



This document is scheduled to be published in the Federal Register on 04/02/2018 and available online at <https://federalregister.gov/d/2018-06532>, and on FDsys.gov

LEGAL SERVICES CORPORATION

Notice of Revisions to Performance Area Four of LSC's Performance Criteria

AGENCY: Legal Services Corporation.

ACTION: Notice of revisions to guidelines.

SUMMARY: To provide grantees with the most effective guidance, in 2018 the Legal Services Corporation revised Performance Area Four to refine and expand the areas of inquiry to focus on those criteria for which LSC has found the most deficiencies, particularly Criteria 1 (Board Governance), 4 (Financial Administration), and 7 (General Resource Development). The 2018 revisions codify the work of LSC staff with numerous grantees and provide evidence-based guidance to recipients on how to run a high-performing nonprofit organization.

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SUPPLEMENTARY INFORMATION: LSC's Performance Criteria indicate that legal services programs should be led and managed effectively with high-quality governance, administrative systems, procedures, and policies. Good leadership and strong internal operations increase the likelihood of effective program services for clients.

Over the past several years, LSC has observed some areas of weakness in grantee governance through performance quality visits, compliance reviews, and Office of Inspector General (OIG) visits. The 2018 revisions codify the work of LSC staff with numerous grantees and provide evidence-based guidance to recipients on how to run a high-performing nonprofit organization.

Since 2010, LSC's Office of Program Performance has conducted 133 Program Quality Visits of 124 grantees. LSC issued 1,901 Tier One¹ recommendations across the reports summarizing those visits. Of the 1,901 Tier One recommendations, 695 recommendations — 36.5%, the most of any performance area—pertained to Performance Area 4. From 2011 to 2016, LSC's Office of Compliance and Enforcement conducted 111 Compliance Reviews of 106 grantees. LSC issued more than 1,200 Required Corrective Actions (RCAs) related to both regulatory and fiscal issues. Approximately 25% of the RCAs identified deficiencies in the grantees' financial administration. Additionally, OIG conducted 41 A-50 reviews between June 2012 and September 2017. As a result of those reviews, the OIG made 160 referrals to OCE. The referrals covered issues related to timekeeping, deficiencies in policies and procedures, cost allocation, and internal controls.

This is the background against which LSC evaluated the existing criteria for Performance Area 4. The statistics above gave LSC valuable information about which areas of grantee administration, leadership, and governance needed more rigorous evaluation.

These Performance Criteria are guidelines for ensuring high program quality. They are not requirements. They reflect best practices to which programs should aspire and which they should, to the extent possible and consistent with program resources, attempt to achieve. These

¹ According to LSC's Office of Program Performance Procedure Manual:

- Tier One Recommendations are those recommendations that are determined to be significant and will be included in the next Request for Proposal to the grantee.
- Tier One Recommendations are those that *if addressed*, have the potential for significantly improving program quality and/or program performance within the short term, *i.e., two years*.

A Tier One Recommendation must:

- be stated in simple straightforward terms such that there is no doubt by the program that a response is required; and
- have an objective, the value of which equals or outweighs any additional burden that the recommendation imposes on the program (does not apply to statutory or regulatory requirements).

revisions do not reflect a change in the purposes of the Performance Criteria stated in the Introduction to the 2007 revised version. The purposes of the Performance Criteria are twofold. First, the Performance Criteria “guide LSC’s assessments of program performance generally and in the competitive grants process.” Second, the Performance Criteria serve as a “useful framework for internal program self-evaluations, planning, and program development, as well as external peer reviews and expert assessments by other funding sources.”

LSC will begin using the revised Performance Area 4 on June 1, 2018. LSC management recognizes that it may take time, guidance, and experience for all grantees to adjust to the revisions. LSC will, therefore, provide training and forums to discuss the implementation of the changes. When conducting program assessments, LSC staff will take the scope of the revisions and each program’s capacity into consideration when making recommendations.

As the table below indicates, LSC reorganized the order of the Performance Criteria. The current Criterion 3 – Overall Management and Administration – includes a limited review of a grantee’s technology infrastructure and administration. To more accurately reflect the role technology plays in the daily operations of an organization and in providing efficient and effective client services, LSC proposed creating a separate, new technology criterion, Criterion 3: Technology Infrastructure and Administration. The criterion for Overall Administration and Management would now be Criterion 6, with Internal Communication being folded into the proposed Criterion 6.

Performance Area 4: Criterion Ordering

Current Ordering of Performance Area 4 Criteria	2018 Revised Ordering of Performance Area 4 Criteria
Criterion 1: Board Governance	Criterion 1: Board Governance
Criterion 2: Leadership	Criterion 2: Leadership
Criterion 3: Overall Management and	Criterion 3: Technology Infrastructure and

Administration	Administration
Criterion 4: Financial Administration	Criterion 4: Financial Administration
Criterion 5: Human Resources Administration	Criterion 5: Human Resources Administration
Criterion 6: Internal Communication	Criterion 6: Overall Management and Administration
Criterion 7: General Resource Development and Maintenance	Criterion 7: General Resource Development and Maintenance

Criterion 1. Board Governance. The program articulates a clear mission for the organization. Each board member demonstrates commitment to the program and its mission through consistent engagement in Board activities that involve all other board members. The board effectively engages in strategic organizational planning with program leadership and staff. It is responsible for major policy decisions, while holding organizational management accountable for effective performance of their responsibilities. The board assists with or oversees, as appropriate, the organization's efforts to develop and maintain resources. The board also promotes public awareness of the program in the community in a manner that aims to enhance the program's overall effectiveness and influence.

Indicators	Areas of Inquiry
Board Composition, Size and Tenure	
As a whole, the board is appropriately diverse and representative of the various geographical areas and low-income populations served by the program.	<ul style="list-style-type: none"> • Is the board membership diverse and representative of the service area? • Is the board either composed of an appropriate mix of members that are sufficiently expert in areas applicable to the program's operations and achievement of overall goals related to the mission – e.g. non-profit management, financial oversight, fundraising, community engagement – or has it taken steps to ensure that such expertise is available to the board on a consistent basis? • Does the board adhere to LSC regulations regarding board composition?

The size of the board is conducive to effective oversight.	<ul style="list-style-type: none"> Is there evidence that the board's size facilitates the effectiveness of its operation?
When determining board tenure, the board struck a balance between longevity and board experience and the need for new ideas and insights.	<ul style="list-style-type: none"> What is the tenure of each of the board members, including the board chair(s)? Does the organization impose term limits on board membership? If so, what are the term limits? Does the board have a policy or practice regarding length of service on the board and on its Executive Committee? If the board imposes term limits, how does the organization avoid the loss of the experience and expertise of valued directors? Is there a process for removing board members?
The board has processes and procedures for recruiting and orienting new board members.	<ul style="list-style-type: none"> Does the board have and follow established policies and practices regarding recruitment, qualification and retention and engagement of new members? Is there a job description for board members explaining their role and duties? Is the job description provided to board members? Is there an onboarding process for new members? Are board members given appropriate orientation and continuing training, including: training on the role of the board, potential conflicts of interest, and on fiscal, fiduciary, and other responsibilities? Is there training on the LSC Act, LSC regulations, LSC performance criteria, and other best practices?
Board Committees	
The board's committees structure promotes effective oversight of the organization.	<ul style="list-style-type: none"> What is the board's committee structure? What is the composition of each

	<p>committee?</p> <ul style="list-style-type: none"> • Does each committee have clearly defined responsibilities that are documented in written form? • If so, is there periodic review and updating of the documents? • Is there a committee responsible for assessing the performance of the board? • Is there an executive committee, and, if so, what is its composition? • How often does the executive committee meet? • What is the scope of business usually conducted? • Is there a separate Finance or Audit Committee? • Does a member of the audit or finance committee have a financial background? • If not, does the committee engage sufficient assistance from non-board sources to provide consistent and competent guidance on financial matters? • Is there a separate fundraising committee?
Board Meetings and Deliberations	
The board fulfills the meeting requirements of LSC regulations.	<ul style="list-style-type: none"> • The board of directors meets at least four times a year. • There is public notice of meeting and meetings are public.
The board has quorum requirements that are adhered to.	<ul style="list-style-type: none"> • Is the board required to reach a membership attendance quorum before it can take formal action? • What is the percentage or number requirement for a quorum? • How many times within the past two years has the board tried to meet but has not had a quorum? • If there is no quorum, what percentage of the board attended each meeting? • Does the organization permit its board to act through virtual meetings such as email voting, in addition to remote participation by teleconferences or videoconference? • Are there guidelines or a protocol for virtual meetings?

The board and committee meetings are well planned and focused to ensure that the board and its committees can carry out their oversight function.	<ul style="list-style-type: none"> • Are there pre-circulated agendas for all board and committee meetings? • If so, who sets the agenda? • Do the board chair or committee chair and the executive officer contribute to the agenda?
Meeting materials	<ul style="list-style-type: none"> • Do individual members feel that the board packets distributed in the board and committee meetings provide them with useful information about the program and equip them to participate meaningfully in the board or committee meeting? • What is the quality of the materials? • How far in advance is board information circulated? • Do board materials contain updated financial information?
Executive session	<ul style="list-style-type: none"> • Do board meetings include an executive session without any staff (including the executive director)?
The board members are engaged and regularly attend and participate in board and committee meetings.	<ul style="list-style-type: none"> • What is the level of attendance at board and committee meetings? • Do individual members prepare for and participate in meetings? • Are client board members actively engaged in board meetings and decisions?
Board and committee decisions are appropriately documented.	<ul style="list-style-type: none"> • Are board decisions appropriately documented in board minutes? • Minutes of full board and committee meetings are prepared, reviewed and approved by the board at least by the next scheduled meeting. • Who prepares the meeting minutes? • Apart from minutes of board meetings, does the board maintain a separately indexed chronological record of resolutions that reference their initial date of adoption and subsequent actions?
Board Transparency and Accountability	
The board and members individually, are committed to the program and its mission. The board properly discloses and manages any organizational or personal conflicts.	<ul style="list-style-type: none"> • Is the board supportive of the program? • Does the board have a policy or practice that effectively deals with conflicts of interest or potential conflicts of interest? • Is the policy or practice in writing?

	<ul style="list-style-type: none"> • Are organizational or individual conflicts addressed quickly and effectively?
Board Engagement with Strategic Planning	
The board ensures that the program establishes and adheres to effective strategic planning.	<ul style="list-style-type: none"> • Does the board adopt a mission statement, that has been collaboratively developed with management? • Does the board establish a vision for the future? • Does the board approve strategic goals? • Does the board articulate core values/principles? • What is the board's role in developing the strategic plan? • Does the board work in close partnership with the management to ensure a successful planning process? • Does the board regularly review progress in accomplishing the goals of the strategic plan and take appropriate action to ensure implementation? • Does it periodically discuss progress toward strategic goals with program management?
Board Oversight of the Organization – Programmatic	
The board is involved in major policy decisions, aware of issues in and performance of the program, while leaving day-to-day management of program operations to program management personnel.	<ul style="list-style-type: none"> • How are major policy decisions made? • Do board members understand and adhere to clear distinctions between board governance and program management? • Do board members understand the major issues at stake for the program? • How does the board exercise its oversight of program operations? • Does the board receive regular reports providing objective data on program performance? • Monitoring: Does the board receive periodic information on the work of the program? • Evaluating: Does the board seek information to evaluate the effectiveness of the program's services?
Board Oversight of the Organization – Financial	
The board exercises effective financial	<ul style="list-style-type: none"> • Are board members aware of and accurate

oversight.	<p>in their perception have a general understanding of the requirements of the program's funding sources.</p> <ul style="list-style-type: none"> • What systems and procedures does the board have to ensure effective financial oversight?
Ensure funds are used for intended charitable purposes, and funds are appropriately accounted for.	<ul style="list-style-type: none"> • How often does the board review financial statements and do they understand what the financial statements say? • Do they have experience in or guidance from board members or other advisors in interpreting the financial statements? • Is there a finance and/or audit committee to select the independent auditor? • Is the Form 990 presented to the board and management team prior to or after it is filed with the IRS? • Are there opportunities for the CFO/Controller or highest ranking financial officer to confer with the board, or members of the board? • Has the board established budget guidelines?
The board safeguards investments.	<ul style="list-style-type: none"> • Are policies in place to evaluate the organization's investment decisions and performance? • Are policies in place to safeguard the organization's assets and tax-exempt status?
Evaluation of the Executive Director	
The board effectively evaluates the chief executive officer or executive director.	<ul style="list-style-type: none"> • What is the process for evaluating the Executive Director and other top officers in the organization? • Do they employ a 360 evaluation? • Who is involved in the evaluation process? • How frequently does the board evaluate the chief executive officer or executive director? • What, if any, are the criteria used for evaluating the Executive Director?
The boards practices appropriate oversight over the Executive Director's Compensation plan.	<ul style="list-style-type: none"> • Is there a process for reviewing and setting executive compensation? • If so, what is the process?

	<ul style="list-style-type: none"> • Who is involved in this process? • Are all board members aware of the Executive Director's entire compensation package? • Is the Executive Director's compensation based on market data? • Is there contemporaneous substantiation of the board's deliberation and decision on the Executive Director's compensation?
Board's Role as Ambassador for the Organization	<p>The board effectively promotes and expands the reach and influence of the program in the communities it serves,</p> <ul style="list-style-type: none"> • Do individual members, including client members, speak on behalf of the organization to external audiences at appropriate opportunities? • Is there a protocol for who speaks on behalf of the board and the organization? • Does everyone know the “elevator speech?” • Do individual members represent the community to the organization by bringing back concerns, ideas, suggestions and compliments when they have merit or possibility?
Board's Role in Resource Development	<p>The board effectively promotes and expands the reach and influence of the program in the communities it serves, and develops additional resources for the program.</p> <ul style="list-style-type: none"> • Do board members assist effectively in fundraising and development activity? • Does the board consult and communicate with the Executive Director to identify and, where appropriate, pursue all types of needed resources? • Determines how board members will participate in fundraising from sources where they have knowledge or influence, such as the private bar? • Does the board receive regular reports on staff fundraising activity?
The board ensures that the program is in compliance with state and local laws related to solicitation.	<ul style="list-style-type: none"> • Has the organization adopted policies to ensure compliance with federal/state laws on solicitation of funds? • Are solicitation materials accurate?
The board ensures donations comply with LSC Requirements.	<ul style="list-style-type: none"> • Donations are properly recorded pursuant to LSC regulations.
Continuous Learning and Assessment	
The board is committed to continuous	<ul style="list-style-type: none"> • Does the organization maintain and

improvement.	<p>provide its board members with an up-to-date board handbook or on-line resources?</p> <ul style="list-style-type: none"> • Do members keep up with issues that affect the functioning and future of the organization? • Does the board engage in periodic formal or informal self-assessment processes?
General Good Governance Practices	
The board ensures legal and ethical integrity and maintains accountability.	<ul style="list-style-type: none"> • Does the board adopt and regularly evaluate a code of ethics that describes behaviors it wants to encourage and behavior it wants to discourage? • Did the board adopt a policy for handling employee and client complaints? • Are there established procedures for employees to report financial impropriety or misuse of the organization's resources? • Does the organization have a whistleblower policy? • Does the board periodically review the bylaws to ensure that the organization is in compliance with its governing documents and relevant laws? • Does the board have policies establishing standards for document retention and destruction? • Does the organization keep books and records relevant to its tax-exempt status and IRS filings for appropriate time periods?
The board ensures transparency and accountability by making information available to the public on the program's mission, activities, finance and governance.	<ul style="list-style-type: none"> • Are the program's Form 990 and annual report reported on its public website? Are these documents available to the public upon request?
The members of the board exercise independent judgment in general board decision-making.	<ul style="list-style-type: none"> • Is there evidence that board members engage in independent analysis of materials and information provided to them?

Criterion 2. Leadership. The program has effective leadership that establishes and maintains a shared sense of vision and mission. Program leadership means a commitment to and

achievement of the program's goals and objectives according to a model that emphasizes teamwork, transparency, excellence, effectiveness, efficiency, and innovation.

Indicators	Areas of Inquiry
General Leadership	
Key program staff, starting with the executive director or chief executive officer, are respected and recognized as the program leaders.	<ul style="list-style-type: none"> • Starting with the chief executive officer, are there recognized, positive, and effective leaders in the program? • Do board members, community leaders, clients and the legal community express confidence in the program's leadership?
Program leaders hold themselves accountable for motivating staff, and for promoting an environment that embraces mentoring and the professional development of all staff, helping them to achieve their fullest potential.	<ul style="list-style-type: none"> • What specific leadership and professional development training and activities has the program provided? • What are the outcomes of these efforts? • What opportunities are afforded staff to develop and exercise leadership skills? • Do staff see themselves as valued members of the program's team? • Do program leaders model and encourage teamwork? • Do program leaders delegate effectively?
Key staff are appropriately involved in decision-making processes.	<ul style="list-style-type: none"> • Does the program's leadership seek the opinions and input of staff and other stakeholders in its decision-making processes?
The program's leadership demonstrates strong, effective communication skills and the capacity to engage in positive conflict resolution.	<ul style="list-style-type: none"> • Beginning with the executive director or chief executive officer, is there evidence that the leadership of the program communicates effectively with the board, staff and community stakeholders? • Do program leaders effectively address challenges and issues that impede the program's progress in accomplishing its mission? • Starting with the executive director or chief executive officer, is there evidence that program leadership effectively models, motivates and inspires creativity, innovation, excellence, and achievement?
Mission and Vision	
Program leaders frame a vision and mission.	<ul style="list-style-type: none"> • Is there a shared sense of vision and mission? • Is it expressed in written form?

Program leaders model a high level of energy, commitment and integrity in carrying out the program's mission.	<ul style="list-style-type: none"> • Are staff aware of it? • What mechanisms does the program's leadership use to measure program effectiveness and adherence to the mission and vision? • In what ways does the program's stated mission and vision guide the program's planning and decision-making?
Diversity	
Starting with the executive director or chief executive officer, the program values and embraces diversity and provides opportunities for the development of a diverse group of leaders.	<ul style="list-style-type: none"> • In what ways does the program and its leadership demonstrate inclusion and an appreciation for diversity? • Is the program's leadership and management diverse, and, is there evidence that diversity and inclusion are valued by the program?
Succession Plan	
The program has a leadership succession plan that addresses preserving institutional knowledge and strong leadership across all levels of program management.	<ul style="list-style-type: none"> • Does the program have a clear and reasonable succession plan? • Is it written?

Criterion 3. Technology infrastructure and administration. The program provides a stable and secure technology infrastructure sufficient for staff to work efficiently and effectively in the delivery of legal services and to support the operations of the organization. It devotes appropriate resources to provide the capacities outlined in LSC's "Technologies That Should Be in Place in a Legal Aid Office Today."

Indicators	Areas of Inquiry
Technology planning is ongoing and integrated into the overall strategic plan of the program, includes staff input, and is reviewed and updated at least annually.	<ul style="list-style-type: none"> • Who is involved in technology planning? • Does the program get input from staff on technology needs? • Has the program ever had an outside technology audit? • How often is the technology plan reviewed and updated? • Does the plan include deadlines for implementation?
The program has competent IT staff and/or consultants with appropriate training and certifications to properly maintain and support its technology systems.	<ul style="list-style-type: none"> • What type of network does the program have? • Are there appropriate firewalls? • Are servers hosted on-site, off-site, cloud-

	<p>based?</p> <ul style="list-style-type: none"> • If on-site, where are they and how are they secured (locked office, server room, appropriate A/C)? • What is the program's IT security program, its policies, user security training and are the servers, computers and devices patched and kept up to date on a regular schedule? Is the network scanned for IT vulnerabilities regularly?
The grantee informs employees of their rights when using grantee-owned computers.	<ul style="list-style-type: none"> • Does the grantee have a warning banner that appears while employees are logging on and notifies employees of their rights when using their grantee-owned computer?
The program devotes appropriate resources to establish and maintain its technological infrastructure, including planning and budgeting appropriately for ongoing replacement/upgrades of its technology systems.	<ul style="list-style-type: none"> • What is the internet bandwidth in each office (any redundant connection available)? • Do offices have Wi-Fi available (is it password protected)?
The program has a proper written IT security program to include robust IT security policies and procedures regarding protecting client and case data, ensuring the security and integrity of passwords, use of the Internet and social media, policies for the use of mobile devices, and if staff can bring their own devices (BYOD) to access work documents. Staff are familiar with and follow such policies and procedures.	<ul style="list-style-type: none"> • Is server equipment kept in a secure environment with appropriate ventilation and cooling? Are IT systems currently patched and updated? • Is there a disaster recovery plan (that includes periodic testing) for mission critical technology systems? • Are there security policies and procedures for protecting client and case data, sensitive personal and personnel data, and all communications from loss or unauthorized intrusion? • Are there security policies and procedures for use of the Internet and social media, content security on all devices, and integrity of passwords, retention and deletion of data? • Are employees given notice concerning prohibited uses of their computer equipment including a warning banner that notifies employees of their rights (including no expectation of privacy) when using their grantee-owned computer? • Is there routine IT security training for staff? • Is the user's system access granted based on roles and responsibilities?

The program has sufficient procedures to back up its data and has testing protocols to demonstrate that data recovery/protection policies work in practice.	<ul style="list-style-type: none"> • What are the backup procedures? • Are test restores done periodically from the backups?
The program stays informed of new technology developments and how it can make better use of technology to meet its mission.	<ul style="list-style-type: none"> • What is the replacement cycle for technology equipment (desktops/laptops, servers, printers, scanners, copiers, telephones, etc.)? • What type of phone system does the program use? • How old is it? • When was the last upgrade? • What reports can it provide? • Who maintains it?
Extent to Which Technology Enhances Program Operations and Service Delivery	
Maximum use of technology is made to facilitate and enhance internal communication.	<ul style="list-style-type: none"> • Does the program use technology effectively to enhance the efficiency of program operations and service delivery? • How does the program use technology to facilitate and enhance communication? • Does the program's website effectively follow the Ernst and Young Best Practices (http://webassessment.lsc.gov/report/)?
Staff Training	
Program staff are provided with appropriate training on the use of technology.	<ul style="list-style-type: none"> • Does the program have a policy for the secure use of its technology, including protecting data (including Personally Identifiable Information), use of the Internet and social media, password policies and if/when staff can bring their own devices? • Do staff understand and follow the policy? • What software does the program use, including case management system manufacturer and version? • Are staff provided with ongoing training in its use?

Criterion 4. Financial administration. The program has and follows financial policies, procedures, and practices that comport with Generally Accepted Accounting Principles (GAAP), requirements of the program's funding sources, and comply with federal, state and local

government regulations. The program has established sound internal controls and conducts effective budget planning and oversight.

Indicators	Areas of Inquiry
Fiscal Policies and Staff	
<p>The program has detailed written policies and procedures describing its financial operations which comply with all applicable requirements. The program follows such policies and procedures.</p>	<ul style="list-style-type: none"> • Is the program's accounting manual current and updated as appropriate?
<p>The program has sufficient, capable, trained and effective staff dedicated to financial administration.</p>	<ul style="list-style-type: none"> • How many financial staff does the program have? • Does the program have competent financial personnel? • What is the training and background of the financial staff? • The job descriptions of personnel are clear and lay out the roles and responsibilities of each position. • Is periodic training given to program staff, management, and the governing body regarding LSC regulations and accounting guide, as applicable?
<p>Top management and the governing body are actively involved in the budgeting process. The budget is updated periodically and changes/variances are reviewed. The program engages in financial planning beyond the current year.</p>	<ul style="list-style-type: none"> • Is the budget consistent with the program's mission, goals, and objectives? • Does the program effectively adhere to its budget? • Is the budget updated monthly (or at least quarterly), based on changes in revenues or expenditures? • Does the program engage in financial planning beyond the current year?
<p>The program maintains LSC funds held for immediate operating expenses in federally-insured bank accounts.</p>	<ul style="list-style-type: none"> • Does the recipient adhere to LSC Investment Guidelines?
Board of Directors	
<p>The recipient's governing body has fulfilled its fiduciary responsibility to the program through the establishment of a financial oversight committee or committees. The financial oversight committee(s) has at least one member who is a financial expert or the board has access to a financial expert.</p>	<ul style="list-style-type: none"> • Has the board established a financial oversight committee or committees that perform the roles of a finance committee and an audit committee? • Does the financial oversight committee collectively possess the knowledge to set the strategic, financial course for the

	<p>recipient and oversee management in execution of the strategy?</p> <ul style="list-style-type: none"> • Does the financial oversight committee have the leadership of individual well-versed in non-profit GAAP, COSO Internal Control Framework, and other relevant standards and guidelines? • Does the financial oversight committee meet on a regular basis? • Does the committee have a charter or governing document and fulfill the responsibilities outlined therein? • Does the financial oversight committee set the strategic direction of the recipient for financial and audit related matters?
The governing body regularly determines the compensation of the program's Executive Director.	<ul style="list-style-type: none"> • Does a governing body set and review the compensation of the Executive Director using an independent compensation consultant, comparable pay studies from other nonprofit organizations, and/or a compensation survey?
The Executive Director's expenses are approved by a member of the board.	<ul style="list-style-type: none"> • Are there procedures in place that require approval of the Executive Director's expenses by a member of the governing body?
Audited Financial Statements	
The program issues accurate financial statements on a timely basis.	<ul style="list-style-type: none"> • Are the audited financial statements submitted to LSC in accordance with the LSC Audit Guide for Recipients and Auditors? • Has the program submitted their audited financial statements in a timely manner over the last 3 years?
Executed one-time grants, such as TIG and PBIF awards, are reported separately in the program's audited financial statements in accordance with 45 CFR §1628.3(e).	<ul style="list-style-type: none"> • Are executed one-time grants, such as TIG and PBIF awards, reported either as a supplemental schedule of related revenue and expense or a separate column within the financial statement?
Annual program audits do not reveal any significant problems or issues; where such items have been identified, the program addresses them effectively and promptly.	<ul style="list-style-type: none"> • Do past audits or outside reports and evaluations reflect problems? • Have any such problems been addressed? • Is there any evidence of failure to comply with applicable funder or governmental requirements? • What type of auditor's report did the IPA

	<p>issue regarding the financial statements? Unmodified or modified? If modified, why?</p> <ul style="list-style-type: none"> • What type of auditor's report did the IPA issue regarding Federal Awards? Unqualified or Qualified? If qualified, why? • Did the IPA issue findings in the audited financial statements? What were the findings? Have they been addressed? • Did the IPA issue a management letter? What did it contain? Has the recipient addressed the issues? • Are audit findings repeated from one fiscal year end to the next in the audited financial statements? • Does the recipient adequately address audit findings by performing the corrective actions outlined in the audited financial statements?
Internal Controls	
The recipient has established and maintains adequate accounting records and internal control procedures, which is designed to provide reasonable assurance of achieving the following objectives: 1. safeguarding of assets against unauthorized use or disposition; 2. reliability of financial information and reporting; and 3. compliance with regulations and laws that have a direct and material effect on the program.	<ul style="list-style-type: none"> • There is sufficient segregation of duties. • Do the accounting policies and procedures require an appropriate level of supervisory review and adequate checks and balances to ensure the accuracy, completeness and timeliness of transaction processing? • The recipient has established and adheres to an adequate system of internal control following the principles of the COSO Integrated Internal Control Framework.
Contracting	<ul style="list-style-type: none"> • Does the program have a contracting policy? • Does the policy identify the contracting procedures for the various types of contracts, dollar thresholds, and competition requirements? • Is the process used for each contract action fully documented and is the documentation maintained in a central file? • Is the required approval level (including items that need to be approved by LSC) established for each contract type and

	<p>dollar threshold, including when the board of directors should be notified and/or give approval?</p> <ul style="list-style-type: none"> • Do policies include procedures for documenting and deviating from the approved contracting process, such as when sole-source contracts are executed? • Is each contract or agreement executed with a price, time-period, and services to be performed?
Fraud Prevention	<p>The program has robust policies and safeguards in place to prevent fraud.</p> <ul style="list-style-type: none"> • Assess the organization's segregation of duties. • Who has access to the program's bank accounts? • How are permissions and authorizations assigned? • Does the program have Whistleblower and Conflict of Interest Policies? • Is the program's IT infrastructure adequately secure? • Is the physical and logical access to the program's computer network adequately secure? • Does the program's governance and management of IT resources promote effective operations and provide a robust system of internal control? • Do the program's computer applications incorporate and facilitate a robust system of internal control? • Have thorough and well documented hiring practices and procedures? • Are staff periodically trained or reminded of the Whistleblower and Conflict of Interest Policies? • Does the program employ computer banners on all servers, computers and devices to inform employees of prohibited use activities and no right to privacy of grantee equipment?
Cash Disbursements	<p>The program's disbursements are approved in writing by an authorized individual.</p> <ul style="list-style-type: none"> • Are procedures adequate to provide that salary and wage rates are approved by an authorized individual and employees are

	<p>paid in accordance with approved wage and salary plans?</p> <ul style="list-style-type: none"> • Were invoices properly approved, with dates, before disbursement checks were processed? • Do policies and procedures for disbursements address unallowable expenses, purchase approvals, securing and approving new vendors, segregation of purchasing duties, and duplicate payment controls?
The program's criteria and procedures for purchases are documented.	<ul style="list-style-type: none"> • Is there a procedure for proper payment and approval of expenditures at an appropriate level of management?
Cash Receipts	
The program has established internal control procedures related to cash receipts.	<ul style="list-style-type: none"> • Is initial accountability for cash established as soon as a cash item is received? • Do the accounting records adequately identify all cash receipts as to source and purpose? • Is an effective chain of custody in place for cash receipts?
The program maintains a client trust fund and accounting system to account for funds held on the client's behalf.	<ul style="list-style-type: none"> • Has the program established a method to determine the balance for each client trust account? • Does the program have a process to ensure that dormant funds are escheated to the state in compliance with state requirements?
Asset and Property Records	
A physical inventory of property purchased with LSC funds is conducted at least once every two (2) years and the results are reconciled with property records.	<ul style="list-style-type: none"> • Is a physical inventory conducted at least once every two (2) years? • Are any differences between the physical inventory and the accounting records reconciled?
The program has established adequate internal controls to safeguard its petty cash funds.	<ul style="list-style-type: none"> • Is there a surprise count of petty cash conducted periodically? • Are the petty cash and client trust funds secured in locked location? • Are all petty cash disbursements supported by an original receipt or appropriate supporting documentation?
Subgrants	
The program has established adequate procedures related to the subgranting of LSC	<ul style="list-style-type: none"> • Does the subgrant agreement or contract with the sub recipient specify financial

funds to ensure compliance and proper fiscal oversight.	<p>reporting responsibility?</p> <ul style="list-style-type: none"> • Where a relationship with a sub recipient exists, do the notes to the financial statements of the recipient and subrecipient fully disclose the nature of that relationship?
Bonding of Recipients	
The program maintains fidelity bond coverage at a minimum level of at least ten (10) percent of the program's annualized LSC funding level for the previous fiscal year, or of the initial grant or contract.	<ul style="list-style-type: none"> • Does the program carry at least the minimum level of fidelity bond coverage for fraud and employee dishonesty as described in 45 CFR Part 1629?
The program carries adequate fidelity bond coverage for all staff required to be bonded.	<ul style="list-style-type: none"> • Does the program carry fidelity bond coverage for all staff required to be bonded: Every director, officer, employee and agent of a program who handles funds?
Accounting Software	
The program's accounting software is appropriate to support the operations and financial oversight of the organization.	<ul style="list-style-type: none"> • Does the program use up-to-date technology to enhance efficient financial operation? • Is the software appropriate to support the operations of the organization? • Does the accounting software incorporate adequate internal controls? • Is the recipient effectively using the software to ensure internal controls are in place?
The program limits access to its accounting software.	<ul style="list-style-type: none"> • Does the program limit access to its accounting software? • Does each user have his/her own password security based on their fiscal functions and are accounting software passwords changed periodically? • Is a user's system access granted based on roles and responsibilities?

Criterion 5. Human resources administration. The program promotes organizational excellence through the recruitment, management, and retention of a high- performing, diverse workforce consistent with its mission and goals. The program develops and communicates sound policies and procedures that ensure compliance with applicable federal, state, and local laws and has a knowledgeable, accessible, and professional staff to the program in the areas of

recruitment and retention, training, professional development, compensation and benefits, performance appraisal, and organizational governing personnel development.

Indicators	Areas of Inquiry
Human Resources Staffing and Workplace Policies	
The program has sufficient, capable, trained, and effective professional staff assigned to human resources administration.	<ul style="list-style-type: none"> • Who is responsible for the human resources functions within the program? • If responsibilities are shared, how are duties defined? • What is the background, experience and training of staff responsible for handling human resources? • What is the interaction between the human resources and finance staff?
The program has an employment handbook or manual with policies on hiring, supervision, promotion, compensation, and termination that are in compliance with applicable federal, state, and local laws.	<ul style="list-style-type: none"> • Does the program have an employment handbook or manual with human resources policies? • Does the handbook or manual include Conflict of Interest and Whistleblower policies? • Does the handbook or manual include an ethics policy? • What is the program's plan to maintain HR's knowledge of best practices?
The program engages in human resources planning and policies are reviewed periodically.	<ul style="list-style-type: none"> • How often are the policies reviewed and updated?
The program maintains accurate and timely personnel files and protects the confidentiality of personnel records as required by applicable law and contract.	<ul style="list-style-type: none"> • Where are personnel files kept? • Are they paper or electronic? • Who is responsible for maintaining personnel files? • Are there procedures to control access to personnel files and protect the confidentiality of employees?
The program has a document retention policy for personnel files and that policy is adhered to by managers.	<ul style="list-style-type: none"> • Does the program have a document retention policy for personnel files? • How long are they kept? • Where are they stored after employees separate from the organization?
Program Staffing, Recruitment, and Retention	
The program has a capable, culturally competent, and diverse staff.	<ul style="list-style-type: none"> • What is the current composition of the staff? • Is the current composition of the program staff diverse in terms of experience, gender,

	<p>race, and disability status?</p> <ul style="list-style-type: none"> • Does management create and sustain an environment that values and supports a diverse workforce? • Has the program adopted a disability inclusion plan?
The program has a comprehensive recruitment strategy that employs a variety of methods and sources to recruit highly qualified candidates.	<ul style="list-style-type: none"> • What are the program's recruitment practices? • What recruitment methods and sources are used? (e.g., online employment sites, job boards, referrals, social media, search firms)? • Are the job descriptions up-to-date and do they accurately explain job functions and separate essential from nonessential functions? • Are there job descriptions for all positions?
The program has a formal orientation process for all new hires.	<ul style="list-style-type: none"> • Is there a new hire orientation and is the orientation period defined?
The program is able to forecast and determine its human resource needs and tracks fluctuations in the workforce, including turnover rates.	<ul style="list-style-type: none"> • What is the rate of turnover in the program? • Does the program evaluate internal and external factors related to turnover? • What is the average length of time an employee stays with the organization, by position type and category? • Does the program experience a high level of employee grievances? • Does the program have an effective plan to develop and retain new attorneys and paralegals (e.g. professional advancement along a defined career path)? <p>Are individual development plans created for each employee?</p>
Compensation & Benefits Policies	
The program has a compensation and benefits structure that promotes staff recruitment, retention and professional development.	<ul style="list-style-type: none"> • What are the program's fringe benefits and retention policies, such as a loan repayment assistance program, retirement plans, health insurance, and other financial and non-financial benefits?
The program periodically assesses salaries, employee benefits, bonuses and COLAs.	<ul style="list-style-type: none"> • Does the program regularly review its compensation structure and benefits? • Does that review include assessing market-based compensation studies?
Staff Evaluation and Training	

The program conducts regular and effective evaluations of all staff.	<ul style="list-style-type: none"> • Does the program conduct performance evaluations or appraisals? • If yes, how often? • Does the program use a performance evaluation instrument? • Is this evaluation linked to the program's goals, vision, or strategic initiatives? • Do such evaluations include setting goals for staff? • Does the program foster an environment that emphasizes continuous learning, constructive feedback, improvement and excellence?
The program leverages its budget appropriately for training opportunities that would benefit its entire staff.	<ul style="list-style-type: none"> • What training is available to staff? • Do all staff members have access to training opportunities?
The program conducts ongoing training for all staff on program policies, procedures, technology, and in substantive legal areas and advocacy skills.	<ul style="list-style-type: none"> • Is there a formal, ongoing training for employees and managers (e.g., procedures, policies, technology, substantive legal areas)? • Who is responsible for planning and conducting training of existing employees? • Does the program ensure all staff receive regular training on the LSC Code of Conduct and LSC's Grant Terms and Compliance requirements? • Does the program have a policy highlighting the importance of alerting the Office of Inspector General (OIG) to potential indicators of fraud, waste, and abuse of program funds and the requirement to do so promptly for loss over \$200? • Does the program have a policy for identifying compliance concerns? Does the program train staff on the policy and reporting compliance concerns?
The program provides effective training for management and administrative staff.	<ul style="list-style-type: none"> • Does the program provide effective leadership and management training and support to mid-level supervisors and personnel engaged in administration and management?
The program regularly conducts cultural competency training for all staff.	<ul style="list-style-type: none"> • Is there cultural competency training for all staff? • Have they attended?

Staff Morale and Workplace Climate	
To the extent that there are or have been serious morale or other internal personnel problems, the program is addressing or has addressed them effectively, and is taking or has taken appropriate steps to prevent their recurrence.	<ul style="list-style-type: none"> • What is the recent history and current status of staff morale? • Does LSC's employee survey indicate significant leadership challenges? • Does LSC's employee survey indicate friction among staff members?
The program has developed a process to address internal complaints, suggestions, and feedback.	<ul style="list-style-type: none"> • Does the program have a process accepting and resolving employee grievances?
Program offices are professional and provide adequate space for conducting the program's work.	<ul style="list-style-type: none"> • Are program offices professional? • Do they provide adequate space for conducting the program's work, provide appropriate privacy? • Does the program provide adequate maintenance services?

Criterion 6. Overall management and administration. The program is well managed and administered: including management structure; processes and systems to ensure compliance with all funder requirements and state and federal law; capacity to address problems quickly and effectively, robust intra-staff and staff-management communications; effective administrative procedures; allocation of appropriate resources to management functions; and periodic evaluations of administrative operations.

Indicators	Areas of Inquiry
Allocation of Resources	
The program devotes appropriate resources to management.	<ul style="list-style-type: none"> • Does the program devote an appropriate level of resources to management and administration? • What is the span of control in each division (i.e. what is the management to direct reporting ratios within the organization)?
The program has a management structure that effectively uses middle managers.	<ul style="list-style-type: none"> • How many middle managers are there?

The mix of program staff (managers, case handlers, and administrative staff) maximizes program resources to ensure the effective and efficient delivery of client services.	<ul style="list-style-type: none"> Has the program made considered choices regarding the proportionality of non-advocacy staff as compared to case handlers, consistent with program resources, number of case handlers, and type of work? Has the program established a risk management program/group to review and mitigate management systems risks? Such risks could include: performance management (failure to achieve performance goals including implementation of the Strategic Plan); human capital management (failure to attract, motivate, and retain high quality staff); information management (failure to collect and share vital operational data and inability to support stable and safe IT operations, including the case management system); acquisitions management (higher contract costs and possible fraud, waste, and abuse risks).
The program allocates appropriate resources to internal compliance.	<ul style="list-style-type: none"> Does the program have a compliance officer (or someone who serves in that role) to ensure compliance concerns are reported and managed effectively and efficiently?
Decision Making Processes	
The program makes major decisions in a way that incorporates relevant information and input.	<ul style="list-style-type: none"> What is the program's decision making process? Is decision making authority clear when delegated? Is decision making timely and effective? Do staff members know whom to go to for decisions?
The program has procedures for obtaining input on significant decisions, and for resolving complaints and problems effectively and timely.	<ul style="list-style-type: none"> Do staff feel that their input is sought on significant decisions? Do staff feel that decisions are quickly and effectively communicated to all who are affected? Does the program resolve employee complaints and problems effectively and timely?
The program's administrative structure, processes, and systems support compliance	<ul style="list-style-type: none"> Is there any evidence of non-compliance with state and federal laws, rules, and

with state and federal laws, rules, and regulations.	regulations?
The program's administrative structure, processes, and systems support compliance with funder requirements.	<ul style="list-style-type: none"> • Is there any evidence of non-compliance with funder requirements?
Continuity of Operations	
The program has developed and regularly updates an emergency plan to maintain operations and to minimize disruption in the event of an emergency.	<ul style="list-style-type: none"> • Does the program have a plan in the event of an emergency or disaster? • If yes, does the plan include: <ul style="list-style-type: none"> --the preservation of files, equipment, and computer data bases; --A process for communication between staff and management; --for the relocation of the program's work sites? • Does the program attempt to coordinate with state/local emergency response and preparedness entities?
The program has a plan for providing client services in the event of a disaster or emergency affecting its client community.	<ul style="list-style-type: none"> • Does the program have a plan for providing client services in the event of a disaster or emergency affecting the client population?

Criterion 7. General resource development. Consistent with the program's mission, the program seeks to maintain and expand its base of funding with the goal of enhancing program services and organizational sustainability. The program implements a strategy designed to identify funding sources to advance the mission and goals of the program.

Indicators	Areas of Inquiry
Staffing	<ul style="list-style-type: none"> • Who are the program's other major funders? • What percentage of non-LSC funding does the program receive? • How many of the funders have funded before or made multi-year commitments?
The program has sufficient, capable, trained, and effective staff dedicated to resource development, or uses consultant(s) or other organizations to supplement or lead that effort.	<ul style="list-style-type: none"> • Who is responsible for the resource development efforts within the program? • Is the number of staff assigned to resource development appropriate given the size of the program and level of funding?

	<ul style="list-style-type: none"> • What are the duties for the person(s) responsible for these efforts? • How are those responsible for resource development evaluated for this work?
The program has delineated responsibilities for resource development staff and communication (if applicable) staff.	<ul style="list-style-type: none"> • How are the resource development activities integrated with the program's external communication efforts? • Does the program employ a separate staff person to handle the program's communications?
The program has engaged the board and staff in resource development and has provided adequate training.	<ul style="list-style-type: none"> • Are staff and board actively engaged around resource development efforts? • Have staff and/or board members received training on resource development or fundraising? • If yes, who conducted the training? • Does the program have an advisory board that focuses on resource development, or does the board have a resource development committee focused on such activities? <p>Does the program's governing body involve non-members with expertise in resource development?</p>
Resource Development Plan & Implementation	
The program has a written plan describing its strategy to ensure that the program is supported by sufficient financial resources consistent with its mission.	<ul style="list-style-type: none"> • Does the program have a written resource development plan, and is resource development a part of its overall strategic plan? • Does the plan identify possible funding sources and specific and realistic fundraising goals? • How often is this plan reviewed by management? By the board? • Does the program employ social media as a tool for increasing program revenue?
The program has a diverse funding stream and continually explores opportunities for increased funding.	<ul style="list-style-type: none"> • Has the program achieved diversity in funding: federal, state, local governments; individual donors; law firms; foundations; bar campaigns, restricted/unrestricted gifts? • What is the percentage of each funder type of the current budget?
The program is innovative in trying to develop new sources.	<ul style="list-style-type: none"> • What tools does the program employ to engage new and existing donors?

	<ul style="list-style-type: none"> • How are new and existing donors cultivated? • How are donors acknowledged? • Has the program conducted a feasibility study to determine the benefits and risks associated with its funding efforts? • Does the program have an endowment? • If yes, what are the permissible uses of the endowment?
The program uses former and existing clients and former board members as a part of its funding efforts.	<ul style="list-style-type: none"> • Does the program engage former clients in its funding efforts? • Does the program engage former board members in fundraising and encourage them to contribute themselves?
The program sponsors events and activities to recognize its individual donors and supporters.	<ul style="list-style-type: none"> • Does the program host donor recognition and cultivation events? How often?
Monitoring and Evaluation	
The resource development plan has been approved by the board, is reviewed annually, and is consistent with the program's budget.	<ul style="list-style-type: none"> • Is the cycle of organizational budgeting in line with the resource development plan?
The program has a process to evaluate cost effectiveness of resource development activities.	<ul style="list-style-type: none"> • How does the program evaluate the cost effectiveness?
The program has carefully evaluated whether the requirements of prospective funding sources are consistent with the program's mission, goals, priorities, objectives, and strategies.	<ul style="list-style-type: none"> • How does the program decide the priorities for funding?
The program has developed a system to track donor gifts and other funding. This system is integrated with other systems including the accounting software.	<ul style="list-style-type: none"> • How does the program track gifts from donors and other funding sources? • Does the program use fundraising or donor software? • If so, which one?
The program monitors its efforts to ensure that its mission is being communicated accurately and clearly to potential donors and funders.	<ul style="list-style-type: none"> • What efforts does the program make to ensure that its mission is being communicated accurately and clearly to the potential donors and funders?
The program seeks both monetary and in-kind support from donors, corporations, and other funders.	<ul style="list-style-type: none"> • What is the mix of support the grantee receives from various donors?

Criterion 8. Coherent and comprehensive delivery structure. Overall, the program management maintains a delivery structure and approach that effectively utilizes and integrates

staff, private attorneys, and other components; emphasizes innovation and creativity in delivery; is informed by current information concerning delivery research; is well-suited to meeting the most pressing legal needs of the service area; and, given available resources, constitutes an effective and economical balancing of expenditures on the various functions and activities described in the four Performance Areas.

Indicators	Areas of Inquiry
<p>The program has a reasonable, thoughtful and effective overall delivery system, which utilizes and integrates staff, private attorneys, volunteers, branch offices, outreach, and alternative delivery methods, and which strikes an effective balance on key issues such as specialization, experience of staff, use of attorneys and paralegals, and other major design choices.</p> <p>The program's choices about allocation of resources to competing activities and functions are reasonable and balanced, and consistent with its mission, goals, priorities, objectives, and strategies.</p>	<ul style="list-style-type: none"> • Does the program have in place and regularly use systems to gauge the efficiency and effectiveness of its overall delivery system? • Is there evidence of actual assessment of efficiency and effectiveness? • Is there evidence of change as a result of that assessment? • Is there evidence of experimentation and innovation?

Criterion 9. Participation in an integrated legal services delivery system. The program participates in, and seeks to expand and improve, statewide (and regional if relevant) legal assistance delivery systems to achieve equal access to justice and to meet the civil legal needs for low-income persons in the state.

Indicators	Areas of Inquiry
<p>The program participates in statewide (and regional if relevant) efforts to provide low-income persons in the state with equal access to a full range of civil legal assistance services in all forums.</p>	<ul style="list-style-type: none"> • Is the program engaged in statewide efforts (and regional efforts if relevant) to achieve the availability of a full range of civil legal assistance in all available forums? • Does the program participate in statewide (and regional if relevant) oversight activities to achieve an integrated statewide delivery system?

	<ul style="list-style-type: none"> • Is the program engaged in statewide efforts (and regional efforts if relevant) to eliminate barriers to access and provide meaningful services to low-income persons in the state?
The program participates in local, statewide (and regional if relevant) efforts to maximize the effective use of available human and financial resources and to increase such resources to better address the civil legal needs of the state's low-income populations.	<ul style="list-style-type: none"> • Is the program engaged in statewide efforts (and regional efforts if relevant) to utilize existing financial and human resources effectively and efficiently? • Is the program engaged in statewide efforts (and regional efforts if relevant) to increase potential sources of funding, including financial resources, volunteer and in-kind resources?
The program coordinates with other providers, the bar, law schools, and other relevant entities in seeking to ensure that support is provided to advocates and managers, including training, dissemination and exchange of information, and communication and coordination among practitioners in key areas of law and practice.	<ul style="list-style-type: none"> • Is the program engaged in statewide efforts (and regional efforts if relevant) to provide support to advocates and managers, including training, dissemination and exchange of information, and communication and coordination among practitioners in key areas of law and practice?
The program participates in statewide planning and oversight activities to achieve an integrated statewide delivery system, and coordinates and collaborates with other civil legal aid providers, private attorneys, government and corporate attorneys, the organized bar, courts and court personnel, law schools, and other public and private entities that provide legal and other social services to low-income persons.	<ul style="list-style-type: none"> • As part of its efforts to expand access, provide a full range of services, maximize resources, and ensure support within the state, does the program coordinate and collaborate with other civil legal aid providers, private attorneys, government and corporate attorneys, the organized bar, courts and court personnel, law schools, and other public and private entities that provide legal and social services to low-income persons?

Dated: March 27, 2018.

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Assistant General Counsel.

[FR Doc. 2018-06532 Filed: 3/30/2018 8:45 am; Publication Date: 4/2/2018]