

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
OPERATIONS & REGULATIONS COMMITTEE

Friday, October 30, 2009

3:59 p.m.

Rutgers School of Law - Camden
217 North Fifth Street
Camden, New Jersey

COMMITTEE MEMBERS PRESENT:

Thomas R. Meites, Chairman
Jonann C. Chiles
Bernice Phillips-Jackson
Frank B. Strickland, ex officio

OTHER BOARD MEMBERS PRESENT:

Thomas A. Fuentes
Herbert S. Garten
Laurie Mikva
Sarah Singleton (by telephone)

STAFF AND PUBLIC PRESENT:

Helaine M. Barnett, President

Karen M. Dozier, Executive Assistant to the President

Victor M. Fortunato, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary

David L. Richardson, Treasurer and Comptroller, Office
of Financial and Administrative Services

Karen J. Sarjeant, Vice President for Programs and
Compliance

Charles Jeffress, Chief Administrative Officer

Jeffrey E. Schanz, Inspector General

Joel Gallay, Special Counsel to the Inspector General,
Office of the Inspector General

Ronald "Dutch" Merryman, Assistant Inspector General
for Audit, Office of the Inspector General

David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the Inspector
General

Thomas Coogan, Assistant Inspector General for
Investigations, Office of the Inspector General

Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, 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

Julie A. Reiskin, LSC Board Nominee

Robert E. Stein, Standing Committee on Legal Aid &
Indigent Defendants (SCLAID), American Bar
Association

Julie Strandlie, Standing Committee on Legal Aid &
Indigent Defendants (SCLAID), American Bar
Association

Don Saunders, National Legal Aid and Defenders
Association (NLADA)

Linda Perle, Center for Law & Social Policy (CLASP)

Davia S. Yablonsky, Private Attorney

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P R O C E E D I N G S

(3:59 p.m.)

CHAIRMAN MEITES: I am calling to order the operations and regulations committee. We're a little bit late. But as I review the items, as the hedge fund people used to say when they were certain they had the banks on the line, I am confident we can finish this meeting in a timely fashion.

All right. First item on the agenda is approval of the agenda. Do I have a motion?

M O T I O N

MS. CHILES: So moved.

CHAIRMAN MEITES: Is there a second?

MS. PHILLIPS-JACKSON: Second.

CHAIRMAN MEITES: All in favor, aye.

(A chorus of ayes.)

CHAIRMAN MEITES: And then I'm going to do the next two items together, 2 and 3, which is approval of the minutes of our meetings on April 25 and July 25, 2009. Do I have a motion?

M O T I O N

MS. CHILES: So moved.

1 CHAIRMAN MEITES: Second?

2 MR. JEFFRESS: Second.

3 CHAIRMAN MEITES: And all in favor say aye.

4 (A chorus of ayes.)

5 CHAIRMAN MEITES: Okay. Item 4, consider and

6 act on proposed revision to the LSC's employee

7 handbook. And who's going to present on that?

8 Charles?

9 MR. JEFFRESS: Thank you, Mr. Chairman. In

10 your books you have a proposed resolution with

11 amendments to the employee handbook. Based on some

12 last-minute advice we got from counsel this week, I

13 have a slightly revised version of this that Karen

14 Dozier, I believe, is passing out. It's only a slight

15 revision, but if you will use this new version instead

16 of what you have in your book, I would appreciate it.

17 The employee handbook, as you know, governs

18 the working conditions of employees at LSC. One change

19 that we are considering at this point is instead of

20 using consultants on our program visits to assist our

21 OCE and OPP staff on those program visits, is to

22 classify those people as temporary or intermittent

1 employees.

2 They might work for us a week this month, and
3 then a week three months from now on a different visit,
4 and maybe another week a few months later. So on an
5 intermittent basis, they might work for us for a week
6 or two at a time. They would be intermittent temporary
7 employees, if you will.

8 The employee handbook doesn't, of course, at
9 this point anticipate the need for intermittent
10 employees. So we are proposing in Section 4.2, which
11 is on the first -- on the front side of the resolution
12 which is passed out to you to add the underlined
13 language into the definition of temporary employees,
14 clarifying that we will on occasion hire intermittent
15 employees, and that intermittent employees are not
16 eligible for any employee benefits except as specified
17 by the summary plan description or the plan document of
18 our 403(b) plan.

19 So it's simply, if you will, adding a
20 clarification to the definition of temporary employees,
21 recognizing that we will on occasion hire these people
22 on an intermittent basis to work for us periodically

1 during the year.

2 And then on the back side of that page that
3 was handed out, in our retirement section as to who the
4 retirement plan covers, we thought it was -- our
5 counsel, and this is a change from what you had
6 previously, has recommended that we specify that
7 employees are eligible for participation in our
8 retirement plan as specified by the summary plan
9 description or the plan document.

10 Temporary employees, it was unclear exactly
11 their coverage. Some are considered covered today from
12 the first hour they work for us. It was never meant,
13 really, to apply to summer interns and to short-term
14 law clerks and this sort of thing. So rather than have
15 it wide open, our recommendation is that the employee
16 handbook specify that employees are covered by the
17 retirement system as specified by the plan document.

18 CHAIRMAN MEITES: Charles, I have two
19 comments, and then I'll ask my committee what its views
20 are. As you know, we just had a meeting of the audit
21 committee where we talked, among other things, about
22 the present 403(c) (sic) plan. And I'm reluctant to go

1 ahead with any changes in something like the employee
2 handbook until we work through what those issues are.

3 And also, we are also entering a new universe
4 of collective bargaining. And I'm not in the least
5 minute suggesting -- this is not my field at all --
6 that this change would have any effect on the union
7 relationship with the Corporation. But until we have
8 labor counsel up to speed, I also would be reluctant to
9 make any changes in any documents that define the
10 status of any employee.

11 Does that --

12 MS. CHILES: I agree.

13 MS. PHILLIPS-JACKSON: I agree.

14 CHAIRMAN MEITES: So as I've done in the past,
15 our committee will defer this, perhaps to our
16 successors, perhaps to us. But do you also have this
17 before the finance committee?

18 MR. JEFFRESS: No. This is the committee that
19 deals with the employee handbook.

20 CHAIRMAN MEITES: Fine. That if my colleagues
21 agree, we'll just defer this to the next meeting. Be
22 sure to put it on the agenda, and we'll see if we can

1 address it then.

2 Next is consider and act on the board's role
3 in collective bargaining. Well, that was a good segue.
4 Charles, is this you as well?

5 MR. JEFFRESS: Yes, sir, Mr. Chairman. As you
6 just mentioned, there was a union election in two of
7 our offices, the Office of Program Performance and the
8 Office of Compliance and Enforcement in September.
9 Those employees voted to be represented by the
10 International Federation of Professional and Technical
11 Employees.

12 That group is now organizing itself. They
13 haven't yet elected officers or determined their
14 structure or whatnot. So the group is forming a local,
15 and going through the organizational process of doing
16 that.

17 When they complete that process, they then
18 will presumably consider issues on which they'd like to
19 negotiate with the Corporation, and will come to the
20 Corporation with a set of issues they'd like to
21 negotiate on. This is the normal matter of proceeding
22 in first collective bargaining contracts, that the

1 union takes the first move to contact management and
2 notify management of what they wish to bargain over.

3 So we do not anticipate this being an imminent
4 situation. The union has some work to do before they
5 come to us. However, when they come to management and
6 request that management bargain over it, we thought the
7 board would want to discuss what role the board wanted
8 to play in that bargaining process.

9 Depending on the issues that the union
10 presents to us, obviously the bargaining could affect
11 issues that are in the employee handbook. They could
12 affect issues of working conditions. They could affect
13 benefits. There are a whole range of issues that such
14 a contract could affect, and many of them are issues
15 that the board has a say over and has the
16 responsibility for ultimate decision.

17 So we'd like the board to consider, given that
18 this process faces it at some point in the future, how
19 the board would like to be involved in the process,
20 arriving at whatever conversation we arrive at. When
21 we first a couple of years ago went through the process
22 of revising our employee handbook, the board and the

1 committee delegated to you, Mr. Chairman, the liaison
2 responsibility with management for developing that
3 handbook. And I know you thoroughly enjoy that
4 process. But the board may want to consider does it
5 want to have a liaison in the bargaining process, and
6 at what point does the board wish to be briefed and
7 potentially vote on any contract proposals that might
8 affect working conditions or benefits or the employee
9 handbook.

10 CHAIRMAN MEITES: Well, let me make a
11 suggestion. I think it would be helpful, not just to
12 our committee but the whole board, for perhaps you and
13 our labor counsel, in a closed meeting, to discuss how
14 this works and what our choices are and what
15 recommendations they make so we are up to speed on what
16 the possibilities area. Does that make sense?

17 MS. CHILES: I think that's an excellent idea.

18 CHAIRMAN MEITES: And you can -- again, Vic
19 told us that you don't have -- you haven't engaged a
20 labor firm yet.

21 MR. JEFFRESS: That's correct.

22 CHAIRMAN MEITES: But there's no reason why

1 you wouldn't do that by our next board meeting in
2 January. So why don't you put that at least on our
3 agenda to start with, although it may -- I think you
4 should talk to Frank -- it may just be more appropriate
5 that that just be on the board's agenda rather than
6 ours.

7 So whatever it is. But let's push that over
8 until the next meeting, and we'll all learn something.

9 MR. JEFFRESS: That's fine, Mr. Chairman. If
10 I could have the caveat that should events overtake us
11 and we need some board input prior to then --

12 CHAIRMAN MEITES: Oh, yes.

13 MR. JEFFRESS: -- we could consult with the
14 chairman of the board --

15 CHAIRMAN MEITES: Sure. that'll be fine.

16 All right. Next is --

17 MR. GARTEN: Tom, may I ask one --

18 CHAIRMAN MEITES: Please, Herb.

19 MR. GARTEN: You have retained labor counsel
20 in the past, have you not?

21 MR. JEFFRESS: We retained counsel for the
22 election because we were unfamiliar with the NLRB rules

1 and regulations regarding union elections. But for
2 collective bargaining, we anticipate retaining a
3 different counsel for that purpose.

4 MR. GARTEN: And you haven't identified them?

5 MR. JEFFRESS: We haven't retained any
6 counsel. We've talked to several.

7 MS. PHILLIPS-JACKSON: You haven't obtained
8 any counsel for --

9 MR. JEFFRESS: We've talked to several
10 about --

11 VOICES: Your mike.

12 MS. PHILLIPS-JACKSON: I'm sorry. You haven't
13 obtained any counsel for the union matter at all? Is
14 that what you said?

15 MR. JEFFRESS: For the collective bargaining
16 agreement. We've talked with counsel. There's one
17 firm I believe we will contract with, but we have not
18 yet retained.

19 CHAIRMAN MEITES: Good. Thank you.

20 If there's nothing else, let's go to the next
21 item. Staff report on LSC's survey of grantees' boards
22 of directors. Who's going to present on that?

1 MS. SARJEANT: I am.

2 CHAIRMAN MEITES: Please.

3 MS. SARJEANT: Karen Sarjeant. And with your
4 permission, I'd like to combine -- what is it -- 6 and
5 7 because the bulk of the committee's work has been on
6 developing the memo and recommendation on audit
7 committees.

8 CHAIRMAN MEITES: Oh, I see. I was confused.
9 I thought it was the self-survey that we do.

10 MS. SARJEANT: Oh, no.

11 CHAIRMAN MEITES: All right. Okay. So let's
12 put 6 and 7 together, and go ahead.

13 MS. SARJEANT: Okay. This board and committee
14 has been interested for some time on the issue of
15 whether LSC grantee boards should be required to have
16 audit committees in addition to finance committees.
17 And you should have received the memorandum in the
18 package from President Barnett, which is an interim
19 status report on the issue of grantee audit committees
20 that was developed by our staff board governance
21 working group.

22 In a nutshell, the recommendation from that

1 group is that as a best practice, LSC should encourage
2 grantees to have a separate audit committee with at
3 least one member as a financial expert, or with
4 committee access to a financial expert. However, at
5 this time the working group is not recommending that
6 all grantees be required to have separate audit
7 committees.

8 Now, I'm prepared to walk you through the memo
9 and share some of that information. We did take a look
10 at several pieces of research. We took a look at our
11 own information on the size of our grantees' boards,
12 which range from 54 members to five members.

13 And we recognize that even in the literature
14 there's a recognition that audit committees are not
15 always required, that there may be situations in which,
16 for different size organizations, that it is okay for
17 them not to have an audit committee as long as the
18 board or their finance committee addresses the audit
19 committee functions.

20 And so our recommendation, in looking at the
21 diversity of our programs, is that it should not be
22 required, but it is a best practice.

1 And one of the things, just to share with you
2 very briefly what we plan to do in the 2009 compliance
3 advisory as we did last year, we plan to put some
4 information in that advisory that addresses this issue
5 of boards needing to ensure that they are in fact
6 putting in place audit committee functions in whatever
7 they do.

8 If you look at the attachments to the memo,
9 the information that came out of the survey we did of
10 board chairs and executive directors, you will see that
11 our programs engage on the issue of financial oversight
12 in a range of different ways. But the percentages of
13 the replies in terms of are they doing it, the majority
14 of our programs are, and certainly in pretty
15 significant ways.

16 CHAIRMAN MEITES: I couldn't, and maybe you
17 couldn't, either, tell how many have both an audit and
18 a finance committee.

19 MS. SARJEANT: We couldn't by the way the
20 information came in.

21 CHAIRMAN MEITES: Well, let me tell you my
22 thoughts. I think Herb and Jonann will agree with you

1 that we have found the audit committee very helpful.
2 And I was on the finance committee, and I thought
3 originally that why do we need both. But I've learned
4 they really have very different functions.

5 In the broadest sense, the finance committee
6 is forward-looking and the audit committee is looking
7 at the present. And because of the ongoing pressures
8 of budgets, both preparing budgets and tracking whether
9 the current budget is doable, in my experience on
10 finance committees, the audit function or the looking
11 at what's going on inevitably is towards the back of
12 the list of things that happen.

13 Also, the constituency of the audit committee
14 is different than the constituency of the finance
15 committee. They both talk to the financial person in
16 the organization, but they talk in different ways.

17 The finance committee, in my experience, talks
18 to the financial person both in terms of budgeting in
19 the future and also reporting on how we're doing in the
20 minutes. It doesn't really spend that much time
21 digging into questions that may have been raised but
22 not pursued.

1 And the audit committee has no budget function
2 at all. So we've found that in our meetings, we
3 have -- we focus on kind of a deeper look at what we
4 think are potentially important issues.

5 Now, unlike the independent public
6 accountants, where there is a substantial expense in
7 expanding their role, as we'll hear later, there really
8 is no expense to the board in creating an audit
9 committee in terms of dollars. There's some expense,
10 of course, in asking more of the board members. But
11 I'm not sure that that is burdensome.

12 So from where I sit, I see nothing but pluses
13 in having a separate audit committee. And I don't see
14 what that down side is, which is why I was surprised at
15 your recommendation. So why shouldn't we require one?
16 What are the negatives of having a separate audit
17 committee?

18 MS. SARJEANT: Well, one of the things in our
19 research that the committee looking at was, you know,
20 looking at the -- again, the diversity of our programs,
21 and the fact that we have 11 grantees, for example,
22 that has boards of only five to nine members. We have

1 39 grantees that have 10 to 19 members.

2 And our thinking was that it is certainly a
3 best practice, and we want to do everything we can in
4 many different ways to encourage programs to make the
5 decision. But we also thought that there was a balance
6 that needed to be struck between LSC saying, this is
7 something you have to do, and leaving the committee
8 structure in a program in a board to the local control
9 of that board.

10 So we thought that, on balance, if LSC is
11 saying it's a best practice, if we are reminding them
12 in the compliance advisory, here are the things you
13 have to do; we're in the processing of revising the
14 accounting guide, and it will talk about -- you know,
15 we would certainly want to have language in there
16 talking about the audit committee as a best practice,
17 and certainly the best practice of ensuring that the
18 audit functions are addressed.

19 We just didn't feel -- and another problem has
20 to do with 1607, which is the board composition
21 regulation, which comes out of the statute in terms of
22 what it requires. We did not feel that for every

1 program, there was a need for an audit committee. I
2 certainly understand your experience here.

3 CHAIRMAN MEITES: Well, you picked up
4 something that's important. Remember when we had the
5 board chairs here, they said they would like more
6 flexibility in naming people. But because of the way
7 the statute is written, they really only have a few
8 free seats.

9 One possibility is this, and we've done this
10 in the past: have a draft regulation for comment and
11 invite the people in the field, the people that
12 actually know how much burden, to come in and give us
13 their views. Linda Perle's group can give us their
14 views, the ABA, anybody else.

15 I think I think that's the best way because I
16 don't really know, and I don't think either of us, any
17 of us, knows that much about how much burden it would
18 be. And in fact, we may hear that they hadn't thought
19 about it, but it strikes them as a good idea.

20 Does that make sense, to ask at our next
21 meeting, whoever's our -- yes, Bernice?

22 MS. PHILLIPS-JACKSON: I just had a question.

1 Can the finance committee do the audit functionings and
2 the finance stuff, or is too much of the finance
3 committee to --

4 MS. SARJEANT: Well, in reading the literature
5 from the nonprofit sector and other financial groups,
6 we looked at a document that was done by COSO and some
7 others. There's nothing that is absolutely -- there's
8 no law that requires that there be both a finance and
9 an audit committee.

10 So there's some contemplation that in
11 providing financial oversight, the audit committee
12 functions can be done by the full board or the finance
13 committee. But I would agree that the audit committee
14 functions and the finance committee functions are
15 different functions.

16 So when they are done together, there has to
17 be a purposeful kind of approach to each set of
18 functions.

19 MS. PHILLIPS-JACKSON: So it would be too
20 much.

21 MS. SARJEANT: No. I don't think it's
22 necessarily too much. I think it really depends on the

1 organization. I think for some organizations it's not
2 too much. or some fairly large organizations, they may
3 very well want to have those separated.

4 But we just felt that this was one of those
5 requirements that really is not kind of one size fits
6 all. And the research that we did, which appears to be
7 kind of the leading thinking in the nonprofit
8 community, does acknowledge that every organization may
9 not need to have an audit committee/finance committee
10 structure.

11 Now, in response to what you were saying,
12 Chairman Meites, certainly there could be -- the board
13 could decide to institute a rulemaking. And that does
14 several things. It allows for there to be rulemaking
15 workshops where there can be discussion of the issue.
16 It allows for there to be a full opportunity for the
17 field and others to comment on the need or, you know,
18 their thinking on this issue.

19 So even though our recommendation is it's
20 certainly a best practice, we don't think the board
21 should require it at this point. You know, if in the
22 board's thinking they want to hear more from the

1 grantees, more on this, you can certainly do it that
2 way.

3 CHAIRMAN MEITES: Jonann, then Tom, and then
4 Herb. Jonann?

5 MS. CHILES: If I could, I would make an audit
6 committee a requirement in every board at every
7 grantee. I just think that the audit committee has
8 been so valuable here on this board. So I like the
9 idea of instituting a rulemaking and hearing exactly
10 how onerous it would be to require that our grantee
11 boards create a separate audit committee.

12 I mean, we have a relatively small board and
13 our audit committee only has three members. But we've
14 managed to function, I think, quite well.

15 CHAIRMAN MEITES: Tom?

16 MR. FUENTES: Well, thank you. I'm not a
17 member of this committee, Mr. Chairman, but I would
18 weigh in that, just as one board member, I think we
19 have discussed this issue in some considerable depth
20 here.

21 And I think that the weight of opinion has
22 always come down on the importance of an audit

1 committee to allow the -- a finance committee in a
2 corporation, for-profit or non-profit, allows the fox
3 to watch the chicken coop. And I think it's very
4 important.

5 CHAIRMAN MEITES: Herb?

6 MR. GARTEN: I just want to caution you on
7 what I can see is a problem in the field. They're
8 going to want to know, what is the function of the
9 audit committee? And of course, we could give them a
10 copy of our charter, but I fear that, as recently the
11 GAO people commented on, is that the duties and
12 responsibilities of an audit committee really around
13 the individual organization itself and what it can
14 accomplish.

15 We have staff here, and I think it's been very
16 important. And I'm pleased that we created it. And I
17 know what we did in preparing the charter, and in
18 preparing the charter, we went and reviewed many
19 charters of some very substantial organizations,
20 including the Department of Defense.

21 And I fear that you've got to lay out and
22 explain to them what is going to be expected of them if

1 they set up an audit committee, and maybe perhaps give
2 them a copy of our charter, and get comments on whether
3 they're in a position -- whether they have the staff or
4 they feel it's necessary -- to cover all these items.

5 CHAIRMAN MEITES: Well, let's do this to keep
6 them moving. Another reason for my idea is so that the
7 next board doesn't lose sight of this idea, at least
8 it'll carry over if we take the route of putting it
9 over to the next meeting and ask staff to prepare a
10 draft resolution, which is trivial; but more important,
11 invite the usual suspects to give us their views.

12 So does that -- Bernice, does that make sense,
13 and Jonann?

14 MS. PHILLIPS-JACKSON: That's fine.

15 MS. CHILES: Yes.

16 CHAIRMAN MEITES: All right. We'll do that,
17 then.

18 Okay. Next item on our agenda is -- Oh, okay.
19 Report on -- no, the IPA survey. Mr. Schanz and Dutch?
20 Good.

21 MR. SCHANZ: Mr. Chairman, this is Jeff
22 Schanz, the Inspector General. Hopefully you received

1 the materials in advance of this meeting so you had a
2 chance to take a look at the survey results. And I
3 brought with me Dutch Merryman, the assistant inspector
4 general for audit, to discuss those survey results.
5 His office led the effort and compiled the results.

6 CHAIRMAN MEITES: And just --

7 MR. MERRYMAN: On page 23 they start, sir.

8 CHAIRMAN MEITES: Yes. Page 23 of the
9 materials. Go ahead.

10 MR. MERRYMAN: Yes, sir. We had a fairly
11 straightforward, two-question survey basically asking
12 the current IPAs to estimate the additional cost for
13 doing an opinion on internal controls over rational
14 reporting, and whether or not they had any experience
15 in this area.

16 The only information we had on cost was a
17 survey that was done for government organizations,
18 large government organizations, that indicated upwards
19 of 50 percent of the cost of doing the -- or an
20 additional 50 percent.

21 Our survey results came back. And we surveyed
22 120 IPAs or sent the information to 120 IPAs, of that,

1 82 responded so we had a pretty good response rate,
2 67 percent. the range came out between 27 to 32
3 percent was the average range. We included a schedule
4 that showed how many responded in each of the 10
5 percent ranges. We tried to calculate an average down
6 to one number; we got it down about 32-1/4 percent
7 additional cost, or \$6800 more to do the opinion work.

8 Also, we found out that approximately
9 half -- it should be 49.5 percent and 50.5 percent
10 rather than 51.5 percent. 49.5 percent had conducted
11 an audit before, and they tended to be a little lower
12 in cost, for some reason. And about 50 percent, 50.5
13 percent, had not.

14 We did further research, also trying to
15 understand what information is out there. we were in
16 contact with AICPA. They had no statistics. They were
17 very interested in getting our statistics because they
18 had nothing to rely upon, which we offered them at a
19 contribution to LSC price of a reasonable amount. I'm
20 kidding about that. But that is the result of the
21 survey itself.

22 CHAIRMAN MEITES: Just looking at your

1 numbers, the average cost increase is about \$7,000,
2 which is roughly 32 percent. So if I did this in my
3 head, which I'll probably get wrong, that means the
4 average cost now is about 18,000 and would go up to 24?

5 MR. MERRYMAN: In that area. Around 20,000
6 would be a good number to talk about.

7 MR. JEFFRESS: Excuse me, Mr. Chairman. Our
8 phone call just got disconnected. We're going to have
9 to reconnect our phone.

10 CHAIRMAN MEITES: Should I just stop for a
11 minute?

12 MR. JEFFRESS: That's probably a good idea.

13 (Pause)

14 MR. SCHANZ: While we have a break in the
15 action, Mr. Meites, we did pursue this based on your
16 recommendations to try to quantify what had been out
17 there. So this is as live data as we have.

18 CHAIRMAN MEITES: It's good. I had no idea
19 that we'd get this kind of specificity. This is very
20 helpful.

21 MR. SCHANZ: Well, you asked auditors to do
22 it.

1 CHAIRMAN MEITES: You're right. I'm not
2 asking poets to put numbers together.

3 (Pause)

4 CHAIRMAN MEITES: Okay. Resuming, if -- well,
5 let me ask you a basic question. Would it be through
6 your offices or the board's offices -- if a decision is
7 made to make this mandatory, would you issue a
8 directive? Would management issue a directive? Would
9 we issue a directive? Who would? If the consensus is
10 that we should require these additional services?

11 MR. SCHANZ: I believe it would be
12 board-authorized for the LSC IG to shepherd this
13 process.

14 CHAIRMAN MEITES: So then we can't shift this
15 to you. All right. Now that that's been placed in the
16 responsibility chain --

17 MR. SCHANZ: I'm sorry. Could you repeat the
18 question?

19 CHAIRMAN MEITES: Yes. Next question is: If
20 we went that direction, do you think additional IPAs
21 could be found for the 50 percent who don't have the
22 capacity? Or could those be brought up to speed to

1 learn how to do it?

2 MR. MERRYMAN: I would say they could be
3 brought up to speed. And one of the goals that we have
4 would be to put out the instructions. And we are
5 working with the ICPA because they have a concern, too,
6 because they will be getting calls from their
7 practitioners. And so we're working closely with
8 discussions with AICPA for the nonprofit area.

9 CHAIRMAN MEITES: So the issue, as it usually
10 is, is it can be done. Is it worth the additional
11 burden on the grantees for the additional information
12 and the cost? Those are the two negatives because we
13 always want as much information as we can get.

14 What do you all think? Do you think it's
15 something that we should require?

16 MR. MERRYMAN: We have temporarily suspended
17 the bulletin and the requirement last week because this
18 is going to be a very lengthy process to get installed
19 properly because it is going to require -- according to
20 the current wording of the law would
21 require -- according to AICPA and GAO, would require a
22 formal opinion. And to get a formal opinion, there's a

1 lot of burden on management that would have to be done
2 such as --

3 CHAIRMAN MEITES: This is an opinion from
4 whom?

5 MR. MERRYMAN: The IPAs on the internal
6 control, such as: documenting their full system of
7 control and a test plan independently testing the
8 controls independent of anything that the IPA does; to
9 also provide certification and representation letters
10 that they're responsible for their own controls, that
11 they have properly tested. So it's a very, very
12 laborious process.

13 And so we have suspended it because of making
14 sure we get the right instructions out, and in detail
15 enough; but also because of pending legislation that
16 may change this requirement.

17 CHAIRMAN MEITES: Tell me about that.

18 MR. MERRYMAN: There's two bills, one before
19 the House, one before the Senate. The Senate
20 bill -- both of them would change the auditing
21 requirements and remove the language that's currently
22 in there that's causing this problem. And so --

1 MR. SCHANZ: Affectionately known as the
2 Harkin bill on the Senate side and the Scott bill on
3 the House side.

4 CHAIRMAN MEITES: So that legislation would
5 remove the wording that we're concerned about?

6 MR. MERRYMAN: As it's currently written, it
7 would. We don't know what the outcome is going to be.

8 CHAIRMAN MEITES: So if those bills, or at
9 least that provision of those bills, is enacted, we'll
10 have put our grantees and the IPAs to all the
11 gearing-up expenses for no net gain.

12 MR. MERRYMAN: We've suspended the -- we've
13 told them, sent out a letter saying, it's not going to
14 happen this year.

15 CHAIRMAN MEITES: So that given that, we
16 probably shouldn't do anything, either.

17 MR. MERRYMAN: Well, we're going to still
18 continue with the instruction because --

19 CHAIRMAN MEITES: But as far as the board
20 doing something --

21 MR. SCHANZ: Well, I need to correct the
22 record, also. I was advised by counsel that the IG

1 does have sole authority and --

2 CHAIRMAN MEITES: So it's your decision?

3 MR. SCHANZ: It would be my decision. Yes,
4 sir. And our decision as of right now is based on a
5 couple of things. As Mr. Merryman indicated, this is
6 really cutting-edge information. So we've been
7 involved with the AICPA, the GAO, and the Institute of
8 Internal Auditors trying to determine a cost for what
9 it would be to fulfill what is now 509(a)(2), which is
10 an opinion on financial -- or on internal controls.

11 Now, if I may regress just to a couple of
12 years ago, in the federal government they have
13 something called OMB Circular A-123, which requires
14 management to report annually on the state of their
15 financial controls and to test the fact that they've
16 reviewed those.

17 Our grantees are not in a position to do
18 anything like that; until the state of the law changes,
19 we felt it was best to -- we felt it was very prudent
20 to just suspend the implementation of this until we see
21 what happens with the pending legislation and until the
22 grantees can gear up, if necessary -- and we're not

1 saying it's necessary yet; it depends on the state of
2 the law -- to do these activities that management is
3 required to do in the federal sector.

4 CHAIRMAN MEITES: Okay. So if I understood
5 what you said, asking you to do the survey was helpful
6 to you and to the public generally. But at this point,
7 we can just -- we've done what we can do, and we should
8 just put the matter aside, at least until the
9 legislation or otherwise is clarified.

10 MR. SCHANZ: I would agree with that,
11 Mr. Chairman, until it percolates up. It was an effort
12 that was valuable for us to have some quantified
13 numbers to be able to provide to your committee. What
14 we were able to find out, too, is the state of the
15 expertise, at least based on the LSC segment of the IPA
16 universe.

17 CHAIRMAN MEITES: Good. Is that -- Bernice,
18 we'll just leave it as it is for the time being.
19 Jonann?

20 MS. CHILES: That's fine.

21 CHAIRMAN MEITES: Okay. Well, thank you.

22 MR. SCHANZ: Thank you.

1 CHAIRMAN MEITES: All right. The next item on
2 the agenda is the logo. All right. This is an area I
3 have not only no views but no expertise or any sense.
4 So I will leave the -- anyone who wants to jump in on
5 this, they can jump. Go ahead, Mr. Inspector General.

6 MS. DOZIER: Excuse me, Jeff. Before you
7 start, I just got a message that the people on the
8 phone can't hear.

9 (Pause)

10 CHAIRMAN MEITES: All right. As a predicate
11 to this discussion, I've been informed that this
12 actually is something the board has to pay attention
13 to.

14 MR. SCHANZ: This one, yes, because it
15 requires a resolution change, which is incorporated
16 into your materials.

17 CHAIRMAN MEITES: Okay. Go ahead.

18 MR. MADDOX: For the record, my name is David
19 Maddox. I'm the assistant inspector general for
20 management and evaluation.

21 Presented at the last board meeting, and based
22 upon board comments, we went back and made the

1 requested adjustments to the OIG seal in terms of font
2 sizes and consistency in our ordering of OIG and LSC
3 throughout.

4 If I can direct your attention to page 26 of
5 the board book, which is Resolution 2009-013, which
6 clarifies the OIG office seal, the use, with deference
7 to the 1999 board resolution, which is also found on
8 pages 27 and 28 of the board book for your
9 consideration.

10 Just to kind of go through the Resolution
11 2009-013, the previous board resolution had adopted the
12 LSC corporate logo as the official corporate logo of
13 LSC and all components of LSC. The next term,
14 "Whereas, the OIG is a statutory independent unit
15 established within LSC and statutorily independent as
16 in," you know, the IG Act rated us.

17 "Whereas, the OIG community has a standard
18 practice to develop a separate logo from each of its
19 agencies, but the logo is complimentary," we've done a
20 study of the various OIG logos throughout the
21 government and we've found this to be true.

22 The attached logo, we believe, is true to the

1 corporate brand that is embodied in the LSC logo, but
2 at the same time recognizes the independence of the
3 OIG. It also gives deference to the legal aid
4 community by the use of the scales of justice.

5 So with that being said -- and the OIG logo
6 office use would be in conjunction with the LSC
7 corporate logo, which is consistent with the prior
8 resolution; and as you can see, in our example of the
9 attached letterhead, such as every time we use the OIG
10 logo we will also use the LSC logo.

11 With that being said, I present the
12 resolution.

13 CHAIRMAN MEITES: So the question -- we're not
14 asked to pass on the aesthetics of your logo. We're
15 asked instead to determine whether it's consistent with
16 our predecessor's resolution?

17 MR. MADDOX: Correct.

18 CHAIRMAN MEITES: That we can do.

19 MS. PHILLIPS-JACKSON: I just want to
20 understand this. You don't want the LSC logo? You
21 want a different logo?

22 MR. MADDOX: We're using the LSC logo as the

1 corporate logo. But as a statutorily independent unit
2 of LSC, we also want an office logo. So we're going to
3 be using both.

4 MS. PHILLIPS-JACKSON: Both?

5 MR. MADDOX: Yes.

6 CHAIRMAN MEITES: Jonann?

7 MS. CHILES: I think it's lovely.

8 CHAIRMAN MEITES: Does management have any
9 view on this?

10 (No response.)

11 CHAIRMAN MEITES: Hearing none, I believe we
12 should recommend adoption of this resolution to the
13 board.

14 M O T I O N

15 MS. CHILES: So moved.

16 MS. PHILLIPS-JACKSON: Second.

17 CHAIRMAN MEITES: Thank you.

18 MR. MADDOX: Thank you.

19 MS. DOZIER: Can we ask everyone to remember
20 to speak close to the mike? Because there are a couple
21 of people on the conference call who are having
22 problems hearing, and they seem to think that's the

1 problem.

2 CHAIRMAN MEITES: Yes. Just to repeat what I
3 just said, management had -- no objections were
4 expressed by management, and it's the unanimous view of
5 our committee that we recommend adoption of this
6 resolution.

7 Okay. The next item is No. 11, consider and
8 act on whether to amend 45 CFR Part 1622 to remove from
9 its requirements either all and non-executive
10 committees of the board or to remove from its
11 requirements only the board's governance and
12 performance review committee performance evaluations of
13 the President and Inspector General.

14 Vic, are you going to speak to this?

15 MR. FORTUNO: Yes, unless we have any
16 volunteers in the room.

17 CHAIRMAN MEITES: I wanted to do this now, and
18 I'm going to come back to the GAO review. It'll be the
19 last substantive item. But I want to do this first.

20 Okay. Mr. Fortunato?

21 MR. FORTUNO: I know the issue of whether the
22 performance evaluation of the president and the

1 inspector general in closed session, whether it's
2 appropriate, has been the subject of some discussion in
3 recent months. And there was some discussion of
4 Sunshine and its requirements at the last meeting of
5 this committee.

6 In the interim, I was asked to prepare a memo
7 outlining the history of the Sunshine regulation as it
8 applies to committees, and to propose, if it's
9 permissible, two notices of proposed rulemaking, two
10 alternatives, one of which would exempt from our
11 Sunshine regulation the board's committees, all of the
12 committees; and another being a much narrower one,
13 which would exempt only the performance review work of
14 the governance and performance review committee.

15 And I've sent those along. You should have
16 the two alternative NPRMs. In addition, you should
17 have a memo from me dated October 22nd which, in
18 effect, says that the Sunshine Act doesn't apply to
19 non-executive committees. It would apply, of course,
20 to the full board and to any executive committee, that
21 is, any committee authorized to act on behalf of the
22 board.

1 And it does talk about how, if you wanted to
2 exclude from the -- and also points out that the board
3 of directors of the Corporation some 30 years ago
4 decided that notwithstanding the fact that the terms of
5 the Sunshine Act itself do not extent as far as was
6 done in our regulation, that it was preferred to go a
7 little farther and to include not just the board and
8 executive committees, but all committees and councils
9 of the board.

10 That said, we then have a couple of notices of
11 proposed rulemaking which execute the two
12 approaches -- excuse me -- that I outlined a moment
13 ago, that is, one which would exempt from our
14 regulation but leave in compliance with the Sunshine
15 Act itself our non-executive committees, and another
16 which takes a more surgical approach to that and
17 exempts only the performance review work of the
18 governance and performance review committee.

19 CHAIRMAN MEITES: Good. At our last meeting
20 there was some discussion about what really
21 you're -- the interpretation presented in your memo, to
22 the effect that the way our committees operate accords

1 them the status of committees rather than being
2 something else and really just part of the board.

3 Now you, as I understand your report, opine
4 that we really are committees and, as such, as not part
5 of the board or the executive committee, we do have
6 this flexibility. Is that a fair statement of your
7 view?

8 MR. FORTUNO: With some provisos. If it's a
9 committee that consists of less than a quorum of the
10 board, that's one thing. But if you have a committee
11 that consists of less than a quorum of the board, but
12 then you have other board members in attendance and
13 participating such that you have a quorum of the board,
14 I think at that point however you classify this
15 committee, the fact is at that point you have a quorum
16 of the board engaged in deliberations, and I think you
17 are subject to Sunshine.

18 CHAIRMAN MEITES: Okay. Well, that's a useful
19 proviso. I think typically our performance review
20 committee meetings have not had a quorum of the board.
21 By quorum, you don't mean a quorum that day but a
22 quorum of the board as constituted. Is that correct?

1 MR. FORTUNO: That's right.

2 CHAIRMAN MEITES: So if there's only six board
3 members here, which may be whatever -- eight board
4 members here with a 16-member board, if six of those
5 attend our meeting, we have a quorum of the board in
6 the room or at that meeting, but we do not have a
7 quorum of the board for the purposes you just
8 mentioned. Isn't that correct?

9 MR. FORTUNO: That's right.

10 CHAIRMAN MEITES: Okay. Could I ask the
11 Inspector General for his views? Because his office
12 took it in the other direction. And although we have
13 both alternatives here, if you would, if you could
14 focus on just the performance review committee rather
15 than all the committees.

16 MR. SCHANZ: Yes, sir. I will defer to my
17 legal counsel, Laurie Tarantowicz.

18 MS. TARANTOWICZ: Thank you. Mr. Chairman,
19 members of the committee, my name is Laurie
20 Tarantowicz. I'm counsel to the OIG.

21 I guess we had a couple of concerns regarding
22 the proposal, and our concerns did specifically relate

1 to the performance and review committee proposal
2 because that set out sort of a concrete example for us
3 to focus on.

4 And I think, as Vic mentioned, if you have a
5 committee that's authorized to act on behalf of the
6 board, then that committee is subject to Sunshine. So
7 the question then arises in conducting the performance
8 review, the committee is chartered with the authority
9 of conducting the performance review and reporting to
10 the board.

11 Now, it's of course subject to the review and
12 approval of the board. But I think it becomes a close
13 question, if the committee is actually conducting
14 review, whether or not that committee is in fact an
15 executive committee of the board.

16 And then I think it is, as well, fact-specific
17 depending on what occurs. And so then if the committee
18 raises the recommendation to the board level, and the
19 board, I believe, because in our view
20 deliberations -- or not just in our view, but the
21 Sunshine Act states that not just the decision itself
22 but deliberations need to be in open and public

1 session -- the board then would be in the position of
2 sort of doing a redo of the committee's work in order
3 to ensure that the deliberations and decision-making on
4 that issue were in open session.

5 So it sort of puts you in the situation where
6 if you do it at the committee level because you want to
7 keep it private, then is that committee then in fact
8 acting on behalf of the board if the board doesn't then
9 sort of do a repeat at the board level?

10 CHAIRMAN MEITES: I follow you. Let's say
11 that the chair of a committee gives a summary report,
12 not go through all -- a summary report, and says at the
13 end, we therefore propose that our recommendation or
14 our evaluation shall be: Work harder in this area, you
15 did good in that area, and ask the board to endorse or
16 to adopt that recommendation. That would be on one
17 side of the line, perhaps.

18 If the board -- if the committee chair simply
19 says, we met, we thought they did a good job on a lot
20 of things, could do a better job on these things, and
21 the chairman of the board says, thank you very much, it
22 would be on the other side.

1 If the board is not asked to make an informed
2 decision on the work of -- on the recommendation of the
3 performance review committee, you would say it really
4 has been delegated to the board's powers. Is that
5 right?

6 MS. TARANTOWICZ: Right. And I think it would
7 depend -- I'm not sure exactly. I can't say for sure
8 where the line is. But I think at some point, if the
9 board can be said to be just ratifying the decision of
10 the committee and not engaging itself in a full and
11 open discussion of the issues -- but then again, if it
12 does engage in the full and open discussion of the
13 issues, then we're not sure you get where you want to
14 go by adopting this proposal.

15 CHAIRMAN MEITES: I guess my difficulty is at
16 least our performance committee doesn't "make a
17 decision." It issues a report, or it gives an oral
18 report to the employee or the officer which -- it's
19 just -- that's all it is. They don't decide whether to
20 retain them or to give them more money or to fire them
21 or to require them to work ten hours more a week. It's
22 not a decision in the sense that other committees reach

1 decisions.

2 MS. TARANTOWICZ: Although I think the
3 performance review itself might be a decision, even if
4 it doesn't lead to sort of an ultimate decision about
5 whether to retain or not. I mean --

6 CHAIRMAN MEITES: Well, wait a minute. The
7 performance review committee doesn't have that power.

8 MS. TARANTOWICZ: I understand.

9 CHAIRMAN MEITES: But it does have the power
10 to decide what its chair will tell the officer about
11 what we don't like and what we do like.

12 MS. TARANTOWICZ: Right. Which is, I think,
13 the action. And that's --

14 CHAIRMAN MEITES: That's the problem you have?

15 MS. TARANTOWICZ: And that's the problem.

16 CHAIRMAN MEITES: Yes. I see the problem.

17 And if the board has to have -- has to "make that
18 decision," if it is a decision, then somehow that
19 recommendation -- the recommendation is, this is what
20 we propose to tell Smith or Jones. And the board says,
21 well, we think Smith is better than you say in that
22 area and not as good on this area. And then the board

1 either modifies the proposed appraisal or adopts it.

2 MS. TARANTOWICZ: Right.

3 CHAIRMAN MEITES: But the problem is that once
4 you get that far, there's net gain.

5 Let me ask Vic to do this. Do you think you
6 could -- you and -- all of you could work out a
7 protocol that what -- so the performance review
8 committee would be exempt from the Sunshine Act but
9 would have guidance of what it could and should report
10 to the board to get on the other side of the line that
11 you all are concerned about?

12 MR. SCHANZ: And that would be a summary, a
13 summary presentation.

14 CHAIRMAN MEITES: Well, I'd leave it to
15 you -- yes. I'd leave it to you to come out with it.
16 But if we go this route, we want to make sure that we
17 know what we're doing because we don't want someone a
18 year from now, when we say that Helaine's successor is
19 just terrible but we're not going to tell anybody about
20 it in public, that we violate the Sunshine Act.

21 MR. FORTUNO: I like to think that no
22 challenge is too great. So we certainly welcome the

1 opportunity to try to craft something to bring back to
2 you for discussion.

3 CHAIRMAN MEITES: All right. Well, then, if
4 that's the case, then let me ask other board members if
5 they want to jump in. Jonann?

6 MS. CHILES: I think what Vic just proposed
7 sounds like a prudent course of action.

8 CHAIRMAN MEITES: Well, then, perhaps our
9 recommendation to the board is -- and I hear no support
10 for exempting all our committees from the Sunshine Act.
11 I just put that in there so that if anybody wanted to
12 go down that road, they could do it.

13 So what about recommend to the board that
14 it -- what is it? This has to be a rulemaking? Is
15 that --

16 MR. FORTUNO: Well, I'm not sure if you want
17 to -- what you would propose to recommend to the board
18 now if we're going to come back to you with another
19 approach.

20 CHAIRMAN MEITES: Okay. We'd better wait
21 until -- all right. Why don't we, again, continue
22 this. But at the next meeting, we'll see what you can

1 come up with as a guideline or directive, which would
2 be consistent with what you and I'm concerned about,
3 but is workable. Is that fair enough?

4 MS. CHILES: Yes.

5 CHAIRMAN MEITES: Okay. Thank you very much.

6 MS. TARANTOWICZ: Thank you.

7 CHAIRMAN MEITES: And just focus on the
8 Sunshine committee. I don't think there's any interest
9 in going --

10 MR. FORTUNO: Governance and performance
11 review, and only with respect to performance
12 evaluations. Is that right?

13 CHAIRMAN MEITES: Right.

14 MR. FORTUNO: Okay. Good. Thank you.

15 CHAIRMAN MEITES: Okay. I think we're ready
16 for the GAO now. Item 9 on our agenda is an update on
17 the various GAO initiatives directed towards the Legal
18 Services Corporation.

19 All right. Mr. Constance, what do you have to
20 tell us today about the GAO and us?

21 MR. CONSTANCE: Thank you, Mr. Chairman. For
22 the record, I'm John Constance, director of government

1 relations and public affairs.

2 Let me just kind of give a real, real brief
3 summary of where we are. I think the committee knows
4 some of this, but just to put this into context, on
5 June 2nd, GAO notified us that at the request of
6 Senator Charles Grassley, it was undertaking an audit
7 of the Offices of Program Performance and Compliance
8 and Enforcement.

9 Specifically, GAO indicated it planned to
10 assess, number one, the functions and processes of OPP
11 and OCE; number two, performance measures and
12 management's monitoring of efficiency and effectiveness
13 of these efforts; three, staffing trends and workforce
14 planning; and four, the analysis of the office's
15 budgets and expenditures.

16 We had an entrance conference with GAO on
17 June 22nd, and at that conference they indicated that
18 their review was expanded to cover a follow-up to the
19 two 2007 GAO reports on board governance and grants
20 oversight.

21 We are continuing to provide the requested
22 documents and information to GAO. And based on recent

1 meetings that we have had with them, they are expected
2 to be working through next spring, is their professed
3 schedule at this point.

4 On the 14th of October, our executive team met
5 with GAO staff conducting the audit, and with their GAO
6 supervisor to discuss their progress in verifying LSC's
7 completion of the recommendations made by GAO in their
8 two reports, August and December of 2007. It was a
9 very good meeting, and we have committed to provide the
10 GAO additional documentation to verify the activities
11 that we feel have in fact been implemented.

12 Subsequent to that meeting, as you know, two
13 things have occurred. GAO has had a telephone briefing
14 with the LSC board on the same subject, on progress on
15 the two reports. And also Susan Ragland, director of
16 financial management and assistance at GAO, was called
17 to testify before the Subcommittee on Commercial and
18 Administrative Law of the House Committee on the
19 Judiciary earlier this week.

20 I passed out to you a copy of her testimony at
21 the hearing, and would just direct your attention to a
22 couple of things on those documents. I will just first

1 of all say in passing that fortunately, the praise was
2 a little heavier at the hearing than it is in the
3 headline to this. Some progress.

4 In this document, it indicates that we have
5 fully completed 9 of 17 recommendations. We feel that
6 we have completed 16 of 17 recommendations, and let me
7 go through those to explain where we are currently.

8 On page 5, table 1 of this document lays out
9 the status of GAO's recommendations to the board of
10 directors in the August 2007 report. As you'll note,
11 they indicate three actions, in fact -- or three
12 recommendations have been implemented fully, and the
13 other five, from their perspective, have been partially
14 implemented.

15 Of those five, it's our position that four of
16 the five have in fact been completed, and we are
17 working to provide the documentation to GAO that they
18 have requested to indicate that.

19 The fifth recommendation -- when I say four of
20 five we feel have been completed, the fifth is the one
21 third from the bottom that indicates, "Establish in the
22 compensation committee function to oversee compensation

1 matters involving LSC officers and the overall
2 compensation structure."

3 We have in the current charter of the
4 governance and performance review committee the
5 provision to oversee the compensation of the President
6 of the Corporation and the Inspector General. It is
7 not broad enough, from GAO's perspective, to really
8 cover what they feel should be the overall oversight of
9 compensation.

10 An action item in tomorrow's agenda for the
11 governance and performance review committee is to in
12 fact amend the charter to include an overall
13 compensation review responsibility for that committee.

14 CHAIRMAN MEITES: But John, hold on for a
15 second there. As you mention that, and I know it's up
16 tomorrow, but usually compensation matters are in the
17 audit committee rather than elsewhere. Why did we put
18 it in the performance review committee?

19 MR. CONSTANCE: It's been in that charter from
20 the very beginning. You know, again, I would say that
21 that certainly could be an open discussion item. It
22 was specifically recommended, as I recall, within the

1 GAO report --

2 CHAIRMAN MEITES: That we give it to
3 performance review?

4 MR. CONSTANCE: Yes. And governance. Under
5 the concept of governance, that you're looking at, you
6 know, this as a governance function for compensation
7 rather than, you know, auditing how compensation is
8 being carried out.

9 CHAIRMAN MEITES: Okay. Thank you.

10 MR. CONSTANCE: So I think that's the
11 rationale.

12 On page 7 of this report, you'll note that in
13 their table 2, they show that management had in fact
14 completed all four recommendations to management from
15 the August 2007 report.

16 Moving on to the December report, on page 10
17 you'll note that in table 3 they show two of the
18 recommendations had in fact been implemented and three
19 are in the partial implemented category. All three of
20 these again, we feel, have been completed. We are
21 talking to them in, I think, a very constructive
22 dialogue as to what documentation they need to

1 demonstrate this, and so we're moving forward along
2 those lines.

3 I would say that in the hearing itself, there
4 was a very, very good discussion both in the first
5 panel, that consisted of President Barnett and the vice
6 chair of the board, Mike McKay, on the whole issue of
7 just how seriously the Legal Services Corporation has
8 taken the GAO recommendations; that in fact, through
9 the ad hoc committee, through the work of the board of
10 directors, we have engaged this process from the very
11 beginning.

12 In that discussion in the hearing, one of the
13 quotes from the report did come out, both in Mike
14 McKay's testimony as well as Susan Ragland's, saying
15 that, "The improvements that LSC has made in its
16 governance and accountability provide a good foundation
17 for completing implementation of the elements needed
18 for a strong program of governance and internal
19 controls."

20 Also, when questioned about the timing of what
21 GAO's experience is, how long it normally takes for
22 these kind of recommendations to be fully implemented,

1 Susan Ragland reported that it is an average of four
2 years with most federal entities in terms of these
3 implementations, and the fact that we are just
4 approaching two years in this was looked on with -- in
5 a positive light.

6 The timeline that was brought up by Chairman
7 Cohen of our oversight subcommittee in the House
8 suggested an oversight hearing in September of next
9 year for an update on LSC progress on GAO
10 recommendations.

11 So that, Mr. Chairman, is where I think we
12 stand at this point and certainly, on the record, where
13 GAO feels that we stand.

14 CHAIRMAN MEITES: Chairman Cohen is from
15 where?

16 MR. CONSTANCE: He's from Memphis.

17 CHAIRMAN MEITES: All right. Questions?
18 Comments? Herb, please.

19 MR. GARTEN: I was in on the discussion with
20 the GAO, and I took some notes. And I want to confirm
21 we did ask about the timeline and how long it would
22 take, and she said normally you think in terms of four

1 years. And I was very careful to make notes, and
2 specifically referring to how she characterized what
3 the situation was as of now.

4 And she said, "Very good progress has been
5 made."

6 CHAIRMAN MEITES: Who said that, Herb?

7 MR. GARTEN: The same lady who wrote this
8 report.

9 CHAIRMAN MEITES: Oh, Susan Ragland? Good.
10 Thank you.

11 MR. GARTEN: And I took the telephone
12 conversation report to be one that was very favorable
13 as to what was going on, what had occurred, and that
14 she generally felt very good about the progress that
15 had been made.

16 CHAIRMAN MEITES: All right. John, are you in
17 a position to bring us up to speed on the request from
18 of this year, what the status is, what has occurred to
19 date?

20 MR. CONSTANCE: Only that we have provided all
21 the documentation from their very first request letter.
22 You know, I think we are close to completing all of the

1 document requests that they provided. They provided a
2 subsequent document request which we're supplying.
3 they are onsite with two auditors. They continue to
4 conduct interviews of our staff. And we continue to
5 cooperate in providing information to them.

6 CHAIRMAN MEITES: Let me ask you a more
7 general question since I had no idea what the GAO did
8 before they knocked on our door.

9 I kind of see them as the good news is they
10 are a free management consultant; the bad news is you
11 didn't think you needed a management consultant. Given
12 the way they operate, not with us, do you think it's
13 within what they think their mandate is to, for
14 example, recommend that the two departments we're
15 talking about be merged, or put out of business, or
16 renamed, or refunctioned? Is that the kind of thing
17 that they may come up with in this kind of -- or is
18 that more of -- that's too nuts and bolts for them?

19 MR. CONSTANCE: I think my experience -- and
20 again, my experience with GAO, I was the GAO compliance
21 officer with the National Archives for about ten years
22 of my career. And I would say that in terms of getting

1 into those kinds of organizational matters or details
2 would be beyond what they generally think of as their
3 charter.

4 They're looking at the Corporation against
5 what they feel are best practices, both from the
6 perspective of government regulation and guidelines and
7 now, again, informed by Sarbanes-Oxley. So we are
8 being compared against some -- you know, some standards
9 as they work through this process and work through
10 their audits.

11 But for them to come back and make a
12 recommendation of, you know, reorganization, that would
13 be -- again, in my experience, that's pretty much
14 beyond what they generally do.

15 CHAIRMAN MEITES: Good. All right. Other
16 questions from the committee?

17 MS. CHILES: I don't have a question, but I
18 have a request. Can you hear me? In the future, when
19 management receives correspondence from the GAO,
20 whether it's a letter or a document request or whatever
21 you decide you're going to call it, would you please
22 forward copies to the board so that we can be fully

1 informed about what the status of the GAO's work is? I
2 think a few of us --

3 MR. CONSTANCE: They're all provided to the
4 chairman of the board. But we can certainly work with
5 the chairman to be insured of the fact that your
6 directive is carried out.

7 MS. CHILES: Well, perhaps you could provide
8 copies to the chairman of the ops and regs committee
9 since we put it on our agenda this time.

10 CHAIRMAN MEITES: Yes. That's a good idea.

11 MR. CONSTANCE: That's fine.

12 CHAIRMAN MEITES: And I can figure out which
13 ones I think that the committee would find helpful. So
14 let's do that in the future.

15 All right. Any more comments on the GAO
16 report? We're only halfway there, if it takes four
17 years before they will acknowledge --

18 MR. CONSTANCE: I've never actually looked
19 forward to the cherry blossoms in Washington as much
20 as I'm looking forward to spring of next year,
21 Mr. Chairman.

22 CHAIRMAN MEITES: I'm sure that our successors

1 will appreciate their effort as much as we have. I
2 actually am not being cynical. I think we never would
3 have done any of this without them.

4 Okay. Where are we at? All right. Public
5 comment?

6 (No response.)

7 CHAIRMAN MEITES: Consider and act on other
8 business?

9 (No response.)

10 CHAIRMAN MEITES: Other than that, I will
11 accept a motion we adjourn.

12 M O T I O N

13 MS. PHILLIPS-JACKSON: So move.

14 CHAIRMAN MEITES: Second?

15 MS. CHILES: Second.

16 CHAIRMAN MEITES: We are in adjournment.

17 Thank you very much, ladies and gentlemen.

18 (Whereupon, at 5:11 p.m., the committee was
19 adjourned.)

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