

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
AUDIT COMMITTEE
Volume I of II

Friday, August 1, 2008

4:40 p.m.

Sheraton Suites Hotel
422 Delaware Avenue
Wilmington, Delaware

COMMITTEE MEMBERS PRESENT:

Herbert S. Garten, Chairman
Jonann C. Chiles (by telephone)
Thomas R. Meites
Frank B. Strickland, ex officio

OTHER BOARD MEMBERS PRESENT:

Lillian R. BeVier
Thomas A. Fuentes (by telephone)
David Hall
Michael D. McKay
Bernice Phillips-Jackson

STAFF AND PUBLIC PRESENT:

Helaine M. Barnett, President
Karen M. Dozier, Executive Assistant to the President
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
Mattie Cohan, Senior Assistant General Counsel
David L. Richardson, Treasurer and Comptroller,
Office of Financial and Administrative Services
Patricia D. Batie, Manager of Board Operations
Charles Jeffress, Chief Administrative Officer
Karen J. Sarjeant, Vice President for Programs and
Compliance
Jeffrey Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General
Ronald "Dutch" Merryman, Assistant Inspector General
for Audit, Office of the Inspector General
Thomas Coogan, Assistant Inspector General for
Investigations, Office of the Inspector General
David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the Inspector
General
John Constance, Director, Government Relations and
Public Affairs Office
Stephen Barr, Media Relations Director, Government
Relations and Public Affairs Office
Douglas B. Canfield, Executive Director, Legal Services
Corporation of Delaware
Linda Perle, Center for Law & Social Policy (CLASP)
Charles A. Wynder, Jr., Vice President for Programs,
National Legal Aid and Defenders Association
(NLADA)
Hillary Evans, Civil Associate, National Legal Aid
and Defenders Association (NLADA)

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P R O C E E D I N G S

(4:40 p.m.)

CHAIRMAN GARTEN: I'd like to call to order the meeting of the audit committee. And I want to make certain we have members and persons who are on the phone.

Jonann, are you present?

MS. CHILES: Yes. I'm attending.

CHAIRMAN GARTEN: Okay. Tom Meites?

MR. MEITES: Here.

CHAIRMAN GARTEN: And myself, a three-person committee.

As you recall, we were the first charter to be adopted by the board. And getting into the details, some of which are reported to you, just like the General Accounting Office changes things, or Government Accountability Office, when I tell people we have an audit committee, they have a totally different conception of what the duties of this committee is. So some time in the future, maybe we ought to hold a conference on the New York Stock Exchange at our audit committee -- and I was on one at one time -- to take them into consideration.

1 But in any event, it's clear that when we took on
2 certain assignments that we will report to you on, we are
3 acting in accordance with the duties and functions and
4 responsibilities given to us under the existing charter.

5 The first order of business will be to approve the
6 agenda. And I'll accept a motion.

7 M O T I O N

8 MR. MEITES: So moved.

9 MS. CHILES: Second.

10 CHAIRMAN GARTEN: All in favor, aye.

11 (A chorus of ayes.)

12 CHAIRMAN GARTEN: We'll move on.

13 The report of the committee chair. I don't think
14 any one of the three of us realized that when we accepted
15 this assignment, that we'd be putting in as much time and
16 effort into this function. And it's been a real learning
17 experience, I think, for the three of us. And I want to say
18 that we've had the cooperation of staff, of the IG and his
19 office, in coming to certain conclusions that I think we'll
20 be able to consider and make a recommendation to the board
21 on.

1 In the course of accepting this responsibility, we
2 learned that there were certain facts surrounding the Capitol
3 Hill reception that were causing a problem. And I'm going to
4 try to sum up some very detailed, complex functions by
5 calling on our inspector general.

6 What took place was, according to him, "the perfect
7 storm," meaning a confluence of events that took place in
8 which a credit card was utilized to pay a bill to the Senate
9 dining facility that included not only food at that Capitol
10 reception on January 24th, but also alcohol. And that is the
11 great no-no of what we're faced with.

12 And I guess we had not realized as clearly as we
13 should have, nor did management, that there's a big
14 difference between federal funds and private funds. And I
15 went to a course given on the use of credit cards in federal
16 agencies just so I could get a handle on credit cards because
17 there seemed to be a big problem regarding these credit
18 cards.

19 But the bottom line is we have a private credit
20 card, like an American Express or a Visa, which is -- you're
21 using federal funds because you're using the credit of LSC,

1 who eventually are paying the bill, as they did, on the
2 credit card.

3 So the bill comes in. It doesn't come in -- we
4 have to pay for the event. We use a credit card. And it's
5 determined later, and we don't know, this set of facts, how
6 it came about. But the inspector general received a letter
7 from Senators Grassley and Enzi asking questions with regard
8 to this, which indicated that the bill, the credit card,
9 somebody had questioned this particular use of funds.

10 And there was no intention to use federal funds.
11 The intention was to give private funds to take care of this
12 reception, the funds involved in it. And as it turned out
13 subsequently, that's exactly what took place. The alcohol
14 was -- funds were advanced by the Friends of LSC, a check for
15 \$1500. Our controller promptly credited the \$1500 against
16 the bill that had been paid in connection with the credit
17 card.

18 And as it turned out, Helaine's friends had
19 contributed \$25,000, and it was earmarked a discretionary
20 fund in her name. The books reflected eventually, after the
21 credit card was used, that the funds came from the

1 discretionary fund.

2 Then on top of it, one of our audit committee
3 members, Jonann, called me and said, well, maybe we should be
4 paying interest on the funds that were advanced. The exact
5 amount, I don't recall. It was about \$41. We calculated
6 what it could be. We gave -- we did a prepayment, which we
7 calculated the interest on the full amount. And everything
8 was square. The books of LSC were fine.

9 However, the series of evens caused the IG and the
10 audit committee, quite properly, to wonder how this could
11 have happened. So we embarked on a series of interviews. We
12 didn't have formal meetings. And we interviewed seven staff
13 members -- the president, the inspector general. We just
14 finished our final one with David, who is on vacation. But
15 five of them were in person at headquarters.

16 And I want to make a recommendation to the
17 committee, based upon the facts, based upon our interviews,
18 that -- I think the inspector general in his report to
19 Congress summarized the facts well. There's no dispute that
20 federal funds were used. They shouldn't have been. We have
21 cautioned in each of our interviews of staff that this should

1 not happen again, to be more alert to items like this.

2 And later on in the agenda, I think there is
3 something that could be considered at our next board meeting
4 that will solve this problem, will go a long way in solving
5 this problem and anything that might come up in the future.

6 M O T I O N

7 CHAIRMAN GARTEN: So I would like to propose to the
8 committee that we report to the board at tomorrow's meeting
9 that we have concluded an exhaustive interview process, that
10 we acknowledge and affirm and agree with the IG that federal
11 funds were utilized that should not have been utilized, and
12 that we are going to caution the staff and the officers -- we
13 have done it already; we'll continue to do it -- to be alert
14 to the problems that can arise using federal funds for the
15 payment of certain expenses that may not be done, such as the
16 payment of alcohol beverages.

17 And that basically is a proposal that I would make.

18 And I would ask the committee for a second of it -- well,
19 not a second.

20 MR. MEITES: I have a brief comment, if I could.

21 CHAIRMAN GARTEN: Yes.

1 MR. MEITES: Another issue we've looked into was
2 the statement on the invitation that no federal funds would
3 be used or involved. And I think that -- I know we concluded
4 that it was everyone's intent that no federal funds be
5 involved, that but for the use of the credit card, which Herb
6 has discussed, ultimately all the funds that were expended
7 were from private sources.

8 The difficulty was one of both timing and, I would
9 say, inexperience in fundraising, which is going to be
10 something Herb's going to talk about later. It's the timing
11 issue, I believe, that is at the basis of the inspector
12 general's remark about a perfect storm. A number of things
13 had to go wrong in order for this to happen, and they did.

14 Now, that really doesn't excuse the fact that it
15 happened. And as I think we'll discuss later, it's led our
16 committee to -- or led me, as you'll hear -- to make a series
17 of recommendations as to going forward.

18 But I thought it was important, and we all did,
19 that the audit committee talk to everybody not just to get
20 the facts, because the inspector general really did a
21 thorough job on the facts, but to assure ourselves that, in

1 fact, this occurred in all innocence or ignorance or mistake.

2 And I think it's fair to say, Herb, that we
3 concluded that although errors were made, errors were made in
4 the course of trying to do the right thing, which just didn't
5 turn out very well.

6 CHAIRMAN GARTEN: We're not very good at
7 fundraising. And just a footnote: We ran into problems that
8 we never run into in Maryland, where the District of Columbia
9 requires you to get a license before you can even solicit
10 funds. And it would apply even to a 501(c)(3) corporation
11 such as we have.

12 So there are all kinds of complex issues and
13 footnotes that I really haven't alluded to. But we're
14 satisfied this was a fully innocent mistake that shouldn't
15 have been made. But we have investigated the facts, and we
16 believe the IG's report states it fully and clearly. And we
17 will do everything possible to make certain that this will
18 not happen again.

19 Do we have anything else? Jonann, do you have a
20 comment?

21 MS. CHILES: I have nothing to add to your

1 comments.

2 CHAIRMAN GARTEN: Okay. So are we ready with a
3 vote? All in favor, aye, please.

4 (A chorus of ayes.)

5 CHAIRMAN GARTEN: Passed unanimously, and we'll so
6 report to the board.

7 MR. MCKAY: Mr. Chairman, I'm not a member of the
8 committee, but I wonder if I could make a comment.

9 CHAIRMAN GARTEN: Absolutely.

10 MR. MCKAY: And I appreciate the good work of this
11 committee. I appreciate the work of the IG to help bring
12 these facts forward. And it sounds like we now know what
13 happened and are taking the steps to make sure it does not
14 happen again.

15 One thing I did not hear that I think is important
16 to state, with the existence of our new compliance program,
17 there is a responsibility to report this kind of thing. So
18 however innocent this was, it seems to me that at the time
19 the credit card was used, knowing that we're using federal
20 funds, that should have been reported to the audit committee,
21 and I assume it was not. I want to make sure my facts are

1 correct.

2 CHAIRMAN GARTEN: I spent over an hour going
3 through thick files today to try to find out when I first
4 learned about it, and I did not succeed. I'm sorry. I can't
5 tell you when I was told.

6 MR. MCKAY: Thank you. But this is more towards
7 the future. I mean, if someone knows the facts, that's
8 great. But the reason that I'm raising this is the question
9 is not whether or not we make a mistake again in the future.
10 We will. We're human beings. That happens.

11 But I think it's important that we be reminded that
12 when we discover an error, particularly in light of our new
13 compliance program, that it be immediately reported to the
14 proper person. And this kind of thing clearly should go to
15 the audit committee right away.

16 So again, just a reminder. If we make a mistake,
17 it happens. We all make mistakes. But a bigger mistake
18 would be to not promptly report it so that steps can be taken
19 to address it.

20 CHAIRMAN GARTEN: I learned another thing from Mr.
21 Schanz, our IG. He has some very good sayings, and one of

1 them deals with the three C's. And the one C that applies
2 here, Jeff, is communication. And that's what my fellow
3 board member is commenting on.

4 And as long as you communicate, you can lessen the
5 problems. You can mitigate the programs. Just like when
6 Jonann told me that we should pay interest, I didn't hesitate
7 to call. And if she hadn't told me, I don't know where we
8 would be. And that was a very important factor in the IG's
9 report, in my mind, in mitigating and showing that it was an
10 innocent mistake. So thank you, Jeff.

11 I want to comment, while I'm making that, is I had
12 at least three meetings, including the interview, with Jeff.

13 And we might have had one or two phone calls. That could be
14 constructed if I have to, but I'm just relying on my memory.

15 And he has been very, very cooperative. And the
16 atmosphere is so different than what I experienced with his
17 predecessor, especially in connection with the building, that
18 I have to compliment him and your office for the cooperation
19 we received.

20 And I note that you return calls immediately.

21 You've been available to me. And I appreciate it very much,

1 as does the committee. And I've so reported to them, and I
2 want the board to know that.

3 One of the things we did work on was the selection
4 of a corporate auditor. And the IG recommended -- I'm sure
5 he'll be reporting on that -- if you'd care to do that now,
6 Jeff.

7 MR. SCHANZ: Jeff Schanz, inspector general.

8 At the last board meeting, we agreed to exercise
9 the option we had with the current CPA, and she spoke to the
10 audit committee. Her name is Nancy Davis. The IG shop put
11 together -- we have a very formalized process for selecting a
12 CPA to do the corporate audit, and I can make that available
13 to the committee or to the board, if necessary.

14 But suffice it to say that we asked permission from
15 the audit committee, and this goes to one of my three C's in
16 communicating with Herb and the audit committee, to exercise
17 her option. We had an option year, much like a baseball
18 player.

19 But at this time, we're just sticking with our
20 corporate auditor, who has the institutional knowledge of the
21 Corporation and was able to meet an expedited deadline last

1 year at the board request. And we're about to request the
2 same thing.

3 Getting audit committee approval, we went ahead and
4 contacted Nancy Davis. And we haven't sent the engagement
5 letter yet; there may be some negotiation on the cost. But
6 we can plan on having a quality independent CPA audit of the
7 corporate finances on an expedited basis this year.

8 CHAIRMAN GARTEN: Thank you. Do you have anything
9 else to comment on? You're to be part of the agenda, and you
10 might as well, since you're sitting here, go ahead and
11 report. There are some other items that I'll comment on
12 after you finish.

13 MR. SCHANZ: Okay. Following up on the GAO report,
14 GAO-1, we've taken our relationship -- we, the IG -- with the
15 audit committee and the board very seriously in such areas as
16 risk assessment. We've provided information to the
17 Corporation on how to assess risk. We've provided the entire
18 board with information on internal controls.

19 We've worked with the audit committee to develop --
20 I think it's about 18 and counting -- a bibliography of
21 controlling authorities on how audit committee functions, how

1 they work, and some of the information that is contained in
2 state-of-the-art type SEC companies who have audit
3 committees.

4 So we do have a bibliography that could be referred
5 to if there's additional information that's required or
6 requested. And I have a walking-around knowledge of that.
7 Of course, I would in some cases differ to the AIGA, Dutch
8 Merryman, who as you all know is Mr Internal Control. So we
9 do have that information available. And it's a living,
10 breathing document. We continue to add to it as necessary.

11 And what we're trying to do, as GAO recommended, is
12 there needs to be a little more tangible governance of the
13 Corporation by the board, by management. I take my part of
14 that very seriously. And we're trying to provide the
15 information we need to everyone so it's not just closeted
16 away in one committee or the IG shop. So we're trying to
17 push the transparency that I think Congress and most
18 corporations desire to have. So we have that.

19 As you mentioned, Herb, I have had conversations
20 with you and Jonann and Tom specifically on reception costs.

21 And I don't report gossip. I report facts. So you had

1 requested a meeting, and until I had all the facts, I wasn't
2 really ready to talk to you.

3 So I did on that item, and after we issued the
4 report to the Hill on June 30th answering questions -- and
5 the reception costs were one of those -- then I felt a lot
6 more free to discuss the source documents and where we got
7 that from. And as I said, they were all fact-based. And we
8 didn't offer any opinions on that. It was the facts spoke
9 for themselves. Yes, federal funds were used, as you so
10 eloquently described moments ago.

11 In addition to that, I am available. I work for
12 the board. I work for the taxpayer. I work for the
13 Corporation. So I do make myself available to any of the
14 committees. And that was about my first task as an IG
15 starting March 3rd was to work with the audit committee to
16 develop a charter, and I'm very proud of that, having worked
17 with the audit committee.

18 And Herb, you didn't toot your own horn but you
19 could have when you said we were the first charter to be
20 approved. But all the others were to be harmonized with the
21 audit committee charter.

1 CHAIRMAN GARTEN: Thank you. Are there any
2 questions for the IG? Any suggestions?

3 (No response.)

4 CHAIRMAN GARTEN: If not, thank you very much.

5 MR. SCHANZ: Thank you.

6 CHAIRMAN GARTEN: We're going to -- I thought it
7 would be appropriate with regard to the Capitol reception,
8 and after reviewing in detail the various reports, we
9 concluded that it would make sense to have a protocol on the
10 acceptance and use of private contributions to LSC.

11 And in the material that you have is a copy of the
12 protocol. We had the opportunity to have it reviewed by
13 staff, and as recently a half hour ago or an hour ago, David
14 Richardson went over it and we have his blessing.

15 And basically, funds that are received voluntarily,
16 without solicitation, or solicitation in the future occurs --
17 in my opinion, and that's an item on the agenda, that
18 solicitation by LSC directly should be minimal -- but
19 somebody might leave us a million dollars in their will to
20 Legal Services Corporation, just like they would, better than
21 trying to come up with \$25,000 when we really needed it. And

1 Helaine was gracious in allowing her discretionary funds to
2 be utilized for the purposes of the Capitol reception.

3 We think that this protocol that you have before
4 you -- I'm addressing the committee now -- should be
5 recommended and approved and submitted to the board for their
6 consideration. I passed around to everybody a proposed
7 resolution adopting the protocol. And this resolution would
8 be submitted tomorrow to the full board for consideration.
9 And it recites that we received two private contributions.
10 That was Helaine's discretionary fund and Friends of LSC.
11 And we had no protocol for the acceptance and use of private
12 contributions.

13 Based upon these facts, we're recommending that the
14 protocol that is in the material that was submitted to the
15 committee be recommended to the board for adoption pursuant
16 to this resolution.

17 So I would like a motion.

18 M O T I O N

19 MR. MEITES: So moved.

20 MS. CHILES: Second.

21 CHAIRMAN GARTEN: All right. Discussion? Yes?

1 MS. PHILLIPS-JACKSON: I just have some suggestions
2 before you --

3 MR. MEITES: Bernice?

4 MS. PHILLIPS-JACKSON: I just have some suggestions
5 before you pass the protocol to the language in the protocol,
6 regarding the protocol.

7 CHAIRMAN GARTEN: All right. What are they?

8 MS. PHILLIPS-JACKSON: I just want -- you don't
9 have anything in here about conflict of interest. And I just
10 think there should be something in there saying that before
11 we accept funds or solicit funds, the general counsel
12 probably should give the board and the president a written
13 opinion regarding whether or not the funds interfere with the
14 regulations of LSC.

15 CHAIRMAN GARTEN: All right. So you have two
16 questions. One is whether reference should be made to
17 conflicts. And before you accept a contribution, there
18 should be a legal opinion that we have the authority to
19 accept it.

20 MS. PHILLIPS-JACKSON: Right.

21 CHAIRMAN GARTEN: Mr. Vic Fortuno, would you like

1 to address this? Is he here?

2 MR. FORTUNO: Maybe if the question could be
3 repeated just so I'm sure. I thought I heard something
4 about --

5 CHAIRMAN GARTEN: Bernice believes that some
6 reference to conflict of interest should appear in the
7 protocol.

8 Is that correct, Bernice?

9 MS. PHILLIPS-JACKSON: Yes.

10 CHAIRMAN GARTEN: And the second question, as I
11 understand it, is the question of whether a legal opinion
12 should be given to the board that the acceptance of the
13 private contribution is legal.

14 Is that stated correctly?

15 MS. PHILLIPS-JACKSON: Or whether we should accept
16 the donor contribution before -- whether there is a conflict
17 of interest with the donor before we accept or solicit the
18 funds.

19 MR. FORTUNO: I think --

20 MR. McKAY: Before you answer, if I -- I don't want
21 to complicate matters because Bernice is hitting on

1 something. And I know I'm not a member of the committee.
2 But since the finance committee will be addressing this, I
3 have carefully stated this and thought about this consistent
4 with Bernice. If I could just ponder it a bit to make this
5 at least consistent.

6 CHAIRMAN GARTEN: Go ahead.

7 MR. MCKAY: If you look at section A, and it
8 indicates that solicitation by certain groups need to be
9 approved either by the president or by the chair -- if it's
10 by staff, the president needs to approve it, and if it's by
11 the board, then the chair needs to approve it.

12 And my thought, along the lines of Bernice, that we
13 should have kind of standards -- not necessarily written in,
14 I mean, the standards themselves, but we want to make sure
15 that, for instance, if Jonann is going to go solicit a
16 donation from Coca-Cola, and Tom says, I want to go get some
17 money from Coke, right, we can say, wait a minute. We
18 already have somebody doing that. So it's a coordination
19 issue.

20 And then the other point -- and this is consistent
21 with Bernice -- you know, it's not just legal, but is it

1 ethical? Does it create an appearance problem? The example
2 when I gave was talking to somebody, you know what? We don't
3 want to be asking the owner of a house of ill repute in
4 Nevada, where it's legal, to be donating money to legal
5 services. It just doesn't look right.

6 So I just would suggest we even broaden a little
7 bit to have something like that in there. So that's just an
8 additional thought kind of layered on top of what Bernice
9 said.

10 CHAIRMAN GARTEN: All right. Do you have any
11 suggestions as to language that would accomplish that?

12 MR. FORTUNO: I think rather than -- I mean, I'm
13 not sure that you want to draft on the fly like this. I
14 think that if the concern is that there should be some
15 standard in A to protect against conflicts of interest, I
16 think we have an ethics and compliance policy which I think
17 may already take care of much if not most of the concern
18 because it does have a section on conflicts and avoiding
19 conflicts, either actual conflicts or potential conflicts,
20 the appearance of conflicts.

21 So I'm not sure what it is we're looking to do at

1 the moment, and would think that maybe some further
2 discussion and maybe an opportunity to work something up. If
3 the desire is to adopt a protocol now by resolution,
4 certainly it could be amended at the next meeting to reflect
5 some further thought.

6 Or if it's put off till the next meeting, then it
7 could be adopted at that time after there is some further
8 thought given to it. I just don't know specifically what it
9 is that we're seeking to do.

10 CHAIRMAN GARTEN: You made reference to existing
11 standards dealing with conflicts.

12 MR. FORTUNO: Yes.

13 CHAIRMAN GARTEN: All right. Certainly it would be
14 implicit that they would apply to the solicitation also.

15 MR. FORTUNO: Yes. And I think we have standards
16 that would, for example, relate to if we were going to
17 solicit contributions from an organization doing business
18 with or hoping to do business with LSC. I think that that is
19 in fact addressed by our ethics code. So I don't know that
20 you would necessarily want to include in here something
21 that's already addressed in the ethics code.

1 CHAIRMAN GARTEN: I don't believe we would want to
2 do that.

3 MR. MCKAY: Yes. Speaking for myself -- Bernice
4 may differ -- but I think that comment really helps me a lot.
5 And I was uncertain about standards, but I don't think we
6 need them.

7 The other concern I had was making sure we
8 coordinated our solicitation efforts. But that would be
9 implicit, and I don't think we need -- personally don't think
10 we need to go further on this.

11 MS. PHILLIPS-JACKSON: And I'm okay with it if
12 something else covers this.

13 MR. FORTUNO: I'd certainly be happy to look at
14 that tonight and have a more thought-out and fleshed-out
15 comment to make tomorrow.

16 CHAIRMAN GARTEN: With respect to -- yes?

17 MR. MEITES: I'm listening to the comments. And as
18 you'll hear, when we get to the next item of the agenda, I
19 don't think LSC should be in the fund soliciting business at
20 all.

21 CHAIRMAN GARTEN: We have to anticipate that --

1 MR. MEITES: Right. And in light of that, I would
2 propose to make a change in paragraph A and provide that
3 there will be no private contributions solicited unless
4 approved by the board.

5 CHAIRMAN GARTEN: You want to -- in other words, as
6 of now it's approved by the chairman of the board --

7 MR. MEITES: Or the president. And I believe that
8 until we decide exactly what we're doing, that we should
9 essentially kick it up to the board to decide if there's any
10 air of conflicts. Now, I'm not saying that ultimately it
11 shouldn't go back to Frank and Helaine. But at least at this
12 point in time, I would really feel that the board should
13 establish oversight over --

14 CHAIRMAN GARTEN: I would like this protocol to be
15 adopted tomorrow for various reasons because we have referred
16 to it in many places as something that we've accomplished.
17 So if you want to make the recommendation --

18 M O T I O N

19 MR. MEITES: Yes. I would move that paragraph A be
20 amended to provide that private contribution to LSC may not
21 be solicited without approval by the board of directors.

1 CHAIRMAN GARTEN: All right. Do I have a second?

2 MS. CHILES: Second.

3 CHAIRMAN GARTEN: All right. All in favor, aye.

4 (A chorus of ayes.)

5 CHAIRMAN GARTEN: Okay. Will you present us with a
6 revised protocol for tomorrow's meeting?

7 MR. FORTUNO: Yes.

8 CHAIRMAN GARTEN: All right. Thank you.

9 The second question, I think has been addressed.
10 But I want to make certain it has, Bernice. It has been
11 addressed?

12 MS. PHILLIPS-JACKSON: Yes.

13 CHAIRMAN GARTEN: All right.

14 M O T I O N

15 MR. MEITES: No, sir. I would move that the
16 solicitation (sic), as amended, be presented to the board
17 tomorrow with a recommendation of adoption.

18 CHAIRMAN GARTEN: Okay. Second? Are you here,
19 Jonann?

20 (No response.)

21 CHAIRMAN GARTEN: Well, I'll second it.

1 (Laughter.)

2 CHAIRMAN GARTEN: All in favor?

3 (A chorus of ayes.)

4 CHAIRMAN GARTEN: Okay. Now we come to --

5 MR. FORTUNO: I do know, if I may, I recall seeing
6 a resolution that would, as I understand it, accompany the
7 protocol. The resolution would go to the board. I don't
8 know if that's something that you'll be taking up today or
9 that will simply come up tomorrow, and --

10 CHAIRMAN GARTEN: Well, the intent was that we need
11 a resolution that -- and I think I referred to it earlier,
12 the resolution that was handed to me to hand out to
13 everybody. It was something that would be what we want to
14 tell the board, this is what we want, subject to the change
15 of the protocol to incorporate Tom's suggestions.

16 MR. FORTUNO: All right. Thank you.

17 CHAIRMAN GARTEN: Jonann, are you with us?

18 MS. CHILES: Okay.

19 CHAIRMAN GARTEN: I just seconded something for
20 you.

21 MS. CHILES: Thanks. That's fine. Very good.

1 CHAIRMAN GARTEN: All right. We're now on item 5,
2 discussion of LSC fundraising efforts and other alternatives.

3 I have had discussion with the chair and informal
4 discussions, no formal meetings, with the other members of
5 the committee. And something to think about some time, and
6 it's surfaced as a result of what we faced with the Capitol
7 reception and all, and that is this.

8 John has told me, where I thought it was probably
9 evident because of solicitation that I get from the
10 Smithsonian Institute and other institutions and others, that
11 they have at the Archives a separate 501(c)(3) foundation
12 that solicits money, receives it, and sponsors events using
13 non-federal money, and doesn't run into the problems that we
14 have just run into by having a lovely reception that was very
15 successful at the Capitol in January.

16 So one of the possibilities is -- and I discussed
17 it with Frank -- that the Friends of LSC, who came up with
18 the \$1500, would they be interested in expanding their
19 fundraising activities so that to the extent we wanted to
20 sponsor something in the future, that we would have non-
21 federal money and we wouldn't be running into these problems

1 on the Hill. I'm not going to say no problems are
2 guaranteed, but we'd minimize the problems.

3 So we would like to suggest, not at this meeting,
4 but I will submit a proposal to the committee, that staff
5 look into, either as a possibility in conjunction with the
6 chair, and see if the foundation will expand grants to LSC,
7 and report back to us at a future meeting, at which time we
8 would make a decision as to the advantages and disadvantages
9 of moving in that direction.

10 So I'd like a motion to that effect.

11 MR. MEITES: Before I move, I think this is part of
12 what came out of our interviews looking into the Capitol Hill
13 reception, that John Constance told us about how the National
14 Archives handles this problem; and instruct us, as we have a
15 far superior model that with an independent fundraising
16 entity, Friends or whatever, than ask our staff, which has
17 lots of other things to do, to learn how to fundraise, how to
18 account for fundraising, and how to expend funds that are
19 raised through fundraising.

20 That's a whole set of skills that we don't
21 presently have on our staff. And it seemed to us that it

1 wasn't the best use of their time to master these skills;
2 rather, that if there is an entity, either existing or to be
3 formed, that's willing to take on that responsibility, it
4 seemed to us to make a lot of sense that that's where the
5 responsibility should be.

6 So I don't know if we need a motion. I would just
7 say that we defer this to the next meeting, and ask the
8 staff, working with John's experience and our existing
9 relationship with Friends, see if they can work up some
10 ideas.

11 CHAIRMAN GARTEN: Would you --

12 MS. CHILES: I have one question. If you'll all
13 hang on for just one minute there, I think I might have
14 missed something.

15 Are we planning to go ahead and recommend to the
16 board that it vote favorably on the draft protocol on the
17 exceptions for use of private contributions to LSC, with the
18 amendment that we discussed?

19 CHAIRMAN GARTEN: Yes.

20 MS. CHILES: That we obtain approval of the board
21 before any solicitation takes place, and with an eyes

1 towards, too, creating a separate entity that would solicit
2 donations in the event money is needed before the --

3 CHAIRMAN GARTEN: Yes. But I see that as a
4 separate initiative that wouldn't be part of the same order.

5 We're asking -- we're reporting to them that we believe the
6 staff should not be involved in private fundraising; and that
7 it would be much preferable to follow what other corporations
8 such as ours do that are connected with and receiving federal
9 money, and that is have a separate fundraising or expand, if
10 they're willing, the Friends organization to get involved in
11 fundraising on our behalf.

12 So I think that we would want to ask the staff
13 to -- and John Constance, with his experience at the
14 Archives, to look into it and to report back to us, in this
15 case let's say the finance committee and the audit committee,
16 and let us come up with a joint recommendation at the next
17 board meeting.

18 Is that agreeable to you?

19 MR. MEITES: That's fine with me. And I support
20 the idea of bringing the finance committee into it because
21 part of the equation is what are you raising money for and

1 how is it to be spent, which is not our domain but the
2 finance committee's domain.

3 CHAIRMAN GARTEN: All right. I'd like a motion.

4 M O T I O N

5 MR. MEITES: I move that we ask the staff to
6 undertake this inquiry and report back to us at the next
7 meeting.

8 CHAIRMAN GARTEN: All right. Jonann?

9 MS. CHILES: Second.

10 CHAIRMAN GARTEN: All in favor, aye.

11 (A chorus of ayes.)

12 CHAIRMAN GARTEN: All right. We had the inspector
13 general's report. Now I'd like the report of management on
14 the risk assessment plan.

15 MR. MEITES: Before we start, how are we doing for
16 time?

17 CHAIRMAN GARTEN: I think that's a good question.

18 (Pause)

19 CHAIRMAN GARTEN: How much time, Charles, do you
20 think it will take?

21 MR. JEFFRESS: I would not anticipate taking more

1 than five minutes unless the committee has questions.

2 CHAIRMAN GARTEN: Well, what's the pleasure of the
3 committee?

4 MR. MEITES: I would rather defer it.

5 CHAIRMAN GARTEN: Okay. Let's defer it, and we'll
6 continue to tomorrow items 8, 9, 10, and 11. And I thank you
7 for your patience today, and especially to the committee,
8 Jonann and Tom, for all their efforts.

9 And I didn't mention it earlier, but Mr. McKay has
10 been involved in this matter also. And he suggested he
11 preferred that it would be in the interests of everyone if
12 the audit committee continued, as we did. But he certainly
13 advised to do many things in conjunction with the finance
14 committee, and I think this move is a good one with regard to
15 the foundation, the Friends of LSC.

16 MR. MEITES: Absolutely.

17 CHAIRMAN GARTEN: All right. I'll accept a motion
18 to adjourn.

19 MR. MEITES: So moved.

20 CHAIRMAN GARTEN: Jonann?

21 MS. CHILES: Second the motion.

1 CHAIRMAN GARTEN: Okay. So adjourned.

2 (Whereupon, at 5:16 p.m., the committee was
3 adjourned.)

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