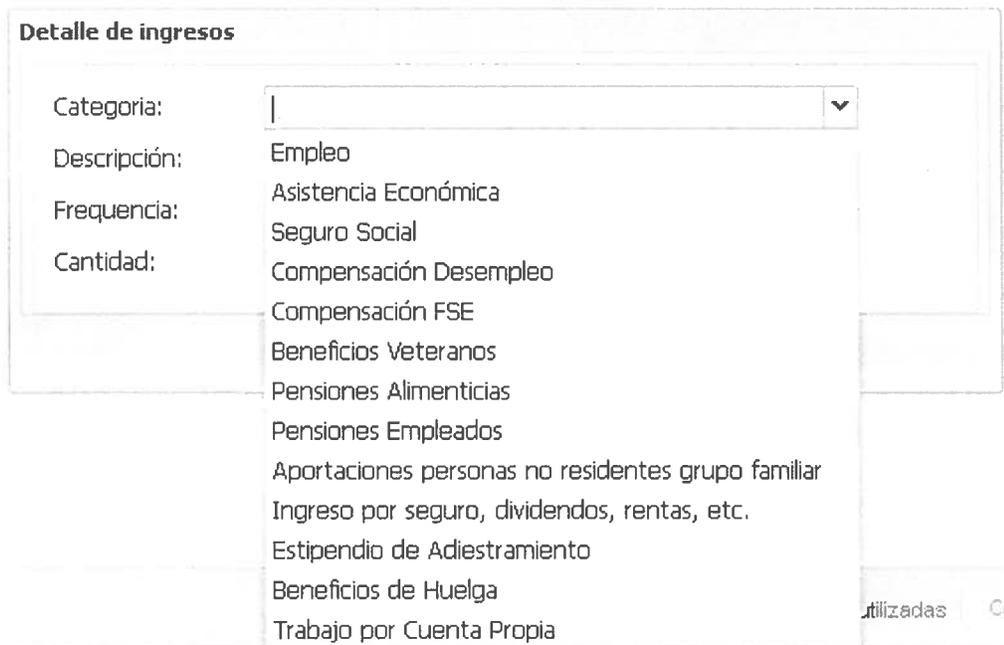
As detailed below, the income information (“Información de Ingreso”) window does not have any default values. In order to enter a source of income the user must click the “Añadir” (add) button which will show the “Detalle de ingresos” (income detail) window with a list of income categories.

**Información de Ingreso**

Ingreso	Frecuencia	Cantidad	Anual
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Colocar ceros a categorías no utilizadas

Below is the drop-down menu containing the income categories listed on the system .



The screenshot shows a window titled "Detalle de ingresos" with a dropdown menu open. The menu lists the following categories:

- Empleo
- Asistencia Económica
- Seguro Social
- Compensación Desempleo
- Compensación FSE
- Beneficios Veteranos
- Pensiones Alimenticias
- Pensiones Empleados
- Aportaciones personas no residentes grupo familiar
- Ingreso por seguro, dividendos, rentas, etc.
- Estipendio de Adiestramiento
- Beneficios de Huelga
- Trabajo por Cuenta Propia

At the bottom right of the window, there are buttons labeled "Utilizadas" and "Cc".

After selecting the income category, the user must enter the income detail in the “Detalle de ingresos” window as shown in the screen below.

- “Categoria”: income category (sources of income)
- “Descripción”: identification of the household member who earns that income
- “Frecuencia”: frequency of income (Weekly, biweekly, monthly or annually)
- “Cantidad”: amount



The screenshot shows the "Detalle de ingresos" window with the following fields:

- Categoria:** A dropdown menu with the text "seleccionar categoria" and a downward arrow.
- Descripción:** A text input field.
- Frecuencia:** A dropdown menu with the text "seleccionar frecuencia" and a downward arrow.
- Cantidad:** A text input field.

At the bottom of the window, there are two buttons: "Añadir" and "Cancelar".

After the user has entered the information, the user must click the “Añadir” (add) button to add the new source of income .

**Detalle de ingresos**

Categoría:	Empleo	▼
Descripción:	Empleo Solicitante	
Frecuencia:	Anual	▼
Cantidad:	<input type="text" value="15000"/>	

The information will be transferred to the income information window. It displays a detailed list of household income and also calculates the total amount. The screen below shows several income categories already entered. Once all the income categories are entered, the user must make a checkmark on "Colocar ceros a categorías no utilizadas" for the system to record zero income in unused categories.

**Información de Ingreso**

Anadir  Borrar

Ingreso	Frecuencia	Cantidad	Anual
↳ ingreso			
Empleo Solicitante	Anual	\$15.000 00	\$15.000 00
Esposa	Quincenal	\$550 00	\$13.200 00
madre de solicitante	Mensual	\$175 00	\$2.100 00
(3 Ingreso)		\$15.725 00	\$30.300 00

Colocar ceros a categorías no utilizadas

If the applicant has no income, the system prompts for a note to be included.

Información de Ingreso

Anadir Borrar

Ingreso Frecuencia Cantidad Anual

Message from webpage

Si el solicitante no tiene ningun ingreso favor de explicar informacion provista

OK

Colocar ceros a categorias no utilizadas Continuar Cancelar

The note is recorded in a field in PROMAC.

Usuario	Fecha	Notas
Nombre persona que hace anotación	Fecha anotación	Solicitante indica no tiene ingresos debido a que recientemente se quedo sin empleo

Cantidad de Récords: 1

Also, the user must make a checkmark to select any government benefits received by the applicant.

Ayudas gubernamentales:

PAN

TANF

PLAN DE SALUD GUBERNAMENTAL

Continuar Salir

After all income information is provided, a summary window will show every source of income entered in the previous windows. This is a dynamic screen organized by income category.

Fuente de Ingreso Principal	Cantidad Ingreso	Modo o Formas de Pago					Total Anual	
		S	B	Q	M	A		
<b>1. Empleo</b>							<b>28200.0</b>	+
Empleo Solicitante	15000.0					Anual	15000.0	+
Esposa	550.0					Quincenal	13200.0	+
<b>2. Asistencia Económica</b>							<b>0.0</b>	+
<b>3. Seguro Social</b>							<b>2100.0</b>	+
madre de solicitante	175.0					Mensual	2100.0	+
<b>4. Compensación Desempleo</b>							<b>0.0</b>	+
<b>5. Compensación FSE</b>							<b>0.0</b>	+
<b>6. Beneficios Veteranos</b>							<b>0.0</b>	+
<b>7. Pensiones Alimenticias</b>							<b>0.0</b>	+
<b>8. Pensiones Empleados</b>							<b>0.0</b>	+
<b>9. Aportaciones personas no residentes grupo familiar</b>							<b>0.0</b>	+
<b>10. Ingreso por seguro, dividendos, rentas, etc.</b>							<b>0.0</b>	+
<b>11. Estipendio de Adiestramiento</b>							<b>0.0</b>	+
<b>12. Beneficios de Huelga</b>							<b>0.0</b>	+
<b>13. Trabajo por Cuenta Propia</b>							<b>0.0</b>	+
<b>Total Ingresos</b>							<b>30300.0</b>	
<b>Recibe Ayuda de Progama(s) de Beneficencia Pública, por lo que NO se requiere verificación de activos</b>								
<input type="checkbox"/> PAN (cupones para allmento) <input type="checkbox"/> TANF (asistencia económica) <input checked="" type="checkbox"/> Plan de salud gubernamental								
								Aceptar Valores

## Expense Screening

When considering factors to determine eligibility, the user must enter a numeric value in the field for which the applicant reports expenses. The user must enter a numeric value in at least one field before proceeding.

I. Gastos Fijos	Cantidad	Modo o Formas de Pago					Total Anual
		S	B	Q	M	A	
1 Renta o Hipoteca	300	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	3,600.00
2 Pensión Alimentaria		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
3 Pensión Excónyuge		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
4 Prestamos Equipos Comerciales		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
5 Contribuciones deudas de años anteriores		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
6 Otro Préstamo Auto	150	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	1,800.00
<b>SubTotal</b>							5,400.00
II. Gastos Necesarios para Empleo							
1 Cuido de niños		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
2 Transportación		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
3 Adiestramiento o actividad educativa en preparación para empleo		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
4 Uniformes o Equipos		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<b>SubTotal</b>							0.00
III Primas de Seguro médico y gastos no reembolsados. Edad o Impedimento Físico o Mental		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
IV Gastos no médicos relacionados a Edd o Incapacidad		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
V. Contribuciones corrientes		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<b>SubTotal</b>							0.00
<b>Total</b>							5,400.00

Aceptar Valores

If the applicant reports no expenses, the user must enter a zero in the first field in order for the system to calculate sub-total and total. The information is entered in the system when the user clicks on the “Aceptar Valores” button.

I. Gastos Fijos	Cantidad	Modo o Formas de Pago					Total Anual
		S	B	Q	M	A	
1 Renta o Hipoteca	0	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input checked="" type="radio"/>	<input type="radio"/>	0.00
2 Pensión Alimentaria		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
3 Pensión Excónyuge		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
4 Prestamos Equipos Comerciales		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
5 Contribuciones deudas de años anteriores		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
6 Otro		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<b>SubTotal</b>							0.00
II. Gastos Necesarios para Empleo							
1 Cuido de niños		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
2 Transportación		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
3 Adiestramiento o actividad educativa en preparación para empleo		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
4 Uniformes o Equipos		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<b>SubTotal</b>							0.00
III Primas de Seguro médico y gastos no reembolsados. Edad o Impedimento Físico o Mental		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
IV Gastos no médicos relacionados a Edd o Incapacidad		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
V. Contribuciones corrientes		<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	<input type="radio"/>	
<b>SubTotal</b>							0.00
<b>Total</b>							0.00

Aceptar Valores

## Asset Screening

The new asset screening window does not default to zeros next to each asset inquiry line. The user must enter a numeric value in each field in order to proceed.

Activos	CANTIDAD
Fondos para educación o gastos médicos en exceso de \$10,000.00 (descontando costo de su conversación en efectivo)	<input type="text"/>
Fondos en cuentas IRA en exceso de \$5,000 (descontando penalidad por liquidación)	<input type="text"/>
Otros fondos que no sean:	<input type="text"/>
a. Adquirir o construir vivienda principal	
b. Ni sean el valor en efectivo de póliza de vida	
c. valor en efectivo destinado a reemplazo de Inmobiliario de residencia principal ó equipos para generar ingresos que hayan sido perdidos, robados o donados.	
Participación en el valor (equity value) de objetos o artículos de colección y o joyería fina.	<input type="text"/>
Participación en el valor (equity value) de bienes o vehículo adicional destinados a recreación familiar y el valor de esa participación excede de \$2,000.00.	<input type="text"/>
<b>Total Activos</b>	<input type="text"/>
<b>Deducciones Aplicables</b>	<input type="text"/>
Deducción fija máxima por tamaño núcleo familiar hasta (2 personas) \$8,000 y por cada persona adicional \$2,000.	<input type="text"/>
<b>Exceso de Activos</b>	<input type="text"/>

Certifico que verifique los activos

If asset information is provided, after the values are entered, the user must enter zero in the categories for which a numerical value is not provided or press the green checkmark. By pressing the green checkmark the system calculates all assets and will enter zero in the categories for which a numerical value is not included.

Activos	CANTIDAD
Fondos para educación o gastos médicos en exceso de \$10,000.00 (descontando costo de su conversación en efectivo)	<input type="text" value="0 00"/>
Fondos en cuentas IRA en exceso de \$5,000 (descontando penalidad por liquidación)	<input type="text" value="0 00"/>
Otros fondos que no sean:	<input type="text" value="0 00"/>
a. Adquirir o construir vivienda principal	
b. Ni sean el valor en efectivo de póliza de vida	
c. valor en efectivo destinado a reemplazo de Inmobiliario de residencia principal ó equipos para generar ingresos que hayan sido perdidos, robados o donados.	
Participación en el valor (equity value) de objetos o artículos de colección y/o joyería fina.	<input type="text" value="0 00"/>
Participación en el valor (equity value) de bienes o vehículo adicional destinados a recreación familiar y el valor de esa participación excede de \$2,000.00.	<input type="text" value="0 00"/>
<b>Total Activos</b>	<input type="text" value="0 00"/>
<b>Deducciones Aplicables</b>	<input type="text" value="0 00"/>
Deducción fija máxima por tamaño núcleo familiar hasta (2 personas) \$8,000 y por cada persona adicional \$2,000.	<input type="text" value="0 00"/>
<b>Exceso de Activos</b>	<input type="text" value="0 00"/>

Certifico que verifique los activos

The system will also automatically allocate the allowable deduction to the household. In order to proceed, regardless of numerical values displayed in the fields, the user must make a checkmark on “Certifico que verifiqué los activos” (I certify that I verified the assets) and click on “Aceptar Valores” (Accept Values) in order to continue.

Activos	CANTIDAD
Fondos para educación o gastos médicos en exceso de \$10,000.00 (descontando costo de su conversación en efectivo)	3,000 00
Fondos en cuentas IRA en exceso de \$5,000 (descontando penalidad por liquidación)	0 00
Otros fondos que no sean:	0.00
a. Adquirir o construir vivienda principal	
b. Ni sean el valor en efectivo de póliza de vida	
c. valor en efectivo destinado a reemplazo de Inmobiliario de residencia principal ó equipos para generar ingresos que hayan sido perdidos, robados o donados.	
Participación en el valor (equity value) de objetos o artículos de colección y/o joyería fina.	0.00
Participación en el valor (equity value) de bienes o vehículo adicional destinados a recreación familiar y el valor de esa participación excede de \$2,000.00.	0 00
<b>Total Activos</b>	3,000 00
<b>Deducciones Aplicables</b>	
Deducción fija máxima por tamaño núcleo familiar hasta (2 personas) \$8,000 y por cada persona adicional \$2,000.	10,000 00
<b>Exceso de Activos</b>	

Certifico que verifiqué los activos     

PRLS believes these adjustments and improvements fully address this finding and constitute an adequate corrective action.

**Finding 12, pp. 8-9:**

This finding is related to compliance with 45 CFR §§ 1626.6 and 1626.7 and CSR Handbook (2008 Ed., as amended 2011) §5.5, regarding citizenship attestation. The 2014 FUR Team found actions taken regarding this finding to be sufficient, but PRLS has been required to address certain errors that are discussed below.

Case number 5100-2013-7-14:

This case was transferred from a field office to special project, the Consumers’ Rights Project (CRP). As with all field offices which provide direct services, the CRP had a particular office code. When the case was transferred from the intake system to the field office it had the case number 2800-2013-04-23. But that number changed to 5100-2013-7-14 when it was transferred later to the CRP. The citizenship attestation is at the end of the retainer contract, which still has the original case number. Copy of the signed attestation is included as any lapse in compliance documents of this case has been already corrected.

Case number 5100-2013-07-04:

This case will be eliminated since it lacks the proper compliance documents, even though the electronic file contains evidence of citizenship screening.

Case number 5100-2014-01-03:

In this situation, the electronic file containing a copy of a signed citizenship attestation appeared to be corrupted and could not be verified. The corrupted file was deleted and the retainer contract with the citizenship attestation was uploaded. Copy is attached.

Cases numbers 4101-2014-1-69 and 4101-2014-1-8:

According to the finding, the aforementioned cases had signed paper attestations, but on an outdated form, as the signature line was not tied only to the attestation. When the case is one of a limited action, our case management system has the electronic signed attestation in a different place than the uploaded documents. These two particular cases were both limited actions and both were already closed at the time of the review. So it is perfectly possible that the attestation was searched for in the wrong place, since it was already in the file. Attached are copies of the attestations.

Nonetheless, the outdated forms have been removed from the files and instructions have been given to the managing attorney as to search for and discard all outdated attestation forms. This same instruction will also be reiterated verbally at the next managing attorneys' meeting and subsequently in writing.

**Finding 17, pp. 11-12:**

This finding discusses an alleged pattern of error in the choice of case closure category in the cases listed below. The list includes various PAI (PPC) cases, cases closed by our sub-recipient Pro Bono, Inc. (PBI) and by PRLS field offices. PRLS' position on the finding follows:

The following cases were closed with the case closure category I (b), "Contested Court Decision", but OCE understands that the correct closure category should have been I (a) "Uncontested Court Decision".

Case number 1700-2010-11-0019:

This was an adoption case in which PRLS represented the adoptive parents. Defendants were the biological parents and did not appear before the Court, hence they were in default. The Adoption Unit of the Department of the Family did not oppose the adoption; rather, they merely filed a favorable report and their representatives testified in court supporting the adoption. So technically, there was no adverse party because the adoption was uncontested. In consequence, LSC's recommendation regarding the appropriate closure category should prevail. The closure category was corrected in the case management system (PROMAC) from I(b)- "Contested Court Decision" to I(a)- "Uncontested Court Decision" in May 14, 2014 by the field office managing attorney during OCE's visit, so no further action is needed related to this case.

Cases numbered 9005-2013-11-0013, 9005-2013-12-0006, 9005-2012-12-0002 and 9005-2012-12-0003:

All of these cases have the same subject matter: Puerto Rico's Domestic Violence Law (hereinafter Law 54). Law 54 allows two parallel proceedings: one is civil, which provides the remedy of a protective order (PO) against the aggressor; and a criminal proceeding, which defines as felonies all aggressions against the claimant/victim. The civil protective order is obtained through a speedy ex parte hearing, where the aggrieved party may appear with or without attorney. At this stage, the court can issue a preliminary protective order and then schedule the final hearing. The final hearing is the second stage and can be scheduled at a different court; the respondent must be served with process and either party may appear with an attorney. Depending on the evidence received, the court can issue the final PO for any period of time it deems appropriate, even for years. The nature of both of these proceedings is usually very contentious.

In all of the above-referenced cases, a PAI attorney appeared at the ex parte hearing where the initial PO was issued, but for a variety of reasons, the PAI attorney could not be present at the final hearing and the case was closed. In most cases, the PAI attorney could not appear at the final hearings because the presiding judge scheduled the hearing for a date they were not available to be at a municipal courtroom closer to the victim's residence, but different from the first hearing.

These cases were part of the services rendered by various PAI attorneys that give legal representation at the Specialized Domestic Violence Courtroom, located at the Courts of First Instance in Bayamón and Utuado, through a collaborative agreement with the Office of Court Administration, which is the administrative arm of the Puerto Rico Supreme Court. We understand that for all above reasons, the case closure category was correct: I (b)-"Contested Court Decision".

The next cases were closed with closure category L-"Extensive Service", when OCE poses that they should have been closed with case closure category B-"Limited Action":

Case number 1700-2014-01-0058:

The service provided in this case was of notarial nature, but of the limited sort, since it only required the preparation of a sworn statement of Emancipation with no further action taken by PRLS. OCE's observation is correct. The closure category was corrected in the case management system (PROMAC) from "Extensive Service" to "Limited Action" on May 14, 2014 by the field office managing attorney during OCE's visit. No further action is needed related to this case.

Case number 4105-2012-05-0008:

It is well known that in order to be a Notary Public in Puerto Rico, you must be an attorney. This is because of Puerto Rico's historic legacy, received from the Spanish Civil Code. The Notary Public practice is highly regulated by the Puerto Rico Supreme Court,

a special bar examination must be approved in order for an attorney to be admitted into the notary practice. It can encompass different types of documents, from simple sworn statements (which by law have to be registered in a in a special ledger with consecutive numbering), up to very complex documents like ex-parte deeds, wills or deeds of sale regarding real property.

When there is doubt about a property title and this is at the center of questions about a deed of sale's transaction, a Property Registry title search and certain rigorous formalities are required. When the notarial service consists of drafting a deed related to real property, the service cannot be categorized as "limited action", because it requires more work than merely drafting the document. That explains why this case was closed as an "Extended Service". The notarial document prepared in this case was a Homestead Notary Act ("Acta de Hogar Seguro"), a type of deed which requires an investigation at the Property Registry to corroborate the client's title, the description of the property and its origin. With this set of facts, the level of assistance is higher than that of limited action. Furthermore, the case was opened on May 30, 2012 and closed on July 12, 2012, more than a month later. For the stated reasons, we understand it was closed with the correct closure category, L-"Extensive Service".

Case number 8801-2012-01-0251 was closed with closure category L-"Extensive Service", but OCE proposes that it should have been closed with case closure category A-"Advice and counsel". We disagree. This was PBI case in which child support was at issue. The pro bono attorney did file the support claim in court (DAL 2012-0405), but the case was dismissed by the court due to a lack of cooperation with the case by our client. No litigation took place and the court did not make any decision on the merits. That's why it was closed as L- "Extensive Service" and not I (b)-"Contested Court Decision". We understand the proper closure category was used.

Case number 9005-2012-12-09 was closed with closure category L-"Extensive Service", OCE understands that it should have been closed with case closure category I (b)-"Contested Court Decision". In this case certainly the case closure category was incorrect, because there was an adverse contentious decision, the court declined to issue a protective order for client (there were allegations of domestic violence). It was closed as L- "Extensive Service", when it should be I (b)-"Contested Court Decision". OCE analysis is correct. No correction can be made because this case was closed in 2013.

Case number 1700-2014-02-0028

This case involves a request of a domestic violence protection order. The follow-up notes of the case file reveal that when the PRLS attorney appeared in Court he was informed that claimant (opposing party) had withdrawn the protection order request. So he did not even make a formal appearance. This case was closed with closure category

I(b)-“Contested Court Decision”, when as the OCE proposes, the proper closure category should have been L- “Extensive Service”. No correction can be made because this case has already been closed.

Case number 8801-2013-01-0096:

In this case PBI juvenile case, a plea agreement was reached and certainly it should have been closed as G-“negotiated settlement with litigation” as OCE recommends, and not as I(b)-“Contested Court Decision”. Unfortunately, no correction can be made because this case was closed in 2013.

Case number 9005-2013-12-0010:

This is yet another case involving domestic violence, where the court issued a protective order for only six months. The case closure category certainly should have been G-“Negotiated settlement with litigation”. It was incorrectly closed as F-“Negotiated settlement without litigation”, as OCE stated. Unfortunately, no correction can be made because this case was closed in 2013.

Case number 4102-2012-11-01:

This involves a custody dispute and paternal relations, where our client was the defendant. The PRLS attorney filed an answer to the complaint, but upon returning from vacation during our program’s administrative recess, she learned that an agreement was reached with plaintiff, which she informed to the trial court and a court resolution ensued, putting an end to the controversy. Our attorney then had to ask for a withdrawal from the legal representation. PRLS used closure category B- “Limited Action”, but OCE found that the level of service was more consistent with L-“Extensive Service”. We agree with OCE regarding the appropriate closure category, but unfortunately, no correction can be made because this case has already been closed.

Addressing these errors programmatically:

PRLS has updated an internal document called “*Summary of Closure Categories*” in order to refresh managing and staff attorneys’ familiarity with concepts related to closure categories. In addition to brief explanations of how to select the correct closure category, the document includes examples for each closure category for easier understanding of its application. We are attaching a copy of this document.

Furthermore, we will be discussed this document’s content in the monthly teleconference meeting with our managing attorneys held on June 2, 2015 and are requiring a certification of its discussion at each field office. A copy of the agenda of the June 2, 2015 meeting, with this matter highlighted, is attached hereto.

It is PRLS' expectation that these discussions will promote understanding of and compliance with closure categories and procedures in recently hired attorneys. We expect that this will bolster compliance with the appropriate closure categories in relation to the level of service provided to our clientele in each case. Finally, we must point out that while continuing training and improving supervision regarding the closing of cases are very important to PRLS, we consider the incidence of error to be extremely low, considering the high volume of our work – PRLS closed approximately 24,000 cases in 2014.

**Finding 21 (pp.14-20):**

As we have done in the past, PRLS has worked with our independent consultant, CPA Juan Vázquez-Aldea, to respond to this RCA. He has rendered a report which we adopt, in substantial part, as our own.

RCA-21 Page 16 Paragraph 2 – PBI's 2013 Audited Financial Statement (AFS) prepared by Padilla, Medina & Associates-CPA (PMA-CPA) indicated that PBI's aggregate personnel expenses for "Lawyers and Staff" totaled **\$559,602**, and that the LSC funded personnel expenses for "Lawyers" totaled **\$316,899**. Sub-recipient's Monthly Report on Actual Expenses demonstrated that LSC funded personnel expenses for lawyers were \$171,025 (not \$316,899 as reported in PMA-CPA AFS for 2013).

FACTS - PMA-CPA's AFS Statement of Functional Expenses states that the total expense for "Lawyers and Staff" in 2013 was **\$595,321** (page 7 of AFS). This amount is divided in **\$559,602** as Program Services and **\$35,719** as Management and General. The amount of **\$316,889** was allocated to LSC funds and identified as "Lawyers" in the Statement of Support, Revenues and Expenses for PRLS Sub grant of LSC funds (page 15 of AFS).

We examined PBI's trial balance for the year ended December 31, 2013 and observed that the allocation of expenses to LSC grants for "Lawyers" expense was \$171,025 and for "Staff" expense was \$145,874, both totaling \$316,889. These figures were similarly informed by PBI in the monthly Report of Actual Expenses. In conclusion, PMA-CPA erroneously indicated in page 15 of the Statement of Support Revenues and Expenses of the Audited Financial Statements that the amount of \$316,889 represents total expenses for lawyers only.

RCA-21 Page 16 Paragraph 4 – Several documents were provided to the review team that purportedly showed the individual breakdowns of PBI's attorneys' salaries among its LSC and non-LSC funds. One document indicated that between **43% and 49%** of the annual salaries paid to PBI attorneys in its San Juan office were LSC funded (the total LSC funded amount being **\$116,601**, or **45%**). A second document, also reporting the breakdown of PBI's attorneys' salaries for the same time frame and

location, indicated that LSC funds had been used to pay between **40% and 46%** of the annual salaries (the total LSC funded amount being **\$171,957, or 44%**).

FACTS - The reports from which this data was obtained are the followings: The first report was a certification of lawyer's salaries paid during 2013 sent to Eduardo Escribano-Román, PRLS' Director of PAI, on May 13, 2014. The second report is a 2013 Lawyer's Salaries Budget amounting to \$171,957.

We prepared the attached document marked as **Exhibit A**, which explains the principal differences between both reports. In summary, the differences among the paid and budgeted salaries were principally the followings: 1) PBI Executive Director Luis Rodríguez-Lebrón's actual salaries were not included in the certification to Mr. Escribano-Román because this certification did not include administrators' salaries, 2) the resignation of two lawyers before the year end caused some reductions in actual expenses when it is compared with budget, 3) a lawyer received more salaries than the budgeted amount because she received payment for maternity, sickness and vacation leave which resulted in additional compensation. In conclusion, both reports are correct, one related to paid salaries the other to budgeted salaries.

RCA-21 Page 20 Item 1 - Information and documentation detailing PBI's methods for allocating *all* common costs, including personnel costs and non-personnel costs.

FACT – PBI revised its Cost Allocation Policy and said revision was approved by PBI's Board of Directors on February 21, 2014. Although the policy was approved after the end of 2013, the policy was retroactively applied to the financial data of PBI for the year ended December 31, 2013.

Observing the **Exhibit B**, PBI properly applied the Cost Allocation Policy as approved by their Board of Directors in February 2014. In summary, the policy contains four principal rules: 1) expenses which are required by the contract requisite of PRLS were allocable 100% to LSC funds. These expenses were audit, insurance, litigation and training. ; (2) Executive Director's salary was allocated 70% to PRLS (LSC) and 30% to Non-LSC funds, this distribution was determined by the executive director of PBI based on the estimated time he dedicated to PRLS. (3) Other direct and common expenses were allocated 49% to PRLS and 51% to Non-LSC Funds as a result of the funds available from each source of funds, (4) Expenses which are not allocable to LSC funds are charged directly to Non-LSC Funds. As an example, membership fees paid to the Puerto Rico Bar Association are classified as Non-LSC funds.

Notwithstanding the above, the policy allocation made by PBI distributed all cost among available sources of income. Although we can allege that the audit expense is for the benefit of the two sources of funds entities, as a matter of fact, that audit expense in Puerto Rico is required for those entities with more than \$3 million of income. The requirement of an audit by an independent auditor for a sub grantee as small as PBI is a requirement of LSC. PBI points out that the same argument applies in relation to the

requirements imposed by LSC regarding insurance, litigation and training expenses. These expenses were required by the PRLS's contract to fulfill the responsibilities of LSC requirements and would otherwise not exist or be far less.

If we distributed those expenses in proportion to the sources of income the results will be an allocation of 52%-48% instead of 49%-51% determined with the PBI's applied policy.

RCA-21 Page 20 Item 2 - Evidence that PBI's allocation methods have been implemented by providing true samples of the implementation.

To evidence the implementation of allocation of expenses we enclose a detailed schedule of the audited expenses to observe the distribution of each expense among LSC Funds and Non-LCS Funds. We also separately computed the percentage of each expense allocated to each fund. Attached is **Exhibit B**, which demonstrates the full allocation of funds received by PBI for year 2013.

As noted in the Exhibit B, PBI properly applied the Cost Allocation Policy as approved by their Board of Directors in February 2014.

RCA-21 Page 20 Item 3 - Evidence that PBI's allocation methods are clearly documented for future use.

PBI Office Manager Sadie Rivera, who is the person in charge of classifying the accounting entries, properly codified the distribution of expenses among funding sources in accordance with PB policy. She understands the approved distribution policy and was able to explain and give us examples when approached. She possesses a hard copy of PBI's Cost Allocation Policy within her workplace to assure that expenses are correctly distributed.

RCA-21 Page 20 Item 4a - Description of the reasonable operating data utilized by PBI to determine the allocation of *all* common costs, including insurance and audit costs.

The allocation of all common expenses was based in the total available sources of income. (See Exhibit B to observe the allocation computation). As per PBI's Cost Allocation Policy, costs that can be directly traced to a fund source's activity are distributed in full to those funds. Therefore, sources of income are adjusted to first pay for those expenses considered a requirement of PBI's sub recipient contract with PRLS. insurance and audit expenses were allocated completely (almost completely in the case of insurance expenses) to LSC funds because they are both requirements of PBI's sub recipient contract with PRLS and because in Puerto Rico, an audit is required for those entities with more than \$3 million of income. PBI's income was \$1,047,964 in 2013.

RCA-21 Page 20 Item 4b - Supporting methodology for PBI's allocations.

As stated on page 4 of PBI's Cost Allocation Policy "the cost allocation should be always in rational, fair and equitable manner followings the criteria established in CFR 45 1630(f) Allocating of Indirect Cost". PBI's allocation was based in the percentages of funds received from each source during year 2013. Please refer to item number 3 above and to Exhibit B for the methodology used to distribute all costs.

RCA-21 Page 20 Item 6 - Information and documentation evidencing how PRLS is fulfilling its responsibility, pursuant to 45 CFR 1627.3(c), of providing meaningful and ongoing fiscal oversight of PBI to ensure that it is in compliance with LSC financial and audit provisions.

FACTS - Section A-5(b) of PBI's contractual obligation with PRLS requires proper expenditure, accounting and auditing of the delegated funds, including a submission of a timely audit report to PRLS. Also, PBI is required by contract to submit to PRLS, monthly fiscal reports on the management of LSC funds received. Finally, PRLS has a monitoring contract with an independent CPA, to perform annually up to two monitoring procedures of PBI fiscal operations.

In conclusion, PRLS has the procedures in place to be able to evaluate PBI's compliance with financial responsibility requirements as stated by 45 CFR 1627.3c, which requires the proper expenditures, accounting and audits of LSC funds delegated to a sub recipient. As a result of prior evaluations and the monitoring processes, PRLS has been able to evaluate financial operations of the sub recipient and identified findings which were discussed with PBI so they could take the necessary actions to correct them. These are evidenced by clauses or amendments that have been added to the contract with PBI related to financial compliance.

As stated earlier, PRLS will send our response to RCA 22 and the new RCA as soon as possible. If you require any further information, please do not hesitate to contact me. Thanks you for your support and patience in this matter.

Sincerely,



Charles S. Hey-Maestre  
Executive Director

Enclosures

MR. Charles Hey Maestre, Esq.  
June 30, 2015



JUAN A. VÁZQUEZ ALDEA  
CONTADOR PÚBLICO AUTORIZADO

PROBONO, INC										EXHIBIT A
SCHEDULE OF LAWYER'S PAYROLL										
Lawyers Expense-Budget 2013					Certification of Lawyers Expenses May 13, 2014 to Eduardo Escibano					
NAME	OFFICE	ANNUAL SALARY 2013	ANNUAL SALARY CHARGED TO SLPR	%	ANNUAL SALARY 2013	ANNUAL SALARY CHARGED TO SLPR	%	Difference	Comments	
<b>LAWYERS</b>										
CABALLERO JUANA	CAGUAS	21,436	9,646	45%	21,436	9,679	45%	33		
COUTODE JESUS ALVIN	SAN JUAN	36,000	14,400	40%	36,000	16,267	45%	1,867		
DIAZ GERALDA	MAYAGUEZ	46,382	20,872	45%	46,382	21,061	45%	189		
PEREZ MEJIA VICTOR	CAGUAS	36,000	14,400	40%	36,000	16,267	45%	1,867		
RIVERA TURNER CARLOI.	ARECIBO	36,000	14,400	40%	26,239	11,986	46%	(2,415)	Rivera Turner resigned in December 9, 2013.	
RODRIGUEZ LUISE	CENTRAL	78,000	35,100	45%	-	-	0%	(35,100)	Not included because is administrator, not staff lawyer.	
SANTIAGO FRANCISCO	ARECIBO	21,263	9,568	45%	21,263	9,598	45%	30		
VAZQUEZ JOSEM	SAN JUAN	42,240	19,008	45%	42,240	19,149	45%	141		
VELAZQUEZ FAS DIEGO	PONCE	37,200	17,075	46%	8,155	3,968	49%	(13,106)	Velazquez Fas resigned effective 3/31/2013	
VELAZQUEZ FERRER MARI EL	HUMACAO	38,000	17,488	46%	19,877	8,626	43%	(8,862)	Velazquez Ferrer took maternity, vacation and sickness leave during May 2013	
<b>TOTAL</b>		<b>\$ 392,520</b>	<b>\$ 171,957</b>	<b>44%</b>	<b>\$ 257,592</b>	<b>\$ 116,602</b>	<b>45%</b>	<b>\$ (55,356)</b>		

Pro Bono Inc.				EXHIBIT B	
Application of Cost Allocation Policy 2013					
Income	SLPR	ELA	Total Audited	% Allocated to SLPR	% Allocated to ELA
Grants	\$ 544,555	\$ 500,000	\$ 1,044,555		
Interest Income		2,559	2,559		
Other Income		850	850		
	\$ 544,555	\$ 503,409	\$ 1,047,964	52%	48%
<b>Expenses</b>	<b>\$ 555,990</b>	<b>\$ 487,913</b>	<b>\$ 1,043,903</b>	<b>53%</b>	<b>47%</b>
Expenses 100% Allocated to SLPR per requirement by PRLS Contract:					
Audit	\$ 7,112	\$ -	\$ 7,112	100%	0%
Litigation	4,778	-	4,778	100%	0%
Insurance	13,132	556	13,688	96%	4%
Training	17,869	78	17,947	100%	0%
	\$ 42,890	\$ 635	\$ 43,525	99%	1%
Amount to be allocate to other expenses	\$ 513,100	\$ 487,278	\$ 1,000,378	51%	49%
Allocation of Compensation to:					
Executive Director Salary (1)	54,424	19,076	73,500	74%	26%
Amount to be allocated to direct and indirect expenses	\$ 501,566	\$ 468,837	\$ 970,403	52%	48%
Lawyers	\$ 116,602	\$ 119,561	\$ 236,162	49%	51%
Staff	145,873	139,786	285,659	51%	49%
Contract Services	4,544	4,993	9,537	48%	52%
Employee Benefits	130,957	144,012	274,969	48%	52%
Rent	10,328	10,750	21,078	49%	51%
Other expenses/Rep&Main	7,272	7,629	14,901	49%	51%
Equipment Rental	3,208	3,339	6,547	49%	51%
Office Supplies	5,483	6,142	11,625	47%	53%
Telephone	11,643	12,048	23,691	49%	51%
Travel Board	1,238	1,288	2,526	49%	51%
Travel Others	3,183	3,357	6,540	49%	51%
Training Board	-	1,802	1,802	0%	100%
Library	1,596	1,662	3,258	49%	51%
Other	4,552	4,746	9,298	49%	51%
Dues and Fees (2)	760	2,725	3,485	22%	78%
Dep & Amortization (3)	10,538	4,363	14,902	71%	29%
Loss on disposal of asset(4)	897	-	897	100%	0%
<b>Total Expenses</b>	<b>\$ 555,990</b>	<b>\$ 487,913</b>	<b>\$ 1,043,902</b>	<b>53%</b>	<b>47%</b>
(1)Executive Director's salary was allocated 70% to PRSL and 30% to Non-LSC funds, this distribution was determined by the executive director of PBI based on the estimated time he dedicated to PRSL.					
(2)Membership fees for the Puerto Rico Bar Association are covered completely by non-LSC funds. This expense is not allocable to LSC by federal regulation. (45 CFR 1627.4 (a)					
(3) Distribution as per PMA Audit					
(4) Assets disposed from LSC asset account					

**RESUMEN DE CATEGORIAS DE CIERRE**  
**CSR HANDBOOK 2008, ENMENDADO 2011**

CATEGORIAS DE CIERRE	NIVEL DE ASISTENCIA OFRECIDO
<b>SERVICIO LIMITADO:</b>	<b>SERVICIO LIMITADO</b>
<b>Categoría A - Asesoramiento</b>	Un caso donde se ofrece asesoramiento legal a un cliente elegible, ya sea por teléfono o en persona, basándose en los hechos expresados por el cliente.
<b>Categoría B – Acción Limitada</b>	
<p>§ 3.3(a) Cierre oportuno de casos CSR Handbook</p> <p>Tras el cierre del año de subvención, LSC concede <u>45 días</u> para que los casos donde la asistencia legal ha terminado, y no es probable que se reanude, se cierren antes de someter informes a LSC.</p> <p>(a) El objetivo es que los programas informen casos cerrados como acción limitada en el CSR en el mismo año de subvención en el que se abrió el caso; sin embargo, los casos también pueden ser reportados oportunamente en una fecha posterior <b>si</b> (aplica a PAI):</p> <ul style="list-style-type: none"> <li>(i) si el caso se abrió después del 30 de septiembre, se puede informar ya sea en el año en que se abre o el año siguiente; o</li> <li>(ii) que exista anotación en el expediente electrónico o en el seguimiento del expediente físico indicando la razón por la que el caso debe mantenerse abierto en el año siguiente. Entonces deberá cerrarse en el año que se termina la asistencia legal.</li> </ul> <p>(b)§ 10.3- requisitos específicos para el cierre oportuno de casos PAI:</p> <p>Los Programas deberán garantizar el cierre oportuno de casos PAI para que los informes de CSR tengan información actualizada y precisa sobre los casos abiertos y cerrados para el año de subvención. Lo deseable es cerrar todos los casos, incluidos los casos de PAI, en el año en que se prestó la última asistencia legal, los casos PAI ya sean de servicio extenso o de acción limitada, pueden ser cerrados e informados en el año en que se completó la asistencia legal o en el siguiente año, ya sean casos pro bono o casos compensados.</p>	<p>Año de subvención = 1 de enero al 31 de diciembre</p> <p>Conlleva la preparación de documentos simples o rutinarios, y breves interacciones con otras partes. Los casos están sujetos a la limitación de tiempo de cierre del caso de la § 3.3 (a).</p> <p>Ejemplo de esto son: comunicaciones por carta o por teléfono, preparación de documentos legales sencillos (tales como declaraciones juradas, notarización de firma, certificación de copia o cartas).</p> <p>Además incluye ayudar a preparar documentos legales a personas en casos <i>pro se</i>.</p>
<b>SERVICIO EXTENDIDO</b>	<b>SERVICIO EXTENDIDO</b>
<b>Categoría F – Arreglo Negociado <u>sin</u> Litigación</b>	
Expediente debe tener la documentación del acuerdo por escrito, una confirmación escrita del acuerdo con la parte contraria, o, si ninguno de estos está disponible, una copia de la comunicación con el cliente que establece los términos del acuerdo. <u>Los casos <i>pro se</i> no se pueden cerrar en esta categoría.</u>	Caso cerrado donde se negoció y se alcanzó un acuerdo a nombre del cliente <u>sin que exista un caso en corte o acción administrativa pendiente</u> . Esta categoría debe reservarse para los casos en los que el abogado habla con la otra parte con el fin de llegar a una resolución del problema legal del cliente. Incluye los acuerdos negociados con una agencia administrativa <u>previos</u> a la presentación de un procedimiento administrativo formal.
<b>Categoría G – Arreglo Negociado <u>con</u> Litigación</b>	
<p>Esta categoría incluye <u>solamente</u>:</p> <p>(1) los casos donde se ha comparecido como representante legal ante un tribunal u organismo administrativo; o</p> <p>(2) los casos en los que se alcanzó el acuerdo <u>antes</u> de comparecer como representante legal, siempre que se hubiera representado al cliente en las negociaciones (<u>no incluye ayudar a un cliente <i>pro se</i></u>), y que exista en el expediente copia del acuerdo, la confirmación por escrito del acuerdo con la parte contraria, o, si ninguno de éstos está disponible, una copia de una comunicación con el cliente que establece los términos del acuerdo.</p>	<p>Un caso debe ser cerrado como acuerdo negociado <u>con</u> litigación cuando se negoció y alcanzó un acuerdo a nombre del cliente <u>cuando está pendiente una acción ante un tribunal o una agencia administrativa</u>.</p> <p>Esta categoría debe reservarse para los casos en los que se discute un acuerdo con la otra parte con el objetivo de resolver el problema del cliente.</p>

CATEGORIAS DE CIERRE	NIVEL DE ASISTENCIA OFRECIDO
<p align="center"><b>Categoría H – Decisión Agencia Administrativa</b></p>	<p>Se representó a un cliente en una acción ante una agencia administrativa que resultó en una decisión por la agencia u órgano administrativo, después de un proceso administrativo formal (audiencia o, por ejemplo, una decisión de la agencia de bienestar).</p> <p>Esta categoría <b>no incluye los acuerdos</b> obtenidos durante el curso del litigio que sean aprobados por el organismo administrativo, desistimientos voluntarios o la concesión de relevo de representación. Si el caso se resuelve de manera informal a través de contactos con la agencia administrativa, pero sin ninguna acción formal de la agencia administrativa, el caso debe ser cerrado bajo la categoría B - Acción Limitada o categoría F - Arreglo negociado sin Litigación, dependiendo del nivel de servicio ofrecido.</p>
<p align="center"><b>Categoría I – Decisión de Tribunal</b></p> <p>Se representó al cliente en un procedimiento judicial que dio lugar a una decisión dispositiva. Esta categoría se divide en las siguientes tres sub categorías:</p> <p>(a) Decisiones judiciales no contenciosas – no hay parte adversa o la parte adversa no contestó;</p> <p>(b) Decisiones judiciales contenciosas - hay una parte adversa que contestó;</p> <p>(c) Apelación – se apela una sentencia de un tribunal a otro de mayor jerarquía. <u>Se cierra el caso del Tribunal de Instancia, se abre un nuevo expediente y se hace nueva determinación elegibilidad económica. Si luego de la apelación se devuelve el caso al tribunal de instancia, se abrirá un nuevo caso (el tercero) para instancia y se hará nueva determinación elegibilidad.</u> Ver Política aplicable.</p>	<p><b>No incluye:</b></p> <ol style="list-style-type: none"> <li>1) <u>asistencia a litigante en caso pro se,</u></li> <li>2) <u>acuerdos autorizados por el organismo administrativo o judicial,</u></li> <li>3) <u>desistimientos voluntarios, o,</u></li> <li>4) <u>el relevo de representación legal.</u></li> <li>5) <u>Revisiones judiciales de decisiones de agencias administrativas</u></li> </ol> <p>Sin embargo, aunque puede que no sea técnicamente una decisión dispositiva, un caso cerrado luego de un entredicho provisional u orden similar basada en los méritos puede ser cerrado en esta categoría cuando no se continuará con el litigio (por ejemplo, orden de protección).</p>
<p align="center"><b>Categoría K – Otro</b></p>	<p>Un caso cerrado que no se ajusta a ninguna de las otras categorías de cierre de casos. Los casos que se ajustan a dos o más categorías del CSR no pueden cerrarse en esta categoría, pero deben estar cerradas en la categoría que mejor refleja el nivel de servicio prestado.</p>
<p align="center"><b>Categoría L – Servicio Extenso</b></p> <p><i>No incluye acuerdos o acciones administrativas o judiciales</i></p>	<p>Un caso cerrado en el que se realizó una investigación extensa, preparación de documentos legales complejos, amplia interacción con terceros en nombre de un cliente elegible, o asistencia continua a los clientes que están procediendo pro se, debe cerrarse como servicio extenso.</p> <p>Algunos ejemplos de servicio extenso incluyen la preparación de directrices anticipadas complejas, testamentos, contratos, documentos sobre inmuebles u otros documentos legales, la prestación de un extenso trabajo transaccional o la preparación de reglamentos, bylaws o documentos similares para una organización comunitaria.</p> <p>Esta categoría también incluye los casos cerrados después de una extensa interacción o negociaciones con la otra parte que <b>no</b> tengan resultado positivo.</p> <p>Además, los casos que se cerraron después de que se inició el litigio en el que el <u>abogado comparece en alguna forma</u> como representante, aunque no conduzcan a decisión de la agencia administrativa o sentencia judicial; una vez se radica algo ante algún foro, aplica esta categoría.</p> <p><b>o,</b> Aquel donde se presenta un <u>desistimiento voluntario.</u></p>

**REUNIÓN TELEFÓNICA DE DIRECTORES(AS) DE CENTROS DE SERVICIO  
DIRECTO Y GERENTES DE SERVICIOS LEGALES DE PUERTO RICO, INC.  
2 de junio de 2014**

**AGENDA**

2:00 – 2:20 PM

**Bienvenida e Informe del D.E. – Lcdo. Charles S. Hey Maestre**

- Revisión de la Agenda
- Situación con fondos provistos por gobierno de P.R.
- Perspectiva sobre fondos de LSC y otros para 2015
- Presentación de la propuesta a LSC
- Preguntas y observaciones de asistentes
- Nuevos miembros de la Junta de Directores

2:20 - 3:20 PM

**División de Litigios - Lcda. Brenda Cruz Amador**

- *Apelaciones*
  - *Radicadas*
  - *Política sobre procedimiento*
- *Emancipaciones – código 43*
- *Códigos legales*
- *Manual Referidos de Maltrato*
- *Casos de cobro*
- *Otros servicios – documentar*
- *Proy. Justicia para Niñez*
- *Sello para libro afidávits: Ley 122-1967*
- *Señalamientos de LSC de visita de cumplimiento*

3:20 – 3:40 PM

**Informe ORAE/PPC**

- Formularios para cierre correcto de un expediente digital PPC
- Facturación de los casos PJIM

3:40 – 4:00 PM

**Informes y reacciones de los Centros o Proyectos**



DIRECTOR EJECUTIVO

July 30, 2015

Ms. Lora M. Rath  
Director  
Office of Compliance and Enforcement  
Legal Services Corporation  
3333 K Street, NW, 3<sup>rd</sup> Floor  
Washington, DC 20007

**RE: Follow-Up Review, Recipient No. 253010 (PRLS) – 2<sup>nd</sup> Response**

Dear Ms. Rath:

On April 16, 2016, you sent a letter to Puerto Rico Legal Services, Inc. (“PRLS”) regarding the above-referenced visit conducted by LSC’s Office of Compliance and Enforcement (“OCE”) in May 2014. The letter sets out, *in extenso*, the findings of the visit, specifies five (5) different areas which require corrective actions (of a total of 37 reviewed), in addition to one new required corrective action finding.

On July 1, PRLS answered your April 16<sup>th</sup> letter with our responses and supporting documents regarding Required Corrective Actions (RCAs) 3, 12, 17 and 21. As explained at that time, for a variety of reasons we were not able to complete our responses regarding RCA 22 and the new RCA. This letter provides the PRLS responses to those two pending findings, making reference to each of the findings in the same numerical order in which they appear in the April 16<sup>th</sup> letter, with a reference to the page(s) of the letter on which each one appears.

**RCA Finding 22 (pp. 20-23):**

This finding involves three separate aspects: subgrant modifications by PRLS to sub grantee in 2012, similar modifications in 2013 and one late payment by PRLS to sub grantee PBI in 2014.

PRLS accepts that the 2012 subgrant modification (a downward change due to a sharp reduction in LSC funding) was not notified in a timely fashion. Steps have been taken to avoid such non-compliance with 45 CFR sec. 1627.3(b)(3) and in fact such a situation has not recurred. Regarding this instance of non-compliance, we must stress that LSC itself has recognized that **“this modification was reasonable and prudent**



considering it was a decrease (and not increase) in the sub granted amount, [and that] the decrease was due to 2012 reductions in LSC funding, and **LSC recognizes PRLS' duty to adjust expenditures downward in a timely manner to account for this decrease.**" (Emphasis ours). See OCE letter of August 7, 2013, cited at p. 22 of April 16, 2015 OCE FUR letter.

Regarding the 2013 subgrant modification, which was also a downward adjustment owing to a reduction in LSC funds due to the sequestration, was less than 10%. Therefore, PRLS agrees with the conclusion that pursuant to section 1627.3(a), this modification did not need approval by LSC, but the Corporation is to be notified in writing. Contrary to LSC's interpretation, however, we must stress that LSC was notified in a timely manner, **on May 21, 2013**, and not on June 24, 2013 (a second letter from PRLS to LSC which corrected an error in the original modification). Attached please find the sequence of five (5) letters between LSC, PRLS and sub grantee PBI for this period, dated, December 18, 2012, May 6, 2013, May 21, 2013, June 21, 2013 and June 24, 2013.

Regarding future notification of subgrant modifications, PRLS takes note of the OCE directive to "utilize the LSC Grants system to request approval for, or notify LSC of, proposed changes to a subgrant."

Finally, PRLS recognizes that in January 2014, the first subgrant payment of that year was made in a tardy fashion. In part this occurred when the sub grantee itself failed to notify PRLS that the subgrant payment had not been received. PRLS has directed its PAI Director, to take steps to avoid this occurrence in the future. Specifically, the transfers of subgrant payments are now done pursuant to the following process:

1. The PAI Director receives a copy of the PBI Sub grant Agreement from the Executive Director of PRLS once it is signed by all required parties and approved by LSC by December of each year.
2. The PAI Director delivers a copy of such agreement to the PAI Accountant, which she uses to acknowledge and plan for the monthly amounts to be paid to PBI for the following year. This is done in December of each year. Beginning in January of the new year, a copy of the Sub grant Agreement will be sent to the Controller, together with a letter from the PAI Director, authorizing the preparation of the checks for the twelve equal monthly payments.
3. The PAI Accountant shall verify the amounts, insuring that the payments are timely made, according to the terms of the Agreement, beginning in January of each year.

4. The PAI Accountant schedules the monthly payments to PBI, including payment in the first batch of each month. Schedule of payments and copy of the PAI Director letter are included as “invoice” document for approval of payment by the Controller.
5. The Controller approves the payment to PBI and the check is sent to their offices, within the first five working days of each month, except January, when a longer period is allowed due to the holidays.

See PRLS internal memorandum of July 6, 2015, setting forth the above-described process. PRLS hastens to point out that this procedure has been in effect since the beginning of 2015 and that since the one incident of January, 2014, there have been no late monthly subgrant payments.

**New Required Corrective Action Finding (pp. 31-33):**

During the FUR visit in May 2014, and due to limited time available, the adjustment of funds (“allocated”) made against the Puerto Rico Bar Association membership fees expense accounts were inadvertently not considered creating the variances. However, during the audit we were able to identify the existence of the allocations and therefore submit an adjusted revised report.

Summary of Variances:

**Year 2010** (\$1,718) - Adjustment for LSC (reduced debt balance) for allocation of **\$ 1,718**

• April 30, 2010 -	\$ 1,444	
• September 30, 2012 -	275	
	\$ 1,718 - Total Allocation	

**Year 2011** (\$ 20,089) - Adjustment for LSC (reduced debt balance) for allocation of **\$ 4,727**

• July 31, 2011 -	\$ 14,935	
• November 30, 2011-	427	
• December 31, 2011-	4,727	
	\$ 20,089 - Total Allocation	

**Year 2013** (\$ 17,280) – we found an accounting entry which invalidated the allocation of \$ 17,280 against LSC, increasing the balance of the debt assumed by LSC.

- August 31/2013 - \$ 17,280 – Total Allocation

See accompanying supporting documents (six pages) for further detail explaining these variances.

Regarding the measures PRLS has put in place in order to avoid such errors going forward, attached you will find a memorandum by the head of the PRLS Finance Office, Controller Carlos Álvarez-Zengotita, to his staff delineating the restrictions established by 45 CFR Sec. 1627.4 and specifically directing that no LSC funds be used for Puerto Rico Bar Association membership dues. In addition to the memorandum, which was distributed to all four (4) Finance Office staff, the Controller held a meeting to explain this restriction and the need for strict adherence to it.

If you require any further information regarding these or any related matters,, please do not hesitate to contact me. Thank you for your support and patience in this matter.

Sincerely,



Charles S. Hey-Maestre  
Executive Director

Enclosures



SERVICIOS LEGALES PH  
OFICINA CENTRAL  
ARCHIVO Y CORREO

Legal Services Corporation  
America's Partner For Equal Justice

2012 DEC 21 PM 2: 15

December 18, 2012

Charles S. Hey-Maestre  
Executive Director  
Puerto Rico Legal Services, Inc.  
P.O. Box 9134  
San Juan, PR 00908-9134

**President**  
James J. Sandman

**Board of Directors**  
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Chicago, IL  
*Chairman*

Martha Minow  
Cambridge, MA  
*Vice Chair*

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Louisville, KY

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Evanston, IL

Fr. Plus Pietrzyk, OP  
Zanesville, OH

Julie A. Reiskin  
Denver, CO

Gloria Valencia-Weber  
Albuquerque, NM

Re: Recipient No. 253010  
Subgrant Agreement with Pro Bono, Inc  
Term: January 1, 2013 – December 31, 2013  
Subgrant Amount: \$571,838

Dear Mr. Hey-Maestre:

This is to inform you that the Legal Services Corporation has approved the above subgrant agreement, pursuant to your program's request which was submitted via online application on November 21, 2012 and the additional information provided on December 17, 2012. According to the information provided, Pro Bono, Inc. will be responsible for conducting the required audit of the transferred funds.

Please note that although expenditures under this type of agreement are generally allowed as Private Attorney Involvement (PAI) expenses, this approval does not ensure that such expenditures will be allowed as PAI expenses. As previously noted, a significant number of cases closed under this subgrant are handled solely by Pro Bono, Inc. staff members who are paid via LSC funds and therefore such cases are not considered to be PAI cases. Despite this, review of PRLS' 2011 audited financial statements (AFS) revealed that PRLS continued to report the full amount of the subgrant as being allocable to PAI. Cases solely handled by subgrantee staff are not to be considered PAI. PRLS must take corrective action prior to submitting its 2012 AFS.

Additionally, review of the subgrantee's AFS evidenced that the subgrantee's allocation policy does not clearly identify the cost allocation method used for distribution of direct and indirect costs. PRLS must ensure that Pro Bono, Inc. takes the necessary steps to cure this deficiency.

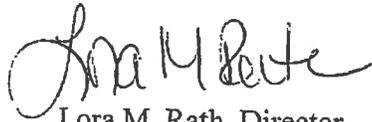
Finally, PRLS must ensure that the purpose of this subgrant (i.e., to continue providing legal representation by means of pro bono services by attorneys in private practice) is being met. If Pro Bono, Inc. continues to serve a significant number of cases funded via this subgrant with staff attorneys, LSC will take the utility of this subgrant into consideration during the next subgrant approval cycle.

3333 K Street, NW 3<sup>rd</sup> Floor  
Washington, DC 20007-3522  
Phone 202.295.1500 Fax 202.337.6797  
www.lsc.gov

Charles S. Hey-Maestre  
Executive Director  
Puerto Rico Legal Services, Inc.  
December 18, 2012  
Page 2 of 2

Thank you for your cooperation. If you have any questions or need further assistance with regard to this matter, please contact me at (202) 295-1524 or via email at [rathl@lsc.gov](mailto:rathl@lsc.gov).

Sincerely,

A handwritten signature in black ink, appearing to read "Lora M. Rath". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Lora M. Rath, Director  
Office of Compliance and Enforcement



DIRECTOR EJECUTIVO

6 de mayo de 2013  
Vía correo electrónico y regular

Lcdo. Luis E. Rodríguez Lebrón  
Director Ejecutivo, Pro Bono, Inc.  
P.O. Box 13820  
San Juan, PR 00909-9848

Estimado licenciado Rodríguez:

Reciba nuestros saludos cordiales. Según se ha discutido públicamente y hemos anunciado en las reuniones de la Junta de Directores de SLPR a las cuales usted y/o su personal ha asistido, al comienzo del mes de abril ha entrado en vigor la "confiscación" ("sequestration") de fondos de la Legal Services Corporation (LSC). Esto significa para SLPR, una disminución equivalente a \$765,424 del "Basic Field" de fondos provenientes de LSC hasta el final del año. De hecho, la remesa recibida en abril reflejó una reducción de \$95,678.00 en fondos LSC del "Basic Field" para ese mes.

Por tanto le informo que, de conformidad con los términos contractuales acordados entre SLPR y Pro Bono, Inc. para 2013 que la cantidad que SLPR remesará a Pro Bono será reducida de \$571,837.50 a **\$541,675.88** luego de la reducción. Esto se tramitará en cada pago mensual, comenzando con el de mayo de 2013. Los pagos mensuales entre abril y diciembre de 2013 deben ser de **\$44,301.82**, lo que equivale a una reducción mensual de **\$3,351.30**.

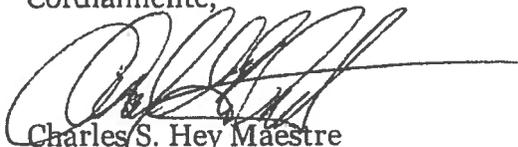
Toda vez que no se pudo hacer el ajuste en el pago de abril, que fue de \$47,653.12, se hizo un ajuste en el pago de mayo, que fue por la cantidad de **\$40,950.64**. En lo sucesivo las remesas mensuales serán de **\$44,301.82**.

No obstante lo expresado anteriormente, enfatizamos que *esta reducción es separada e independiente del recorte por la redistribución de fondos LSC requeridos por los cambios en los resultados del Censo*. Ese recorte, que podría afectar a Puerto Rico (Servicios Legales, Pro Bono, Inc. y la Oficina Legal de la Comunidad) en una cantidad mayor a los \$5 millones, entrará en vigor en junio y *podría reducir adicionalmente la remesa mensual a Pro Bono*. Aún desconocemos los números precisos de dicho ajuste, pero se los compartiremos tan pronto estén disponibles.



Es muy lamentable esta situación que afecta nuestras instituciones, pero seguimos solidarios en la meta de proveer acceso a la justicia para los pobres del país. De tener alguna duda u observación sobre este asunto, favor de comunicarse con el suscribiente.

Cordialmente,

A handwritten signature in black ink, appearing to read 'Charles S. Hey Maestre', with a long horizontal line extending to the right.

Charles S. Hey Maestre  
Director Ejecutivo

c. Lcdo. Eduardo Escribano Román, Director, Oficina de Relaciones con Abogados Externos, SLPR  
Sr. Carlos Álvarez Zengotita, Contralor, SLPR  
Lcda. Vivian Godineaux Villaronga, Presidenta Junta de Directores de SLPR  
Lcdo. Antonio Vidal Santiago, Presidente, Junta de Directores, Pro Bono, Inc.



DIRECTOR EJECUTIVO

May 21, 2013  
Via email and regular mail

Ms. Lora M. Rath  
Director  
Office of Compliance and Enforcement  
Legal Services Corporation  
3333 K Street, NW, 3<sup>rd</sup> Floor  
Washington, DC 20007

**RE: Decreases in subgrant level for Subrecipient (Pro Bono, Inc.) of Recipient No. 253010 (PRLS) in 2012 and 2013**

Dear Ms. Rath:

As you know, the subgrant agreements Puerto Rico Legal Services, Inc. (PRLS) signed with Pro Bono, Inc. (PBI), and which were approved by the Legal Services Corporation (LSC), for fiscal years 2012 and 2013 each provide that the amount of funds to be transferred were to be **32% of the funds received by PRLS from the Legal Services Corporation which should be dedicated to private attorney involvement (“PAI”) in legal services to the poor (a minimum of 12.5% of the Basic Field grant) in 2012 and 30% of said finds in 2013.** Furthermore, each subgrant agreement for these years provides that these percentage participations of Pro Bono in the “PAI” funds from the grant awarded by LSC are to be maintained in any increase or decrease in LSC funds that PRLS receives in each year.

PRLS suffered a significant funding reduction from LSC in 2012, amounting to \$2,666,522. In consequence, on January 4, 2012 PRLS notified PBI by letter sent to its Executive Director, that this reduction would be implemented accordingly. Consequently, PRLS payments to our subgrantee PBI were reduced for the year 2012 from \$714,739 that had originally been projected to \$609,960, a total reduction of \$104,779.

During this fiscal year, PRLS suffered a reduction in its funding due to sequestration, said reduction amounting to \$765,424 in our “Basic Field” funding. This reduction was first received in April remittance and total of \$95,678.00 monthly. Consequently, and pursuant to our subgrant agreement, on May 6, 2013, PRLS notified PBI via letter directed to its Executive Director that the monthly subgrant remittances would be reduced to **\$\$44,301.82<sup>1</sup>**, and the total annual payments would be reduced from \$571,837.50 to **\$541,675.88** for 2013.

<sup>1</sup> Since this notification was made in May and the sequestration was first applied in April, an additional adjustment was made in the May payment to compensate for overpayment in April, but will continue at a rate of \$44,301.82 for the remainder of 2013.



LSC is being notified of this reduction in the grant paid by PRLS to PBI in accordance with 45 CFR secs. 1627.3(a)(1) and (b)(3). If you have any questions about this matter, please contact me. Thank you for your consideration of this information and for your continuing support.

Sincerely,



Charles S. Hey-Maestre  
Executive Director

c. Eduardo Escribano-Román, Director, PRLS Office of Relations with External Attorneys



DIRECTOR EJECUTIVO

21 de junio de 2013  
Vía correo electrónico y regular

Lcdo. Luis E. Rodríguez Lebrón  
Director Ejecutivo, Pro Bono, Inc.  
P.O. Box 13820  
San Juan, PR 00909-9848

Estimado licenciado Rodríguez:

Reciba nuestros saludos cordiales. Según habíamos adelantado, ya ha entrado en vigor el ajuste en la remesa que Servicios Legales de Puerto Rico (SLPR) recibe de la Legal Services Corporation (LSC) por razón del ajuste por el censo federal. Al ser sumado al recorte anterior debido a la confiscación ("sequestration"), SLPR recibirá una reducción total de unos **\$1,873,000** en fondos LSC en el 2013.

Como consecuencia y conforme el contrato vigente entre SLPR y Pro Bono, Inc. (PBI), debemos hacer el correspondiente ajuste en la remesa mensual que SLPR envía a PBI, considerando además el crédito establecido en el inciso "C. Amount of Funds", del referido contrato. Confirmamos, por tanto la información ofrecida al Presidente de la Junta de PBI, Lcdo. Antonio Vidal en reunión el 4 de junio de 2013, de que en junio la remesa de SLPR a PBI fue ajustada a \$42,821.02.

Sin embargo, una revisión de nuestra contabilidad reflejó un error en el cómputo anterior que habíamos realizado. Hemos determinado que SLPR le remitió a PBI, durante los primeros seis meses de 2013, menos de lo que establece nuestro contrato. Por tanto, SLPR le adeuda a PBI la cantidad de \$13,243.97. Por tanto estaremos haciendo un ajuste adicional prospectivo y la remesa que recibirá PBI entre julio y diciembre (6 meses) será de **\$45,028.40** hasta finales de 2013.

Esperamos que esta información le sea de utilidad. De tener alguna duda u observación sobre este asunto, favor de comunicarse con el suscribiente.

Cordialmente,



Charles S. Hey Maestre  
Director Ejecutivo

c. Lcdo. Eduardo Escribano Román, Director, Oficina de Relaciones con Abogados Externos, SLPR  
Sr. Carlos Álvarez Zengotita, Contralor, SLPR  
Lcda. Vivian Godineaux Villaronga, Presidenta Junta de Directores de SLPR  
Lcdo. Antonio Vidal Santiago, Presidente, Junta de Directores, Pro Bono, Inc.



SERVICIOS LEGALES DE PUERTO RICO, INC. - DIRECTOR EJECUTIVO  
1859 Ave. Ponce de León Pda 26, Santurce, Puerto Rico 00909  
Tel. (787) 728-8686 • Fax (787) 726-8750  
[www.servicioslegales.org](http://www.servicioslegales.org) • PO Box 9134 San Juan, PR 00908-9134



Financiado por la  
Legal Services Corporation



DIRECTOR EJECUTIVO

June 24, 2013  
Via email and regular mail

Ms. Lora M. Rath  
Director  
Office of Compliance and Enforcement  
Legal Services Corporation  
3333 K Street, NW, 3<sup>rd</sup> Floor  
Washington, DC 20007

**RE: Further adjustment in subgrant for Subrecipient (Pro Bono, Inc.) of Recipient No. 253010 (PRLS) in 2013**

Dear Ms. Rath:

As you know, the subgrant agreement Puerto Rico Legal Services, Inc. (PRLS) signed with Pro Bono, Inc. (PBI) for 2013, which was approved by the Legal Services Corporation (LSC), provides that the amount of funds to be transferred is to be **30% of the funds received by PRLS from the Legal Services Corporation which should be dedicated to private attorney involvement ("PAI") in legal services to the poor (a minimum of 12.5% of the Basic Field grant)**. Furthermore, the subgrant agreement provides that this percentage of participation by PBI in "PAI" funds from the LSC grant shall be maintained in any increase or decrease in such funds that PRLS receives in the year.

PRLS has suffered another funding reduction from LSC effective June 2013, due to the census adjustment. On June 21, 2013 PRLS notified PBI by letter sent to its Executive Director, that this reduction would be implemented accordingly. However, due to an error in earlier reductions of payments from PRLS to PBI, payments to our sub grantee are now being corrected and adjusted to **\$45,028.40 monthly** for the period of July through December, 2013. With this adjustment (expected to be the last for 2013), PBI will receive a total subgrant payment of \$544,554.60, down from an initial projection of \$571,837.50, for a total annualized reduction of **\$27,282.90**.

LSC is being notified of this reduction in accordance with 45 CFR secs. 1627.3(a)(1) and (b)(3). If you have any questions about this matter, please contact me.

Sincerely,



Charles S. Hey-Maestre  
Executive Director

c. Eduardo Escribano-Román, Director, PRLS Office of Relations with External Attorneys



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 LSC

Financiado por la  
Legal Services Corporation



DIRECTOR EJECUTIVO

A: Lcdo. Eduardo Escribano Román  
Director, Oficina de Relaciones con Abogados Externos (ORAE)

De:   
Lcdo. Charles S. Hey Maestre  
Director Ejecutivo

Asunto: Procedimiento para pagos mensuales al sub-recipientario Pro Bono, Inc.

Fecha: 6 de julio de 2014

Saludos cordiales. Conforme nuestras conversaciones al respecto mediante el presente memorando dejamos constatado el procedimiento ya aprobado y en vigor en cuanto a los pagos realizados mensualmente por Servicios Legales de Puerto Rico, Inc. a nuestro sub-recipientario Pro Bono, Inc., (PBI). Este procedimiento se estableció y se realiza para cumplir con los requerimientos del contrato entre SLPR y PBI, así como con la reglamentación de la Legal Services Corporation aplicable, 45 CFR 1627.3.

El procedimiento es el siguiente:

1. El Director de ORAE recibe copia del contrato entre SLPR y PBI de parte del Director Ejecutivo de SLPR una vez esté firmado por las partes y aprobado por la Legal Services Corporation (LSC), en diciembre de cada año.
2. El Director de ORAE entrega copia de dicho contrato a el/la contadora de PPC/ORAE, la cual el/ella usará para computar y confirmar los pagos mensuales que se realizarán por SLPR a PBI en el próximo año. Esto se hace en diciembre de cada año. Comenzando en enero del año nuevo, copia del contrato será enviado al Contralor, junto con una carta del Director de ORAE, autorizando los doce pagos mensuales idénticos para ese año.
3. El/la contador/a de PPC/ORAE verificará las cantidades, asegurando que los pagos se efectúen en forma oportuna, de acuerdo con los términos del contrato entre SLPR y PBI, comenzando en enero de cada año.
4. El/la contador/a de PPC/ORAE programará los pagos mensuales a PBI, incluyendo los mismos en el primer "batch" de cada mes. El programa de los



pagos y una copia de la carta del Director de ORAE servirán como “facturas” para la aprobación por el Contralor de cada pago mensual.

5. El Contralor aprueba el pago a PBI y el cheque se envía a las oficinas del sub-recipientario dentro de los primeros cinco días laborables de cada mes, con excepción de enero, cuando se permite un período más largo a causa de los días festivos.

Muchas gracias por la atención a este asunto y al fiel cumplimiento con este procedimiento.

c. Sr. Carlos Álvarez Zengotita, Contralor

04234  
005 RES



*SERVICIOS LEGALES DE PUERTO RICO, INC.  
OFICINA DE FINANZAS*

A: Sr. José R. Velázquez  
Contador Nómina Beneficios y Pagos Relacionados

DE:   
Sr. Carlos Alvarez Zengotita  
Contralor

FECHA: 24 de junio de 2014

ASUNTO: Reembolso a Servicios Legales de P.R. Inc.

FAVOR TOMAR LA ACCION QUE SE INDICA A CONTINUACION:

[ X] Para su información y acción pertinente

OBSERVACIONES Y COMENTARIOS :

Procede el reembolso de **\$10,835.00** a Servicios Legales de P.R. Inc., de la cuenta de **Servicios Legales de P.R. Non LSC- Fund- Resolución**; por diferencia dejada de pagar cuando se hizo el reembolso original de las cuotas de colegiación de abogados de fondos LSC la cual no procedía. Según señalamiento de auditores de LSC se debe reembolsar de fondos no procedentes de LSC.

**Diferencia Cuota Colegiación Abogado(a)s 2010 al 2013.....\$10,835.00**

mir

Servicios Legales de P.R., Inc.  
División de Finanzas  
**PAID**

SERVICIOS LEGALES DE PUERTO RICO INC. APARTADO 9134, SANTURCE, PUERTO RICO 00908

007375

NÚM. EMPL.	DEPT.	NOMBRE DEL EMPLEADO	FECHA	VACACIONES	ENFERMEDAD	NUMERO	CIUAL	INICIO SEMANA	SEMANA TERMINA	NUM CHEQUE					
04234	SERV. LEGALES DE P.R. INC		06/24/14							007375					
INGRESOS			CONTRIBUCIONES			DEDUCCIONES			BENEFICIOS						
CODIGO	SALARIO-HORA	HORAS	CANTIDAD	CODIGO	DESCUENTO	ACUMULADO	CODIGO	CANTIDAD	ACUMULADO	CODIGO	CANTIDAD	ACUMULADO			
061402RES				061402RES											
<table border="1" style="width: 100%;"> <tr> <td style="width: 50%;"></td> <td style="width: 50%;"></td> </tr> <tr> <td style="text-align: right;"><b>TOTAL</b></td> <td style="text-align: right;"><b>\$10,835.00</b></td> </tr> </table>														<b>TOTAL</b>	<b>\$10,835.00</b>
<b>TOTAL</b>	<b>\$10,835.00</b>														
										<b>INGRESO BRUTO ACUMULADO</b>	<b>NETO ACUMULADO</b>				
										<b>\$0.00</b>	<b>\$10,835.00</b>				
										<b>NETO A COBRAR</b>	<b>\$10,835.00</b>				
										<b>\$0.00</b>	<b>\$10,835.00</b>				



**SERVICIOS LEGALES DE PUERTO RICO INC.**  
 APARTADO 9134  
 SANTURCE, PUERTO RICO 00908  
 NON-LSC FUND

BANCO POPULAR DE PUERTO RICO  
 SUCURSAL PARADA 26  
 SANTURCE, PUERTO RICO  
 101-201/215

FECHA (MES/DIA/AÑO)  
**06/24/14**

NUM CHEQUE  
**007375**  
 007375

IMPORTE DEL CHEQUE  
**\$10,835.00**

**Ten Thousand Eight Hundred Thirty Five Dollars and 00 Cents**

PAGUESE A LA ORDEN DE

SERV. LEGALES DE P.R. INC  
 PO BOX 9134  
 SANTURCE PR 00908

**NO ES VALIDO SEIS MESES  
 DESPUES DE SU EMISION**  
 VALIDO SOLAMENTE CON DOS FIRMAS

**NON-NEGOTIABLE**

⑈007375⑈ ⑆02150201⑆ 026⑈104164⑈  
 SECURITY FEATURES INCLUDED. DETAILS ON BACK. 8

System: 06/24/2014 9:46:05 AM  
 User Date: 06/24/2014

Servicios Legales de PR  
 GENERAL POSTING JOURNAL  
 General Ledger

Page: 1  
 User ID: RHERNANDEZ

Batch ID: RECICUOTASABOG  
 Batch Comment: Para reg.dif.en recl. cuotas abogados de 2010 a 2013.

Approved: Yes Batch Total Actual: \$43,340.00 Batch Total Control: \$0.00  
 Approved by: RHERNANDEZ Trx Total Actual: 1 Trx Total Control: 0  
 Approval Date: 06/24/2014

Journal Entry 332,021 Standard 06/24/2014 GJ Recl.dif.cuotas abog. 2010-13 GLTRX00021545

Account	Description	Debit	Credit
000-125011-000000-00-00	Account Receivable LSC - Interfund Alloc. R	\$10,835.00	
001-305001-000000-00-00	LSC Main		\$10,835.00
200-305002-000000-00-00	NON - LSC FUNDS (Asig. Leg. R.C.C.#1046)		\$10,835.00
200-200101-000000-00-00	Account Payable Non LSC - Interfund Alloc. P		\$10,835.00
Total Distributions: 4		\$21,670.00	\$21,670.00

Total Journal Entries: 1

Servicios Legales de P.R., Inc.  
 Division de Finanzas  
**PAID**

06/24/2014 9:24:20 AM

Servicios Legales de PR  
General Transaction Edit List

Batch: RECICUOTASABOG Para reg.dif.en recl. cuotas abogados de 2010 a 2013.  
Batch has not been approved for posting

J.E. Total Actual: 1 J.E. Total Control: 0

Batch Total Actual: \$43,340.00 Batch Total Control: \$0.00

Approved: No Approved By: Approval Date:

Journal Entry	Transaction Type	Transaction Date	Reversing Date	Source Document	Transaction Reference
332,021	Standard	06/24/2014		GJ	Recl.dif.cuotas abog. 2010-13

Account	Description	Debit	Credit
000-125011-0000000-00-00	Account Receivable LSC - Interfund Alloc. Rec.	\$10,835.00	
001-305001-0000000-00-00	LSC Main		\$10,835.00
200-305002-0000000-00-00	NON - LSC FUNDS (Asig. Leg. R.C.C.#1046)		\$10,835.00
200-200101-0000000-00-00	Account Payable Non LSC - Interfund Alloc. Pay.		\$21,670.00

Total Distributions: 4 Totals: \$21,670.00

Total Journal Entries: 1

Servicios Legales de P.R., Inc.  
Division de Finanzas  
**PAID**

Servicios Legales de PR  
Cuotas Colegio de Abogados  
2010 -2014

	# de Cheque	Fecha	Cantidad	Non LSC Funds	LSC Funds	"Allocations" Balance
CUOTAS COL. 2010	081695	01/15/2009	25,000.00	0.00	25,000.00	
CUOTAS 2010	081861	01/27/2010	9,375.00	0.00	9,375.00	
CUOTAS ABOG. 2011	007007	01/14/2011	33,875.00	15,362.00	18,513.00	
CUOTAS ABOG./2012	012975	01/17/2012	33,750.00	28,450.00	5,300.00	
COLEGIACION 2013	017559	01/10/2013	29,625.00	17,280.00	12,345.00	
CUOTAS COL. 2014	022354	01/07/2014	29,875.00	0.00	29,875.00	
			<u>161,500.00</u>	<u>61,092.00</u>	<u>100,408.00</u>	

Servicios Legales de P.R., Inc.  
División de Finanzas  
**PAID**

*Verja*

Servicios Legales de PR  
 Cuotas Colegio de Abogados  
 2010 -2014

	# de Cheque	Fecha	Cantidad	"Allocations"		Balance
				Non LSC Funds	LSC Funds	
CUOTAS COL. 2010	081695	01/15/2009	25,000.00	0.00	25,000.00	
CUOTAS 2010	081861	01/27/2010	9,375.00	1,718.00	7,657.00	
CUOTAS ABOG. 2011	007007	01/14/2011	33,875.00	20,089.00	13,786.00	
CUOTAS ABOG./2012	012975	01/17/2012	33,750.00	28,450.00	5,300.00	
COLEGIACION 2013	017559	01/10/2013	29,625.00	0.00	29,625.00	
CUOTAS COL. 2014	022354	01/07/2014	29,875.00	0.00	29,875.00	
			<u>161,500.00</u>	<u>50,257.00</u>	<u>111,243.00</u>	

Servicios Legales de P.R., Inc.  
 División de Finanzas  
**PAID**



SERVICIOS LEGALES DE PUERTO RICO  
DIRECTOR EJECUTIVO

2 de junio de 2015

A TODO EL EQUIPO DE FINANZAS

Carlos A. Álvarez Zengotita  
Contralor

**CUMPLIMIENTO CON LA REGULACIÓN 45 CFR § 1627.4  
LEGAL SERVICES CORPORATION**

La Legal Services Corporation mediante la regulación 45 CFR § 1627.4 exige lo siguiente:

**1627.4 Cuotas por Afiliación o Membresías**

- (a) los fondos de LSC no pueden ser utilizados para pagar las cuotas de afiliación o cuotas a cualquier organización privada o sin fines de lucro, ya sea en nombre de un destinatario o un individuo.
- (b) El párrafo (a) de esta sección no se aplica al pago de las cuotas de afiliación o cuotas impuestas por una organización gubernamental para ejercer una profesión, o para el pago de las cuotas de afiliación o cuotas de fondos no LSC.

Como ya hemos conversado, dado instrucciones verbales dirigidas al cumplimiento de la regulación y reconociendo que la colegiación compulsoria de los abogados para con el Colegio de Abogados dejó de tener efecto, **ningún pago por motivo de colegiación dirigido al Colegio de Abogados podrá hacerse contra los fondos de la Legal Services Corporation**. Lo contrario será una violación crasa a los procesos interinos y fiscales de la Oficina de Finanzas.

Esperamos el fiel cumplimiento de esta norma. De tener dudas al respecto, quedo a la disposición de ustedes.

- c. Lcdo. Charles S. Hey Maestre – Director Ejecutivo  
Lcda. Anamari Melecio – Directora de Recursos Humanos

