



LSC Risk Management Program

January 31, 2009

LSC Risk Management Program

Introduction

LSC has adopted a collaborative, strategic approach to risk management, which LSC defines as a process for planning, organizing, directing, and controlling the assets and activities of the organization so that LSC can accomplish its mission by safeguarding against threats that could harm, and thus adversely affect, critical operations and assets. Risk management is a dynamic process that will require periodic review and updating. The Audit Committee of the Board of Directors annually will review the implementation of this risk management program (RMP) and recommend revisions as necessary.

Risk Management Goal

LSC seeks to minimize those risks which might affect LSC's ability to achieve its goals and objectives. This RMP is being developed as part of LSC's initiatives to maximize resources, to enhance LSC's oversight functions, and to strengthen LSC's corporate governance. In developing the RMP, LSC analyzed the risks to the Corporation's mission, goals and objectives as stated in the document *Strategic Directions 2005-2010*. The strategies identified herein have been written so as to be consistent with the strategies defined in *Strategic Directions*. In many cases the strategies are the same; in others, the strategies are complementary. The two documents taken together represent LSC's plan of action for achieving our goals and protecting our resources.

Development of the RMP

In developing the RMP, LSC used a process that included staff participation, Executive Team leadership, and Board involvement. Office directors were asked to work with their staffs to identify the risks to their offices' achieving the objectives assigned to them in *Strategic Directions*. The Executive team worked together to identify risks to the Corporation's overall goals and objectives and drafted an RMP incorporating the results of their discussions and the work of the office staffs. Risk areas were identified by the Executive Team as being of high, medium, or low probability of having a negative event occur during the next year, and the severity of consequences if such an event were to occur were also rated as high, medium or low. Following the comprehensive listing of risks, the Executive Team further reviewed the risk areas and refined the list to include only the areas of major consequence that most require active strategies to mitigate the risk. The draft RMP was presented to a special committee of the Board of Directors for review and comment, and the final document was presented to the full Board for adoption. After adoption of the overall document, strategic responsibilities will be assigned, timelines will be set, and an appendix will be added listing each office's more detailed strategies for implementing the RMP.

LSC's Resources and Control Environment

An RMP is intended to protect corporate resources from unreasonable risks. In developing this RMP, LSC seeks to protect LSC, its people, its funding, its assets, its grantees, and those served by the grantees.

The RMP joins a list of documents that establish the environment within which LSC operates and that communicate to LSC employees, directors, supporters, and the public at large our expectations for performance. Other documents that help establish what is referred to as the "control environment" by the Government Accountability Office include the LSC Act and Bylaws, charters for committees of the Board of Directors, the LSC Code of Ethics and Conduct, LSC regulations, LSC procedure manuals such as the Administrative Manual and the Employee Handbook, and LSC office manuals such as the Office of Compliance and Enforcement Procedures Manual, the Office of Program Performance Procedure Manual, and the Office of Financial and Administrative Services Accounting Manual.

Identified Risks and Strategies to Minimize the Risks

The following tables identify risks to LSC's resources and the LSC strategies LSC for mitigating the risks. The Audit Committee of the Board of Directors, in their review of the implementation of the RMP, will further assess the need for performance measures to determine the success of the strategies for mitigating the identified risks and will review the need for more detail regarding the degree of difficulty in implementing the strategies.

RISK TO LSC RESOURCES – PEOPLE

Risks		Strategies		Who is responsible?	Date of next review
	Probability	Severity			
Governance and Board Leadership -- Potential for problems	L	H	<ul style="list-style-type: none"> • Good information flow from management (including legal, financial, programmatic information) and from the OIG and outside auditors • Training of board • Orientation of new board • Evaluations/self-assessments • Sufficient staff support • Staying abreast of best board governance practices • Staying abreast of stakeholder and client concerns • Periodic review of governing documents to assure compliance and relevancy 	Board Chairman	October 2009
LSC Management Leadership -- Preventing leadership problems	L	H	<ul style="list-style-type: none"> • Cohesive, effective management team • Emphasis on high standards • Regular communications with board, Staff, grantees, public, OIG • Regular performance evaluations 	President	January 2010
Leadership Transitions -- President	H	M	<ul style="list-style-type: none"> • Presidential transition plan 	President	October 2009
-- Board	H	M	<ul style="list-style-type: none"> • Board transition plan • Board orientation documents 	Chairman, Board Gov. & Performance Review Committee	April 2009
Management/IG Relations -- Potential for problems	M	H	<ul style="list-style-type: none"> • Communicate, coordinate, cooperate • Regular meetings 	President	January 2010

RISK TO LSC RESOURCES – PEOPLE

Risks			Strategies	Who is responsible?	Date of next review
	Probability	Severity			
Conflicts of Interest/Ethics Violations	L	M	<ul style="list-style-type: none"> • Training on ethics code • Reminders, emphasis on ethics 	Ethics Officer	October 2009

RISK TO LSC RESOURCES – FUNDING

Risks			Strategies	Who is responsible?	Date of next review
	Probability	Severity			
Adequacy of Basic Field Funding -- Insufficient funding to accomplish LSC's mission of providing equal access to justice	H	H	<ul style="list-style-type: none"> • Public education • Strengthen congressional relationships • Strengthen partnerships with advocacy organizations and financial supporters • Work with interested parties 	GRPA Director	October 2009
			<ul style="list-style-type: none"> • Develop criteria-based funding distributions for special populations • Justice Gap update 	President	November 2009
Adequacy of MGO Funding -- Insufficient Management and Grants Oversight funding	H	H	<ul style="list-style-type: none"> • Strengthen congressional relationships • Emphasize quantifying return on investment from oversight funding • Emphasize grants oversight function 	GRPA Director	October 2009
			<ul style="list-style-type: none"> • Continue to assess MGO expenses for unnecessary duplication and inefficiencies 	CAO	November 2009

RISK TO LSC RESOURCES –ASSETS

Risks		Strategies		Who is responsible?	Date of next review
	Probability	Severity			
Internal Fraud	L	H	<ul style="list-style-type: none"> Effective internal controls IG oversight Annual corporate audit 	Comptroller	November 2009
			<ul style="list-style-type: none"> Staff training on ethics 	Ethics Officer	November 2009
Internal Financial Controls -- Failures at LSC	L	H	<ul style="list-style-type: none"> Management accountability Annual audit Board oversight Regular review/update of Accounting Manual 	Comptroller	November 2009
Litigation -- Employment	M	M	<ul style="list-style-type: none"> Regular training of managers Clear-cut policies and uniform application 	HR Director	June 2009
			<ul style="list-style-type: none"> Effective negotiation and use of releases 	GC	December 2009
-- Restrictions/Regulations	M	H	<ul style="list-style-type: none"> Work with programs to improve compliance and make it less likely that they will violate restrictions or otherwise require the imposition of sanctions 	OCE Director	October 2009
			<ul style="list-style-type: none"> Careful crafting and vetting of rulemakings to minimize likelihood of successful challenges 	GC	December 2009
Integrity of electronic data/information -- Potential for Problems	L	H	<ul style="list-style-type: none"> Effective system back-ups Effective disaster recovery Regular staff training Maintain qualified IT staff Effective document and system security Maintain up-to-date technology 	OIT Director	June 2009

RISK TO LSC RESOURCES –ASSETS

Risks		Strategies		Who is responsible?	Date of next review
	Probability	Severity			
Accuracy of grantee data -- Potential for Problems	L	H	<ul style="list-style-type: none"> • Reliability testing (electronic analysis) • Clear guidance/training on grantee reporting • Clarify and better report “Other Services” data provided by grantees • Self inspections 	OIM Director	June 2009
			<ul style="list-style-type: none"> • CSR/CMS program visits 	OCE Director	January 2010
			<ul style="list-style-type: none"> • Technology assistance 	OPP Director	January 2010
LSC Records Management -- Potential for Problems	L	M	<ul style="list-style-type: none"> • Update records management policy, including statement on the handling of confidential information • Train staff in new policy • Effective FOIA procedures • Stay abreast of best practices • Maintain effective computer back-ups • Maintain effective security on electronic information access • Effective use of Worksite software • Remain compliant with legal requirements 	CAO	June 2009
Preservation of LSC interest in grantee property -- Potential for loss	L	L	<ul style="list-style-type: none"> • Maintain up to date Property Acquisition Manual • Remind grantees of LSC policy • Pursue remedies as necessary 	GC	December 2009
Natural Disasters or interruptions of normal operations	L	H	<ul style="list-style-type: none"> • Effective COOP plan • Computer network back-up 	CAO	September 2009

RISK TO LSC RESOURCES – GRANTEES

Risks			Strategies	Who is responsible?	Date of next review
	Probability	Severity			
Grantee Oversight by LSC & IPAs -- Preventing lapses	M	H	<ul style="list-style-type: none"> • Rigorous Compliance oversight • Improved IPA oversight (provide recommendations to OIG) • Maintain comprehensive procedures manuals • Well-defined workplans for program visits • Careful review of grantee reports to LSC • Communications between offices • Internal trainings • Regular communications with programs • Monitoring media reports 	VPPC	October 2009
Interpretations of regulations by LSC Staff -- Preventing inconsistencies	L	H	<ul style="list-style-type: none"> • Joint meetings and trainings • Joint work groups by topic • Feedback from grantees 	VPPC	October 2009
Grantee Operations -- Major misuse of grant funds -- Failure of leadership -- Failure of internal controls -- Lack of board oversight -- Leadership transitions -- Restriction violations -- Poor records management -- Poor quality legal services	L L L M H M M L	H H H H M H M M	<ul style="list-style-type: none"> • Rigorous selection process for grantees • Enforcement of regulations • Grant assurances • Grant conditions • Advisories • Program letters • Oversight visits • LRI • Training of grantee staff • Performance Criteria • Outreach to local boards • Local board education • Outreach to Access to Justice community in region 	VPPC	October 2009
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RISK TO LSC RESOURCES – GRANTEES

Risks			Strategies	Who is responsible?	Date of next review
	Probability	Severity			
Grantee Operations <i>(continued)</i> -- Need to replace program	L	H	<ul style="list-style-type: none"> • On-site assessments to encourage competition • Outreach to congressional and federal agency representatives • Review/redefine service areas • Seek interim provider 	VPPC	October 2009
			<ul style="list-style-type: none"> • Periodic review of regulations • OLA opinions 	GC	October 2009

Responsibilities for Risk Management

Board of Directors

- Sets strategic goals and objectives, adopts annual operating budget, and approves risk management plan.
- Reviews operational reports to monitor progress towards goals as defined in *Strategic Directions* and assure compliance with organizational requirements.
- Adopts and establishes policies and regulations.
- Reviews the organization's risk management plan.
- Maintains working relationship with members of Congress.
- Audit Committee to review implementation of RMP.

President

- Has overall responsibility for the effective implementation of the RMP.
- Assigns staff to design and carry out risk management activities.
- Assigns staff to perform annual review of the risk management activities.
- Approves all grants for the Corporation.
- Executes major contracts for the organization.
- Keeps the Board apprised of emerging threats and opportunities facing the organization.
- Leads the Executive Team in periodic review and update of the risk management plan.
- Gives final approval to the plan.
- Maintains effective relationship with members of Congress and staff.

General Counsel

- Serves as advisor to the Board of Directors in legal matters, consulting outside counsel on an as needed basis.
- Advises senior staff on contracts; reviews contracts on an as needed basis.

Chief Administrative Officer

- Monitors implementation of risk management program.
- Recommends any necessary modifications.

Vice President for Programs and Compliance

- Supervises oversight of grantee operations and compliance.

Treasurer/Comptroller

- Establishes, conducts, and maintains internal controls for financial transactions.
- Purchases D&O insurance.

Executive Team

- Oversees organization-wide effort to protect the vital assets of LSC
- Convenes periodically to review the Corporation's priority risks and corresponding risk management strategies.

Office Directors

- Review and recommend modifications to corporate risk management program.
- Supervise implementation of risk management strategies within their area of responsibility.