Management Audit of the Legal Aid Society of Hawaii

A Report to the Governor and the Legislature of the State of Hawaii

Submitted by

THE AUDITOR
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Foreword

This report was prepared in response to Senate Concurrent Resolution No. 201, S.D. 1 of 1991 which requested the auditor to conduct a management and financial audit of the Legal Aid Society of Hawaii.

The society is a private nonprofit corporation that has received more than $13 million in state funds during the past 25 years. The Legislature requested this review to ensure that state funds are being used efficiently.

We wish to acknowledge the cooperation and assistance extended to us by the Legal Aid Society and others whom we contacted during the course of the audit.

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Chapter 1
Introduction

The Legal Aid Society of Hawaii is a nonprofit corporation created in 1950 to provide legal assistance to those who cannot afford to hire attorneys. It helps people with such legal problems as spouse abuse, eviction, and denial of public assistance. The American Bar Association makes the following case for publicly funded legal services to the poor:

> In a society based on law, justice is available only to those who can make the legal system work for them. . . . For the poor, who lack the economic resources to hire a lawyer, justice historically has often been difficult or impossible to achieve. Lack of economic resources as well as dependence on public institutions and programs create a magnitude of legal problems for the poor that have been difficult to resolve.[1]

Supported mainly by state and federal funds, the Aloha United Way, and the Hawaii Island United Way, the society maintains nine offices on Oahu and the neighbor islands and closes about 7,000 cases a year.[2] Its staff of 64 consists of attorneys, paralegals, secretaries and other support personnel.[3] The society is governed by a board of 33 directors made up mainly of attorneys and of representatives of the client population.[4]

Request for the Audit

In Senate Concurrent Resolution No. 201, S. D. 1, 1991, the Legislature requested the auditor to conduct a management and financial audit of the society. The resolution noted that the society had received more than $13 million in state funds over the past 25 years but had never been audited by the State.

Both the resolution and the committee report noted criticisms of the society in a recent compliance review by the National Legal Services Corporation. The corporation, which channels federal funds to the society, charged that management problems had caused a decrease in case closures, reductions in client intake and services, closings of offices, and high attrition of staff. From the auditor, legislators wanted an independent review of management operations as well as information on the society's funding trends and any effects cutbacks might have had on service.

Objectives of the Audit

1. Assess whether the organization of the Legal Aid Society of Hawaii fosters effective accountability and oversight of performance.

2. Assess the adequacy of the society's management of legal services, personnel, and finances, particularly in light of its limited resources.

3. Develop recommendations for improvements in management.

Scope and Methodology

We examined the society's organization in terms of the structure and functions of both the Board of Directors and the society's management. We reviewed the operations of the main office in Honolulu and eight branch offices, focusing on FY1988-89 to the present.

As criteria and guides for our evaluation, we used several sources: the American Bar Association's *Standards for Providers of Civil Legal Services to the Poor*,[5] state and federal laws governing the society, and general principles of sound management for nonprofit organizations.

We assessed the society's management of legal services, not the quality of legal representation. The confidentiality of many of the society's files are protected by the attorney-client privilege or by ethical prohibitions against the disclosure of confidential information obtained from a client. Standards of the American Bar Association assert that legal service providers cannot ethically give funding sources access to confidential information unless they have the client's informed consent.[6] We chose to conduct the audit without seeking confidential materials and sampling case files.

We reviewed trends in funding going back to the mid 1980s and examined the impact of funding on services. We did not conduct a financial audit because the society has independent financial audits each year. We did examine some issues relating to allocation of resources.

In carrying out the audit objectives, we reviewed the literature on civil legal services, applicable laws and regulations, the society's annual reports, and minutes of board meetings. We interviewed members of the Board of Directors, personnel of the agency, and others knowledgeable about legal aid programs. We conducted a telephone survey of former staff to assess reasons for staff turnover. We studied the society's administrative files, internal correspondence, case statistics, financial records, and independent financial audits.

Our work included a review of the agency's management controls and its compliance with applicable laws to the extent necessary to fulfill the audit objectives.

This work was conducted between June and November 1991. We did not test the data provided by the society, but in all other respects our work was carried out in accordance with generally accepted government auditing standards.

Chapter 2
Findings and Recommendations

The mission of the Legal Aid Society of Hawaii is to provide civil legal services and access to the courts to people who cannot afford lawyers. It advocates for them when there is a "serious need for legal assistance—especially when their problems concern their welfare, Medicaid, family, and housing."[1]

We find that the society has had difficulty keeping pace with the demands of a fast-changing and increasingly complex legal environment. Since 1980, legal services for low-income persons, once a mainstay in the national War on Poverty, have had to fight for survival. The society manages a statewide program with nine offices on six islands—a challenge not faced by legal aid offices on the mainland. It must cope with the same problems faced by private law firms—crowded court calendars, increasing numbers of people resorting to litigation, keen competition for legal talent. Other law firms, faced with the growing complexity of operations, now hire nonlawyers as managers and rely more and more on computers, word processors, and modern telecommunications systems.

Although we recognize the challenges faced by the society, we find it could do more to meet a number of pressing needs of both its program and its staff. In this chapter we discuss these areas and offer recommendations for improvement.

Summary of Findings

1. Impetus for change must come from the Board of Directors. But handicapped by its large size and rigid composition, the board has not been as systematic as it needs to be in carrying out certain of its oversight responsibilities, such as holding management accountable for results.

2. The society has taken approaches that are sometimes counterproductive. In several instances decisions were not on target, purposes of changes were not explained to staff, and their results were not monitored. More staff input is needed in decision making.

3. The society's management has made some improvements but problems persist. Too many functions remain centralized and branches do not have the flexibility that would help them do their jobs better.

Changes Must Come From the Board

Only the board is in a position to both mandate and encourage improvements to the society. It is to be commended for its active interest in the society and for taking a number of initiatives. It has strongly supported the executive director, approved a new management structure, increased staff training, and initiated a time accounting system. It has not hesitated to make some tough policy decisions. But more systematic oversight of the society's performance is needed to foster vision, growth, and change.

The role of the board by federal law and under its own bylaws is to set policy direction and oversee program performance to ensure that the society is serving community needs. Its main responsibilities are to govern the affairs of the society, to approve all grant applications and annual budgets, and to appoint the executive director.[2]

According to the standards of the American Bar Association, the board of a legal services organization should regularly review operations to assure policy implementation and to identify problems that may require intervention. A board must hold the executive director accountable through a periodic evaluation.[3] We find weaknesses in all these areas.

The board has not systematically reviewed the society's operations nor its executive director. It receives little information on program performance from the executive director. The board, we believe, could be more effective if it were organized to focus more specifically on these issues.

Unwieldy structure

We recognize that the board operates with a somewhat unwieldy structure and that its large size and rigid composition may handicap effectiveness. There are 33 directors, each of whom serves a two-year term. Federal regulations say that no less than 60 percent of the board must be attorneys and no less than 33.3 percent must be community representatives who qualify financially as legal aid clients. Two remaining board members must be other than attorneys or client members.[4]

The federal requirement is rigid and prevents a better balance of community representatives. In light of these constraints, the board needs to pay special attention to how it can best carry out its responsibilities.

Committees are not systematically evaluating program performance

The society's bylaws establish the following standing committees: executive, nominating, finance, evaluation, bylaws and members, and client grievance. Except for the nominating committee, the committees do not have their functions and responsibilities spelled out.

Our review of board minutes from January 1988 through May 1991 shows that only the executive/finance committee, which is composed of the standing committee chairs, reports to the board on a regular basis. This committee addresses such topics as the need for additional funding, expenditure of surplus revenues, salary adjustments and increases, personnel turnover, and retrenchment. Other committees report sporadically and meet on an "as needed" basis.

During the past four years, there has been no formal evaluation of program performance by the executive committee or the evaluation committee. The executive/finance committee looks intermittently at certain program issues but not in any systematic way. The board has recognized a need for evaluation and the society recently hired a consultant on legal aid offices in the United States to conduct an on-site review of the society's operations and to make recommendations for improvement.

The board has also charged the evaluation committee with developing a method for examining program performance. Members of the evaluation committee recently recommended a biennial evaluation of the executive director, a separate staff evaluation of the director, a survey of clients, and a survey of departing staff members.[5]

The board should review its committee structure and spell out in its bylaws the functions and responsibilities of its standing committees. Responsibility for program evaluation should be specifically assigned. The executive/finance committee should continue working with an evaluation committee to make sure that it develops and implements a system for monitoring the performance of the society on a regular basis.

In addition to knowing its assigned responsibilities and functions, for a volunteer committee to do its work there must be a record of past work to which it can refer and build upon. We found that records of board activities were often somewhat thin. The board should make sure that management maintains full records of board activities.

Board has not routinely evaluated the executive director

Similarly lacking is a periodic evaluation to hold the executive director accountable for program performance. The standards of the American Bar Association state that the board shall hold the chief executive accountable by establishing specific criteria to recruit and select the person most capable of implementing policy and managing operations. The standards say the board shall also conduct ongoing oversight and periodic evaluation of performance, take corrective action to improve performance, and if necessary, terminate in a fair and timely manner.[6]

Such an assessment would serve several purposes. It would (1) help satisfy the board's responsibility for the well-being of the organization, (2) improve the director's performance, (3) review jointly institutional goals, (4) clarify expectations and responsibilities, (5) be the basis for deciding whether to retain or dismiss the director, and (6) set the director's salary. Giving the executive director a positive evaluation could also strengthen her position at the society.

It would appear that the current evaluation committee is responsible for evaluating the executive director. Board minutes show that the committee conducted an evaluation in 1989 when it mailed an evaluation form to board members and asked for their input on the director. Recently, the evaluation committee recommended using the same form to conduct an evaluation every other year.[7]

The evaluation committee's responsibilities for evaluating the director should be spelled out more specifically. The committee should be charged with developing both the evaluation criteria and the process for conducting the evaluation. In developing these, the committee should seek out the ideas of client members on factors relating to client satisfaction and service delivery. The evaluation could include goals and expected improvements.

The committee should conduct the evaluation annually and share results with the board. The results should be maintained in board files where they can be accessed by new members. Some board members report that they have no knowledge of any evaluations done. The current executive director has been with the organization for ten years and board members should be aware of her performance and progress over that period of time.

Once an evaluation system is established and approved by the board, the director should be given written information on the expectations of the board and the process for her evaluation. As part of this effort, the board should consider whether it wishes to contract formally with the executive director for a term of service.

Board does not receive sufficient information

The duties of the executive director include providing staff assistance to the board. The director is thus responsible for helping the board carry out its oversight responsibilities. The board can fulfill its monitoring function only if it receives a timely flow of reliable, useful information. The information supplied by the director does not adequately meet these requirements. In an evaluation of the executive director conducted in 1988, the evaluation committee reported that some board members did not feel well-informed about the society's activities. The committee suggested that the director give more comprehensive reports to the board.[8]

The executive director gives the board little consistent information about program performance. She reports on funding sources, new staff and staff who have left, changes in the budget, and summary caseload statistics. The case statistics, however, only show aggregate cases closed. They give no information on client satisfaction or the degree to which the needs of the poverty population are being met.

It would be useful for the board to have more descriptive information about the types of cases the society is handling and how these meet the society's stated priorities. Also useful would be management changes made or contemplated, important activities at the branches, emerging issues, staff concerns, and the impact of board and management initiatives on operations.

When the board does not receive complete, well analyzed information, it could find itself making questionable decisions. Inadequate information about program performance and staff concerns may have led the board to support decisions on closing offices and retrenching which have adversely affected operations and may have contributed to staff turnover. We will discuss these concerns in a later section.

Several board members said that the board has not asserted its role in controlling the society. Community members especially felt that the board merely responds to concerns brought to its attention by the executive director. The board must work with the executive director and rely on her for information on the society's activities. At the same time, the board must maintain its independent role and have the capability to carry out its oversight responsibilities.

The board must become more knowledgeable about the society's operations. It should work with the evaluation committee to determine what kinds of information it needs from the director on a regular basis.

Society's Actions Are Sometimes Counterproductive

Sound management means having a clear idea about what goals are to be achieved, strategies for accomplishing these goals, ways to communicate this information to staff, and methods to regularly monitor actions and results. We found several instances where decisions on major program changes could have been better thought through, implemented, and monitored. To illustrate, we discuss the society's approaches to reducing staff turnover, improving its financial situation, and implementing its time accounting system.

Retrenchment did not reduce staff turnover

The executive director reported to the board in June 1988 that low salaries at the society were making it increasingly difficult to attract and retain staff. Although staff received annual increments, a report of the

state attorney general made it clear that legal aid salaries were at the bottom of the totem pole among public service attorneys.[9] Minutes of the board showed that 16 staff left in 1988—two were attorneys and seven were paralegals. The society planned to revise its salary schedules and ask the State for a substantial increase of $500,000 to $700,000 for the 1989-91 fiscal biennium to support an increase in salaries.[10]

When the 1989 Legislature did not appropriate the requested increase, the society decided to close certain offices and reallocate resources so that it could implement the revised salary schedules. The society issued a press release announcing that because critically needed funds were not received from the State, it would be cutting two attorneys and two paralegals from the Honolulu office. Cuts would also be made at the Kahaluu, Hilo, Maui, Molokai, and Lanai offices. It asked that those concerned about the lack of legal assistance to the poor write letters to the governor and their legislators.

The following year the Legislature made a supplemental appropriation of $473,997 to the society to restore positions that had been cut and to maintain the salary increases given to the staff.

It is not clear that the drastic step taken in 1989 was necessary or effective in reducing staff turnover, though it had a significant impact on client services. The intake of new cases was closed at certain offices and there was a 25 percent decrease in cases closed over the next two years. Cases closed dropped from 8,515 in FY1988-89 to 6,764 in FY1989-90 to 6,387 in FY1990-91.

After employees were terminated, the staff shortages created additional stress for those who remained. Despite the increase in pay, turnover remained high. Three attorneys and two paralegals left in 1989 after the salary increases were made. In 1990, a total of 22 employees left, including eight attorneys and five paralegals. Two were senior managing attorneys at Kauai and Maui.

The cost of training new attorneys and support staff appears not to have been considered in the decision to retrench. Twenty-three new employees have been hired for the Honolulu office since July 1989. During this same period, Waianae had six new employees, Kauai had four, and Maui had seven. Each of these new employees have had to be trained. New managing attorneys have had to be hired for Waianae, Kahaluu, Kauai, and Maui.

Management does not appear to have analyzed the problems sufficiently or costed out the impact that retrenchment would have. Low salaries were not the sole reason staff were leaving. In telephone interviews with staff who left the office in 1988 through early 1991, we found that salaries were not the primary reason for their departure. Other reasons included conflicts with management and insufficient training.

The fundamental question of what services the society could provide, given limited staff and resources, appears not to have been raised. Management could have reevaluated their priorities and reviewed the types of cases being accepted. In addition to expanding its training program, it could also have explored ways of increasing productivity and improving staff morale. The decision appears to have been made without sufficient information about program performance and staff concerns.

Management has not followed up on the impact of raising salaries. It has yet to look at the kinds of services being given or to prepare itself should the issue arise again.

Funding for the society has not been static

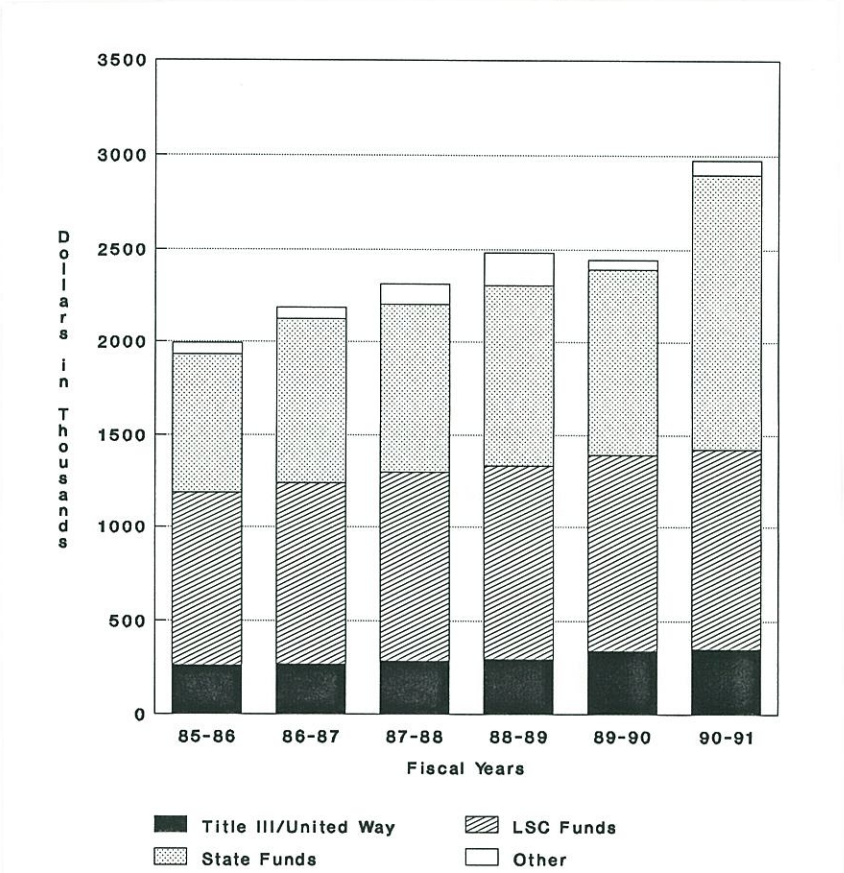
Cutbacks in services cannot be attributed to limitations in funding but to a conscious decision to retrench. In its press releases and applications for funding, the society has painted a picture of static funding. Actually, the society's total revenues increased by 49 percent between FY1985-86 and FY 1990-91. Figure 2.1 shows the society's total revenues from all sources from FY1985-86 through FY1990-91. (See Appendix A for a table showing the society's revenue amounts by source.) Even if the large FY1990-91 appropriation is discounted, the increase is still 23 percent for FY1985-86 to FY1989-90.

The society's primary sources—State of Hawaii (through the Department of Labor and Industrial Relations), federal funds from the Legal Services Corporation, federal Title III funds, and United Way—have increased their funding every year. (An exception was an $81 funding decrease from the United Way in FY1988-89.) While growth is slower in Title III/United Way and Legal Services Corporation funds, growth of state funds is steadily upwards. In fact, as Figure 2.2 shows, the State's share of the society's revenues is now greater that that of the Legal Services Corporation, making the State the society's largest contributor.

Figure 2.3 compares the percentage growth in the society's total revenues with increases in the Honolulu Consumer Price Index. Except for FY1989-90, total revenue growth has outpaced the Honolulu inflation rate.

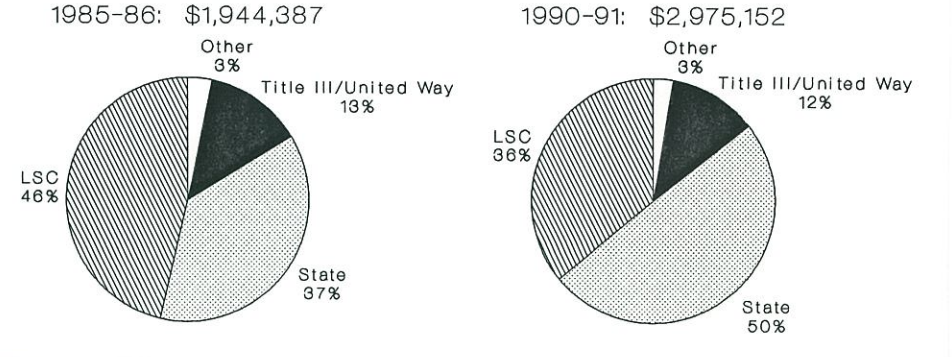
The only year that revenues decreased was when the Hawaii Bar Foundation reduced its funding from $122,484 to $10,000 in FY1989-90. But most of this shortfall was made up from other sources so that the society received only $36,417 less than it had the year before.

Figure 2.1
Total Funding by Source, FY1985-86 to FY1990-91



Source: Legal Aid Society of Hawaii, *Financial Statements and Auditor's Report*, 1985-86, 1986-87, 1987-88, 1988-89, 1989-90, 1990-91.

Figure 2.2
Comparison of Revenue Sources



Source: Legal Aid Society of Hawaii, *Financial Statements and Auditor's Report*, 1985-86, 1986-87, 1987-88, 1988-89, 1989-90, 1990-91.

Expenditures for the society have also increased consistently. Although expenditures have increased, we found unexpended revenues in each fiscal year we reviewed. Much of the balances was rolled over into the following year's budget, thereby increasing the funds available to the society. In FY1990, the society had unexpended revenues of $161,460. Figure 2.4 shows annual revenues, expenditures, and unexpended revenues for the society.

Figure 2.3
Comparison of Revenue Growth Rate with Honolulu Consumer Price Index

Fiscal Year	Revenues	Growth	CPI
85-86	1,994,387		3.1%
86-87	2,185,050	9.6%	2.4%
87-88	2,311,999	5.8%	4.8%
88-89	2,480,723	7.3%	5.6%
89-90	2,444,306	-1.5%	5.4%
90-91	2,975,152	21.7%	6.8%

Source: Legal Aid Society of Hawaii, *Financial Statements and Auditor's Report*, 1985-86, 1986-87, 1987-88, 1988-89, 1989-90, 1990-91. *State of Hawaii Data Book 1990*, Department of Business and Economic Development, November 1990.

Figure 2.4
Revenues, Expenditures, and Unexpended Revenues, FY1987-88 through FY1990-91

Year	Revenues	Expenditures	Unexpended Revenues
1987-88	$2,311,999	$2,248,834	$ 63,165
1988-89	$2,480,723	$2,471,289	$ 9,434
1989-90	$2,444,306	$2,412,351	$ 31,955
1990-91	$2,975,152	$2,813,692	$161,460

Source: Legal Aid Society of Hawaii, *Financial Statements and Auditor's Report*, 1987-88, 1988-89, 1989-90, 1990-91.

Society used unexpended revenues for bonuses

The society found that staffing vacancies had resulted in large balances which had to be spent. It decided to spend these on staff bonuses. The purpose of using unexpended revenues on bonuses rather than, say, equipment, is not clear. Further, the manner of awarding these amounts and explaining this purpose was not well-communicated. As a result, some staff were disappointed, and the results of a well-intended decision were not entirely satisfactory.

At a board discussion in March 1991, bonuses were proposed to reward staff who had stayed with the society during a difficult period. Subsequently, the board decided to give out approximately $80,000 in bonuses to all employees on staff as of June 15, 1991.[11]

The rationale for the amounts given to each category of employee was not apparent, so that the awards appeared arbitrary. Each fulltime attorney was given $750 and all other fulltime employees were given $500. The executive director was given a bonus of $7,000 and the deputy director was given $4,000. These "flat" awards amounted to 2.8 percent of a starting attorney's salary and 1.6 percent of the highest paid attorney's salary. But bonuses comprised 10 percent of the director's salary and 9.2 percent of the deputy's salary.

In addition to these across-the-board amounts, some 28 employees qualified for a "grid incentive" award. These ranged from $2,375 to $188.

In June 1991, each employee received the bonus with a letter of thanks from the board president and president elect. For reasons that are not clear, staff were informed individually that it was a reward for good work, perseverance, and loyalty and that they were not to discuss the bonus with other employees.

Some staff reported in interviews that they were proud and grateful for being recognized. When it became evident, however, that everyone had received a bonus regardless of their length of service or quality of work, they said that they became disappointed and frustrated.

Time accounting needs followup

In 1989, the society introduced a time-accounting system to make it more accountable to funding sources and to improve the quality of management information. The system requires attorneys, paralegals, and secretaries to record on time sheets the work performed on each of their cases each day. In 1990, the president of the board claimed that as a result of the time sheets the society was able to provide funding sources with accurate information on the quantity, quality, and cost of legal

services. She also said that within the organization the staff was able to use the reports to assess and improve case management techniques and procedures.

We found that while the purpose of time sheets may have been sound, the results were not as expected. Follow-up is needed.

Time sheets are a well-established practice in the legal field. Defense attorneys, who bill their clients by hours and parts of hours, routinely use timesheets, as do some plaintiff attorneys, who operate on contingency fees. Time sheets provide time and cost information. They create a record of work performed, which can be used when a client switches to another attorney, or a court awards attorney fees or monetary sanctions, or a dispute arises with the client as to work performed.

The society's attorneys and paralegals generally approved of the idea of time sheets but voiced several concerns: the lack of staff input before introducing time sheets, the difficulty of dividing up one's workday for transfer onto the sheet, an unclear coding system, the burden of paperwork, the excessive and duplicative information required, and the questionable usefulness of the reports generated from the time sheets. Several of the secretaries felt the time sheets were inappropriate for the kind of work they do and they also questioned the value of the information generated.

It is not clear what use management has been making of time sheets. Since they have caused such concern, management should assess their impact, determine whether they are achieving their purpose, and identify possible improvements.

More staff input is needed

Management that is forward-looking focuses on continuous improvements. To do this, it must have the cooperation and good will of its staff. Lack of staff input was a common complaint. The society apparently has no formal policies or procedures to obtain staff input on management and program initiatives. Staff noted that management is seeking more feedback but has not developed a formal system by which to do so. According to staff, input is sought in training classes, at management meetings, on staff retreats, and through other means.

Management did not consult with or inform the staff about program changes. Several professional staff noted that new policies are often implemented without sufficient communication. They noted, for example, that management introduced the time sheet requirement without consulting staff.

In addition to interviewing many current staff, we surveyed many former employees. Over 50 percent said they left the society because of conflicts with management. Respondents reported, for example, that management, at the time of their employment, did not obtain staff input on program initiatives, was too centralized, and was tainted by favoritism—weaknesses which in their opinion led to low staff morale and subsequently their departure from the society.

It is important for management to take steps to improve communication with staff. Recently, central management has initiated efforts such as visiting each of the branch offices. These visits focus primarily on service priorities and legal strategies and questions. More has to be done in examining the concerns of staff and the support they need. Management should also involve staff in budgeting and in decision making by asking for input on proposed actions before they are implemented.

Management Has Made Improvements But Some Problems Persist

The society's management has taken steps to improve the agency. It has increased funding for staff training, revised the personnel manual, improved fringe benefits, and purchased more computers. The in-house newsletter, *Backlash*, was revived to help improve communications with staff, two staff retreats have been held. Nevertheless, a number of persistent problems hamper productivity, lower staff morale, and in the long run work counter to the society's mission.

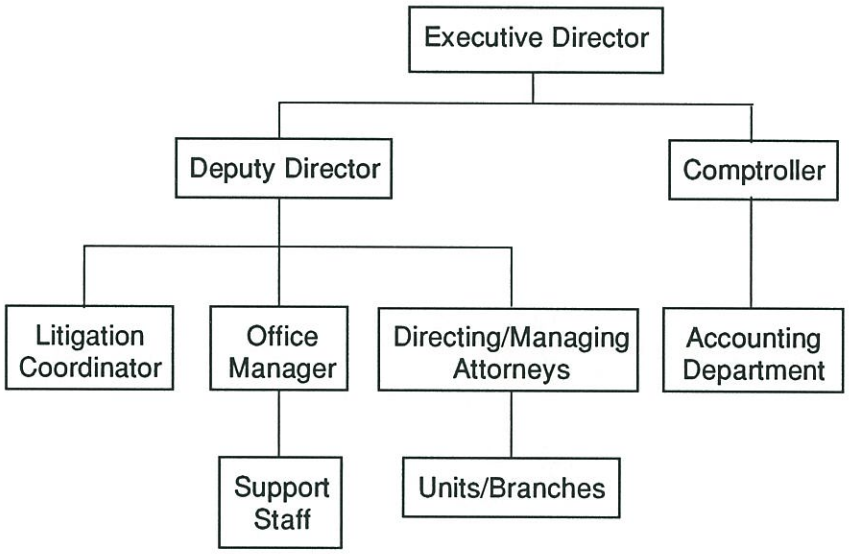
Current structure is centralized

The society is organized into a main office in Honolulu and eight branch offices. There are branch offices in Waianae and Kahaluu on Oahu, in Hilo and Kona, and on the islands of Kauai, Maui, Molokai, and Lanai.

All of the offices operate under the general direction of a central management team located in Honolulu. Figure 2.5 illustrates the management structure of the agency and Figure 2.6 shows staffing at each of the nine offices located throughout the state.

The central management team in Honolulu includes the executive director, deputy director, comptroller, litigation coordinator, and the office manager. Next in line are four directing attorneys in Honolulu and the managing attorneys of the branch offices. The managing attorneys are responsible for day-to-day branch management and case management. They report directly to the executive director or the deputy director. The executive director has final approval over all management decisions.

Figure 2.5
Management Structure of the Society



Although this basic structure appears sound, we found that the branch offices do not have all the support and flexibility they need. The society has no policies governing the relationship between central management and branch offices. The Honolulu office controls many activities that could be delegated.

The standards of the American Bar Association say that legal aid providers should establish a "delivery structure," tailored to local circumstances, that balances four competing goals—(1) achieving clients' objectives, (2) assuring quality of representation, (3) facilitating access for clients, and (4) maintaining institutional stability and continuity.[12] The society needs to assess how it can best achieve this balance. In view of the complex, professional nature of the work and the physical distances among the offices, managers need greater discretion in order to respond effectively to their local situation.

Delegating authority downward would enable the society to cope better with changing demands, to function more effectively and efficiently as a modern law office, to attract and retain qualified personnel, and to encourage initiative. Several areas of agency administration that appear too centralized are the method of evaluating secretarial staff, the distribution of supplies and resources, and the access to telephones and computers.

Figure 2.6
Staffing Pattern by Office, August 1991

Office	Attorneys	Paralegals	Support
Honolulu[1]	12 [2]	9	17 [3]
Waianae[4]	1	1	1
Kahaluu[5]		1	1
Kauai[4]	2	1	1
Molokai[4]	1		1
Lanai[6]		1	
Maui[4]	3	1	1
Hilo[4]	3	2	2
Kona[7]		2	
Total	22	18	24

Source: Legal Aid Society of Hawaii

[1]Houses the society's executive director, deputy director, litigation coordinator, comptroller, and office manager.

[2]Includes the society's executive director, deputy director, litigation coordinator, and the directing attorneys of Honolulu's family, health, public assistance, and consumer units.

[3]Includes the society's comptroller and office manager.

[4]Headed by managing attorneys.

[5]Attorney position is vacant.

[6]Managed by the Honolulu office.

[7]Managed by Hilo managing attorney.

Evaluation of branch secretaries is too far removed

The managing attorneys in the branch offices have little involvement in hiring or evaluating support staff. The office manager in Honolulu (or a delegate) conducts the performance appraisals of secretaries. The manager flies to the branch offices to administer an evaluation test that apparently covers basic typing and computer skills. After testing, the office manager flies back to Honolulu to review the test scores and prepare a performance appraisal. Then comes another trip to the branch office to give feedback to the secretary.

We believe it would make more sense to have managing attorneys conduct these appraisals. All of the managing attorneys we interviewed questioned the reasoning of having the office manager in Honolulu evaluate secretaries who work in branch offices. Managing attorneys supervise the performance of these staff on a daily basis and know their strengths and weaknesses. Some of the support staff agreed that the managing attorneys should do the evaluation. They felt more accountable to their managing attorneys than to management personnel in Honolulu. They questioned the ability of a central office to appraise their performance and they voiced concern about the cost of administering appraisal tests.

Supplies and resources are difficult to obtain

There was widespread concern among the staff whom we interviewed about inefficiencies in day-to-day operations created by central management's control of supplies and resources. They expressed frustrations with shortages.

The distribution system for supplies is inadequate. Office practice is for branch offices to order supplies through the Honolulu office and to pick them up there. Branch staff who happen to be in Honolulu are asked to carry supplies back to their offices. Staff noted that if no one goes to Honolulu on business for a month, then no supplies are received during that time. Besides the problem of shortages, staff are frustrated by the inconvenience of having to carry supplies on the bus. Office practice is for staff to use public transportation instead of taxis.

At times, the main office has ignored the most basic resources needed by attorneys. In one case, a branch office was not given a complete set of the Hawaii Revised Statutes. The attorney had to justify to the office manager in Honolulu why a set was needed. In another case, a branch office was not given a set of the Hawaii Administrative Rules.

Petty cash is another trouble spot. All branch offices have a petty cash fund used for miscellaneous small expenses such as postal and local delivery, office maintenance, and supplies. Managing attorneys must obtain prior approval from the office manager in Honolulu for petty cash expenditures over $20.

Managing attorneys do not participate in the budget process. They must appeal to the central office for any resources they need. Management should invite the participation of managing attorneys in developing the budget and consider giving branch offices some discretionary funds for needed resources.

Telephone access is restricted

The telephones of attorneys and paralegals do not have long-distance capabilities. Whenever they want to make long distance calls, they must ask a secretary to dial. Some of the attorneys and paralegals saw this as an inconvenient and frustrating waste of time. Although we understand the telephone system will be changed, if the purpose of an office policy is to control long distance calls, management could consider having staff keep a log.

Automation is limited

Most law offices have come to see computerization of legal services as a key to improving work quality, timeliness, productivity, and job satisfaction. The society's management has not adequately explored the legal staff's need for computers, the options available, their costs and benefits.

Access to the society's computers is controlled by the secretaries, each of whom were given a machine by the Honolulu office. A memo to the Honolulu staff states that secretaries are "primary users," and that legal staff can use the machines only after meeting certain criteria and "passing their secretary's basic minimum requirements." A secretary may request that a staff member "no longer have access to her computer/ printer" or that usage be suspended until criteria are met. The few attorneys or paralegals with computers have had to purchase them with their own money.

The agency's attorneys and paralegals see automation as essential to improving their productivity. Most would like to see more funds spent on automation. They noted that computers are helpful for drafting court documents, tracking cases, and writing letters and memoranda. They wanted use of their own machines, some saying that they had been discouraged from using the computers assigned to secretaries.

Taken singly, these operational conditions might not be cause for concern. Taken together, however, they lower staff morale and the support they need to carry out the society's mission.

Recommendations

1. The Board of Directors of the Legal Aid Society of Hawaii should examine its committee structure, assign responsibility for program evaluation to one of its committees, define specifically what this responsibility includes, and monitor the implementation of program evaluation.

2. The committee charged with program evaluation should, in developing the evaluation process, identify the kinds of information that it regularly will need from the executive director.

3. The Board of Directors should assign responsibility for evaluating the executive director to a committee. The committee should develop both the specific criteria and the process for conducting the annual evaluation.

4. Staff to the board should make sure that board records are complete and maintained in good order.

5. When planning program changes, management should carefully analyze the problem, consider alternatives that could be taken, assess the potential impact of the action, establish an appropriate strategy for implementation, and monitor and evaluate the outcome of its action.

6. The society should take steps, both formal and informal, to ensure staff input into management decisions and actions.

7. The board and management of the Legal Aid Society of Hawaii should examine the respective responsibilities and authority of central management in Honolulu and the branch offices with a mind to improving working conditions and legal services. Those responsibilities that can be carried out more productively, efficiently, and cost effectively at lower levels should be delegated.

8. The society should create a more efficient and timely distribution system for supplies, give managing attorneys input in developing the society's budget, and increase the petty cash fund.

9. The society should establish a committee to develop a program for computerizing appropriate operations.

Notes

Chapter 1

1. American Bar Association, *Standards for Providers of Civil Legal Services to the Poor*, Chicago, Illinois, 1986, p. i.

2. Memorandum to Board of Directors, Legal Aid Society of Hawaii, from Office Manager Joyce Straka, Subject: 1990-91 Fiscal Analysis of Case Service Report, July 19, 1991.

3. List of staff provided by the society, August 27, 1991.

4. List of Board of Directors provided by the society, June 12, 1991.

5. American Bar Association, *Standards for Providers of Civil Legal Services to the Poor*.

6. American Bar Association, *Standards for the Monitoring and Evaluation of Providers of Legal Services to the Poor*, Chicago, Illinois, Feb. 1991, Standard 2.3 with commentary, pp. 41-43.

Chapter 2

1. Legal Aid Society of Hawaii, *1990 Annual Report*, p. 1.

2. *Bylaws of the Legal Aid Society of Hawaii*, amended July 25, 1990, pp. 6-8.

3. American Bar Association, *Standards for Providers of Civil Legal Services to the Poor*, Chicago, Illinois, 1986, Standard 7.1-1 with commentary, pages 7.2-7.3 and Standard 7.1-4 with commentary, pages 7.7-7.9.

4. *Bylaws of the Legal Aid Society of Hawaii*, pp. 4-5; 45 Code of Federal Regulations Section 1607.3.

5. Report of the Evaluation Committee, presented at the September 25, 1991 meeting of the Board of Directors, Legal Aid Society of Hawaii.

6. American Bar Association, *Standards for Providers of Civil Legal Services to the Poor*, Standard 7.1-4 with commentary, pp. 7.7-7.9.

7. Report of the Evaluation Committee, presented at the September 25, 1991 meeting of the Board of Directors.

8. Report of the Evaluation Committee, presented at the January 25, 1989 meeting of the Board of Directors.

9. Hawaii, Department of the Attorney General, *Government Attorney Compensation, A Comparative Study*, October 1988.

10. Minutes of the Board of Directors, Honolulu, September 28, 1988, p. 2.

11. Minutes of the Board of Directors, Honolulu, March 27, 1988 and report of the Executive and Finance Committees presented to the meeting; report of the Executive and Finance Committees presented to the May 22, 1991 meeting of the Board of Directors.

12. American Bar Association, *Standards for Providers of Civil Legal Services to the Poor*, Standard 6.2 with commentary, pp. 6.8-6.16.

Response of the Affected Agency

Comments on Agency Response

We transmitted a draft of this management audit to the president and to the executive director of the Legal Aid Society of Hawaii on December 9, 1991. A copy of the transmittal letter to the president of the society is included as Attachment 1. A similar letter was sent to the executive director of the society. The president's response on behalf of the society is included as Attachment 2.

The society welcomed our suggestions as healthy and beneficial and said that many of our comments will be considered by the Board of Directors. In addition, the society provided some information about its program. Exhibits which accompanied the society's letter of response are on file at our office.

ATTACHMENT 1

STATE OF HAWAII
OFFICE OF THE AUDITOR
465 S. King Street, Room 500
Honolulu, Hawaii 96813

(808) 548-2450
FAX: (808) 548-2693

December 9, 1991

COPY

Jerel Yamamoto, Esq.
Nakamoto, Yoshioka & Okamoto
187 Kapiolani Street
Hilo, Hawaii 96720

Dear Mr. Yamamoto:

Enclosed is copy number 9 of our draft report, *Management Audit of the Legal Aid Society of Hawaii*. We ask that you telephone us by Wednesday, December 11, 1991, on whether you intend to comment on our recommendations. If you wish your comments to be included in the report, please submit them no later than Friday, December 13, 1991.
20

The Executive Director of the Legal Aid Society of Hawaii, the Governor, and presiding officers of the two houses of the Legislature have also been provided copies of this draft report.

Since this report is not in final form and changes may be made to it, access to the report should be restricted to those assisting you in preparing your response. Public release of the report will be made solely by our office and only after the report is published in its final form.

Sincerely,

Newton Sue
Acting Auditor

Enclosure

Legal Aid Society of Hawaii

SERVING THE STATE OF HAWAII

1108 NUUANU AVENUE HONOLULU, HAWAII 96817 TELEPHONE: (808) 536-4302
MAILING ADDRESS: P.O. BOX 37375 HONOLULU, HAWAII 96837

JEREL I. YAMAMOTO, ESQ.
PRESIDENT, BOARD OF DIRECTORS

ALLENE K. RICHARDSON, ESQ.
EXECUTIVE DIRECTOR

RECEIVED
DEC 20 3 52 PM '91
OFC. OF THE AUDITOR
STATE OF HAWAII

December 18, 1991

Newton Sue
Acting Auditor
Office of the Legislative Auditor
465 S. King Street, Room 500

Re: Management Audit of the Legal Aid Society of Hawaii

Dear Mr. Sue:

Thank you again for the opportunity to receive input from the office of the Legislative Auditor. As Timothy Johns, Past President, noted in his testimony in support of the resolution, the Board is always willing to receive suggestions for the improvement of the Program. We welcome the Legislative Auditor's suggestions as healthy and beneficial to the Society.

We are providing the following information which we believe will clarify your understanding of the Program and would appreciate your addressing these comments in the report.

1. **Retention of Management Consultant:** In keeping with our philosophy to continue to improve the Program, the Board of Directors in its May 1991 meeting engaged the management consultant services of John Tull and Associates including Martha Bergmark, (civil director of the National Legal Aid and Defender Association, our professional organization) and Harrison McIver III (director, Project Advisory Group, the organization group of field programs funded by LSC). John Tull was chosen because he was a co author of the American Bar Association's "Standards for Providers of Civil Legal Services to the Poor." We believe that this engagement is another indication of the Board's commitment and willingness to receive input from both external sources and from our staff on the direction of the Program.

2. **Board Committees:** As noted and mentioned in the roles and organization of the Board in the Board Manual, the Board does most of its work at the Committee level and meets on the odd months to report in writing and orally to the Board at its regularly scheduled meeting. The Board has not been afraid about sending committee recommendations back to the committee for more

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information or research when questions are not resolved to the directors satisfaction. Our records reveal that the Personnel Committee and the Evaluation Committee of the Board of Directors met on a regularly scheduled basis, and, depending upon the year, more often than the Finance Committee. Please find attached a record back to 1987 of the Board agendas, the Committees scheduled to report, and the subject matter discussed. (Exhibit A)

3. **Staff Input:** As noted in the attached Exhibit A, Committee meetings, the astericked committees directly received staff input. An Ad hoc Joint Staff Committee on Staffing Models (Exhibit B Report with original intentions of committee) and the Puako Follow-up Committee were also established and met in 1989 and 1990 specifically to respond and receive staff input. As part of regular staff input, line staff have been included in the past three planning committee meetings of the Board (1987, 1989, 1991) and are included in the Long Range Planning Committee.

4. **Evaluation:** The process for evaluating the program or the director as set out by the Evaluation Committee has been established over the past three years. Our records show that the Evaluation Committee met over a period of seven months from 1988 through early 1989 to develop and distribute evaluations and to evaluate the Executive Director. An evaluation report was made to the Board in January 1989. In order to obtain more input from staff, an evaluation (Staff Barometer Survey) was developed over a period of five months and sent to staff in December 1989 (Puako Follow-up Committee) to assess the perceptions of staff with the intent that they be conducted biannually by the Evaluation Committee. (Committee Report on results attached as Exhibit C, colorized copy omitted)

The Staff Barometer survey (revised over a period of six months) was again sent out this year (1991) as scheduled. Results are due in 2 weeks. John Tull's management consultant report on the Program which will also be considered in the process is due back at any time to the Board. Following the receipt of this information, the Board's evaluation of the Executive Director is scheduled to be distributed January 10, 1992 with completion thereafter and goals set.

To monitor the progress of the Program, the Evaluation Committee addressed the need for a quarterly client satisfaction survey in June 1991, drafted the form, sought input from other Board members and staff, and that is scheduled to proceed at the end of this quarter and quarterly thereafter. Results will be going directly to the Evaluation Committee.

5. **Funding:** We believe that there is a misunderstanding regarding "static" funding. The Board believes that annual inflation requires a certain increase every year in its general income to cover not only annual increases for staff but for increases in rent, maintenance and operating costs. In May of 1989, the Board received static, if not a decreased funding, from both its major funding sources for the fiscal year 1989-1990. In May 1989, in order to maintain its yearly cost of living increases and, (after receiving the direct input from representative staff attending the Board Planning Meeting,) to make adjustments to base salaries with corresponding reduction in staffing positions, the Board decided that competitive salaries and annual salary increases were a priority to attract and maintain staff. As a result of immediate input from attorney staff who were present at the meeting, the salary adjustments were specifically targeted to the mid-level attorney salary range.

The Committee report from that March 1989 Planning committee (Exhibit D) notes the need for monetary and non-monetary incentives to keep staff. At that Planning Committee meeting, the reasons for staff leaving was discussed among and between the Board and staff members present.

The Board does not take issue with the fact that if one looks in hindsight from 1991 that increases have occurred to our Program income. In 1989, however, this was not the perspective for a continuing growing program that wished to stay competitive in salary with other programs. Indeed, in 1989 in a special Governor's message to the Legislature, he remarked on the problem of salaries in the State Attorney General's Office and asked for the Legislature to increase the salaries, which it did. By its 1988 report, the Attorney General's Office was already far ahead of Legal Aid. Thankfully, after intensive lobbying by Board and staff in 1990 at the state level, we were able to reassume our staffing position. Interestingly, the funding for this coming year will be decreased by the State.

As a separate note, it should be again stated that the incentive received in 1991 was based on quality of work and the time period when a person was working. While every one received a check, because the amount varied widely based upon the grid, people were advised not to talk about it with others because it might cause a morale problem. This issue was discussed at the full Board.

As a separate note, it should be further noted that as a result of the salary adjustments, the ability to attract staff

has drastically increased. Vacancy time has been reduced and overlap of personnel is now possible when it was not two years ago. This has in turn stabilized existing staff and client cases. At the same time, external forces such as the job market of 1989 and comparative salaries can not be controlled. Interestingly, the comparative job market for all legal services employee categories continues to rise with Legal Aid always being at the bottom of the comparative schedules.

6. **Time Sheet Requirement:** As noted, the Board of Directors desired the implementation of a time and accounting package at its 1987 Planning Committee and approved it at its May 1987 meeting. Staff members who attended the Planning meeting including paralegal and attorneys were not excited about the decision. Most of the Board members were in private practice and already on time and accounting systems. The Board was also cognizant of the fact that LSC at the same time was attempting to pass legislation to force time and accounting. The Board made the decision that time and accounting would be implemented with the purchase of at least one computer for every secretary over a five year period for the entire program. The Board also added that once the purchase of computers started, the second computer phase had to start within 18 months of the initial start.

Implementation was on a two tier basis: Honolulu first, other offices second, so that any specific wrinkles could be worked on. Hardware equipment in Honolulu was received November-December 1988. Wordperfect processing training for secretaries was conducted. Input on what would be needed by staff for case management software was reviewed by the two regional directors and two other attorneys in 1988 to decide what kind of reports and data would help in their work. The first software package was initiated in Honolulu during the summer 1989 with a special focus group of attorneys and paralegals in Honolulu to see what would work and what would not; modifications were made. Modified service codes were adopted. Thereafter, implementation was discussed by the Deputy Director and the Office Manager going to each office from September 1989 to November 1989 to tell offices what was coming, service codes, reports possible; adjustments were made to reduce the number of codes. In one meeting input from one attorney requested that .10 rather than .25 hour be used as a time period, because that is a more acceptable measure needed for collection of attorney's fees. Other staff disagreed and it stayed at .25. Honolulu was implemented the last quarter of 1989.

The system was then implemented among the other offices in January 1990 and again the system was changed. Follow up was

conducted over the next six months by telephone, group meetings and on-site in all offices. Service codes were again modified to simplify collection and obtain what was needed for reporting. For example problems code numbers were cumbersome and we changed that to narrative. Thereafter, other input was received from the Managing attorneys of Hilo, Kauai, Family law and Maui for particular types of reporting. For example, there was frustration over the response time on the reports, that was changed and continues to be worked on. There was a need to collect separate data for the various county Title III Elderly hours and statistics; the data collection was changed to reflect that funding source's need. There was frustration over the inputting of data and that was changed from the secretaries to the Honolulu general office clerks in October 1991.

The software program has been in use since September of 1989 and has been modified over the past two years as a direct result of staff input. Reports can now tell what problems codes are being served and what are the trends in demand. Staff is continually reminded that this is a living program and suggestions continually need to be forthcoming. A Case Management Committee was formed in September 1991 to discuss the computer and case management reports. The Committee is are responsible for determining needs and further reports are needed for the data to continue to be useful.

7. **Staff Evaluations:** Prior to 1987 there was no regularly planned system of staff evaluations. At the May 1987 Board meeting and with the financial plan approval, Board directed annual evaluations for staff. At that time attorney, paralegal and secretarial evaluations were revised and sent out for comment. Revisions were made. At this time, attorneys and paralegals are evaluated by their supervisor after the completion of their six month provisional period and thereafter annually. Some employees receive further written direction at the discretion of the supervisor.

For secretaries, because of the foreseeable change in knowledge required by computers, that system has been modified. In 1988 and 1989 initial base line skills testing was conducted for secretarial skills to match the directives required by the job descriptions approved in 1988 (Full Personnel Manual review by Board completed). Prior to that time, there was no previous record what any one secretary could type at a certain skill, know how to file certain court documents etc. During this period, verbal one-on-one discussions with secretaries were held on testing, training and the objectives for the testing with secretaries.

Based on discussions with experienced secretaries and the results of the two years of testing, in 1990 it was decided that upon passing the test, future testing would thereafter only require an attorney evaluation. This input was further collaborated by the 1989 Staff Barometer survey narrative comments, in which secretaries asked that annual skills testing for secretaries be omitted if passed once. As the computer functions were implemented, that test for proficiency was added. Thus, in addition to the attorneys written evaluation, three skills tests were given: speed, documents and computer functions. If a person is classified as a legal secretary trainee and wishes to be promoted to Legal secretary, however, that person needs to be proficient and tested in those three areas to meet that job description. Even if the individual fails the proficiency tests, it only means that this is the area which must be improved; the attorney's written evaluation is given the most weight.

8. **Hiring:** Hiring is conducted in the following manner: Once a vacancy is made known, the local newspaper and the Honolulu Star Bulletin are notified and the ad placed. For attorneys and paralegals, a hiring committee usually consisting of three people is assigned including the supervisor, another staff attorney, paralegal, or a peer. A check list is given to them which has been revised by some members of the hiring committee. They do all screening, coordinating, interviewing, and checking of references for all candidates. As a group, they recommend one applicant to the Director. Only on one occasion was the hiring committee's recommendation deferred because no reference check had been made.

For secretaries, the same process occurs for the placement of the ad. The Office Manager tests the applicants and thereafter interviews the candidates and then recommends at least three (if possible) to the Managing attorney to interview. In Honolulu the Office Manager tests and interviews with the Honolulu senior secretary and they hire that candidate after final approval by the Director. This process had been the subject of review for the past four months and discussion continues on a modification of this process.

9. **Supplies:** Supplies are purchased in three ways including in bulk from a major vendor with delivery to the offices. This includes xerox paper, toilet paper and paper towels. Supplies in bulk in Honolulu (Exhibit E) may be ordered from Honolulu. They are distributed as people travel between the islands. This is a distribution problem which is being worked on. At the same time, there are other supplies that can be purchased (with Honolulu

approval) directly if available on that island. While outer island attorneys and paralegals are not encouraged to use taxis, they are offered the availability of rental cars in Honolulu for the completion of their business (i.e. court appearances, document filing, etc) and for their convenience. It has received mixed response.

10. **Phone Systems:** Both the Honolulu, Kauai and Hilo office systems will be changed because GTE Hawaiian Tel will no longer maintain them. As a result, new technological accountability systems can be used to free up long distance dialing. In addition, with the funds that we have, we are also hoping to upgrade the remaining phone systems. Management has **always** considered and asked staff to keep a telephone log. There was a long standing problem of accountability for long distance calls. With new technology, telephone accounting systems and/or assignment of access numbers are available.

11. **Long Range Planning:** At its Third Planning Meeting in November 1991, the Executive Finance Committee created a Long Range Planning Committee with staff which was approved by the Board at its December meeting. The Report is attached hereto as Exhibit F. In its last Five Year Plan, Salaries, Equipments, non-monetary incentives were addressed. The plan for the next five year plan addresses these issues and others including

I. Mission Statement: (and vision)

II. Goals and Objectives of Mission

A. High quality legal services

B. Raise client awareness of LASH services

C. Gain and maintain institutional presence

D. Be a catalyst for development and deployment of resources

E. Attract and retain quality staff

F. Secure stable and sufficient funding

III. Methods of Implementation:

A. Target Services
B. Program Model
C. Attracting an Retaining Quality Staff
D. Equipment
E. Marketing
F. Funding
G. Evaluation

Conclusion: Many of your comments were thoughtful, well taken, and will be considered by the Board. We appreciate the time, concern, and professionalism of your staff. Should you have any further questions regarding this matter, please do not hesitate to contact me or the Executive Director.

Yours very truly,

JEREL I. YAMAMOTO
President, Legal Aid Society of Hawaii
Board of Directors

Exhibit A: Record of Committee Meetings 1987 - 1991

Exhibit B: Report of the Joint Committee to Review Office-Staffing Model (1989)

Exhibit C: Executive Finance Committee Report from Puako 1989 Meeting

Exhibit D: Puako Retreat Follow-up Committee (1990), Survey Results

Exhibit E: List of Honolulu Supplies

Exhibit F: Executive Finance Committee Report on Long Range Planning, 1991

Appendix A
Sources of Revenues, FY1985-86 through FY 1990-91

Fiscal Year	State	LSC	Title III+	UW*	Other
85-86	743,360	925,545	161,724	99,011	64,747
86-87	884,851	969,573	165,797	103,553	61,276
87-88	903,931	1,013,682	177,694	107,158	109,534
88-89	975,002	1,034,959	189,247	107,077	174,438
89-90	1,000,002	1,050,064	229,512	111,559	53,169
90-91	1,473,999	1,072,266	230,843	120,288	77,756

Source: Legal Aid Society of Hawaii, *Financial Statements and Auditor's Report*, 1985-86, 1986-87, 1987-88, 1988-89, 1989-90, 1990-91.

+A federally funded program for seniors.
*Includes funds from the Aloha United Way and the Hawaii Island United Way.

III. Methods of Implementation:

A. Target Services
B. Program Model
C. Attracting and Retaining Quality Staff
D. Equipment
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F. Funding
G. Evaluation

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JEREL I. YAMAMOTO
President, Legal Aid Society of Hawaii
Board of Directors

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