

North Penn Legal Services, Inc.

Financial Statements and Supplementary Information

Years Ended June 30, 2015 and 2014
with Independent Auditor's Reports

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NORTH PENN LEGAL SERVICES, INC.

YEARS ENDED JUNE 30, 2015 AND 2014

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NORTH PENN LEGAL SERVICES, INC.

YEARS ENDED JUNE 30, 2015 AND 2014

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Independent Auditor's Report

The Board of Directors
North Penn Legal Services, Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of North Penn Legal Services, Inc. (NPLS), which comprise the statements of financial position as of June 30, 2015 and 2014, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of NPLS as of June 30, 2015 and 2014, and the changes in its net assets and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 15 through 18 is presented for purposes of additional analysis and is not a required part of the financial statements of NPLS. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2015, on our consideration of NPLS's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering NPLS's internal control over financial reporting and compliance.

Maher Duessel

Harrisburg, Pennsylvania
October 6, 2015

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF FINANCIAL POSITION

JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
Assets		
Cash and cash equivalents	\$ 956,903	\$ 1,420,238
Client escrow funds	699	4,707
Accounts receivable:		
PLAN	119,195	261,844
Other	360,671	276,454
Prepaid expenses	91,778	118,115
Property and equipment, net	132,499	135,339
Total Assets	\$ 1,661,745	\$ 2,216,697
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 92,717	\$ 310,421
Accrued compensated absences	109,922	111,281
Client trust deposits	699	4,707
Total Liabilities	203,338	426,409
Net assets:		
Unrestricted	926,801	1,020,300
Temporarily	531,606	769,988
Total Net Assets	1,458,407	1,790,288
Total Liabilities and Net Assets	\$ 1,661,745	\$ 2,216,697

The accompanying notes are an integral part of these financial statements.

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2015

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total 2015</u>
Revenues and Other Support:			
Contracts and grants	\$ 5,503,692	\$ 1,541	\$ 5,505,233
Contributions:			
In-kind	187,830	-	187,830
Other	42,801	-	42,801
DAP equitable payments	-	-	-
Interest income	1,245	-	1,245
Other income	19,510	-	19,510
Net assets released from restrictions	239,923	(239,923)	-
Total revenues and other support	<u>5,995,001</u>	<u>(238,382)</u>	<u>5,756,619</u>
Expenses:			
Program services	5,423,753	-	5,423,753
Management and general	643,466	-	643,466
Fundraising	21,281	-	21,281
Total expenses	<u>6,088,500</u>	<u>-</u>	<u>6,088,500</u>
Change in Net Assets	(93,499)	(238,382)	(331,881)
Net Assets:			
Beginning of year	<u>1,020,300</u>	<u>769,988</u>	<u>1,790,288</u>
End of year	<u>\$ 926,801</u>	<u>\$ 531,606</u>	<u>\$ 1,458,407</u>

The accompanying notes are an integral part of these financial statements.

NORTH PENN LEGAL SERVICES, INC.

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2014

	Unrestricted	Temporarily Restricted	Total 2014
Revenues and Other Support:			
Contracts and grants	\$ 5,325,548	\$ 13,607	\$ 5,339,155
Contributions:			
In-kind	186,503	-	186,503
Other	257,051	-	257,051
DAP equitable payments	1,386	-	1,386
Interest income	1,639	-	1,639
Other income	509	-	509
Net assets released from restrictions	83,412	(83,412)	-
Total revenues and other support	5,856,048	(69,805)	5,786,243
Expenses:			
Program services	5,035,792	-	5,035,792
Management and general	737,569	-	737,569
Fundraising	38,736	-	38,736
Total expenses	5,812,097	-	5,812,097
Change in Net Assets	43,951	(69,805)	(25,854)
Net Assets:			
Beginning of year	976,349	839,793	1,816,142
End of year	\$ 1,020,300	\$ 769,988	\$ 1,790,288

The accompanying notes are an integral part of these financial statements.

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF FUNCTIONAL EXPENSES

YEARS ENDED JUNE 30, 2015 AND 2014

	Program Services	Management and General	Fund- raising	Total 2015
Salaries	\$ 3,041,858	\$ 385,911	\$ 11,589	\$ 3,439,358
Fringe benefits	1,227,084	157,668	2,028	1,386,780
Consultants and contractors	138,521	5,077	18	143,616
Travel	41,247	17,790	-	59,037
Space costs	381,552	24,585	363	406,500
Consumable supplies	109,977	13,762	46	123,785
Equipment repairs and maintenance	71,773	5,261	-	77,034
Other	327,155	27,045	7,237	361,437
Depreciation and amortization	84,586	6,367	-	90,953
Total expenses	\$ 5,423,753	\$ 643,466	\$ 21,281	\$ 6,088,500
	Program Services	Management and General	Fund- raising	Total 2014
Salaries	\$ 2,864,710	\$ 441,112	\$ 26,165	\$ 3,331,987
Fringe benefits	1,052,264	173,419	2,305	1,227,988
Consultants and contractors	48,756	13,065	5	61,826
Travel	35,994	14,643	-	50,637
Space costs	440,756	6,576	119	447,451
Consumable supplies	108,248	25,390	15	133,653
Equipment repairs and maintenance	83,724	11,425	-	95,149
Other	330,200	41,299	10,127	381,626
Depreciation and amortization	71,140	10,640	-	81,780
Total expenses	\$ 5,035,792	\$ 737,569	\$ 38,736	\$ 5,812,097

The accompanying notes are an integral part of these financial statements.

NORTH PENN LEGAL SERVICES, INC.

STATEMENTS OF CASH FLOWS

YEARS ENDED JUNE 30, 2015 AND 2014

	<u>2015</u>	<u>2014</u>
<u>Cash Flows From Operating Activities:</u>		
Change in net assets	\$ (331,881)	\$ (25,854)
Adjustments to reconcile change in net assets to net cash and cash equivalents provided by (used in) operating activities:		
Depreciation and amortization	90,953	81,780
(Increase) decrease in:		
Accounts receivable	58,432	3,751
Prepaid expenses	26,337	51,602
Increase (decrease) in:		
Accounts payable and accrued expenses	(217,704)	193,424
Accrued compensated absences	(1,359)	4,512
Net cash and cash equivalents provided by (used in) operating activities	<u>(375,222)</u>	<u>309,215</u>
<u>Cash Flows From Investing Activities:</u>		
Purchases of equipment	<u>(88,113)</u>	<u>(67,304)</u>
Net cash and cash equivalents used in investing activities	<u>(88,113)</u>	<u>(67,304)</u>
<u>Cash Flows From Financing Activities:</u>		
Principal payments on line of credit	<u>-</u>	<u>(100,000)</u>
Net cash and cash equivalents used in financing activities	<u>-</u>	<u>(100,000)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(463,335)	141,911
<u>Cash and Cash Equivalents:</u>		
Beginning of year	<u>1,420,238</u>	<u>1,278,327</u>
End of year	<u>\$ 956,903</u>	<u>\$ 1,420,238</u>

The accompanying notes are an integral part of these financial statements.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

1. ORGANIZATION

Reporting Entity

North Penn Legal Services, Inc. (NPLS) is a nonprofit organization that provides civil legal representation for the poor and disadvantaged in Bradford, Carbon, Clinton, Columbia, Lackawanna, Lehigh, Luzerne, Lycoming, Monroe, Montour, Northampton, Northumberland, Pike, Snyder, Sullivan, Susquehanna, Tioga, Union, Wayne, and Wyoming counties. NPLS's central office is located in Pittston, Pennsylvania. NPLS is part of a statewide network of legal service providers servicing all of Pennsylvania's 67 counties. With its reliance on discretionary government funding, the philanthropic community, and the volunteer services of attorneys and others, it represents its targeted clientele in matters such as protection from abuse, follow-up of governmental benefits including social security and food stamps, housing assistance, issues related to the youth and the aged, and other emerging civil matters.

NPLS is funded on a year-to-year basis through a contract with Pennsylvania Legal Aid Network (PLAN), formerly Pennsylvania Legal Services. Funding for the contract is provided by the Commonwealth of Pennsylvania with Commonwealth and Federal Title XX funds, Pennsylvania Interest on Lawyers' Trust Account Program (IOLTA) funds, Access to Justice Act funds, and PA Department of Human Services (DHS) funds. Additional funding is obtained from Legal Services Corporation (LSC), a nonprofit corporation organized by the U.S. Congress to administer a nationwide legal assistance program.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

NPLS reports on the accrual basis of accounting and, accordingly, has reflected all significant receivables, payables, and other liabilities as prescribed by accounting principles generally accepted in the United States of America (GAAP). The financial statements and notes also incorporate applicable provisions of the LSC's "*Accounting Guide for LSC Recipients*," consistent with accounting principles generally accepted in the United States of America.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Basis of Presentation

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of NPLS and changes therein are classified and reported as follows:

Unrestricted – Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted – Net assets subject to donor-imposed stipulations that may or will be met either by actions of NPLS and/or the passage of time.

Permanently restricted – Net assets subject to donor-imposed stipulations that they be maintained permanently by NPLS.

Cash and Cash Equivalents

All liquid investments with a maturity of three months or less when purchased are considered cash equivalents for the purpose of cash flows.

Accounts Receivable

Contracts and grants receivable, which include PLAN receivables, are for expenses incurred prior to the fiscal year-end that have not yet been received from the funding agency. No allowance for uncollectible accounts receivable is deemed necessary.

Contributions

NPLS is required to record contributions received as unrestricted, temporarily restricted, or permanently restricted support. This requirement is dependent on the existence and/or nature of any donor restrictions. Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the statements of activities as net assets released from restrictions.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Property and Equipment

Property and equipment, consisting of leasehold improvements, office furniture, equipment, and law library items (consisting of library books and multiple volume sets), have been recorded at cost. Expenditures and betterments that extend the lives of the applicable assets are capitalized, while maintenance and repairs are expensed when incurred. Property and equipment is capitalized with an initial, individual cost or in the aggregate of more than \$5,000. Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the respective assets, which range from three to ten years for office furniture and equipment, and seven to fifteen years for leasehold improvements.

Impairment

NPLS reviews its long-lived assets for impairment on an exception basis whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through future cash flows. If it is determined that an impairment loss has occurred, based on the expected cash flows, a loss is recognized in the statements of activities.

Accrued Compensated Absences

Employees are permitted to carry over a pre-determined maximum number of unused vacation days from one fiscal year to the next. Employees receive payment for their unused vacation, up to that maximum, at termination. NPLS has established a liability for unused vacation based on the aggregate maximum payable per employee.

In-Kind Contributions

In-kind contributions are recorded at fair market value at the time of receipt. These contributions are recognized as both support and expenses in the statement of activities. Only those contributed services that create or enhance nonfinancial assets, require skills, and are provided by such individuals possessing those skills and would typically need to be purchased, if not provided by donation, are so recognized in the financial statements. In-kind contributed services totaled \$187,830 and \$186,503 for the years ended June 30, 2015 and 2014, respectively, and consisted of pro bono legal services. The average rate used to determine the value of pro bono legal services provided by attorneys was \$150 per hour. Approximately 1,252 and 1,243 hours of pro bono legal services were provided by attorneys during the years ended June 30, 2015 and 2014, respectively.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Expense Allocation

The costs of providing the various programs and activities have been summarized on a functional basis on the statements of activities. Accordingly, certain costs have been allocated among programs and support services.

NPLS allocates expenses among PLAN, LSC, and other funding sources. The expense allocation among funding sources is made based on annualized budgetary revenue relationships, specific identification, and time expended on cases.

Income Taxes

NPLS is a not-for-profit corporation and is exempt from federal income taxes pursuant to section 501(c)(3) of the Internal Revenue Service Code, as well as from Pennsylvania State corporate taxes. NPLS is not considered a private foundation for federal income tax purposes. NPLS annually files a Form 990.

Management's Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Subsequent events have been evaluated through the Independent Auditor's Report date, which is the date the financial statements were available to be issued.

3. CLIENT ESCROW FUNDS

Cash advances received from clients are maintained in escrow accounts, and represent anticipated court costs that are the direct responsibility of the clients.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

4. PROPERTY AND EQUIPMENT

Property and equipment, together with annual depreciation and amortization, are as follows as of June 30, 2015 and 2014:

	<u>2015</u>	<u>2014</u>
Furniture and equipment	\$ 605,360	\$ 517,247
Leasehold improvements	28,945	28,945
Law library	99,459	99,459
	<u>733,764</u>	<u>645,651</u>
Accumulated depreciation and amortization	<u>(601,265)</u>	<u>(510,312)</u>
	<u>\$ 132,499</u>	<u>\$ 135,339</u>

Depreciation and amortization expense totaled \$90,953 and \$81,780 for the years ended June 30, 2015 and 2014.

5. LINE OF CREDIT

NPLS has a secured line of credit agreement with Penn Security Bank & Trust with a credit limit of \$500,000. The line is collateralized by NPLS's assets and is renewable annually. The note requires monthly interest payments at the Wall Street Journal Prime Rate. The outstanding balances on this line of credit were zero as of June 30, 2015 and 2014.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

6. NET ASSETS AND TRANSFERS BETWEEN NET ASSETS

Net assets as of June 30, 2015 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
IOLTA carryover	\$ -	\$ 4,734
Access to Justice Act carryover	-	117,133
LSC - fiscal year carryover	-	255,482
LSC - advance funding	-	154,257
Property and equipment - other	132,499	-
Other	794,302	-
Total	<u>\$ 926,801</u>	<u>\$ 531,606</u>

Net assets as of June 30, 2014 consist of the following:

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>
IOLTA carryover	\$ -	\$ 59,107
Access to Justice Act carryover	-	269,777
LSC - fiscal year carryover	-	279,338
LSC - advance funding	-	152,716
HASA carryover	-	9,050
Property and equipment - other	135,339	-
Other	884,961	-
Total	<u>\$ 1,020,300</u>	<u>\$ 769,988</u>

LSC permits up to 10% of current funding to be carried over to the next fiscal year. As of June 30, 2015 and 2014, NPLS had an LSC carryover totaling \$255,482 and \$279,338 (13.9% and 15.9% of applicable year funding), respectively. NPLS intends to request a waiver to carry over funds in excess of the 10% ceiling for the year ended June 30, 2015 within 30 days of submitting the final financial statements to LSC.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

For the year ended June 30, 2014, an excess carryover of \$104,726 above the 10% of allowed fund balance carryover was approved by LSC to be carried over into the year ended June 30, 2015. Of this excess, \$64,883 was spent on salaries and \$39,843 was spent on fringe benefits during the year ended June 30, 2015.

IOLTA and Access to Justice Act funding also permit a 10% carryover of current funding to the next fiscal year and require recipients to record the carryover funds as temporarily restricted net assets. The recipient may request a written waiver to carry over up to 25% of these funds. No written waiver was required for the year ended June 30, 2015. NPLS received a written waiver for the year ended June 30, 2014.

7. OPERATING LEASES

NPLS presently leases office facilities at various locations in Northeastern Pennsylvania. The leases provide for annual fixed rental payments, plus certain real estate and utility expenses. Certain leases extend for a period longer than one year; however, certain leases are cancelable without penalty in the event that NPLS is unable to secure sufficient funding to finance its programs. Lease expense for the years ended June 30, 2015 and 2014 was \$313,625 and \$349,790, respectively.

The following is a schedule of future minimum lease payments for each of the next five years under non-cancelable leases as of June 30, 2015:

Year Ending June 30,	Amount
2016	\$ 188,553
2017	191,490
2018	195,920
2019	220,253
2020	226,471
	<u>\$ 1,022,687</u>

8. FUNDING

The receivable from PLAN represents final payment due to NPLS for the grant contract ended June 30, 2015.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

LSC requires programs receiving funding to implement procedures to dedicate a minimum predetermined portion (12.5%) of its LSC and/or non-LSC funding for private attorney involvement (PAI). This requirement was intended to increase private attorney participation in service delivery and lead to increased communication and cooperation with state and local bar associations. The basic field grant received from LSC for the period July 1, 2014 through June 30, 2015 totaled \$1,841,211. NPLS expended \$197,921 of its LSC funding and \$8,000 of its non-LSC funding, totaling \$205,921, for PAI during the year ended June 30, 2015. This amount constituted 11.2% of the amounts received from LSC under its basic field grant for that period. NPLS obtained a waiver from LSC for the 12.5% PAI minimum.

In accordance with the normal policies of LSC, NPLS may retain unexpended funds for use in future periods, provided that expenses incurred are in compliance with the specified terms of the grant. LSC may, at its discretion, require reimbursement for expenses or return of funds, or both, as a result of noncompliance by NPLS with its terms. In addition, if NPLS terminates its legal assistance activities, all unexpended funds are to be returned to the funding source. LSC also retains a reversionary interest in property, as well as the right to determine the ultimate use of any proceeds from the sale of assets purchased with its funding.

9. RETIREMENT PLAN

NPLS has a 401(k) retirement plan available to eligible employees. For the years ended June 30, 2015 and 2014, NPLS adopted an employer contribution percentage of 5.5% of gross wages, which were contributed to the plan. Employees may make additional contributions to the plan on a voluntary basis. Employer contributions to the plan totaled \$162,916 and \$168,725, respectively, for the years ended June 30, 2015 and 2014.

10. CONCENTRATION OF CREDIT RISK

Financial Instruments

Financial instruments, which potentially subject NPLS to concentration of credit risk, consist principally of temporary cash investments. NPLS invests its temporary cash with several financial institutions. The cash balances are secured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per financial institution. The balances, at times, may exceed federally insured limits.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2015 AND 2014

Sources of Revenue

A significant amount of funding is received for continued operations of NPLS from PLAN and LSC. Grants received are subject to audit and adjustment by grantor agencies, principally LSC and PLAN. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenses which may be disallowed by the grantor cannot be determined at this time, although NPLS expects such amounts, if any, to be immaterial.

PLAN and LSC funding is dependent on the budgeting processes of the Commonwealth of Pennsylvania and the federal government. The LSC grant was approximately 33.06% of total revenue and other support for the year ended June 30, 2015. The PLAN grant (including IOLTA funding) was approximately 45.51% of total revenue and other support for the year ended June 30, 2015. Total revenue and other support used in these calculations do not include in-kind contributions.

11. SUBGRANTS

NPLS provides a subgrant to the Lackawanna Bar Association for the administration of “pro bono” legal services for PAI. The amount of the subgrant provided was \$8,000 for both the years ended June 30, 2015 and 2014.

During the year ended June 30, 2015, NPLS used Special IOLTA funds to provide a subgrant to the Clinton County Bar Association in the amount of \$3,000.

Supplementary Information

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF REVENUE AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES

YEAR ENDED JUNE 30, 2015

(With Comparative Totals for Year Ended June 30, 2014)

	Legal Services Corporation				Pennsylvania Legal Aid Network		Non-LSC PAI		Totals	
	General Program	PAI	Total	Other	2015	2014	Other	2015	2014	
Revenues and Other Support:										
Contracts and grants	\$ 1,643,290	\$ 197,921	\$ 1,841,211	\$ 2,534,284	\$ -	\$ 1,114,038	\$ -	\$ 5,489,533	\$ 5,322,555	
TIG Grant	15,700	-	15,700	-	-	-	-	15,700	16,600	
In-kind contributions	-	-	-	-	-	187,830	-	187,830	186,503	
Other contributions	-	-	-	-	-	34,801	-	42,801	257,051	
DAP equitable payments	-	-	-	-	-	-	8,000	-	-	
Interest income	-	-	-	585	-	-	-	1,245	1,386	
Other income	-	-	-	18,640	-	870	-	19,510	1,639	
Total revenues and other support	1,658,990	197,921	1,856,911	2,553,509	8,000	1,338,199	-	5,756,619	5,786,243	
Expenses:										
Salaries:										
Attorneys	471,335	27,193	498,528	880,810	-	464,507	-	1,843,845	1,780,797	
Paralegals	134,350	13,353	147,703	261,787	-	99,763	-	509,253	494,806	
Support staff and administration	353,417	34,999	388,416	435,641	-	69,373	-	893,430	867,533	
Law students	-	-	-	-	-	5,000	-	5,000	2,348	
Contributed services	-	-	-	-	-	187,830	-	187,830	186,503	
Total salaries	959,102	75,545	1,034,647	1,578,238	-	826,473	-	3,439,358	3,331,987	
Fringe benefits:										
Payroll taxes	67,213	5,781	72,994	120,818	-	50,892	-	244,704	236,296	
Unemployment	4,732	421	5,153	8,641	-	4,353	-	18,147	31,234	
Retirement	42,133	3,780	45,913	77,961	-	39,042	-	162,916	168,725	
Health insurance	224,997	19,701	244,698	401,016	-	203,495	-	849,209	700,748	
Dental insurance	14,998	1,347	16,345	27,601	-	14,114	-	58,060	52,268	
Group life and disability insurance	12,001	1,080	13,081	22,510	-	10,949	-	46,540	31,575	
Workers' compensation	2,151	167	2,318	3,134	-	1,752	-	7,204	7,142	
Total fringe benefits	368,225	32,277	400,502	661,681	-	324,597	-	1,386,780	1,227,988	
Consultants and contractors:										
Consultants	16,181	1,095	17,276	19,097	-	10,817	-	47,190	19,237	
Auditing	5,318	412	5,730	3,670	-	8,370	-	17,550	17,039	
Judicare and contract attorneys	-	67,656	67,656	-	-	-	-	67,656	17,039	
Subrecipients	-	-	-	-	8,000	3,000	-	11,000	8,000	
Total consultants and contractors	21,499	69,163	90,662	22,767	8,000	22,187	-	143,616	61,826	
Travel:										
Employee travel - local	16,164	1,025	17,189	21,130	-	5,849	-	44,168	38,627	
Employee travel - training	6,994	332	7,326	6,543	-	432	-	14,301	11,431	
Board travel	228	13	241	259	-	68	-	568	579	
Total travel	23,386	1,370	24,756	27,932	-	6,349	-	59,037	50,637	

(Continued)

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF REVENUE AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PRIMARY FUNDING SOURCES

YEAR ENDED JUNE 30, 2015
(With Comparative Totals for Year Ended June 30, 2014)
(Continued)

	Legal Services Corporation					Totals		
	General Program	PAI	Total	Pennsylvania Legal Aid Network	Non-LSC PAI	Other	2015	2014
Expenses (Continued):								
Space costs:								
Rent	95,217	7,276	102,493	150,352	-	60,780	313,625	349,790
Utilities	7,603	576	8,179	11,819	-	4,815	24,813	19,850
Maintenance and repairs	9,290	571	9,861	11,788	-	2,967	24,616	19,247
Other space costs and parking	14,898	1,008	15,906	9,849	-	17,691	43,446	58,564
Total space costs	127,008	9,431	136,439	183,808	-	86,253	406,500	447,451
Consumable supplies:								
Office supplies	12,188	929	13,117	19,180	-	7,766	40,063	41,289
Minor office accessories	25,266	1,797	27,063	37,138	-	13,285	77,486	84,192
Computer supplies	2,081	145	2,226	2,995	-	1,015	6,236	8,172
Total consumable supplies	39,535	2,871	42,406	59,313	-	22,066	123,785	133,653
Equipment repairs and maintenance	25,288	1,787	27,075	26,357	-	23,602	77,034	95,149
Other:								
Insurance and bonding	12,906	794	13,700	16,405	-	4,122	34,227	32,003
Printing	2,041	142	2,183	2,956	-	1,003	6,142	6,987
Dues	5,800	-	5,800	3,648	-	15,689	25,137	29,388
Tuition and seminar fees	6,566	376	6,942	7,510	-	1,748	16,200	9,316
Law library	15,980	1,105	17,085	22,828	-	7,732	47,645	44,832
Telephone	29,305	2,445	31,750	50,491	-	23,201	105,442	70,204
Connectivity	35,195	-	35,195	43,620	-	10,058	88,873	98,431
Advertising	483	26	509	537	-	67	1,113	15,264
Court costs	1,213	-	1,213	1,678	-	763	3,654	8,610
Postage	7,609	580	8,189	11,966	-	4,844	24,999	21,812
Return of excess carryover	-	-	-	-	-	-	-	18,740
Miscellaneous	164	9	173	183	-	7,649	8,005	26,039
Total other	117,262	5,477	122,739	161,822	-	76,876	361,437	381,626
Depreciation and amortization	-	-	-	-	-	90,953	90,953	81,780
Total expenses	1,681,305	197,921	1,879,226	2,721,918	8,000	1,479,356	6,088,500	5,812,097
Change in Net Assets	(22,315)	-	(22,315)	(168,409)	-	(141,157)	(331,881)	(25,854)
Reclassification of Net Assets:								
Acquisition of Property	-	-	-	(47,658)	-	47,658	-	-
Net Assets:								
Beginning of Year	432,054	-	432,054	337,934	-	1,020,300	1,790,288	1,816,142
End of Year	\$ 409,739	\$ -	\$ 409,739	\$ 121,867	\$ -	\$ 926,801	\$ 1,458,407	\$ 1,790,288
Acquisition of Property	-	-	-	\$ 47,658	-	\$ 40,455	\$ 88,113	\$ 67,304

(Concluded)

NORTH PENN LEGAL SERVICES, INC.
SCHEDULE OF REVENUE AND OTHER SUPPORT, EXPENSES, AND
CHANGES IN NET ASSETS BY PLAN FUNDING SOURCES

YEAR ENDED JUNE 30, 2015

	Pennsylvania Legal Aid Network						Total
	Federal Title XX	Access to Justice Act Funds	State	DAP	IOLTA	HASA Mortgage Foreclosure	
Revenues and							
Other Support:							
Contracts and grants	\$ 646,680	\$ 1,324,512	\$ 315,207	\$ 117,393	\$ 47,312	\$ 83,180	\$ 2,534,284
Attorney fees	-	18,640	-	-	-	-	18,640
Interest income	-	498	-	-	34	53	585
Total revenues and other support	646,680	1,343,650	315,207	117,393	47,346	83,233	2,553,509
Expenses:							
Salaries:							
Attorneys	207,342	480,283	100,874	24,408	27,522	40,381	880,810
Paralegals	63,480	132,541	26,605	27,698	10,550	913	261,787
Support staff and administration	89,279	241,252	51,210	20,038	23,736	10,126	435,641
Total salaries	360,101	854,076	178,689	72,144	61,808	51,420	1,578,238
Fringe benefits:							
Payroll taxes	27,548	65,337	13,670	5,601	4,728	3,934	120,818
Unemployment	2,088	4,727	983	231	294	318	8,641
Retirement	18,747	42,433	8,823	2,458	2,641	2,859	77,961
Health insurance	97,718	215,397	45,989	13,244	13,766	14,902	401,016
Dental insurance	6,681	15,122	3,144	896	941	817	27,601
Group life and disability insurance	5,355	12,121	2,520	740	755	1,019	22,510
Workers' compensation	829	1,594	390	77	117	127	3,134
Total fringe benefits	158,966	356,731	75,519	23,247	23,242	23,976	661,681
Consultants and contractors:							
Consultants	4,695	10,299	2,250	832	709	312	19,097
Auditing	701	1,902	404	305	187	171	3,670
Total consultants and contractors	5,396	12,201	2,654	1,137	896	483	22,767
Travel:							
Employee travel - local	5,082	11,504	2,392	661	716	775	21,130
Employee travel - training	1,646	3,725	774	166	232	-	6,543
Board travel	65	148	31	6	9	-	259
Total travel	6,793	15,377	3,197	833	957	775	27,932

(Continued)

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF REVENUE AND OTHER SUPPORT, EXPENSES, AND CHANGES IN NET ASSETS BY PLAN FUNDING SOURCES

YEAR ENDED JUNE 30, 2015
(Continued)

	Pennsylvania Legal Aid Network						Total
	Federal Title XX	Access to Justice Act Funds	State	DAP	IOLTA	HASA Mortgage Foreclosure	
Expenses (Continued):							
Space costs:							
Rent	36,089	81,686	16,984	5,005	5,084	5,504	150,352
Utilities	2,855	6,463	1,344	320	402	435	11,819
Maintenance and repairs	2,832	6,412	1,333	380	399	432	11,788
Other space costs and parking	1,715	4,651	989	1,275	457	762	9,849
Total space costs	43,491	99,212	20,650	6,980	6,342	7,133	183,808
Consumable supplies:							
Office supplies	4,610	10,435	2,170	612	650	703	19,180
Minor office accessories	8,916	20,182	4,196	1,228	1,256	1,360	37,138
Computer supplies	718	1,624	338	105	101	109	2,995
Total consumable supplies	14,244	32,241	6,704	1,945	2,007	2,172	59,313
Equipment repairs and maintenance							
Other:	5,761	13,767	2,883	1,789	936	1,221	26,357
Insurance and bonding	3,938	8,915	1,854	542	555	601	16,405
Printing	707	1,600	333	108	100	108	2,956
Dues	763	2,070	440	172	203	-	3,648
Tuition and seminar fees	1,864	3,977	877	245	263	284	7,510
Law library	5,483	12,410	2,580	747	772	836	22,828
Telephone	12,133	27,464	5,710	1,970	1,709	1,505	50,491
Connectivity	10,227	23,148	4,813	2,687	1,441	1,304	43,620
Advertising	128	286	60	26	18	19	537
Court costs	421	952	198	48	59	-	1,678
Postage	2,877	6,512	1,354	379	405	439	11,966
Miscellaneous	43	96	20	11	6	7	183
Total other	38,584	87,430	18,239	6,935	5,531	5,103	161,822
Total expenses	633,336	1,471,035	308,535	115,010	101,719	92,283	2,721,918
Change in Net Assets	13,344	(127,385)	6,672	2,383	(54,373)	(9,050)	(168,409)
Acquisition Property Reclassification	(13,344)	(25,259)	(6,672)	(2,383)	-	-	(47,658)
Net Assets:							
Beginning of Year	-	269,777	-	-	59,107	9,050	337,934
End of Year	-	\$ 117,133	\$ -	\$ -	\$ 4,734	\$ -	\$ 121,867
Acquisition of Property	\$ 13,344	\$ 25,259	\$ 6,672	\$ 2,383	\$ -	\$ -	\$ 47,658

(Concluded)

NORTH PENN LEGAL SERVICES, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2015

Grantor/Program Title/ Pass-Through Agency	Federal CFDA Number	Federal Expenditures
<u>U.S. Congress:</u>		
Legal Services Corporation	09.339070	\$ 1,953,673
Total U.S. Congress		<u>1,953,673</u>
<u>U.S. Department of Health and Human Services:</u>		
Passed through Commonwealth of Pennsylvania Department of Human Services: Passed through Pennsylvania Legal Aid Network: Title XX Social Services Block Grant	93.667	646,680
Total U.S. Department of Health and Human Services		<u>646,680</u>
<u>U.S. Department of Justice:</u>		
Passed through Pennsylvania Commission on Crime and Delinquency: Passed through Domestic Violence Service Center, Inc.: Violence Against Women Formula Grants OVW - Violence Against Women Formula Grants	16.588 16.588	6,927 10,152
Passed through Women's Resource Center: Violence Against Women Formula Grants	16.588	12,900
Total U.S. Department of Justice		<u>29,979</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Passed through County of Lehigh: Community Development Block Grant/State's Program	14.228	12,322
Passed through City of Bethlehem: Community Development Block Grant/Entitlement Grants	14.218	14,566
Passed through County of Northampton: Community Development Block Grant/Entitlement Grants	14.218	18,660
Passed through City of Allentown: Community Development Block Grant/Entitlement Grants	14.218	18,398
Passed through City of Easton: Community Development Block Grant/Entitlement Grants	14.218	10,806
Subtotal CFDA Number 14.218		<u>62,430</u>
Total U.S. Department of Housing and Urban Development		<u>74,752</u>
Total Expenditures of Federal Awards		<u>\$ 2,705,084</u>

See accompanying notes to schedule of expenditures of federal awards.

NORTH PENN LEGAL SERVICES, INC.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2015

1. GENERAL

The accompanying schedule of expenditures of federal awards reflects the activity of all federal awards programs of North Penn Legal Services, Inc.

2. BASIS OF ACCOUNTING AND RELATIONSHIP TO THE BASIC FINANCIAL STATEMENTS

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 2 to the financial statements.

North Penn Legal Services, Inc.

Independent Auditor's Reports
Required by OMB Circular A-133

Year Ended June 30, 2015

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

The Board of Directors
North Penn Legal Services, Inc.

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of North Penn Legal Services, Inc. (NPLS), which comprise the statement of financial position as of as of June 30, 2015, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated October 6, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered NPLS's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of NPLS's internal control. Accordingly, we do not express an opinion on the effectiveness of NPLS's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The Board of Directors
North Penn Legal Services, Inc.
Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NPLS's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, the communication is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
October 6, 2015

Independent Auditor's Report on Compliance for Each Major Program and
on Internal Control over Compliance Required by OMB Circular A-133

The Board of Directors
North Penn Legal Services, Inc.

Report on Compliance for Each Major Federal Program

We have audited North Penn Legal Services, Inc.'s (NPLS) compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* and *Legal Services Corporation (LSC) Audit Guide for Recipients and Auditors and Compliance Supplement* that could have a direct and material effect on each of NPLS's major federal programs for the year ended June 30, 2015. NPLS's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of NPLS's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *LSC Audit Guide for Recipients and Auditors and Compliance Supplement*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NPLS's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of NPLS's compliance.

The Board of Directors
North Penn Legal Services, Inc.
Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by OMB Circular A-133

Basis for Qualified Opinion on CFDA Number 09.339070 LSC Program

As described in the accompanying schedule of findings and questioned costs, NPLS did not comply with requirements regarding CFDA Number 09.339070 LSC Program as described in Finding 2015-001 for Special Tests and Provisions. Compliance with such requirements is necessary, in our opinion, for NPLS to comply with the requirements applicable to that program.

Qualified Opinion on CFDA Number 09.339070 LSC Program

In our opinion, except for the noncompliance described in the "Basis for Qualified Opinion" paragraph, NPLS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the LSC program for the year ended June 30, 2015.

Unmodified Opinion on Compliance for the Other Major Federal Program

In our opinion, NPLS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its other major federal program identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

NPLS's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. NPLS's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

Management of NPLS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered NPLS's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of NPLS's internal control over compliance.

The Board of Directors
North Penn Legal Services, Inc.
Independent Auditor's Report on Compliance for
Each Major Program and on Internal Control over
Compliance Required by OMB Circular A-133

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2015-001 to be a significant deficiency.

NPLS's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. NPLS's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Maher Duessel

Harrisburg, Pennsylvania
October 6, 2015

NORTH PENN LEGAL SERVICES, INC.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2015

None

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

I. Summary of Audit Results

1. Type of auditor's report issued: Unmodified

2. Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

3. Noncompliance material to financial statements noted? yes no

4. Internal control over major programs:

Material weakness(es) identified? yes no

Significant deficiencies identified that are not considered to be material weakness(es)? yes none reported

5. Type of auditor's report issued on compliance for major programs:

Qualified – Legal Services Corporation

Unmodified – Title XX Social Services Block Grant

6. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? yes no

7. Major Programs:

CFDA Number(s)

09.339070

93.667

Name of Federal Program or Cluster

Legal Services Corporation

Title XX Social Services Block Grant

8. Dollar threshold used to distinguish between type A and type B programs:
\$300,000

9. Auditee qualified as low-risk auditee? yes no

II. Findings related to the financial statements which are required to be reported in accordance with GAGAS.

No matters were reported.

NORTH PENN LEGAL SERVICES, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2015

III. Findings and questioned costs for federal awards.

Finding 2015-001 – Special Tests and Provisions

U.S. Congress via Legal Services Corporation (CFDA #09.339040)

Statement of Condition: During our audit, we noted that one out of sixty case files selected for testing, which was a case handled by a private attorney as part of the required private attorney involvement, was not able to be located by North Penn Legal Services, Inc. (NPLS). A print-out of the intake form and case notes from the case management system were provided by NPLS in order to support the eligibility of the client. There was no evidence that case oversight and follow-up was performed in order to ensure timely disposition of the case. The case file was opened in 2008, but was not closed until 2015 after contacting the private attorney that initially handled the case.

Criteria: The Code of Federal Regulations (45 CFR 1614.3) requires that systems designed to provide direct services to eligible clients by private attorneys on either a pro bono or reduced fee basis, shall include case oversight and follow-up procedures to ensure the timely disposition of cases to achieve, if possible, the result desired by the client and the efficient and economical utilization of recipient resources.

Cause of the Condition: The case file was overlooked due to minimal activity.

Effect of the Condition: Timely disposition of the case did not occur.

Recommendation: We recommend that NPLS re-evaluate its procedures for oversight and follow-up of private attorney cases to ensure that more frequent oversight and follow-up of these cases occurs for timely disposition of these cases.

Grantee Response: NPLS has had 3 Managing Attorneys from 2008-2015 for the office in which this file originated. All were new attorneys. Management of this file was overlooked in an office where there is generally very little PAI activity.

