



FINAL REPORT

LEGAL SERVICES CORPORATION Office of Compliance and Enforcement

Northeast New Jersey Legal Services Corporation
Compliance Review
February 4-7, 2014

Recipient No. 331050

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I. EXECUTIVE SUMMARY

Finding 1: NNJLS' automated case management system ("ACMS") is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded.

Finding 2: NNJLS' intake procedures and case management system support the program's compliance related requirements.

Finding 3: NNJLS is in substantial compliance with the income eligibility documentation requirements of 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the Federal Poverty Guidelines ("FPG").

Finding 4: NNJLS is in substantial compliance with the asset eligibility documentation requirements of 45 CFR §§ 1611.3(c) and (d) and CSR Handbook (2008 Ed. as amended 2011), § 5.4.

Finding 5: Sampled cases evidenced compliance with the documentation requirements as set forth in 45 CFR Part 1626 (Restrictions on legal assistance to aliens) and CSR Handbook (2008 Ed., as amended 2011), § 5.5.

Finding 6: NNJLS is in substantial compliance with the retainer requirements of 45 CFR § 1611.9.

Finding 7: NNJLS is in compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

Finding 8: Sampled cases evidenced compliance with the requirements of 45 CFR § 1620.4 and § 1620.6(c) (Priorities in use of resources).

Finding 9: Sampled staff cases evidenced substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided). Case review identified a limited number of case files that did not contain a description of the legal assistance provided.

Finding 10: The sampled files reviewed demonstrate that NNJLS' application of the CSR case closing categories is in substantial compliance with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011).

Finding 11: Sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases. Case review revealed a limited number of sampled cases that were dormant or untimely closed.

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

Finding 13: Review of NNJLS' policies and the list of attorneys who have engaged in the outside practice of NNJLS revealed that NNJLS is in compliance with the requirements of 45 CFR Part 1604 (Outside practice of NNJLS).

Finding 14: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities). OCE's review of NNJLS' accounting and financial records for the review period and discussions with program management did not uncover any indicators of non-compliance with the requirements of 45 CFR Part 1608.

Finding 15: Sampled cases evidenced substantial compliance with the requirements of 45 CFR Part 1609 (Fee-generating cases).

Finding 16: From a limited review of documents and interviews with staff it appears that NNJLS is in compliance with the general requirements of 45 CFR Part 1610, however, is not full compliance with the requirements of 45 CFR § 1610.5 (Notification).

Finding 17: NNJLS is in compliance with 45 CFR §§ 1614.3(a), (b), (c), and (d) which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Moreover, NNJLS' PAI procedures evidenced timely referrals, case oversight, and follow-up as required by CSR Handbook (2008 Ed., as amended 2011), § 10.4. However, the review of the 2013 Private Attorney Involvement ("PAI") schedule disclosed that NNJLS does not calculate the hourly wage rate to be charged to PAI for work performed by its employees in accordance with LSC requirements.

Finding 18: From a limited review of documents and interviews with staff, it appears that NNJLS is in compliance under the requirements of 45 CFR Part 1627 (Subgrants and Membership fees or dues), because (1) no LSC funds were used for subgrants, and (2) no LSC funds were used to pay for non-mandatory membership fees or dues.

Finding 19: NNJLS is in compliance with the requirements of 45 CFR Part 1635 (Timekeeping requirement).

Finding 20: A review of sampled cases and NNJLS financial records evidenced compliance with the requirements of former 45 CFR Part 1642 (Attorneys' fees).

Finding 21: From a limited review of documents and interviews with staff, it was determined that NNJLS is in compliance with 45 CFR Part 1612 (Restrictions on lobbying and certain other activities).

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

Finding 23: Sampled cases, as well as interviews, evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

Finding 24: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

Finding 25: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

Finding 26: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of prisoners).

Finding 27: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

Finding 28: Sampled cases, as well as interviews, evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

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

Finding 30: A limited review of the cost standards and procedures of NNJLS evidenced compliance with the requirements of 45 CFR Part 1630 (Cost standards and procedures).

Finding 31: A limited review of NNJLS' policies and procedures, fiscal and accounting records, responses to the LSC Segregation of Financial Duties Worksheet, and interviews with its management and fiscal staff, it was determined that NNJLS' accounting and reporting capabilities and system of internal controls compare favorably to LSC's Fundamental Criteria of an Accounting and Financial Reporting System for LSC Recipients.

Finding 32: The on-site review revealed NNJLS Board of Directors and its financial oversight committee are actively involved in the fiscal oversight of the program. However, it is recommended that the program ensure that a cash flow statement or a statement of cash on hand is provided monthly to members of the Audit and Finance Committee and quarterly to all Board members, as recommended in the LSC Accounting Guide.

Finding 33: A review of NNJLS bank statement reconciliations found adequate internal controls with no exceptions noted.

Finding 34: The review disclosed that NNJLS engages in limited electronic banking activities, but does not currently have an electronic banking policy. The program should

create an electronic banking policy which details its processes and procedures for its electronic banking activities.

Finding 35: From a limited review it was determined the program maintains adequate internal controls for its cash receipts, including those for its general operations and client trust accounts. However, it is recommended that NNJLS place a sign in the lobby or waiting room area at each program office to inform clients of its cash receipts policy.

Finding 36: A review of NNJLS' petty cash account found generally adequate internal control procedures. However, the program should ensure that occasional surprise counts of the petty cash account are conducted and documented.

Finding 37: A limited review of NNJLS' technology policy disclosed no exceptions pertaining to staff members using program issued cell phones and electronic devices.

Finding 38: A limited review of NNJLS' cash disbursements, including credit card purchases, found adequate internal control with no exceptions noted.

Finding 39: A review of NNJLS' travel expense procedures and travel expense reimbursements found adequate internal controls with no exceptions noted.

Finding 40: No exceptions were noted with respect to NNJLS' use of LSC funds to acquire, use, and dispose of real property and nonexpendable personal property.

Finding 41: A limited review of NNJLS' personnel and payroll policies and procedures disclosed no internal control weaknesses or exceptions.

Finding 42: From a limited review of documents and interviews with staff, it appears that NNJLS is in compliance with the requirements of 45 CFR Part 1628 (Recipient fund balances), as NNJLS ended the 2011, 2012, and 2013 fiscal years by fully expending LSC funds within the 10% threshold requirement.

Finding 43: From a limited review of the documents and interviews with staff, it was determined that NNJLS is in compliance under the requirements of 45 CFR § 1629 (Bonding of recipients), as NNJLS has adequate fidelity bond insurance coverage on employees who handle cash.

Finding 44: From a limited review of the documents and interviews with staff, it was determined that NNJLS is in non-compliance regarding the requirements of 45 CFR § 1630.12 (Derivative income), because rental income resulting from an activity supported in whole or in part with funds, provided by LSC, was not allocated to the fund in which the LSC grant was recorded in the same proportion as the LSC grant.

II. BACKGROUND OF REVIEW

On February 4 - 7, 2014, the Legal Services Corporation's ("LSC") Office of Compliance and Enforcement ("OCE") conducted a Case Service Report/Case Management System ("CSR/CMS") on-site visit at Northeast New Jersey Legal Services Corporation ("NNJLS"). The purpose of the visit was to assess the program's compliance with the LSC Act, regulations, and other applicable guidance such as Program Letters, the LSC Accounting Guide for LSC Recipients ("LSC Accounting Guide"), (2010 Edition), and the Property Acquisition and Management Manual ("PAMM"). The visit was conducted by a team of four (4) attorneys and two (2) fiscal compliance analysts. Three (3) of the attorneys were OCE staff members and one (1) was a temporary employee. Both fiscal compliance analysts were OCE staff members.

The on-site review was designed and executed to assess the program's compliance with basic client eligibility, intake, case management, regulatory and statutory requirements as well as to ensure that NNJLS has correctly implemented the CSR Handbook (2008 Ed., as amended 2011). Specifically, the review team assessed NNJLS for compliance with regulatory requirements: 45 CFR Part 1611 (Financial Eligibility); 45 CFR Part 1626 (Restrictions on legal assistance to aliens); 45 CFR §§ 1620.4 and 1620.6 (Priorities in use of resources); 45 CFR § 1611.9 (Retainer agreements); 45 CFR Part 1636 (Client identity and statement of facts); 45 CFR Part 1604 (Outside Practice of NNJLS); 45 CFR Part 1608 (Prohibited political activities); 45 CFR Part 1609 (Fee-generating cases); 45 CFR Part 1610 (Use of non-LSC funds, transfers of LSC funds, program integrity); 45 CFR Part 1614 (Private attorney involvement);¹ 45 CFR Part 1627 (Subgrants and membership fees or dues); 45 CFR Part 1635 (Timekeeping requirement); former 45 CFR Part 1642 (Attorneys' fees)²; 45 CFR Part 1630 (Cost standards and procedures); 45 CFR Part 1612 (Restrictions on lobbying and certain other activities); 45 CFR Parts 1613 and 1615 (Restrictions on legal assistance with respect to criminal proceedings and Restrictions on actions collaterally attacking criminal convictions); 45 CFR Part 1617 (Class actions); 45 CFR Part 1632 (Redistricting); 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings); 45 CFR Part 1637 (Representation of prisoners); 45 CFR Part 1638 (Restriction on solicitation); 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, or mercy killing); and 42 USC 2996f § 1007 (Abortion, school desegregation litigation and military selective service act or desertion).

The OCE team interviewed members of NNJLS upper and middle management, staff attorneys, and support staff. NNJLS case intake, case acceptance, case management, and case closure practices and policies in all substantive units were assessed. In addition to interviews, a case file review was conducted. The sample case review period was from January 1, 2011 through November 30, 2013. Case file review relied upon randomly selected files as well as targeted files identified to test for compliance with LSC requirements, including eligibility, potential duplication, timely closing, and proper application of case closure categories. In the course of the on-site review, the OCE team reviewed a total of 276 case files.

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

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

For reasons of client privilege and confidentiality issues, NNJLS, in lieu of the clients' full name on the case lists, utilized a Unique Client Identifier (UCI) comprised of a six (6) digit number unique to each client served. The number was generated by NNJLS' LegalServer Case Management Software. The software created a different number for each client based solely on their social security number.

NNJLS is an LSC recipient that covers three (3) counties (Bergen, Hudson, and Passaic) in the northeastern New Jersey. NNJLS' offices are located in Jersey City (main office), Paterson, and Hackensack. NNJLS executive staff consists of an Executive Director, Assistant Executive Director, Director of Litigation, Deputy Directors, PAI Coordinator, Development Manager, and Comptroller.

NNJLS' anticipated LSC funding for 2014 is \$1,598,433 (basic field); in 2013 NNJLS received \$1,598,126 (basic field) in LSC funds; in 2012, NNJLS received \$1,673,267 (basic field); and in 2011, NNJLS received a total of \$1,960,701 (basic field) in LSC funding. NNJLS did not receive any TIG funds during the review period.

In its 2013 submission, NNJLS reported 6,039 closed cases. In its 2012 submission, NNJLS reported 5,821 closed cases and in its 2011 submission, NNJLS reported 7,141 cases closed. For the year 2013, NNJLS' self-inspection rate was 1.3%. NNJLS reported errors in the areas relating to the timely closing of cases and duplicate cases. For the year 2012, NNJLS' self-inspection error rate was 2.6 %. NNJLS reported errors in the area relating to cases in which assets information was not recorded. For the year 2011, NNJLS' self-inspection error rate was 1.3%. NNJLS reported errors in the area relating to cases that lacked a citizenship attestation and the timely closing of cases.

By letter dated October 25, 2013, OCE requested that NNJLS provide a list of all cases reported to LSC in its 2012 CSR data submission ("closed 2012 cases"), a list of all cases reported in its 2011 CSR data submission ("closed 2011 cases"), a list of all cases closed between January 1, 2013 and December 31, 2013 ("closed 2013 cases"), and a list of all cases which remained open as of November 30, 2013 ("open cases"). OCE requested that the lists contain the client name, the file identification number, the name of the advocate assigned to the case, the opening and closing dates, the CSR case closing category assigned to the case and the funding code assigned to the case. OCE requested that two (2) sets of lists be compiled - one (1) for cases handled by NNJLS staff and the other for cases handled through NNJLS' PAI component. NNJLS was advised that OCE would seek access to such cases consistent with Section 509(h), Pub. L. 104-134, 110 Stat. 1321 (1996), LSC Grant Assurance Nos. 10, 11, and 12, and the LSC *Access to Records* protocol (January 5, 2004). NNJLS was requested to promptly notify OCE, in writing, if it believed that providing the requested material, in the specified format, would violate the attorney-client privilege or would be otherwise protected from disclosure.

In discussions with OCE, NNJLS indicated that it had confidentiality concerns with the disclosure of client names in the course of case review. In order to accommodate this concern in accordance with the LSC *Access to Records* protocol, both telephone and e-mail discussions were held. It was agreed that NNJLS would create UCI's for each case selected for review.

OCE and NNJLS also reached agreement on the specific UCI format and other client information redaction issues, which was memorialized by letter on December 19, 2013.

Thereafter, an effort was made to create a representative sample of cases which the team would review during the on-site visit. The sample was created proportionately among closed cases for 2011, 2012, 2013, and open cases. The sample consisted largely of randomly selected cases, but also included targeted cases selected to test for compliance with the CSR instructions relative to timely closings, proper application of the CSR case closing categories, duplicate reporting, etc.

During the on-site visit, access to case-related information was provided through staff intermediaries. Pursuant to the OCE and NNJLS agreement of December 19, 2013, NNJLS staff maintained possession of the file and discussed with the team the nature of the client's legal problem and the nature of the legal assistance rendered. In order to maintain confidentiality, such discussion, in some instances, was limited to a general discussion of the nature of the problem and the nature of the assistance provided. NNJLS management and staff cooperated fully in the course of the review process. As discussed more fully below, NNJLS was made aware of any compliance issues identified during the on-site visit. This was accomplished by informing intermediaries as well as NNJLS management of any compliance issues throughout the case review process.

At the conclusion of the visit on February 7, 2014, OCE conducted an exit conference during which NNJLS senior management was made aware of the team's preliminary findings. OCE cited instances of non-compliance in the areas of timely closing of cases, retainer agreements, documentation of legal advice and application of case closure categories. No distinction between 2013, 2012, and 2011 cases was found.

NNJLS was advised that they would receive a Draft Report ("DR") that would include all of OCE's findings and they would have 30 days to submit comments. By letter dated July 9, 2014, OCE issued DR detailing its findings, recommendations, and required corrective actions regarding the February 4-7, 2014 Compliance Review visit. NNJLS was asked to review the DR and provide written comments. By letter dated August 5, 2014, NNJLS indicated that they did not have any comments addressing the findings in the DR. NNJLS also enclosed a summary and examples of the actions they have and will take to address the DR's corrective actions and recommendations.

III. FINDINGS

Finding 1: NNJLS' automated case management system ("ACMS") is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded.

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

NNJLS uses LegalServer for its ACMS. The program has significantly modified the ACMS over the years to add screens for special grants and projects, and fields to improve compliance and accommodate reporting requirements.³ A brief demonstration of the ACMS revealed the system is capable of storing case information and generating a variety of reports, e.g., open date, problem code, etc., necessary for effective case management and attorney supervision. NNJLS' ACMS does not have defaults in fields critical to compliance, consistent with Program Letter 02-06.

Additionally, the CSR Handbook (2008 Ed., as amended 2011), § 3.5, requires that recipients establish a method in their ACMS that will enable them to identify and de-select cases that are not reportable to LSC. Any system that accomplishes the goal of easily de-selecting any cases opened as LSC reportable that are not eligible to be closed as CSR "cases" from the recipients' CSR data submission is sufficient. A review of NNJLS' ACMS indicated was sufficient to de-select cases opened as LSC reportable.

Based on interviews and a comparison of the information yielded by the ACMS to information contained in the case files sampled, NNJLS' ACMS is sufficient to ensure that information necessary for the effective management of cases is accurately and timely recorded. No instances of inconsistent information were identified.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 2: NNJLS intake procedures and case management system support the program's compliance related requirements.

To assess NNJLS intake procedures and case management policy for compliance with LSC requirements, intake, case handler, and management staff were interviewed. In addition, paper

³ Modifications include, but are not limited to, the addition of a field to create an electronic form to record over-income factors, modification of its asset fields to record only non-exempt asset categories, a check-box to indicate screening of future income prospects, and the addition of non-LSC reportable closure codes including a deselect code.

and electronic documents used to support the intake process were evaluated.⁴ The staff's understanding of compliance requirements were consistent and support the program's compliance related requirements.

The intake procedures of NNJLS' offices were assessed from interviews with the Assistant Deputy Director and support staff. The interviews and the evaluation of the ACMS revealed that intake procedures performed by staff generally support the program's compliance-related requirements with respect to obtaining written citizenship attestations, performing conflict and duplicate checks at the start of intake screening, and considering all authorized exceptions and factors when screening an applicant for income eligibility. Pursuant to a document request, NNJLS provided a description of office intake procedures, program policies and forms relevant to intake.

Centralized Telephone Intake

Intake is conducted for all three (3) program office by the Central Intake Unit ("CIU"). The CIU is located in the Passaic County office and has six (6) full time staff and a supervisor. If the intake is initiated by telephone, the intake staff worker pre-screens the caller for case type/priorities, conflicts, duplicates, and income/asset eligibility. If the caller requires advice only, they will be given a telephone intake appointment. If it appears that full representation will be required or if the matter is an emergency, the applicant will be given an appointment to come into the office for an interview with a case handler.

Walk-In Intake

In addition to centralized intake, intake screening is also conducted for walk-in and telephone applicants. In the Passaic County office, walk-in applicants sign in at the front desk. The receptionist asks what kind of assistance they are seeking. If the assistance requested is within program priorities, the receptionist asks preliminary questions about income. If the applicant appears to be eligible, they are given an application to fill out. This application is used to obtain preliminary information.

Walk-in applicants in the Bergen or Hudson County office are provided access to a telephone and connected to the CIU for screening using the program's VOIP telephone system. After the initial screening by the receptionist, the walk-in applicant is interviewed by one of the intake staff. The intake staff worker reviews the application with the applicant and asks more questions and gathers facts as necessary to determine the applicant's eligibility. If the applicant is determined to be eligible, an appointment is made with either advice or extended representation.

Intake and Oversight Findings

On-site review of the intake system indicated that intake staff is consistent in their use of the ACMS to conduct income and asset eligibility screenings, collect demographic information, perform conflict checks, verify citizenship, and store electronic reporting data. Intake staff demonstrated familiarity with program priorities and the citizenship and alien eligibility

⁴ NNJLS standardized intake forms include the Citizenship Attestation Form and Alien Representation Record.

requirements of 45 CFR Part 1626. Case acceptance is done by case handlers on an individual basis; case acceptance or rejection is communicated to an applicant via telephone and/or written letter. Staff attorneys close their own cases and assign the appropriate closing code. The attorneys use opening and closing memoranda as well as a compliance checklist.

Recipients are required to make reasonable inquiry into each applicant's income prospects, pursuant to the requirements of 45 CFR § 1611.7(a). NNJLS staff interviewed were aware of this requirement and stated they make appropriate inquiry as required. The ACMS contains a required field specific to this inquiry.

NNJLS Client Eligibility Guidelines & Procedures permit LSC-funded assistance to groups in accordance with 45 CFR § 1611.6 although no group cases were identified within the review period.

Case oversight is conducted on a quarterly basis by the managing attorneys. The oversight consist of quality control checks of compliance activities by generating ACMS reports for citizenship, closing codes, duplicates, income and asset amounts, timeliness, funding codes, and data entry mistakes. If a discrepancy is discovered, the file is reviewed and the error corrected.

Based on the materials reviewed, observations of intake staff, interviews with management and staff, and supplemental information provided, NNJLS' intake procedures and case management system support the recipient's compliance related requirements. There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 3: NNJLS is in substantial compliance with the income eligibility documentation required by 45 CFR § 1611.4, CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income exceeds 125% of the Federal Poverty Guidelines (“FPG”).

Recipients may provide legal assistance supported with LSC funds only to individuals whom the recipient has determined to be financially eligible for such assistance. *See* 45 CFR § 1611.4(a). Specifically, recipients must establish financial eligibility policies, including annual income ceilings for individuals and households, and record the number of members in the applicant's household and the total income before taxes received by all members of such household in order to determine an applicant's eligibility to receive legal assistance.⁵ *See* 45 CFR § 1611.3(c)(1) and CSR Handbook (2008 Ed., as amended 2011), § 5.3. For each case reported to LSC, recipients shall document that a determination of client eligibility was made in accordance with LSC requirements. *See* 45 CFR § 1611.5(b) and CSR Handbook (2008 Ed., as amended 2011), § 5.2.

In those instances in which the applicant's household income before taxes is in excess of 125% but no more than 200% of the applicable FPG and the recipient provides legal assistance based

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

on exceptions authorized under 45 CFR § 1611.5(a)(3) and 45 CFR § 1611.5(a)(4), the recipient shall keep such records as may be necessary to inform LSC of the specific facts and factors relied on to make such a determination. *See* 45 CFR § 1611.5(b) and CSR Handbook (2008 Ed., as amended 2011), § 5.3.

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

NNJLS’ financial eligibility policy includes income and asset screening requirements for individuals and groups whose assistance is funded by LSC. The eligibility policies for LSC-funded group cases generally follows the language at 45 CFR § 1611.6. The financial eligibility policy for income and assets and the eligibility policy for groups are both in compliance with the requirements of 45 CFR §§ 1611.3 and 1611.6. Sampled cases evidenced that NNJLS is in substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.3, and applicable LSC instructions for clients whose income does not exceed 125% of the FPG.

Case review identified one (1) over-income case with no authorized exceptions documented in the case file. *See* Open Case No. 74170. This case was originally closed in 2006 as "Ia"- Court Decision (Uncontested). *See* 2012 Closed Case No. 163733. It was reopened in 2013 without a new income and assets screening to determine if the client was financially eligible. The applicant’s income exceeded the FPG but no authorized exceptions were documented in the file to justify case acceptance.

The exception noted was determined to be an isolated mistake, not a systemic problem. Therefore, there are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 4: NNJLS is in substantial compliance with the asset eligibility documentation requirements of 45 CFR §§ 1611.3(c) and (d) and CSR Handbook (2008 Ed. as amended 2011), § 5.4.

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

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

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

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

With two (2) exceptions, the sampled case files reviewed indicated NNJLS maintains asset eligibility documentation required by 45 CFR §§ 1611.3(c) and (d), and CSR Handbook (2008 Ed., as amended 2011), § 5.4. *See* Closed 2011 Case No. 151423 (This case was opened March 21, 2011 and closed May 10, 2011. According to this client's intake information, the client had no income and reported \$35,000.00 in assets. The intermediary indicated that this client was over NNJLS' asset ceilings, but that there was no evidence that the asset ceiling had been waived.); Open Case No. 74170 (This case was originally closed in 2006 as "Ia"- Court Decision (Uncontested). It was reopened in 2013 without a new income and assets screening to determine if the client was financially eligible.)

The exceptions noted were determined to be isolated mistakes, not systemic problems. Therefore, there are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 5: Sampled cases evidenced compliance with the documentation requirements as set forth in 45 CFR Part 1626 (Restrictions on legal assistance to aliens) and CSR Handbook (2008 Ed., as amended 2011), § 5.5.

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

Letter 99-3 (July 14, 1999). In the absence of the foregoing documentation, assistance rendered may not be reported to LSC. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.5.

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

Sampled cases evidenced compliance with the documentation requirements set forth in 45 CFR Part 1626 (Restrictions on legal assistance to aliens) and the CSR Handbook (2008 Ed., as amended 2011), § 5.5. All sampled cases reviewed contained documentation of citizenship or documentation verifying alien eligibility. Additionally, policy review evidenced that NNJLS is in compliance with the requirements of 45 CFR Part 1626.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 6: NNJLS is in substantial compliance with the retainer requirements of 45 CFR § 1611.9.

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

The retainer agreement is to be executed when representation commences or as soon thereafter is practical and a copy is to be retained by the recipient. *See* 45 CFR §§ 1611.9(a) and (c). The lack of a retainer does not preclude CSR reporting eligibility.⁸ Cases without a retainer, if otherwise eligible and properly documented, should be reported to LSC.

Case review demonstrated that NNJLS is in substantial compliance with the requirements of 45 CFR § 1611.9. The review revealed four (4) sampled cases without a retainer agreement where

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

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

one was required. *See* Closed 2013 Case No. 161033, Closed 2012 Case No. 151850, Closed 2011 Case No. 118445, and Open Case Nos. 162461, 163641, 165135, 162728, and 167580.

As a required corrective action, NNJLS must ensure that a retainer agreement is contained in the case file for clients who receive extended representation.

In its response to the DR, NNJLS stated that “[i]n addition to the actions already taken by the program to ensure that retainers are obtained when appropriate, NNJLS will provide additional training for staff regarding the issue.” NNJLS’ response further stated NNJLS “will explore the possibility of updating the Legal Server [sic.] Case Management system to require attorneys to affirmatively report that a retainer was obtained in appropriate cases.” Further, their response stated “NNJLS has recently increased the number of cases receiving intensive file reviews which will help ensure that retainers are executed.”

OCE evaluated NNJLS’ response and requests the following additional information regarding this required corrective action:

NNJLS is requested to provide the following documentation within 60 days of receipt of this report:

- 1) Evidence of retainer agreement training (*e.g.*, training dates, agenda); and
- 2) Steps taken regarding the updating of the LegalServer Case Management system.

Finding 7: NNJLS is in compliance with the requirements of 45 CFR Part 1636 (Client identity and statement of facts).

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

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

Case files reviewed evidenced that NNJLS is in compliance with the requirements of 45 CFR Part 1636.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 8: Sampled cases evidenced compliance with the requirements of 45 CFR § 1620.4 and § 1620.6(c) (Priorities in use of resources).

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

Prior to the visit, NNJLS provided LSC with a list of its priorities. The priorities are stated as “support for families, preservation of the home, and maintenance of economic stability and ensuring individual rights for populations with special vulnerabilities.”

A review of NNJLS policies and sampled cases, as well as interviews evidenced compliance with the requirements of 45 CFR § 1620.3(a) and 45 CFR § 1620.4.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 9: Sampled staff cases evidenced substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6 (Description of legal assistance provided). Case review identified a limited number of sampled case files that did not contain a description of the legal assistance provided.

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

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

Recipients are instructed to record client *and* case information, either through notations on an intake sheet or other hard-copy document in a case file, or through electronic entries in an ACMS database, or through other appropriate means. For each case reported to LSC such information shall, at a minimum, describe, *inter alia*, the level of service provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 5.6.

A review of sampled case files evidenced that NNJLS is in substantial compliance with CSR Handbook (2008 Ed., as amended 2011), § 5.6. Case review identified a limited number of

sampled case files that lacked sufficient documentation of the legal assistance provided. *See* Closed 2013 Case Nos. 164280, 158858, and 166983 and Closed 2011 Case No. 143844.

The exceptions noted were determined to be isolated mistakes, not systemic problems. Therefore, there are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 10: The sampled files reviewed demonstrate that NNJLS' application of the CSR case closing categories is in substantial compliance with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011).

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

The case files reviewed evidence that NNJLS' application of the CSR case closing categories is generally consistent with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011). However, the OCE review team found a number of sampled cases with case closure category errors. *See* Closed 2014 Case No. 160297 (The case was originally closed as "K" Other. The Client decided to represent herself pro se. Closing the case as "L" Extensive Service is more consistent with the level of assistance provided.); Closed 2012 Case No. 151850 (The case was originally closed as "G" Negotiated Settlement with Litigation. Plaintiff's attorney agreed via telephone, to vacate judgment and the case was dismissed. The case should have been closed as "F" Negotiated Settlement without Litigation.); Closed 2012 Case No. 159277 (The case was originally closed as "Ic" Appeal. The court approved settlement agreement was entered into which allowed the client to stay at the housing unit. Closing code "G" Negotiated Settlement with Litigation is the appropriate closing code.); Closed 2013 Case No.166563 (As advice was the only assistance provided, "A" is the appropriate closing code.); Closed 2013 Case No.166519 (This case was dismissed at a court hearing and should be closed as "Ib" Contested Court Decision.); and Closed 2013 Case Nos. 164603, 153033 (Divorce clinic cases that should have been closed as "B" Limited Action.).

With five (5) exceptions, sampled PAI cases reviewed evidenced NNJLS' application of the CSR case closure categories is consistent with Chapters VIII and IX, CSR Handbook (2008 Ed., as amended 2011). Three (3) of these five (5) sampled PAI cases indicated that these were naturalization cases where the client was provided assistance completing naturalization forms. In each case, the case notes indicated that the naturalization interview took place and the client became a US citizen. Therefore, closing code "B," Limited Action or closing code "H," Administrative Agency Decision would be the more appropriate closing code depending on the level of assistance provided by the PAI attorney. *See* PAI Closed 2012 Case Nos. 148019 (The ACMS indicated that this case was opened July 19, 2011, and closed March 5, 2012 with closing code "G," Negotiated Settlement with Litigation. Case review indicated that this was a naturalization case where the client was provided with assistance completing the naturalization

forms. The case notes also indicated that the naturalization interview occurred February 17, 2012 and the client became a U.S. citizen on March 5, 2012. Based on the case notes, “B,” Limited Action or “H,” Administrative Agency Decision would be the more appropriate closing codes depending on the level of assistance provided by the PAI attorney.); 147089 (The ACMS indicates that this case was opened August 3, 2011, and closed June 5, 2012 as closing code “F,” Negotiated settlement without Litigation. Case review indicated that this was a naturalization case where the client was provided assistance completing naturalization forms. The case notes indicated that the naturalization interview occurred May 12, 2012 and the client became a US citizen. Therefore, based on the case notes, closing code “B,” Limited Action or closing code “H,” Administrative Agency Decision would be the more appropriate closing codes depending on the level of assistance provided by the PAI attorney.); and 142472 (The ACMS indicates that this case was opened July 25, 2011, and closed March 5, 2012 with closing code “G,” Negotiated Settlement with Litigation. Case review indicated that this was a naturalization case where the client was provided assistance with completing the naturalization forms. The case notes indicated that the client became a U.S. citizen on March 5, 2012. Therefore, based on the case notes, closing code “B,” Limited Action or closing code “H,” Administrative Agency Decision would be the more accurate closing codes depending on the level of assistance provided by the PAI attorney.) *See also* PAI Closed 2011 Case Nos. 140587 (The ACMS indicates that this case was opened June 16, 2010, and closed April 8, 2011 with closing code “B,” Limited Action. Case review indicated that the client was given advice regarding marital benefits. Therefore, based on the case notes, closing code “A,” counsel and advice is the more accurate closing code.); and 151423 (The ACMS indicated that this case was opened March 21, 2011, and closed on May 10, 2011 with closing code “L,” Extensive Service. Case review indicated that on May 3, 2011, the client attended a pro-se divorce clinic where she was provided assistance completing a complaint. Therefore, based on the case notes, the more accurate closing code is “B,” Limited Action as legal assistance was provided to a pro se client. Closing code “L,” should be reserved for cases in which the program undertook extensive research, preparation of complex legal documents, or extensive on-going assistance to clients who are preceding pro se.).

The review also disclosed the following sampled cases, all of which involved the incorrect usage of closing code “K” Other. *See* Closed 2013 Case Nos. 163259 (“B” Limited Action is the appropriate closing code.) and 161416 (“B” is the appropriate closing code.); and Closed 2012 Case No. 153868 (This case was dismissed at court hearing, and should be closed as “Ib.”).

As a required corrective action, NNJLS must ensure that cases are closed with the CSR case closure category that best reflects the highest level of service provided to a client. *See* CSR Handbook (2008 Ed., as amended 2011), Chapter VIII (Case Definitions and Closure Categories). It is recommended that NNJLS conduct periodic staff training to help ensure compliance with this requirement.

In its response to the DR, NNJLS stated that “[a]dditional staff training will be provided to help ensure that all cases are closed with the appropriate closing code.” Further, NNJLS stated their “quarterly file audit procedure will be amended so that closing codes are checked to make sure the appropriate code has been used.”

OCE evaluated NNJLS' response and requests that it provide OCE a copy of its amended quarterly file audit procedure within 60 days from the receipt of this report. Additionally, NNJLS is requested to provide evidence of closing category training (e.g., training dates, agenda) within 60 days of receipt of this report.

Finding 11: Sampled cases evidenced substantial compliance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 regarding the timely closing of cases. Case review revealed a limited number of sampled cases that were dormant or untimely closed.

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

Case review revealed a limited number of sampled cases that were either dormant or untimely closed. *See* Open Case Nos. 155545 (This case was opened in 2010, but the client did not meet with PAI attorney and no advice was provided.); 158621 (A referral was made in 2012, but no information has been documented in the file since then.); 163722 (This case was opened in May 2013 but no other work or activity is documented in the file.); and 165135 (This case was opened on July 2013 but no other services have been provided since that time.); Closed 2013 Case No. 156956 (This case was opened and settled in 2011, however, was kept open unnecessarily until 2013.); Closed 2013 Case Nos. 150413, 157066, 157559, 157375, and 131751 (These cases were opened in 2011 and closed in 2013 as "A."); Closed 2013 Case No. 158611 (This case was opened in 2011, closed, then reopened in September 2011 when new court hearing was scheduled. The client did not attend the new hearing and the case was not closed until December 2013); and Closed 2014 Case No. 126848 (This case was opened in 2009 and closed in 2014 with no documentation of case closing in the file.).

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

As a required corrective action, NNJLS must ensure that cases are closed in a timely manner in accordance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3. As a way to achieve this, it is recommended that NNJS conduct periodic staff training to ensure that cases are closed in a timely fashion.

In its response to the DR, NNJLS stated “[t]his issue is already a high priority for the program and additional training will also be provided emphasizing that all cases must be closed in a timely manner.” NNJLS also stated a LegalServer “report was recently developed which will be used by the program to identify cases that have had little or no activity in recent months.”

OCE evaluated NNJLS’ response and requests it provide OCE a copy of the recently developed LegalServer report to be used by the program to identify cases that have had little or no activity in recent months. Additionally, OCE requests NNJLS provide evidence of untimely closed/dormant case training (e.g., training dates, agenda) within 60 days of receipt of this report.

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

Through the use of automated case management systems and procedures, recipients are required to ensure that cases involving the same client and specific legal problem are not recorded and reported to LSC more than once. *See* CSR Handbook (2008 Ed., as amended 2011), § 3.2.

When a recipient provides more than one type of assistance to the same client during the same reporting period, in an effort to resolve essentially the same legal problem, as demonstrated by the factual circumstances giving rise to the problem, the recipient may report only the highest level of legal assistance provided. *See* CSR Handbook (2008 Ed., as amended 2011), § 6.2.

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

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

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 13: Review of NNJLS' policies and the list of attorneys who have engaged in the outside practice of NNJLS revealed that NNJLS is in compliance with the requirements of 45 CFR Part 1604 (Outside practice of NNJLS).

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

A review of all the attorneys' requests for approval to undertake the outside practice of NNJLS was conducted. The requests reviewed covered the review period of January 1, 2011 through November 30, 2013.

Based on an interviews with the Executive Director and the NNJLS attorneys who have engaged in the outside practice of law, and the review of the recipient's policies, NNJLS appears to be in compliance with the requirements of 45 CFR Part 1604.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 14: Sampled cases evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities). OCE's review of NNJLS' accounting and financial records for the review period and discussions with program management did not uncover any indicators of non-compliance with the requirements of 45 CFR Part 1608.

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

The purpose of Part 1608 is to insure that the Corporation's resources will be used to provide high quality legal assistance and not to support or promote political activities or interests. This Part should be construed and applied so as to further this purpose without infringing upon the constitutional rights of employees or the professional responsibilities of attorneys to their clients.

A review of NNJLS financial records (cash receipts and cash disbursements journals) for the first six (6) months in 2011 and 2013, and last six (6) months of 2012, evidenced that NNJLS did not receive, collect, or disburse any funds to or from any partisan organizations. Additionally, a cursory review of NNJLS master vendor list showed no signs of vendor names pertaining to any partisan organizations. Also, NNJLS' 990 Forms for 2011, 2012, and 2013 indicated that NNJLS had no direct or indirect involvement in any political party activities on behalf of, or in

opposition to, candidates for public office. Additionally, an examination of time records indicated no attorneys participated in prohibited political activities.

During the course of the review, no indications were found where, while engaged in legal assistance activities supported under the Act, NNJLS attorneys engaged in any political activity, any activity to provide voters with transportation to the polls, or to provide similar assistance in connection with an election, or voter registration activity. Moreover, there was no indication that NNJLS received funds from any political parties or campaigns.

A comprehensive review of NNJLS pamphlets, brochures, flyers, etc. was conducted during the onsite visit. Review of the above-referenced materials revealed that all collected information was found to be free of any prohibited political message, expression, symbol, image, or allusion, and in compliance with 45 CFR Part 1608.

Sampled cases also evidenced compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities). OCE's review of NNJLS accounting and financial records for the review period and discussions with program management did not uncover any indicators of non-compliance with the requirements of 45 CFR Part 1608.

Finally, discussions with the Executive Director and Controller disclosed NNJLS employees have not intentionally supported or promoted NNJLS with any partisan or nonpartisan political activity, or with the campaign of any candidate for public or party office. This is supported NNJLS's written policies, which include the elements outlined in 54 CFR Part 1608.

As such, from a limited review of documents and interviews with staff, it appears that NNJLS is in compliance with the requirements of 45 CFR Part 1608 (Prohibited political activities). There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

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

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

Recipients may provide legal assistance in such cases where the case has been rejected by the local referral service, or two private attorneys; neither the referral service nor two private attorneys will consider the case without payment of a consultation fee; the client is seeking, Social Security, or Supplemental Security Income benefits; the recipient, after consultation with the private bar, has determined that the type of case is one that private attorneys in the area ordinarily do not accept, or do not accept without pre-payment of a fee; the Executive Director

has determined that referral is not possible either because documented attempts to refer similar cases in the past have been futile, emergency circumstances compel immediate action, or recovery of damages is not the principal object of the client's case and substantial attorneys' fees are not likely. *See* 45 CFR §§ 1609.3(a) and 1609.3(b).

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

According to the Executive Director, NNJLS had no fee generating cases. Additionally, a review of NNJLS' 2011, 2012, 2013 audited financial statements and 2014 interim financial statements (as of December 31 year-to-date), evidenced that NNJLS did not receive or collect attorneys' fees from cases identified or noted as fee generating type cases. Also, a cursory review of NNJLS cash receipts journal indicated the same.

NNJLS has a written policy governing fee-generating cases which is consistent with 45 CFR Part 1609. The NNJLS accounting manual the OCE team reviewed stated that "court ordered awards shall be returned to the grant(s) and office(s) that funded the original case work unless restricted by a funding sources or some other restriction." Although not described in NNJLS' accounting manual, at the time of the visit, NNJLS accounting staff members were allocating each attorney fee award among the grants(s) and office(s) based on the ratio of case hours charged to each location and grant, which is consistent with LSC requirements.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 16: From a limited review of documents and interviews with staff it appears that NNJLS is in compliance with the general requirements of 45 CFR Part 1610, however, is not full compliance with the requirements of 45 CFR § 1610.5 (Notification).

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

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

Recipients are instructed to maintain objective integrity and independence from any organization that engages in restricted activities. In determining objective integrity and independence, LSC looks to determine whether the other organization receives a transfer of LSC funds, and whether

such funds subsidize restricted activities, and whether the recipient is legally, physically, and financially separate from such organization.

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

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

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

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

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

From a limited review of NNJLS policies and procedures, cash receipts journals, cash disbursements journals, chart of accounts, vendor's list, grants, contracts, web page, observations of the physical location of the program offices, and interviews with management, NNJLS does not appear to be engaged in any restricted activity which would present 45 CFR Part 1610 compliance issues.

A limited review of NNJLS policies and procedures and fiscal activities identified no instance where non-LSC funds were used for any purpose prohibited by the LSC Act. Also, the review of financial records (cash receipts and cash disbursement journals) during the review period

identified no inappropriate transfers of LSC funds (45 CFR § 1610.7) or expenditures (45 CFR § 1610.4) from the use of LSC or non-LSC funds. Moreover, NNJLS cost allocation methodology for direct costs is based on costs allocated to a particular grant to the degree that costs were incurred to achieve the objectives of the grant. Costs that are fund-specific are allocated directly to the relevant funding source(s) at the transaction level when entered into the accounting system.

NNJLS utilizes MIP Sage accounting software in its financial operations, which is comprised of several modules. The general ledger module is a multi-fund, multi-fiscal period, double-entry fund accounting system which has the capability of providing fund based accounting and/or cost accounting. NNJLS uses the double-entry method for recording all transactions and the chart of accounts, including funding codes has been designed so that funds received from sources other than LSC are accounted for as separate and distinct receipts and disbursements in a manner directed by 45 CFR § 1610.9.

NNJLS Board of Directors has certified compliance with 45 CFR § 1610.8(b) by executing the program integrity letter.

A review of a small sample of documentation relating to funders randomly selected from NNJLS' 2011, 2012, and 2013 audited financial statements, and fiscal year 2014 grants and contributions, indicated that NNJLS is not in full compliance with 45 CFR § 1610.5 because NNJLS did not always provide or send out written notification to all funding sources or funders who made contributions of \$250 or more.

Therefore, as a required corrective action, NNJLS was required to send out written notification to all funding sources or funders who make contributions of \$250 or more informing them of the restrictions imposed by LSC's regulations on how those funds can be used. NNJLS is asked to provide a report a report of the measures it has taken to ensure this will be done going forward.

In its response to the DR, NNJLS stated they "already notify all funders and contributors of \$250 or more of the fact that funds will be expended in accordance with the LSC Act and regulations." NNJLS' response included copies of recently sent notification letters.

OCE evaluated NNJLS' response and found the actions taken sufficient to satisfy this required corrective action and no further action is needed.

Finding 17: NNJLS is in compliance with 45 CFR §§ 1614.3(a), (b), (c), and (d) which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients. Moreover, NNJLS' PAI procedures evidenced timely referrals, case oversight, and follow-up as required by CSR Handbook (2008 Ed., as amended 2011), § 10.4. However, the review of the 2013 Private Attorney Involvement ("PAI") schedule disclosed that NNJLS does not calculate the hourly wage rate to be charged to PAI for work performed by its employees in accordance with LSC requirements.

45 CFR Part 1614 requires LSC recipients to devote an amount of LSC and/or non-LSC funds equal to 12.5% of its LSC annualized basic field award for the involvement of private attorneys in the delivery of legal assistance to eligible clients. This requirement is referred to as the "PAI" or private attorney involvement requirement.

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

Interviews were conducted with the Assistant Executive Director, the Deputy Director, and the PAI Coordinator in order to assess compliance with 45 CFR §§ 1614.3(a), (b), (c), and (d) which is designed to ensure that recipients of LSC funds involve private attorneys in the delivery of legal assistance to eligible clients and CSR Handbook (2008 Ed., as amended 2011) § 10.4 (requiring oversight and follow-up systems and procedures of PAI cases).¹⁰

Overview

NNJLS' PAI efforts serve three (3) counties; Hudson, Bergen, and Passaic Counties. According to those interviewed, the counties are divided among NJLS' staff. The Assistant Executive Director is responsible for direct case referrals in Hudson County and supervising the NNJLS PAI Program. The Deputy Director is responsible for direct referrals and pro-se clinics in Bergen County. The PAI Coordinator is responsible for direct referrals in Passaic County and for administering the pro se clinics in Passaic and Hudson Counties.

¹⁰ The recently hired PAI Director was present during the interviews with the Assistant Executive Director and the PAI Coordinator.

The three (3) components of NNJLS' PAI system consist of in-house pro-bono attorneys, direct referrals and PAI clinics.

In-House Pro Bono Attorneys

Interviews and documents provided by the Assistant Executive Director, Deputy Director and PAI Director evidenced that NNJLS has several pro bono part-time attorneys for the three (3) counties. These attorneys provide both brief services and extended services to clients who have been determined to be eligible.

There are in-house PAI attorneys in all three (3) offices and the oversight and referral process for in-house pro bono attorneys is the same in all three NNJLS offices. There are two (2) different ways an in-house pro bono attorney obtains a case. They either have assigned intake days where they meet with clients and open the case or a case, is referred to them by a NNJLS staff attorney or pro bono coordinator. All in-house pro bono attorney cases are labeled PAI In-House in LegalServer. Each pro bono in-house attorney works under the direct supervision of an NNJLS staff attorney. In addition, the PAI Director administers the in-house PAI cases much like the direct referrals. The PAI Director tracks the cases, obtains updates and provides administrative guidance regarding NNJLS' PAI procedures.

Overall, the procedures and policies articulated by NNJLS staff and a limited sample of in-house pro bono cases evidenced compliance with CSR Handbook (2008 Ed., as amended 2011), § 10.4 requiring, follow-up and tracking of the disposition of PAI cases.

Direct Referrals

The intake process for direct referrals occurs after the client has gone through the regular NNJLS intake screening and a determination of eligibility has been made. Then the client signs an "Agreement for Referral to a Volunteer Pro Bono Lawyer."

The oversight and referral procedures for PAI direct referrals are the same in all three (3) NNJLS offices. Direct referral clients for PAI cases typically begin with cases that have been assigned to a NNJLS Staff Attorney. The staff attorney and the PAI Director meet and discuss whether the case is appropriate for referral. If the case is deemed appropriate for PAI, the pro bono coordinator contacts the client and has them sign the PAI agreement. The PAI Director contacts one (1) or more of the PAI attorneys who have agreed to handle that type of case, and if the attorney accepts the case, a referral is made. When a PAI attorney assignment is made, a referral letter is sent to the client with an overview of the pro bono attorney/client relationship and the pro bono attorney's contact information. A referral letter with all case-related documents is sent to the attorney with the client's contact information and an overview of the responsibilities of the PAI attorney.

Oversight is achieved through quarterly case status reports sent to the assigned pro bono attorney requesting an update. These reports are often followed by telephone calls to the attorney in order to obtain more information. If issues develop, the contents of the reports or other problems are discussed with an attorney manager. In all PAI cases, a closing letter and survey are sent to the

client to confirm that the case is closed and obtain feedback about their experience with the PAI attorney. A thank you letter is sent to the PAI attorney who handled the case. Periodically, a survey is also sent to PAI attorneys. In addition, case status information may be obtained through alternative methods, such as PACER, which provides public access to certain court records, *i.e.*, bankruptcy.

At the conclusion of the case, case closing codes are assigned based on the level of work indicated on the case status report.

Overall, the procedures and policies articulated by NNJLS staff satisfy the requirements of CSR Handbook (2008 Ed., as amended 2011), § 10.4 requiring timely referral, follow-up, and disposition of PAI cases.

PAI Clinics

Interviews with staff revealed NNJLS operates five (5) PAI clinics in the areas of divorce, bankruptcy, security deposit, expungements, and immigration.

The PAI Coordinator stated every clinic participant is screened consistent with the requirements of Parts 1611 and 1626. With limited exceptions, the PAI attorney at each clinic explains the applicable law, actions to be taken at trial, and provides personalized assistance needed to complete the necessary forms.

Divorce: This clinic handles simple divorces (*i.e.* no custody issues) and is held in all three (3) county offices. After intake screening and an additional screening by a staff attorney, the case is forwarded to the PAI Coordinator who places it on a list. Once the list reaches five (5) participants, a clinic is scheduled. A letter is sent to the client advising of the clinic date. The client is also provided a preliminary divorce questionnaire which will assist in completing the necessary divorce pleadings. Legal pleadings are then prepared based on the responses noted in the questionnaire by either a staff attorney or a PAI attorney. These cases are appropriately assigned closing code “B,” limited action.

Bankruptcy: This clinic is conducted in the Bergen County office and the Deputy Director is responsible for its management. Clinic staff explains the bankruptcy process and assists participants in completing necessary forms (*i.e.* forms requesting credit reports, tax transcript). These cases are appropriately assigned closing code “B,” limited action.

After a client attends the bankruptcy clinic, his/her case may be accepted for extended representation. The client’s bankruptcy is processed through the Bergen County office and the Deputy Director attempts to place the case with a pro bono attorney for extended representation. Sampled PAI bankruptcy cases evidenced timely referral, follow-up, and disposition as required by CSR Handbook (2008 Ed., as amended 2011), § 10.4.

Security Deposit: This clinic is held in all three (3) county offices and it assists participants in preparing, filing, and proceeding pro se in a complaint for the return of his/her security deposit. After intake screening and a determination that this client is eligible for this clinic, the client is

sent a letter advising of the date and a list of documents to bring to the clinic. Participants are provided assistance with completing various legal pleadings. These cases are appropriately assigned closing code “B,” limited action. Based on a very limited case sample, the PAI security deposit clinic cases evidenced proper tracking, follow-up, and disposition as required by CSR Handbook (2008 Ed., as amended 2011), § 10.4.

Expungements: This clinic is held in Bergen and Passaic County. This clinic assists participants in completing the necessary forms to obtain an expungement pro se. These cases are appropriately assigned closing code “B,” limited action. Based on a very limited case sample, the PAI expungement clinic cases evidenced proper tracking, follow-up, and disposition as required by CSR Handbook (2008 Ed., as amended 2011), § 10.4.

Immigration: This clinic is held in Passaic County and assists clients through the naturalization process by providing assistance completing necessary forms (i.e. Application for Naturalization). Only applicants who have been lawful permanent residents for at least five (5) years may participate in this clinic. These cases are appropriately assigned closing code “B,” limited action. Based on a very limited case sample, the PAI naturalization clinic cases evidenced proper tracking, follow-up, and disposition as required by CSR Handbook (2008 Ed., as amended 2011), § 10.4.

Part 1614 also requires recipients to utilize a financial management system and procedures that document PAI cost allocations, identify and account for separate direct and indirect costs related to PAI efforts, and report separately the entire allocation of revenue and expenses relating to PAI efforts in year-end audits.

NNJLS’ audited financial statements evidenced that NNJLS exceeded 12.5% of its annual basic field grant (PAI) requirement in the three (3) years reviewed, primarily by utilizing LSC funding.

A random sampling of four (4) advocate time records evidenced that time allocated to PAI, by staff attorneys and paralegals, is substantiated by actual performance or hours worked. However, the review also revealed that NNJLS’ PAI methodology for the allocation of PAI costs appears to be inflated or overstated. NNJLS calculates the hourly wage rate to be charged to PAI by its staff attorneys and paralegals that perform PAI work using the employee’s standard annual work hours of 1,820 less vacation, sick, personal, and holiday divided by the employee’s annual salary. This method inflates the hourly wage rate for the employee whose time is charged to PAI. LSC requires that the standard annual hours without deductions for vacation, sick, personal, and holidays be divided by the employee’s annual salary to calculate the hourly wage rate to be charged to PAI.

As such, for all staff PAI-related work, NNJLS is requested to use the employee’s standard annual work hours divided by the employee’s annual salary to calculate the hourly wage rate charged to PAI. Also, NNJLS is also requested to re-calculate its 2013 PAI requirement using LSC’s required calculation method.

Additionally, according to the Controller, other staff (non-attorneys and non-paralegals) time charged to PAI is based on NNJLS’ operating budget. It is recommended that NNJLS allocate

the non-attorney and non-paralegal time charged to PAI base on other reasonable operating data. NNJLS should refer to 45 CFR § 1630.3(f) for guidance.

In its response to the DR, NNJLS stated “[a]ll attorneys, support staff and managers whose time is charged to PAI activities maintain time sheets showing all hours and activities charged to PAI.”

As a required corrective action, all PAI calculations must be clearly documented so that NNJLS can demonstrate how the calculations were reached.

In its response to the DR, NNJLS stated “NNJLS has changed the method of calculating the hourly wage rate for PAI related work by employees using the method established by LSC.”

NNJLS’ response included a copy of its PAI calculations worksheet. OCE evaluated the worksheet for compliance and no concerns were noted.

OCE finds that the actions taken sufficient to satisfy this required corrective action and no further action is needed.

Finding 18: From a limited review of documents and interviews with staff, it appears that NNJLS is in compliance with the requirements of 45 CFR Part 1627 (Subgrants and Membership fees or dues), because (1) no LSC funds were used for subgrants, and (2) no LSC funds were used to pay for non-mandatory membership fees or dues.

LSC has developed rules governing the transfer of LSC funds by recipients to other organizations. *See* 45 CFR § 1627.1. These rules govern subgrants, which are defined as any transfer of LSC funds from a recipient to an entity under a grant, contract, or agreement to conduct certain activities specified by or supported by the recipient related to the recipient’s programmatic activities.

“Programmatic activities” include those that might otherwise be expected to be conducted directly by the recipient, such as representation of eligible clients, or which provides direct support to a recipient’s legal assistance activities or such activities as client involvement, training or state support activities. It does not ordinarily include activities that are covered by a fee-for-service arrangement, such as those provided by a private NNJLS firm or attorney representing a recipient’s clients on a contract or *judicare* basis, except that any such arrangement involving more than \$25,000.00 is included. It would also normally excludes activities related to the provision of goods or services by vendors or consultants in the normal course of business if such goods or services would not be expected to be provided directly by the recipient itself, such as auditing or business machine purchases and/or maintenance.

All subgrants must be in writing and must be approved by LSC. In requesting approval, recipients are required to disclose the terms and conditions of the subgrant and the amount of funds to be transferred. Additionally, LSC approval is required for a substantial change in the work program of a subgrant, or an increase or decrease in funding of more than 10%. Minor

changes of work program, or changes in funding less than 10% do not require LSC approval, but LSC must be notified in writing. *See* 45 CFR § 1627.3(a)(1) and (b)(3).

Subgrants may not be for a period longer than one (1) year, and all funds remaining at the end of the grant period are considered part of the recipient's fund balance. All subgrants must provide for their orderly termination or suspension, and must provide for the same oversight rights for LSC with respect to subrecipients as apply to recipients. Recipients are responsible for ensuring that subrecipients comply with LSC's financial and audit requirements. It is also the responsibility of the recipient to ensure the proper expenditure of, accounting for, and audit of the transferred funds. *See* 45 CFR §§ 1627.3(b)(1), (b)(2), (c), and (e).

LSC funds may not be used to pay membership fees or dues to any private or nonprofit organization, except that payment of membership fees or dues mandated by a governmental organization to engage in a profession is permitted. *See* 45 CFR § 1627.4. Nor may recipients make contributions or gifts of LSC funds. *See* 45 CFR § 1627.5. Recipients must have written policies and procedures to guide staff in complying with the regulations and shall maintain records sufficient to document the recipient's compliance. *See* 45 CFR § 1627.8.

LSC regulation 45 CFR § 1627.4(a) requires that:

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

A review of NNJLS financial records (2011, 2012, and 2013 audited financial statements, December 31, 2014 year-to-date interim financial statements, contracts, and 1099-Miscellaneous Income Statements), evidenced that NNJLS had no LSC subgrants.

Furthermore, a random sample of invoices received by NNJLS was examined to assess if LSC funds were used to pay for non-mandated membership fees or dues. From that examination, it was determined that NNJLS used non-LSC funds to pay mandated and non-mandated fees or dues. In each instance, these payments were allowable and were made in accordance with 45 CFR § 1627.4(a) and (b).

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 19: NNJLS demonstrated compliance with the requirements of 45 CFR Part 1635 (Timekeeping requirement).

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

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

NNJLS utilizes LegalServer as their electronic timekeeping system. This system has the capacity to allocate and/or capture time worked and/or charged, using LSC and non-LSC funding codes/sources. While on-site, a cross section of seven (7) advocates' timekeeping records from a judgmentally selected sample, representing two (2) different time periods, for each year under review, evidenced that timekeeping records are contemporaneously created, account for time by date, and in increments not greater than one-quarter of an hour, in accordance with 45 CFR § 1635.3(b)(1). Sample cases selected were compared to the time reported by the advocates on their timekeeping reports. Each record of time spent for cases contained a unique client name or case number. The amount of time reported in connection with the specific activity appeared to be reasonable. Also, review of the timekeeping system, evidenced that NNJLS timekeeping system is able to aggregate time record information on both closed and pending cases by legal problem type, consistent with the provisions of 45 CFR § 1635.3(c).

Discussions with the Executive Director also indicated that NNJLS does not employ any attorneys or paralegals who work part-time for another organization that engages in restricted activities.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 20: A review of sampled cases and NNJLS' financial records evidenced compliance with the requirements of former 45 CFR Part 1642 (Attorneys' fees).

Prior to December 16, 2009, except as otherwise provided by LSC regulations, recipients could not claim, or collect and retain attorneys' fees in any case undertaken on behalf of a client of the recipient. *See* 45 CFR § 1642.3.¹¹ However, with the enactment of LSC's FY 2010 consolidated appropriation, the statutory restriction on claiming, collecting or retaining attorneys' fees was lifted. Thereafter, at its January 30, 2010 meeting, the LSC Board of Directors took action to repeal the regulatory restriction on claiming, collecting or retaining attorneys' fees. Accordingly, effective March 15, 2010, recipients may claim, collect and retain attorneys' fees for work performed, regardless of when such work was performed.¹²

Sampled files reviewed, interviews with the Executive Director and review of the recipient's policies evidenced that NNJLS is consistent with the requirements of former 45 CFR Part 1642. A review of NNJLS' financial records, cash receipts deposit log, and cash receipts journal evidenced that no attorneys' fees were received or collected during the review period, from cases prior to December 16, 2009.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 21: From a limited review of documents, policy review, and interviews with staff, it was determined that NNJLS is in compliance with 45 CFR Part 1612 (Restrictions on lobbying and certain other activities).

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

NNJLS' policy on legislative and administrative advocacy was reviewed while on-site and determined to be consistent with 45 CFR Part 1612. An examination of NNJLS financial records (semi-annual reports, time records, expense reports, general ledger, audited financial statements,

¹¹ The regulations define "attorneys' fees" as an award to compensate an attorney of the prevailing party made pursuant to common NNJLS or Federal or State NNJLS permitting or requiring the award of such fees or a payment to an attorney from a client's retroactive statutory benefits. *See* former 45 CFR § 1642.2(a).

¹² LSC further determined that it will not take enforcement action against any recipient that filed a claim for, or collected or retained attorneys' fees during the period December 16, 2009 and March 15, 2010. Claims for, collection of, or retention of attorneys' fees prior to December 16, 2009 may, however, result in enforcement action. As well, the regulatory provisions regarding accounting for and use of attorneys' fees and acceptance of reimbursement remain in force and violation of these requirements, regardless of when they occur, may subject the recipient to compliance and enforcement action. *See* LSC Program Letter 10-1 (February 18, 2010).

and 990 tax forms), for the review period evidenced no participation by NNJLS staff in any legislative and rulemaking activities. This was also confirmed in discussions with NNJLS' Executive Director and Development Manager.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

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

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

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

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 23: Sampled cases, policy review, and interviews, evidenced compliance with the requirements of 45 CFR Part 1617 (Class actions).

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

NNJLS has a written policy concerning the initiation or participation in class action as required by 45 CFR Part 1617. A review of the policy determined it is consistent with the requirements of 45 CFR Part 1617. None of the sampled files reviewed involved initiation or participation in a class action. Discussions with the Executive Director also confirmed that NNJLS is not involved in this prohibited activity.

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

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 24: Sampled cases, policy review, and interviews evidenced compliance with the requirements of 45 CFR Part 1632 (Redistricting).

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

NNJLS has a written policy concerning redistricting as required by 45 CFR Part 1632. A review of the policy determined it is consistent with the requirements of 45 CFR Part 1632. None of the sampled files reviewed revealed participation in litigation related to redistricting. Discussions with the Executive Director also confirmed that NNJLS is not involved in this prohibited activity.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 25: Sampled cases, policy review, and interviews evidenced compliance with the requirements of 45 CFR Part 1633 (Restriction on representation in certain eviction proceedings).

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

NNJLS has a written policy concerning representation in certain eviction proceedings as required by 45 CFR Part 1633. A review of the policy determined it is consistent with the requirements of 45 CFR Part 1633. None of the sampled files reviewed involved defense of any such eviction proceeding. Discussions with the Executive Director also confirmed that NNJLS is not involved in this prohibited activity.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 26: Sampled cases, policy review, and interviews evidenced compliance with the requirements of 45 CFR Part 1637 (Representation of prisoners).

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

NNJLS has a written policy concerning the representation of prisoners as required by 45 CFR Part 1637. The policy was reviewed and determined to be consistent with the requirements of 45 CFR Part 1637. None of the sampled files reviewed involved participation in civil litigation, or administrative proceedings, on behalf of an incarcerated person. Discussions with the Executive Director also confirmed that NNJLS is not involved in this prohibited activity. There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 27: Sampled cases, policy review, and interviews evidenced compliance with the requirements of 45 CFR Part 1638 (Restriction on solicitation).

In 1996, Congress passed, and the President signed, the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (the "1996 Appropriations Act"), Pub. L. 104-134, 110 Stat. 1321 (April 26, 1996). The 1996 Appropriations Act contained a new restriction which prohibited LSC recipients and their staff from engaging a client which it solicited.¹⁴ This restriction has been contained in all subsequent appropriations acts.¹⁵ This new restriction is a strict prohibition from being involved in a case in which the program actually solicited the client. As stated clearly and concisely in 45 CFR § 1638.1: "This part is designed to ensure that recipients and their employees do not solicit clients."

NNJLS has a written policy concerning solicitation as required by 45 CFR Part 1638. The policy was reviewed and determined to be in compliance with the requirements of 45CFR Part 1638. None of the sampled files, or documentation, such as community education materials and program literature reviewed indicated program involvement in such activity. Discussions with the Executive Director also confirmed that NNJLS is not involved in this prohibited activity.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

¹⁴ *See* Section 504(a) (18).

¹⁵ *See* Pub. L. 108-7, 117 Stat. 11 (2003) (FY 2003), Pub. L. 108-199, 118 Stat. 3 (2004) (FY 2004), Pub. L. 108-447, 118 Stat. 2809 (2005) (FY 2005), and Pub. L. 109-108, 119 Stat. 2290 (2006) (FY 2006).

Finding 28: Sampled cases, policy review, and interviews evidenced compliance with the requirements of 45 CFR Part 1643 (Restriction on assisted suicide, euthanasia, and mercy killing).

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

NNJLS has a written policy concerning solicitation as required by 45 CFR Part 1643. The policy was reviewed and determined to be in compliance with the requirements of 45 CFR Part 1643. None of the sampled files reviewed involved such activity. Discussions with the Executive Director also confirmed that NNJLS is not involved in these prohibited activities.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

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

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

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

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

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

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 30: A limited review of NNJLS' cost standards and procedures evidenced compliance with the requirements of 45 CFR Part 1630 (Cost standards and procedures).

LSC regulations provide uniform standards for allowability of costs and to provide a comprehensive, fair, timely and flexible process for the resolution of questionable costs, under Corporation grants and contracts. *See* 45 CFR Part 1630.

A review of the allocation of costs by NNJLS disclosed the allocation policies and procedures are adequate and the allocations are proper and in compliance with NNJLS Accounting Manual and 45 CFR § 1630.3(4) (c) (h).

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 31: A limited review of NNJLS' policies and procedures, fiscal and accounting records, responses to the LSC Segregation of Financial Duties Worksheet, and interviews with its management and fiscal staff, it was determined that NNJLS' accounting and reporting capabilities and system of internal controls compare favorably to LSC's Fundamental Criteria of an Accounting and Financial Reporting System for LSC Recipients.

Fundamental Criteria and Internal Controls

As discussed in the 2010 Edition of the Accounting Guide for LSC Recipients ("LSC Accounting Guide"), § 3-5 – Fundamental Criteria, an LSC recipient, under the direction of its board of directors, is required to establish and maintain adequate accounting records and internal control procedures. The LSC Fundamental Criteria is a listing of the elements of an adequate accounting and financial reporting system. Compliance with the Fundamental Criteria can assist recipient boards with their fiduciary and stewardship obligations and may reduce the possibility of serious ethical, financial, and compliance breaches. Good internal controls can improve the effectiveness of the recipient's operations, the reliability of grantee financial information, compliance with laws and regulations and the safeguarding of assets.

NNJLS has developed a Financial Policies and Procedures Guide (“NNJLS Accounting Manual”) which is program-wide and incorporates the fiscal duties and responsibilities from its Board members to its staff. The NNJLS Accounting Manual is updated periodically with the most recent update occurring in December 2012. By updating the NNJLS Accounting Manual on an ongoing basis, the program has demonstrated its commitment to comply with the criteria outlined in the LSC Accounting Guide and to strengthen its internal control structure. Based on a limited review of the NNJLS Accounting Manual it was determined to be comprehensive with a focus on the establishment of policies and procedures which promote sound internal controls.

Segregation of Financial Duties

Accounting duties should be segregated to ensure that no individual simultaneously has both the physical control and the record keeping responsibility for any asset, including, but not limited to cash, client deposits, supplies and property. Duties must be segregated so that no one individual can initiate, execute, and record a transaction without a second independent individual being involved in the process." *See LSC Accounting Guide, § 3-4.3.*

The Internal Controls section of the NNJLS Accounting Manual states, in part, that “NNJLS’ intent is to establish and maintain financial policies and procedures to safeguard all corporation assets against unauthorized use or disposition. To that end, at least two staff persons will be involved in all cash receipt, payroll, cash disbursement, and purchasing transactions.”

A review of NNJLS’ responses to the Segregation of Financial Duties Worksheet, a matrix of internal controls completed by NNJLS in preparation for the on-site OCE visit, disclosed generally appropriate internal controls in place to ensure that a single employee does not control all facets of a process or transaction involving program assets from start to finish.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 32: The on-site review revealed NNJLS’ Board of Directors and its financial oversight committee are actively involved in the fiscal oversight of the program. However, it is recommended that the program ensure that a cash flow statement or a statement of cash on hand is provided monthly to members of the Audit and Finance Committee and quarterly to all Board members, as recommended in the LSC Accounting Guide.

Section 1-7 of the LSC Accounting Guide, entitled Responsibilities of the Financial Oversight Committee or Committees, states that each recipient’s governing body has a fiduciary responsibility to the program and must establish a financial oversight committee or committees. It defines the roles of both a finance committee and an audit committee and states that while it is recognized that some boards due to their small size and other considerations will decide not to have a separate audit committee, the critical point is that all of the finance and audit committee duties listed in the LSC Accounting Guide must be performed by a financial oversight committee or committees.

The LSC Accounting Guide further states that it is also critical and considered a best practice, that the financial oversight committee has at least one (1) member who is a financial expert, or for the board to have access to a financial expert. “A financial expert has (1) an understanding of Generally Accepted Accounting Principles (“GAAP”) and financial statements, (2) the capacity to apply GAAP in connection with preparing and auditing financial statements, (3) familiarity with developing and implementing internal financial controls and procedures, and (4) the capacity to understand the implications of different interpretations of accounting rules.” *See* LSC Accounting Guide, § 1-7.

NNJLS’ Board maintains fiscal oversight through its Audit and Finance Committee. The NNJLS Accounting Manual includes written descriptions for the financial oversight roles of both the Board and the Audit and Finance Committee. The NNJLS Accounting Manual states, in part, that the Audit and Finance Committee guides the selection process for the program’s independent auditor and recommends the selection of the particular auditor to the full Board, and meets with the auditor for an exit conference at the completion of each audit. The Audit and Finance Committee reviews financial statements and the annual budget in detail and recommends approval to the full Board. It also reviews periodic financial reports, which compare actual expenses against projected expenditures, and other financial reports and documents as needed. These stated roles of NNJLS’ board oversight committee compare favorably with those recommended in the LSC Accounting Guide.

Interviews with NNJLS’ Executive Director disclosed that while there are no Board members with financial expertise, the program’s independent public accountant is available to answer any fiscal questions which require fiscal expertise. The Controller advised that he is responsible for the distribution of financial reports to members of the Board and its oversight committee including reports on income and expenses, the check register, budget and budget variances, and net assets. However, the Controller acknowledged that neither a cash flow statement nor statement of cash on hand is currently included in the financial reports distributed to the Board’s oversight committee.

It is recommended that NNJLS’ governing body further enhance its fiscal oversight by ensuring that a cash flow statement or a statement of cash on hand is provided monthly to members of the Audit and Finance Committee, and quarterly to all Board members. *See* LSC Accounting Guide, Appendix VII, § A-7.

A limited review of NNJLS’ responses to its 2012 Form 990 - Return of Organization Exempt From Income Tax (“Form 990”) further revealed that NNJLS’ governing body is actively involved in the fiscal oversight of the program. In its responses to the Form 990, NNJLS disclosed that the organization provided a complete copy of this Form 990 for approval to all members of its governing body before filing the form. NNJLS also responded that compensation for its Executive Director, officers and key employees are determined and reviewed by its independent board of directors. The program advised that the organization had a written conflict of interest policy and officers, directors, trustees, and key employees were required to disclose annually interests that could give rise to conflicts. Further, the program’s responses indicated that the organization had a written whistleblower policy.

In its response to the DR, NNJLS stated it “will provide the Finance Committee of the Board a cash flow statement at each meeting.”

Finding 33: A review of NNJLS’ bank statement reconciliations found adequate internal controls with no exceptions noted.

NNJLS currently maintains several bank accounts which are used for various purposes including general operating, payroll, Community Development Block Grant, client trust, rents, savings, and deposits from funding sources.

The LSC Accounting Guide states that bank statement reconciliations to the general ledger should be conducted on a monthly basis and should be reviewed and approved by a responsible individual. Outstanding checks should be investigated and resolved in accordance with the procedures detailed in the LSC Accounting Guide, Appendix VII, § I-7. The program maintains its Bank Reconciliations policy and procedures in the NNJLS Accounting Manual. This document states that the Bookkeeper will be responsible for reconciling all NNJLS bank accounts to the general ledger on a monthly basis and the Controller will be responsible for reviewing and approving all bank reconciliations. Bank statements will be reconciled no later than 15 working days after receipt and stale checks (more than six (6) months old) which are still outstanding will be voided. The Bookkeeper will be responsible for researching the reason the check is still not cashed and will determine whether the check should be re-issued.

A limited OCE on-site review was conducted of NNJLS’ bank statement reconciliations for five (5) months during the review period. The review revealed that the program followed its established procedures, NNJLS’ bank statements were timely reconciled, and that the bank statement reconciliation preparation and reviews were appropriately documented. It was also determined that the program had followed its policy and timely cleared all stale items from its bank accounts.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 34: The review disclosed that NNJLS engages in limited electronic banking activities, but does not currently have an electronic banking policy. NNJLS should create an electronic banking policy which details its processes and procedures for its electronic banking activities.

Many recipients of LSC funding conduct a significant portion of their financial transactions electronically. LSC itself transmits funds electronically to all recipients. The LSC Accounting Guide, Appendix VII, Accounting Procedures and Internal Control Check List M (Electronic Banking) recommends that LSC recipients document processes and procedures for electronic banking activities. This includes policies for electronic deposits, wire transfers, on-line transfers, telephone transfers and electronic disbursements. *See* LSC Accounting Guide, Appendix VII.

NNJLS' bookkeeper advised that the program currently engages in limited electronic banking activities but does not have an electronic banking policy. She stated that NNJLS' electronic banking activities include direct deposit of funds received from LSC and other funding sources, cash receipts scanned and deposited electronically, and the electronic payment of the program's mortgage.

It is recommended that NNJLS create an electronic banking policy which details NNJLS' documented processes and procedures for its electronic banking activities. *See* LSC Accounting Guide, Appendix VII, § M.

In its response to the DR, NNJLS stated "[a]n electronic banking policy has been developed and will be presented to the Board for approval at its next meeting." NNJLS' response included a copy of its electronic banking policy.

Finding 35: From a limited review it was determined the program maintains adequate internal controls for its cash receipts, including those for its general operations and client trust accounts. However, it is recommended that NNJLS place a sign in the lobby or waiting room area at each program office to inform clients of its cash receipts policy.

LSC recipients should have procedures to ensure that cash received in the office is properly handled, to ensure cash receipts are not commingled, and cash receipts are reconciled to the cash receipts log on a timely basis. *See* LSC Accounting Guide, Appendix VII, §§ H8, H12, and H14.

From a limited review it was determined the program maintains adequate internal controls for its cash receipts, including those for general operations and those for its client trust fund accounts. NNJLS has written Cash Receipts Procedures which are maintained in the NNJLS Accounting Manual. Through OCE on-site sampling it was determined that NNJLS properly recorded cash receipts and made regular deposits, including donor contributions and client trust deposits.

Cash Receipts from Clients

NNJLS will sometimes accept cash from a client to cover anticipated fees in connection with their legal representation. The program has written procedures for this area entitled "*Client Trust Account*" which are maintained in its NNJLS Accounting Manual. The policy states, in part, that the attorney of record on each client case will be responsible for requesting client funds, requesting the disbursement of those funds, and requesting a refund of any balance to the client when his/her case is complete. The attorney of record will be responsible for accepting funds from the client and forwarding them to the Bookkeeper or Office Manager who will issue a receipt to the client, and then deposit funds to the Client Trust checking account. The Bookkeeper/Office Manager will prepare checks as authorized by the attorney of record and record both receipts and disbursements. Based on NNJLS' Client Trust Account policy and its responses to the Client Trust Accounting portion of the Segregation of Financial Duties Worksheet, it was determined that the program has established adequate internal controls for its client trust accounts.

To strengthen internal control (with the goal of reducing opportunities for fraudulent activities to occur), LSC recommends that written notice be posted in the lobby or waiting room areas regarding the program's cash receipts policy. The policy states the client is entitled to a receipt for cash provided, and if a receipt is not provided, then the client should ask to see a supervisor. *See LSC Accounting Guide, Appendix VII, § H.* It was determined from a review of the lobby at the intake receptionist area in the Jersey City office and from an interview with the bookkeeper, that no such written notification was evident to inform clients of the program's policy for cash receipts.

It was recommended that NNJLS place a sign in the lobby or waiting room area at each program office giving clients notice of its cash receipts policy. The program is encouraged to implement this recommendation as it provides a control to better inform its clients and serves as a deterrent to possible fraudulent activities.

In its response to the DR, NNJLS stated "NNJLS has placed a sign in each program waiting room advising clients and applicants about the NNJLS cash receipts policy."

Finding 36: A review of NNJLS' petty cash account found generally adequate internal control procedures. However, the program should ensure that occasional surprise counts are conducted for the petty cash account.

Recipients should review petty cash reimbursements periodically to ensure required procedures are being followed. Occasional surprise counts greatly reduce the opportunities for misuse of petty cash. *See LSC Accounting Guide, § 3-5.4.*

NNJLS has established procedures related to petty cash which are maintained in the NNJLS Accounting Manual. A review of the Segregation of Financial Duties Worksheet disclosed that NNJLS had established adequate internal controls related to its petty cash.

On-site review of the petty cash at the Jersey City Office determined that the petty cash is maintained by the Office Manager. The petty cash is kept in a locked box which is kept in a locked file cabinet. The Officer Manager demonstrated that she maintains adequate supporting documentation and authorizations for all petty cash transactions.

However, it was determined through interviews that surprise petty cash audits had not been performed, in contravention of the program's response to this question on the Segregation of Financial Duties Worksheet.

It is recommended that occasional surprise counts are conducted and documented for the petty cash accounts. The Controller advised that he will begin conducting occasional surprise counts of NNJLS' petty cash.

In its response to the DR, NNJLS stated "[t]he NNJLS Controller will conduct surprise audits of the petty cash accounts maintained in each office."

Finding 37: A limited review of NNJLS' technology policy disclosed no exceptions pertaining to staff members using program issued cell phones and electronic devices.

NNJLSC adopted its written technology policy which was approved by NNJLS' Board of Directors on June 20, 2012. The stated purpose of its technology policy is to set guidelines for the appropriate use of NNJLS' electronic equipment, computer networks and computer programs.

The Technology Policy states, in part, that in order to assure the efficient delivery of legal services to clients, NNJLS provides a variety of electronic communication devices, equipment and technology for use by staff and other authorized users. This equipment includes personal and laptop computers, computer software, servers, telephones, voice mail, telephone messaging, copiers, printers, cameras, facsimile machines, and other equipment. These electronic devices are all extensions of the workplace and are provided to staff and other authorized users to assist in the conduct of NNJLS business. All such equipment, as well as computer networks, programs and other technology may only be used for its intended NNJLS' business purpose.

The Bookkeeper advised that the program does not provide its employees with mobile telephones. The Executive Director advised that NNJLS' server monitors the use of electronic communication devices and any exceptions by an employee to the program's technology policy are corrected internally.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 38: A limited review of NNJLS' cash disbursements, including credit card purchases, found adequate internal control with no exceptions noted.

LSC recipients should have an effective method established to record and categorize disbursements and then summarize them for recording in the general ledger. *See* LSC Accounting Guide, § 3-5.4. Bills and invoices should be marked "paid" or otherwise canceled to avoid duplicate payment. *See* LSC Program Letter 12-2 (April 2, 2012), *available at* <http://grants.lsc.gov/rin/about-rin/grantee-guidance/program-letters/current-program-letters>.

The program maintains written Cash Disbursements procedures in the NNJLS Accounting Manual. A limited on-site review of NNJLS' invoices revealed that they are properly documented with no exceptions noted. All invoices reviewed were date stamped when paid along with notations of the funding source, check number, GL number, a description, and the date and signature for when the transaction was approved.

NNJLS maintains a corporate credit card with three (3) authorized users including its Office Manager, Bookkeeper, and Executive Director. The program maintains a written policy and procedures for this area in its NNJLS Accounting Manual entitled Credit Card Purchases. This

describes both authorized and unauthorized uses of the credit card as well as documentation requirements.

An on-site review was conducted of credit card transactions during the review period which included both targeted credit card statements and random transactions. This testing of the credit card statements and transactions revealed that the program maintains receipts associated with all charges and the supporting documentation adequately identifies the purpose of the expenditure. The review of the credit card statements revealed that the program had paid the balance timely and in full each month, and had incurred no associated finance charges. Based on this review, it appears that NNJLS has established effective internal controls in support of its credit card account.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 39: A review of NNJLS' travel expense procedures and travel expense reimbursements found adequate internal controls with no exceptions noted.

The program maintains procedures related to travel expenses in the NNJLS Accounting Manual. An on-site sample review was conducted of travel reimbursements for the Executive Director and six (6) staff attorneys for each year under the review period. It was determined that, in all samples reviewed, the program maintained sufficient documentation and no exceptions to NNJLS' internal policies or procedures were noted.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 40: No exceptions were noted with respect to NNJLS' use of LSC funds to acquire, use, and dispose of real property and nonexpendable personal property.

The LSC Property Acquisition and Management Manual ("PAMM"), issued in 2001, governs the use by recipients of LSC funds to acquire, use, and dispose of real and nonexpendable personal property. The PAMM is intended to provide recipients with a single complete and consolidated set of policies and procedures related to property acquisition, use, and disposal.

Section 9 of the PAMM requires that recipients develop written policies and procedures which implement, at a minimum, the requirements of PAMM Section 3 (Acquisition Procedures for Personal Property) and PAMM Section 4 (Acquisition Procedures for Real Property). NNJLS has established written procedures for capital expenditures and accounting for capital assets which are maintained in the NNJLS Accounting Manual.

LSC requires recipients to capitalize and depreciate all nonexpendable property with a cost in excess of \$5,000 and a useful life of more than one year. *See* LSC Accounting Guide, § 2-2.4. NNJLS' written policy and procedures imposed this requirement on the program. Based on a limited review of NNJLS financial records, no instances of noncompliance with the PAMM or NNJLS internal procedures were noted. The Controller advised that the program regularly completes a physical inventory, as recommended in the LSC Accounting Guide. An on-site random sample of personal property items at the main office determined that all items were properly tagged and documented in NNJLS' financial records.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 41: A limited review of NNJLS' personnel payroll policies and procedures disclosed no internal control weaknesses or exceptions.

NNJLS maintains its written payroll policy and procedures in the NNJLS Accounting Manual.

Based on a limited review of NNJLS' payroll policy was determined to be comprehensive with a focus on the establishment of sound internal controls. For example, the policy states that all changes to the payroll including new hires, terminations, change in pay rate, transfer of location, and change in mandatory or voluntary deductions will require appropriate paperwork to be processed. Three (3) days prior to payday, the Bookkeeper electronically sends the payroll to the payroll service retained by NNJLS. All changes regarding salary, voluntary deductions, tax exemptions, hours worked, etc., are indicated on the payroll prior to submission to the payroll service for processing and payment.

To test the stated policies and procedures a limited onsite review was conducted by selecting payroll records for six (6) employees including, two (2) in each fiscal year from 2011 through 2013, from start to finish (hiring, termination, and payroll). The testing disclosed that NNJLS maintained adequate documentation in support of employee payroll changes and no internal control weaknesses or exceptions were noted.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 42: From a limited review of documents and interviews with staff, it appears that NNJLS is in compliance with the requirements of 45 CFR Part 1628 (Recipient fund balances), as NNJLS ended the 2011, 2012, and 2013 fiscal years by fully expending LSC funds within the 10% threshold requirement.

The purpose of 45 CFR Part 1628 is to set out LSC's policies and procedures applicable to recipient fund balances. LSC's fund balance policies are intended to ensure the timely

expenditure of LSC funds for the effective and economical provision of high quality legal assistance.

A review of NNJLS audited financial statements indicated that NNJLS ended the 2011, 2012, and 2013 fiscal years with fund balances of \$11,631.00 (1%), \$0.00 (0%), and \$130,370.00 (10%), respectively. For all years, NNJLS expended LSC's grant funds within LSC's 10% threshold requirement. As a result, NNJLS complied with the fund balance requirements outlined in 45 CFR Part 1628.

There are no recommendations or required corrective actions.

In its response to the DR, NNJLS did not offer any comments to this Finding.

Finding 43: From a limited review of the documents and interviews with staff, it was determined that NNJLS is in compliance with the requirements of 45 CFR § 1629.1 (Bonding of recipients), as NNJLS has adequate fidelity bond insurance coverage on employees who handle cash.

LSC regulations require recipients to carry fidelity bond coverage at a minimum level of at least 10 percent of the program's annualized LSC funding level from the previous fiscal year, or of the initial grant or contract, if the program is a new grantee or contractor. No coverage carried pursuant to this part shall be at a level less than \$50,000.00.

According to NNJLS financial records (2012 grant award letter and audited financial statements), in 2012 NNJLS was awarded and received Basic Field grant funds totaling \$1,673,267.00. In accordance with LSC's requirements, NNJLS is required to carry bond coverage related to its employee dishonesty policy, at a minimum level of at least 10 percent of LSC's annualized funding level from the previous fiscal year (FY 2012). Review of NNJLS current employee dishonesty policy indicated that NNJLS exceeded the minimum level by carrying bond coverage in the amount of \$2,000,000.00 (for the policy period covering December 5, 2012 through December 5, 2013), well above the requirements outlined in Section 3-5.13 of the LSC Accounting Guide, and 45 CFR § 1629.1.

However, it is recommended that NNJLS contact its insurance representative to have its insurance policy period(s) changed to have the policy period run concurrently with the period covered by its audited financial statements (*i.e.*, July 1 – June 30).

In its response to the DR, NNJLS stated "NNJLS is exploring the feasibility and cost effectiveness of changing the insurance policy terms to coincide with the fiscal year."

Finding 44: From a limited review of the documents and interviews with staff, it was determined that NNJLS is in non-compliance regarding the requirements of 45 CFR § 1630.12 (Derivative Income), because rental income resulting from an activity supported in whole or in part with funds provided by LSC, was not allocated to the fund in which the LSC grant was recorded in the same proportion as the LSC grant.

Derivative income resulting from an activity supported in whole or in part with funds provided by LSC shall be allocated to the fund in which the recipient's LSC grant is recorded in the same proportion that the amount of LSC funds expended bears to the total amount expended by the recipient to support the activity.

A limited review of NNJLS' financial records comparative audited financial statements, December 31, 2013 year-to-date interim financial statements, and cash receipts journals, as well as supporting documentation, evidenced that NNJLS received rental income from the lease of office space located at NNJLS main office to Easter Seals, in the amount of \$1,500.00 per month. NNJLS allocates 100% of the Easter Seals' rent payments to the non-LSC fund account. Since NNJLS uses a portion of LSC funds to pay office space expenses on the building, NNJLS should allocate a portion of the rental income received from Easter Seals to the LSC fund account.

As a required corrective action, NNJLS must calculate the portion of rental income from Easter Seals owed to the LSC fund account, from the inception of the contract, up to June 30, 2014. The calculation must cover the period from the inception of the contract up to June 30, 2014. Also, an examination of NNJLS policies showed no formal policy as to how rental income is allocated. NNJLS, with Board approval, must also adopt written policies and procedures describing how derivative income is allocated for each type of derivative income (*i.e.*, interest, rental, etc.). Additionally, it is recommended that NNJLS incorporate these written policies and procedures into its accounting manual.

In its response to the DR, NNJLS stated “[d]erivative rental income from Easter Seal has been recalculated as required by LSC.” NNJLS' response included a copy of worksheet used to calculate the Easter Seal rental income. OCE has reviewed the calculation and found it complies with LSC requirements.

NNJLS' response to the DR also included a derivative income policy that will be presented to the Board for approval at its next meeting. OCE has evaluated the derivative income policy for compliance and no concerns were noted.

OCE finds that the action taken is sufficient to satisfy these required corrective actions and no further action is needed.

IV. RECOMMENDATIONS¹⁶

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

1. Allocate its non-attorneys and non-paralegals time charged to PAI, based on other reasonable operating data. NNJLS should look to 45 CFR § 1630.3(f) for guidance; (Finding 17)

In its response to the DR, NNJLS stated “[a]ll attorneys, support staff and managers whose time is charged to PAI activities maintain time sheets showing all hours and activities charged to PAI.”

2. Further enhance its fiscal oversight by ensuring that a cash flow statement or a statement of cash on hand is provided monthly to members of the Audit and Finance Committee and quarterly to all Board members as recommended in the LSC Accounting Guide, Appendix VII – Accounting Procedures and Internal Control Checklist, § A-7; (Finding 32)

In its response to the DR, NNJLS stated it “will provide the Finance Committee of the Board a cash flow statement at each meeting.”

3. Draft an electronic banking policy for its electronic banking activities. *See* LSC Accounting Guide, Appendix VII, § M; (Finding 34)

In its response to the DR, NNJLS stated “[a]n electronic banking policy has been developed and will be presented to the Board for approval at its next meeting.” NNJLS’ response included a copy of its electronic banking policy.

4. Place a sign in the lobby or waiting room area in each program office to inform clients of its cash receipts policy; (Finding 35)

In its response to the DR, NNJLS stated they have “placed a sign in each program waiting room advising clients and applicants about the NNJLS cash receipts policy.”

5. Conduct and document occasional surprise counts for the petty cash accounts; (Finding 36)

¹⁶ Items appearing in the “Recommendations” section are not enforced by LSC and therefore the program is not required to take any of the actions or suggestions listed in this section. Recommendations are offered when useful suggestions or actions are identified that, in OCE’s experience, could help the program with topics addressed in the report. Often recommendations address potential issues and may assist a program to avoid future compliance errors. By contrast, the items listed in “Required Corrective Actions” must be addressed by the program, and will be enforced by LSC.

In its response to the DR, NNJLS stated “[t]he NNJLS Controller will conduct surprise audits of the petty cash accounts maintained in each office.”

6. Contact its insurance company representative to have its insurance policy period(s) changed to have the policy period run concurrently with the period covered by its audited financial statements (*i.e.*, July 1 – June 30); (Finding 43) and

In its response to the DR, NNJLS stated it “is exploring the feasibility and cost effectiveness of changing the insurance policy terms to coincide with the fiscal year.”

7. Incorporate the policies and procedures for the allocation of derivative income into its accounting manual. (Finding 44)

In its response to the DR, NNJLS stated the “[d]erivative rental income from Easter Seal has been recalculated as required by LSC.” NNJLS’ response included a copy of worksheet used to calculate the Easter Seal rental income that should be allocated to LSC fund from its inception of the lease (November 2011) to June 30, 2014.

V. REQUIRED CORRECTIVE ACTIONS

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

1. Pursuant to 45 CFR § 1611.9, ensure that a retainer agreement is contained in the file for clients who receive extended representation and provide OCE evidence of the measures taken to do achieve this; (Finding 6)

In its response to the DR, NNJLS stated that “[i]n addition to the actions already taken by the program to ensure that retainers are obtained when appropriate, they will provide additional training for staff regarding the issue.”

NNJLS’ response further stated NNJLS “will explore the possibility of updating the Legal Server [sic.] Case Management system to require attorneys to affirmatively report that a retainer was obtained in appropriate cases.” Further, their response stated “NNJLS has recently increased the number of cases receiving intensive file reviews which will help ensure that retainers are executed.”

OCE evaluated NNJLS’ response and requests the following additional information regarding this required corrective action:

NNJLS is required to provide documentation within 60 days of receipt of this report, regarding:

- 1) Evidence of retainer agreement training (*e.g.*, training dates, agenda); and
 - 2) Steps taken regarding the LegalServer Case Management system.
2. Ensure that cases are closed with the CSR case closure category that best reflects the highest level of service provided to a client and provide OCE evidence of the measures taken to do so. *See* CSR Handbook (2008 Ed., as amended 2011), Chapter VIII (Case Definitions and Closure Categories); (Finding 10)

In its response to the DR, NNJLS stated “additional staff training will be provided to help ensure that all cases are closed with the appropriate closing code.” Further, NNJLS stated their “quarterly file audit procedure will be amended so that closing codes are checked to make sure the appropriate code has been used.”

OCE evaluated NNJLS’ response and requests that it provide OCE a copy of its amended quarterly file audit procedure within 60 days from the receipt of this report. Additionally, NNJLS is requested to provide evidence of closing category training (*e.g.*, training dates, agenda) within 60 days of receipt of this report.

3. Ensure that cases are closed in a timely manner in accordance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 and provide OCE evidence of the measures taken to do so. As a way to achieve this, it is recommended that NNJLS conduct periodic staff training to ensure that cases are closed in a timely fashion; (Finding 11)

In its response to the DR, NNJLS stated “[t]his issue is already a high priority for the program and additional training will also be provided emphasizing that all cases must be closed in a timely manner.” NNJLS also stated a LegalServer “report was recently developed which will be used by the program to identify cases that have had little or no activity in recent months.”

OCE evaluated NNJLS’ response and requests it provide OCE with a copy of the recently developed LegalServer report it will use to identify cases that have had little or no activity in recent months. Additionally, NNJLS is requested to provide evidence of untimely closed/dormant case training (*e.g.*, training dates, agenda) within 60 days of receipt of this report.

4. Send out written notification to all funding sources or funders who make contributions of \$250 or more informing them of the restrictions imposed by LSC’s regulations of how those funds can be used. NNJLS is asked to report on the measures it has taken to ensure this will be done going forward and provide OCE with a random sampling of letters sent to at least 10 funders to demonstrate the action taken; (Finding 16)

In its response to the DR, NNJLS stated they “already notify all funders and contributors of \$250 or more of the fact that funds will be expended in accordance with the LSC Act and regulations.” NNJLS’ response included copies of recently sent notification letters.

OCE evaluated NNJLS’ response and found the actions taken sufficient to satisfy this required corrective action and no further action is needed.

5. Use the employee’s standard annual work hours divided into the employee’s annual salary to calculate the hourly wage rate to be charged for all work performed by employees who engage in PAI-related work and provide OCE evidence of this change; (Finding 17)

In its response to the DR, NNJLS stated “NNJLS has changed the method of calculating the hourly wage rate for PAI related work by employees using the method established by LSC.” NNJLS’ response included a copy of its PAI calculations worksheet. OCE evaluated the worksheet for compliance concerns and no concerns were noted.

OCE finds that the actions taken are sufficient to satisfy this required corrective action and no further action is needed.

6. Re-calculate its 2013 PAI requirement using LSC's required calculation method and provide OCE evidence of this change; (Finding 17)

In its response to the DR, NNJLS stated "NNJLS has changed the method of calculating the hourly wage rate for PAI related work by employees using the method established by LSC." NNJLS' response included a copy of its PAI calculations worksheet.

OCE evaluated NNJLS' response and found the actions taken sufficient to satisfy this required corrective action and no further action is needed.

7. Clearly document all of the 2013 PAI calculations to demonstrate how the calculations were reached and provide OCE evidence of this change; (Finding 17)

In its response to the DR, NNJLS stated "NNJLS has changed the method of calculating the hourly wage rate for PAI related work by employees using the method established by LSC." NNJLS' response included a copy of its PAI calculations worksheet.

OCE evaluated NNJLS' response and found the actions taken sufficient to satisfy this required corrective action and no further action is needed.

8. Calculate and allocate the portion of rental income from Easter Seals owed to the LSC fund account, from the inception of the contract up to June 30, 2014, and provide LSC with the calculation and documentation showing the allocation; (Finding 44); and

In its response to the DR, NNJLS stated "[d]erivative rental income from Easter Seal has been re-calculated as required by LSC." NNJLS' response included a copy of worksheet used to calculate the Easter Seal rental income that should be allocated to LSC fund from its inception of the lease (November 2011) to June 30, 2014.

OCE has evaluated the worksheet provided and no concerns were noted. OCE finds that the action taken is sufficient to satisfy this required corrective action and no further action is needed.

9. Adopt written policies and procedures describing the allocation for each type of derivative income (*i.e.*, interest, income, rental, etc.) pursuant to the LSC Accounting Guide, Appendix VII and 45 CFR § 1630.12, and provide OCE with a copy of these policies. (Finding 44)

NNJLS' response to the DR included a derivative income policy that has been developed and will be presented to the Board for approval at its next meeting. NNJLS' response included a copy of its derivative income policy.

OCE has evaluated the derivative income policy for compliance and no concerns were noted. OCE finds that the action taken is sufficient to satisfy this required corrective action and no further action is needed.

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Executive Director
John H. Fitzgerald, Esq.

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190 Moore Street
Hackensack, N.J. 07601

Gregory G. Diebold, Esq.
Deputy Director
Jersey City Office

Passaic Office:
152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

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

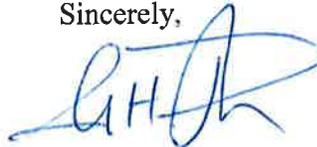
Re: Compliance Review Visit, Recipient No. 331050

Dear Ms. Rath:

We are in receipt of your draft report dated July 9, 2014. Please be advised that we do not have any comments regarding the report. We will provide you with the evidence of compliance you request under separate cover.

We also want to thank Mr. Goff and his team for their professional approach to the visit and the constructive comments in the report.

Sincerely,



John H. Fitzgerald, Esq.
Executive Director



OFFICE OF COMPLIANCE
AND ENFORCEMENT
JUL 10 2014 1 P 3:07
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Northeast New Jersey Legal Services, Inc.

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August 5, 2014

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

Re: Compliance Review Visit, Recipient No. 331050

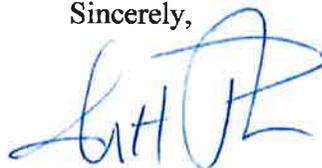
Dear Ms. Rath:

This is a follow up to our letter of July 30, 2014 in which we indicated that we do not have any comments addressing the findings in LSC's Compliance Visit Draft Report dated July 9, 2014. I am now enclosing our Compliance Report listing the actions NNJLS has and will take to address each corrective action and recommendation in LSC's report.

Please let us know if you would like additional information.

Thank you for your attention in this matter.

Sincerely,



John H. Fitzgerald, Esq.
Executive Director

OFFICE OF COMPLIANCE
AND ENFORCEMENT
2014 AUG 11 A 9:43
LEGAL SERVICES CORP

Corrective Action Report

NNJLS has or intends to take the following corrective actions. Each of LSC's required corrective actions and recommendations are listed below with the actions to be taken by NNJLS.

Required Corrective Actions

1. Pursuant to 45 CFR § 1611.9, ensure that a retainer agreement is contained in the file for clients who receive extended representation and provide OCE evidence of the measures taken to do achieve this; (Finding 6)

In addition to the actions already taken by the program to ensure that retainers are obtained when appropriate, NNJLS will provide additional training for staff regarding the issue. In addition, NNJLS will explore the possibility of updating the Legal Server Case Management system to require attorneys to affirmatively report that a retainer was obtained in appropriate cases. NNJLS has also recently increased the number of cases receiving intensive file reviews which will help ensure that retainers are executed.

2. Ensure that cases are closed with the CSR case closure category that best reflects the highest level of service provided to a client and provide OCE evidence of the measures taken to do so. *See* CSR Handbook (2008 Ed., as amended 2011), Chapter VIII (Case Definitions and Closure Categories). As a way to achieve this, it is recommended that NNJS conduct periodic staff training to help ensure compliance with this requirement; (Finding 10)

Additional staff training will be provided to help ensure that all cases are closed with the appropriate closing code. In addition, NNJLS's quarterly file audit procedure will be amended so that closing codes are checked to make sure the appropriate code has been used.

3. Ensure that cases are closed in a timely manner in accordance with the requirements of CSR Handbook (2008 Ed., as amended 2011), § 3.3 and provide OCE evidence of the measures taken to do so. As a way to achieve this, it is recommended that NNJS conduct periodic staff training to ensure that cases are closed in a timely fashion; (Finding 11)

This issue is already a high priority for the program and additional training will also be provided emphasizing that all cases must be closed in a timely manner. In addition, a Legal Server report was recently developed which will be used by the program to identify cases that have had little or no activity in recent months.

4. Send out written notification to all funding sources or funders who make contributions of \$250 or more informing them of the restrictions imposed by LSC's regulations of how those funds can be used. NNJLS is asked to report on the measures it has taken to ensure this will be done going forward and provide OCE with a random sampling of letters sent to at least 10 funders to demonstrate the action taken; (Finding 16)

NNJLS already notifies all funders and contributors of \$250 or more of the fact that funds will be expended in accordance with the LSC Act and regulations. Copies of recent notification letters are attached as annex A.

5. Use the employee's standard annual work hours divided into the employee's annual salary to calculate the hourly wage rate to be charged for all work performed by employees who engage in PAI-related work and provide OCE evidence of this change; (Finding 17)

NNJLS has changed the method of calculating the hourly wage rate for PAI related work by employees using the method established by LSC. See the worksheet attached as annex B.

6. Re-calculate its 2013 PAI requirement using LSC's required calculation method and provide OCE evidence of this change; (Finding 17)

See annex B attached.

7. Clearly document all of the 2013 PAI calculations to demonstrate how the calculations were reached and provide OCE evidence of this change; (Finding 17)

See annex B attached.

8. Calculate and allocate the portion of rental income from Easter Seals owed to the LSC fund account, from the inception of the contract up to June 30, 2014, and provide LSC with the calculation and documentation showing the allocation; (Finding 44);

Derivative rental income from Easter Seal has been recalculated as required by LSC. See the worksheet attached as annex C.

9. Adopt written policies and procedures describing the allocation for each type derivative income (*i.e.*, interest, income, rental, etc.) pursuant to the LSC Accounting Guide, Appendix VII and 45 CFR § 1630.12, and provide OCE with a copy of these policies. (Finding 44)

A derivative income policy has been developed and will be presented to the Board for approval at its next meeting. See the draft policy attached as annex D.

Recommendations:

1. Allocate its non-attorneys and non-paralegals time charged to PAI, based on other reasonable operating data. NNJLS should look to 45 CFR § 1630.3(t) for guidance; (Finding 17)

All attorneys, support staff and managers whose time is charged to PAI activities maintain time sheets showing all hours and activities charged to PAI.

2. Further enhance its fiscal oversight by ensuring that a cash flow statement or a statement of cash on hand is provided monthly to members of the Audit and Finance Committee and quarterly to all Board members as recommended in the LSC Accounting Guide, Appendix VII -Accounting Procedures and Internal Control Checklist, § A-7; (Finding 32)

NNJLS will provide the Finance Committee of the Board a cash flow statement at each meeting.

3. Draft an electronic banking policy for its electronic banking activities. See LSC Accounting Guide, Appendix VII, § M; (Finding 34)

An electronic banking policy has been developed and will be presented to the Board for approval at its next meeting. See the draft policy attached as annex E.

4. Place a sign in the lobby or waiting room area in each program office to inform clients of its cash receipts policy; (Finding 35)

NNJLS has placed a sign in each program waiting room advising clients and applicants about the NNJLS cash receipts policy.

5. Conduct and document occasional surprise counts for the petty cash accounts; (Finding 36)

The NNJLS Controller will conduct surprise audits of the petty cash accounts maintained in each office.

6. Contact its insurance company representative to have its insurance policy period(s) changed to have the policy period run concurrently with the period covered by its audited financial statements (*i.e.*, July 1 -June 30); (Finding 43)

NNJLS is exploring the feasibility and cost effectiveness of changing the insurance policy terms to coincide with the fiscal year.

7. Incorporate the policies and procedures for the allocation of derivative income into its accounting manual. (Finding 44)

Once approved by the Board of Directors the policies will be incorporated into the NNJLS Financial Procedures Handbook.

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Please reply to Jersey City office.

July 31, 2014

Mr. Brian Poffel
Executive Director
County of Hudson Area Agency on Aging
595 County Avenue, Bldg # 2
Secaucus, NJ07054

Dear Mr. Poffel:

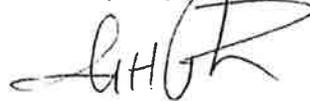
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the County of Hudson Area Agency on Aging for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Hudson County.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the County of Hudson Area Agency on Aging in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Hudson County.

Very truly yours,



John H. Fitzgerald
Executive Director

Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42 U.S.C. 2996 et seq. and Public Law 104-134. See www.lsc.gov for additional information.

 LSC

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July 31, 2014

Ms. Angela Drakes
Supervising Contract Administrator
Bergen County Community Development Division of Community Development
1 Bergen Plaza, 4th Floor
Hackensack, NJ07601

Dear Ms. Drakes:

On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the Bergen County Community Development Division of Community Development for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen County.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the Bergen County Community Development Division of Community Development in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen County.

Very truly yours,



John H. Fitzgerald
Executive Director

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July 31, 2014

Ms. Alyson M. Gush
Chief
State Office of Victim-Witness Advocacy Division of Criminal Justice
25 Market Street
Trenton, NJ 08625-0085, NJ08625

Dear Ms. Gush:

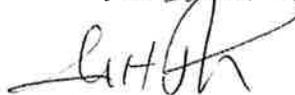
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the State Office of Victim-Witness Advocacy Division of Criminal Justice for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the State Office of Victim-Witness Advocacy Division of Criminal Justice in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Please reply to Jersey City office.

July 31, 2014

Mr. William Nelson
Program Director
Internal Revenue Service Low Income Tax Clinic
1111 Constitution Ave. Room 1034
Washington, D.C. 20224, DC20224

Dear Mr. Nelson:

On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the Internal Revenue Service Low Income Tax Clinic for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the Internal Revenue Service Low Income Tax Clinic in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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July 31, 2014

Mr. Melville D. Miller
President
Legal Services of New Jersey
100 Metroplex Dr. at Plainfield Avenue
Edison, NJ08818

Dear Mr. Miller:

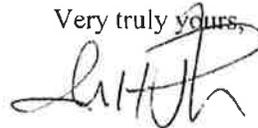
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to Legal Services of New Jersey for its recent grant through the Campaign for Justice program. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with Legal Services of New Jersey in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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July 31, 2014

Mr. Melville D. Miller
President
Legal Services of New Jersey
100 Metroplex Dr. at Plainfield Avenue
Edison, NJ08818

Dear Mr. Miller:

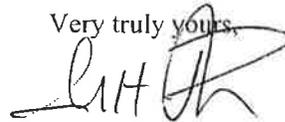
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to Legal Services of New Jersey for its recent state sub-grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with Legal Services of New Jersey in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

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John H. Fitzgerald
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July 31, 2014

Mr. Melville D. Miller
President
Legal Services of New Jersey
100 Metroplex Dr. at Plainfield Avenue
Edison, NJ08818

Dear Mr. Miller:

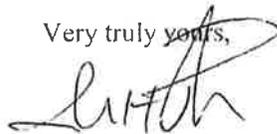
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to Legal Services of New Jersey for the 2014 IOLTA grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with Legal Services of New Jersey in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
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July 31, 2014

Ms. Milagros Izquierdo
Director
Ryan White, HOPWA & SPNS Division, Department of Health
125 Ellison Street
Paterson, NJ07505

Dear Ms. Izquierdo:

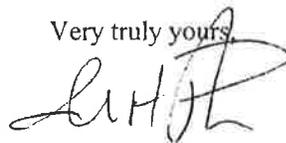
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the Ryan White, HOPWA & SPNS Division, Department of Health for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the Ryan White, HOPWA & SPNS Division, Department of Health in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

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July 31, 2014

Ms. Lorraine Joewono
Director
Bergen County, Division of Senior Services
One Bergen Plaza
Hackensack, NJ 07601, NJ07601

Dear Ms. Joewono:

On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the Bergen County Division of Senior Services for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen County.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the Bergen County Division of Senior Services in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen County.

Very truly yours,



John H. Fitzgerald
Executive Director

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July 31, 2014

Ms. Mary Kuzinski
Executive Director
County of Passaic, Division of Senior Services
930 Riverview Drive, Suite 200
Totowa, NJ07512

Dear Ms. Kuzinski:

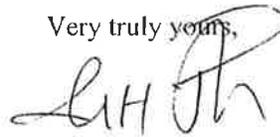
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the County of Passaic, Division of Senior Services for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Passaic County.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the County of Passaic Division of Senior Services in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Passaic Office:
152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

July 31, 2014

Mr. Rafael Aviles
Chief, State Office of Legal Services
New Jersey Department of the Treasury
50 West State Street, 8th floor
Trenton, NJ08625

Dear Mr. Aviles:

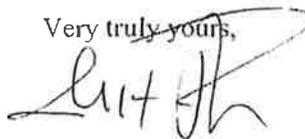
On behalf of Northeast New Jersey Legal Services, we would like to express our thanks and sincere gratitude to the New Jersey Department of the Treasury for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the New Jersey Department of the Treasury in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42 U.S.C. 2996 et seq. and Public Law 104-134. See www.lsc.gov for additional information.



Northeast New Jersey Legal Services, Inc.

A NON PROFIT TAX EXEMPT CORPORATION

Serving Hudson, Bergen and Passaic Counties

574 Summit Avenue · Jersey City, N.J. 07306-2797

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FAX (201) 798-8780

FAX (201) 790-8785

TTY (201) 798-6182

President

Jack Jay Wind, Esq.

Executive Director

John H. Fitzgerald, Esq.

Bergen Office:

190 Moore Street

Hackensack, N.J. 07601

Gregory G. Diebold, Esq.

Deputy Director

Jersey City Office

Passaic Office:

152 Market Street

Paterson, N.J. 07505

Please reply to Jersey City office.

January 2, 2014

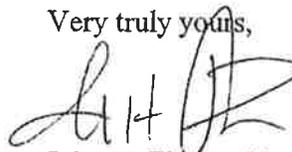
Ms. Alla Fridliand
2197 Ocean Avenue, Apt. 2-D
Brooklyn, NY 11229-2381

Dear Ms. Fridliand:

On behalf of Northeast New Jersey Legal Services, please accept our sincere thanks and gratitude for the extremely generous donation you recently made to our Senior Law Project. We are pleased to know that our staff in the Bergen County office was able to help you resolve your legal matter to your satisfaction.

Your gift increases our resources and our ability to provide quality legal representation to senior residents of Bergen County who are unable to afford a private attorney. We appreciate your support of our mission and would again like to our sincere appreciation for your generosity.

Very truly yours,



John H. Fitzgerald
Executive Director

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Jersey City Office

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Passaic Office:
152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

February 28, 2014

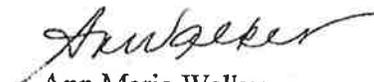
Bennet Lapidus, Esq.
125 State Street, Suite 111
Hackensack, NJ 07601

Dear Mr. Lapidus:

On behalf of Northeast New Jersey Legal Services, please accept our sincere thanks and gratitude for your recent donation.

Your gift increases our resources and our ability to provide quality civil legal representation to residents of Bergen County who are unable to afford a private attorney. We appreciate your support of our mission and would again like to express our sincere appreciation for your generosity.

Very truly yours,


Ann Marie Walker
Development Manager

cc: Naznin Saifi, Esq.

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Deputy Director
Jersey City Office

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152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

March 11, 2014

James A. Francis, Esq.
Mark D. Mailman, Esq.
Francis & Mailman
100 South Broad Street, 19th Floor
Philadelphia, PA 19110

Dear Messrs. Francis and Mailman:

Thank you very much for your check dated February 21, 2014 in the amount of \$16,098.75, representing Northeast New Jersey Legal Services' share of a cy pres award in the matter of *Baker v. Inter National Bank*.

Your award will enhance Northeast New Jersey Legal Services' ability to provide quality civil legal representation to residents of Bergen, Hudson and Passaic Counties who are unable to afford a private attorney.

Very truly yours,


Ann Marie Walker
Development Manager

cc: John H. Fitzgerald, Esq., Executive Director

Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42U.S.C. 2996 et seq. and Public Law 104-134. See www.lsc.gov for additional information.



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Deputy Director
Jersey City Office

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152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

July 21, 2014

Mr. Henry A. Augenti
117 West Midland Avenue
Paramus, NJ 07652-1862

Dear Mr. Augenti:

On behalf of Northeast New Jersey Legal Services, please accept our sincere thanks and gratitude for your additional, and very generous, donation to NNJLS' Senior Law Project. We are pleased to know that our staff in the Bergen County office was able to help you resolve your legal matter to your satisfaction.

Your gift increases our resources and our ability to provide quality legal representation to senior residents of Bergen County who are unable to afford a private attorney. We appreciate your support of our mission and would again like to our sincere appreciation for your generosity.

Very truly yours,


Ann Marie Walker
Development Manager

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Gregory G. Diebold, Esq.

Deputy Director

Jersey City Office

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Please reply to Jersey City office.

April 25, 2014

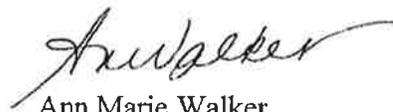
Ms. Denny Familia
3911 Kennedy Boulevard, Apt. 8-G
Union City, New Jersey 07087

Dear Ms. Familia:

On behalf of Northeast New Jersey Legal Services, please accept our sincere thanks and gratitude for your recent generous donation.

Your gift increases our resources and our ability to provide quality legal representation to residents of Hudson County who are unable to afford a private attorney. We appreciate your support of our mission and would again like to express our sincere appreciation for your generosity.

Very truly yours,



Ann Marie Walker
Development Manager

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Paterson, N.J. 07505

Please reply to Jersey City office.

June 27, 2014

Mr. Henry A. Augenti
117 West Midland Avenue
Paramus, NJ 07652-1862

Dear Mr. Augenti:

On behalf of Northeast New Jersey Legal Services, please accept our sincere thanks and gratitude for the very generous donation you recently made to our Senior Law Project. We are pleased to know that our staff in the Bergen County office was able to help you resolve your legal matter to your satisfaction.

Your gift increases our resources and our ability to provide quality legal representation to senior residents of Bergen County who are unable to afford a private attorney. We appreciate your support of our mission and would again like to our sincere appreciation for your generosity.

Very truly yours,


Ann Marie Walker
Development Manager

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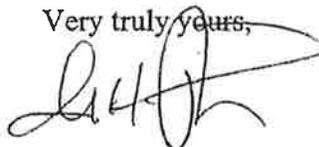
June 16, 2014

Philip D. Stern, Esq.
697 Valley Street, Suite 2D
Maplewood, NJ 07040-2642

Dear Mr. Stern:

On behalf of Northeast New Jersey Legal Services (NNJLS), I would like to thank you for your support of the organization and its work. Your support increases NNJLS' ability to provide quality civil legal representation to low-income residents of Bergen, Hudson and Passaic Counties who are unable to afford a private attorney. We appreciate your support of our mission and would again like to express our sincere appreciation for your support.

Very truly yours,



John H. Fitzgerald
Executive Director

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152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Ms. Sandra Vasquez
Executive Director
Hudson County Area Agency on Aging
595 County Avenue, Bldg # 2
Secaucus, NJ 07054

Dear Ms. Vasquez:

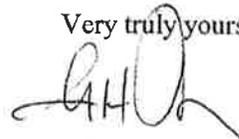
On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to Hudson County Area Agency on Aging for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with Hudson County Area Agency on Aging in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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190 Moore Street

Hackensack, N.J. 07601

Gregory G. Diebold, Esq.

Deputy Director

Jersey City Office

Passaic Office:

152 Market Street

Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Ms. Angela Drakes
Supervising Contract Administrator
Bergen County Division of Community Development
1 Bergen Plaza, 4th Floor
Hackensack, NJ 07601

Dear Ms. Drakes:

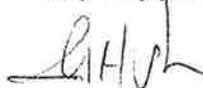
On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the Bergen County Division of Community Development for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the Bergen County Division of Community Development in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Deputy Director
Jersey City Office

Passaic Office:
152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Ms. Alyson M. Gush
Chief
State Office of Victim-Witness Advocacy
25 Market Street
Trenton, NJ 08625-0085

Dear Ms. Gush:

On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the State Office of Victim-Witness Advocacy for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the State Office of Victim-Witness Advocacy in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Deputy Director
Jersey City Office

Passaic Office:
152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Ms. Sandra Ramirez
Program Officer
Internal Revenue Service
Low Income Taxpayer Clinic Program
1111 Constitution Ave., Room 1034
Washington, D.C. 20224

Dear Ms. Ramirez:

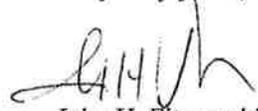
On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the Internal Revenue Service and its Low Income Taxpayer Clinic Program for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with Low Income Taxpayer Clinic in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Please reply to Jersey City office.

June 7, 2013

Mr. Melville D. Miller
President
Legal Services of New Jersey
100 Metroplex Dr. at Plainfield Avenue
Edison, NJ 08818

Dear Mr. Miller:

On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to Legal Services of New Jersey for its recent grants. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with Legal Services of New Jersey in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Please reply to Jersey City office.

June 7, 2013

Ms. Milagros Izquierdo
Director
Ryan White, HOPWA & SPNS Division,
City of Paterson Department of Health
125 Ellison Street
Paterson, NJ 07505

Dear Ms. Izquierdo:

On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to Ryan White, HOPWA & SPNS Division of the City of Paterson Department of Health for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with Ryan White Program in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Please reply to Jersey City office.

June 7, 2013

Ms. Tanya Ziotas
Business Manager
Bergen County, Division of Senior Services
One Bergen County Plaza
Hackensack, NJ 07601

Dear Ms. Ziotas:

On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the Bergen County Division of Senior Services for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the Bergen County Division of Senior Services in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Deputy Director
Jersey City Office

Passaic Office:
152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Ms. Mary Kuzinski
Executive Director
County of Passaic, Division of Senior Services
930 Riverview Drive, Suite 200
Totowa, NJ 07512

Dear Ms. Kuzinski:

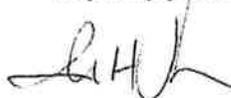
On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the County of Passaic, Division of Senior Services for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the County of Passaic, Division of Senior Services in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Please reply to Jersey City office.

June 7, 2013

Ms. Doris J Newman
President
Bergen County Bar Foundation
15 Bergen St.
Hackensack, NJ07601

Dear Ms. Newman:

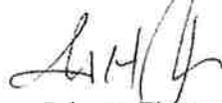
On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the Bergen County Bar Foundation for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the Bergen County Bar Foundation in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42U.S.C. 2996 et seq. and Public Law 104-134. See www.lsc.gov for additional information.



Northeast New Jersey Legal Services, Inc.

A NON PROFIT TAX EXEMPT CORPORATION

Serving Hudson, Bergen and Passaic Counties

574 Summit Avenue · Jersey City, N.J. 07306-2797

(201) 792-6363
FAX (201) 798-8780
FAX (201) 798-8785
TTY (201) 798-6182

President
Jack Jay Wind, Esq.

Executive Director
John H. Fitzgerald, Esq.

Bergen Office:
190 Moore Street
Hackensack, N.J. 07601

Gregory G. Diebold, Esq.
Deputy Director
Jersey City Office

Passaic Office:
152 Market Street
Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Ms. Rosemary Buscemi
Senior Vice President
Oritani Bank Charitable Foundation
370 Pascack Road
Township of Washington, NJ 07676

Dear Ms. Buscemi:

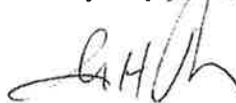
On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the Oritani Bank Charitable Foundation for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

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Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald
Executive Director

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Deputy Director

Jersey City Office

Passaic Office:

152 Market Street

Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Mr. Francis Lavelle
71 Montgomery Street, Apt. 303
Jersey City, NJ07302

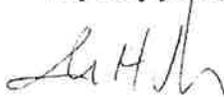
Dear Mr. Lavelle:

On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude for your generous contribution. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald

Executive Director

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Deputy Director

Jersey City Office

Passaic Office:

152 Market Street

Paterson, N.J. 07505

Please reply to Jersey City office.

June 7, 2013

Mr. Rafael Aviles
Chief, State Office of Legal Services
State of New Jersey
Department of the Treasury
50 West State Street, 8th floor
Trenton, NJ 08625

Dear Mr. Aviles:

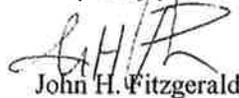
On behalf of Northeast New Jersey Legal Services, we would again like to express our thanks and sincere gratitude to the State of New Jersey, Department of the Treasury for its recent grant. This funding will enable us to continue to provide critically-needed legal assistance to low-income and underserved residents of Bergen, Hudson and Passaic Counties.

Without this support, many residents would be unable to access the services of an attorney and would be faced with resolving their civil legal matters without professional assistance.

We have enjoyed and benefitted from working with the State of New Jersey, Department of the Treasury in the past and look forward to continuing our partnership in the future.

Please feel free to contact me at any time if you have questions or need information about our organization and the services it provides to vulnerable residents of Bergen, Hudson and Passaic Counties.

Very truly yours,



John H. Fitzgerald

Executive Director

Your contribution will be expended in accordance with federal Legal Services Corporation Act, 42U.S.C. 2996 et seq. and Public Law 104-134. See www.lsc.gov for additional information.

 LSC

Attorneys	Hrs	Rate	Amount
Diebold, Gregory			
Fitzgerald, John			
Fogarty, Neil			
Navatta, Anna			
O'Brien, Mary			
Saifi, Naznin			
Schulman, Susan			
Weissman, Carol			

Total Attorney's Salary

63,632.97

Paralegal

Martinez, Miriam

Support Staff:

Allocated based on PAI Attorney Salaries of \$63,632.97 over total attorney's salary of \$2,767,579 times support staff salary of \$1,283,461 29,507.00

Total Salaries 138,654.13

Payroll benefits at 25.9% 35,911.42

\$ 174,565.55

Non-Personnel

Allocated at 3.4% based on PAI salaries of \$138,654 over total salaries of \$4,118,837

Space -3.4% of \$752,813 25,596.00

Supplies- 3.4% of \$39,774 1,352.00

Telephone- 3.4% of \$41,703 1,418.00

Insurance- 3.4% of \$43,580 1,482.00

Audit- 3.4% of \$32,000 1,088.00

Total PAICost

205,501.55

LSC Derrivative Income

Below is the calculation for the portion of Easter Seal rental income that should be allocated to LSC since inception (November 2011) of the lease to June 30, 2014

Description	Total Expenses	Expenses Allocated to LSC
Condo Maintenance	240,000	60,267
Mortgage	324,896	-
Utilities	152,876	55,479
Janitorial	<u>48,000</u>	<u>17,419</u>
	765,772	133,165
Percentage charged to LSC		17.4%
Rental Income		<u>44,000</u>
LSC Portion of Income		<u><u>7,651</u></u>

Annex D

Northeast New Jersey Legal Services

Derivative Income Policy

Interest, rental income and other derivative income received by the program are allocated back to the revenue source to which the expense that generated the income was originally allocated. If more than one source of revenue was used to generate the income then the derivative income is allocated proportionately based on the cost allocation of the expense among the revenue sources.

Electronic Banking and Vendor payment.

Annex E

Electronic and online banking and bill payment is authorized as an efficient, safe and necessary component of NNJLS's financial policies and procedures. While posing its own challenges, it helps avoid the risks associated with the use of paper such as that associated with lost or stolen checks. These activities consist of receipt of grant funds, banking activities, payroll, and vendor payments. The Director and Controller shall authorize new online banking and bill payment activities before they commence. Paper copies of all electronic activities shall be maintained.

In order to ensure that online activities remain accurate and secure the following procedures shall be followed.

Passwords - All electronic ID's and passwords shall be stored electronically in confidential computer drives accessible only by the Director, Controller, and Bookkeeper as well as on paper stored in a locked file cabinet in a secure location. Passwords should be changed frequently or according to another regular schedule as appropriate.

Electronic Receipt of Funds – The bookkeeper shall regularly check bank accounts to determine if electronic funds, such a grant payments, are received in as expected and in timely manner. When received the bookkeeper shall immediately notify the Director and Controller that funds have been received, the source of the funds and the amounts.

Electronic Deposit - The Bookkeeper makes daily deposit of checks received to bank accounts account using the NNJLS Secure Electronic Deposit Machine and notify the Director and Controller that he or she has done so.

Electronic Vendors and Payments – The bookkeeper shall make electronic vendor payments in a timely manner after such payments have been approved by the Director and Controller.

Bank Transfers – All bank transfers are approved by the Executive Director in advance. The Bookkeeper will regularly transfer funds from Investments accounts account to the general operating and other accounts as necessary. In addition, prior to each pay period, funds are transferred from the general operating account to the payroll account in an amount sufficient to meet all payroll expenses. All such transfers are accomplished using paper checks and the NNJLS Secure Electronic Deposit Machine.