OFFICE OF LEGAL AFFAIRS
EXTERNAL OPINION

External Opinion # EX-2005-1002

To: Michael D. Mason, Board Chair
Thomas J. Matsuda, Executive Director
Legal Aid Services of Oregon

Date: July 15, 2005

Subject: Program Integrity Analysis of Configuration Proposal

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On May 2, 2005 [illegible] wrote to LSC with a proposal to reconfigure the Oregon program

The proposal does not meet two Part 1610 program integrity requirements. First, §1610.8(a)(1) requires legal separation between an LSC grantee and any entity engaging in restricted activities. As a single legal entity, the new corporation cannot have legal separation from its OLC division. Second, even if LASO remained legally separate from OLC, the proposal would not have sufficient overall physical and financial separation required under §1610.8(a)(3) [redacted]

This is our understanding of the Oregon proposal based on your letter. LASO and OLC are separate corporations with co-extensive boards of directors. You state that the two [redacted] occur, extent of restricted activities and extent of signs and forms of identification distinguishing the recipient from the other organization. *Id.*

An LSC Program Letter on August 7, 1997 discussed program integrity. LSC cautioned

grantees regarding physical and financial separation that "sharing space, equipment and facilities with another organization which engages in restricted activity . . . may give the impression that the recipient is engaged in such activity . . . [particularly] if the two organizations employ any of staff"). There is no indication in the proposal that there would be separation of any physical spaces, not even the public spaces. Furthermore, the proposal emphasizes presenting LASO and OLC as funded separately, but Part 1610 requires greater separation. For physical and financial separation it must be clear that the two organizations are, in fact, separate entities operating separately, notwithstanding limited permissible coordination and overlap. All of these factors, taken as a whole, would clearly blur the organizational lines between the two entities and thus fail to provide LASO with sufficient separation from OLC.

CONCLUSION

The proposal as submitted does not meet two separate program integrity requirements: legal separation and physical and financial separation. In order to maintain program integrity

[redacted]