

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
DELIVERY OF LEGAL SERVICES COMMITTEE
OPEN SESSION

Friday, January 24, 2014

2:59 p.m.

Hilton Garden Inn Downtown Austin
500 North Interstate 35
Austin, Texas 78701

COMMITTEE MEMBERS PRESENT:

Father Pius Pietrzyk, O.P., Co-Chair (by telephone)
Gloria Valencia-Weber, Co-Chair
Sharon L. Browne
Victor B. Maddox
Julie A. Reiskin
John G. Levi, ex officio

OTHER BOARD MEMBERS PRESENT:

Robert J. Grey Jr.
Laurie Mikva
Martha L. Minow

STAFF AND PUBLIC PRESENT:

James J. Sandman, President
Lynn Jennings, Vice President for Grants Management
Rebecca Fertig, Special Assistant to the President
Ronald S. Flagg, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
David L. Richardson, Comptroller and Treasurer,
Office of Financial and Administrative Services
Carol A. Bergman, Director, Office of Government
Relations and Public Affairs
Carl Rauscher, Director of Media Relations, Office of
Government Relations and Public Affairs
Marcos Navarro, Office of Government Relations and
Public Affairs
Jeffrey E. Schanz, 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
Lora M. Rath, Deputy Director, Office of Compliance
and Enforcement
Janet LaBella, Director, Office of Program
Performance
Glenn Rawdon, Program Counsel, Office of Program
Performance

Herbert S. Garten, Non-Director Member, Institutional
Advancement Committee
Frank B. Strickland, Non-Director Member,
Institutional Advancement Committee
AnnaMarie Johnson, Executive Director, Nevada Legal
Services
Paul Larsen, former Board Chair, Nevada Legal
Services
Steve Gottlieb, Executive Director, Atlanta Legal
Aid Society
Mike Nations, Chair, Audit Committee, Atlanta Legal
Aid Society
Pamela Brown, Texas RioGrande Legal Aid
David Hall, Texas RioGrande Legal Aid
Thomas Stanton, Legal Aid of NorthWest Texas
Paul Furrh, Executive Director, Lone Star Legal Aid

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

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Motions: 5, 5, 6, 54

1 PROCEEDINGS

2 (2:59 p.m.)

3 CO-CHAIR VALENCIA-WEBER: We call the meeting
4 to order, and I'm going to exercise the prerogative of
5 the Co-Chair to jump something on the agenda.

6 We have had, through the course of yesterday
7 and today, present a number of our client board
8 members. And the delivery of legal services could not
9 be anywhere as effective unless we had these client
10 board members serving their area legal aid.

11 We had more yesterday. But I was able to make
12 sure they didn't all disappear. And I would like us
13 just to make sure that we recognize them.

14 First is Mary Wilson, who has served for 35
15 years with the Legal Aid of NorthWest Texas. Mary,
16 would you stand up for us?

17 (Applause)

18 CO-CHAIR VALENCIA-WEBER: And then I would
19 like to introduce Rose Wilson, who has given, overall,
20 30 years to legal access to the poor. She is on the
21 board of, again, Legal Aid of NorthWest Texas, and
22 additionally she also serves on the board of the Access

1 to Justice Foundation. Rose, could you stand up,
2 please?

3 (Applause)

4 CO-CHAIR VALENCIA-WEBER: I prevailed on them
5 to not quite run off to leave us, and I thought we
6 would just want to make sure to recognize them. Thank
7 you so much for your work.

8 We will move first to approval of the agenda.
9 Can I hear a motion for that?

10 M O T I O N

11 MS. BROWNE: I'll make the motion.

12 CO-CHAIR VALENCIA-WEBER: Sharon.

13 MR. MADDOX: Second.

14 CO-CHAIR VALENCIA-WEBER: Seconded by Victor.

15 Then we move to approval of the minutes for
16 the Committee meeting on September 20th.

17 M O T I O N

18 MS. BROWNE: I'll move.

19 MR. MADDOX: Second.

20 CO-CHAIR VALENCIA-WEBER: Sharon moves, Victor
21 seconds.

22 And also, the Committee meeting on October 21,

1 2013.

2 M O T I O N

3 MR. MADDOX: I'll move.

4 MS. BROWNE: And I'll second.

5 CO-CHAIR VALENCIA-WEBER: Victor moves, Sharon
6 seconds.

7 I'm going to pass for right now on the
8 discussion of the Committee's evaluations for 2013 and
9 the Committee's goals. They're in the book. They are
10 there to be read. And I want to allow enough time for
11 our panel, and if we can, we'll get back to it at this
12 meeting; if not, we defer it to the next meeting, if
13 that's all right with everybody.

14 So at this point I want to turn it over to
15 Lynn Jennings, who has organized a panel for us to look
16 at a particular performance area that's evaluated, and
17 that's board governance, the fiscal and financial
18 oversight. Lynn?

19 MS. JENNINGS: Great. Thank you very much,
20 Gloria, Ms. Vice Chairman.

21 I'd like to say thank you and welcome to our
22 panelists. At our last board meeting, the Committee

1 focused generally on the history and the impact of the
2 LSC performance criteria in evaluating program
3 performance.

4 But today we're going to take a deeper dive
5 into an issue area that has been of great interest to
6 this Board as it relates to our Fiscal Oversight Task
7 Force report and the approach that we're taking with
8 our grantees now, and to look deeper into the Board's
9 relationship and understanding of fiscal and financial
10 oversight and compliance.

11 So we have these wonderful panelists with us
12 here today who I'll introduce in a moment. And we'll
13 be exploring the challenges that board members and
14 programs face when confronted with significant fiscal
15 issues.

16 So to get us started, we have AnnaMarie
17 Johnson, who's Executive Director of Nevada Legal
18 Services; Paul Larsen, former Board Chair of NVLS and
19 shareholder with the firm of Lionel Sawyer & Collins;
20 we also have with us Steve Gottlieb, who's Executive
21 Director of Atlanta Legal Aid Society; and we have
22 Michael Nations, who's Chair of the Audit Committee

1 there and a partner with the firm of Nations Toman &
2 McKnight LLP.

3 So with that, I'd like to get started with
4 Paul. And I was wondering if you could tell us a
5 little bit about how you became involved with Nevada
6 Legal Services, and what you found when you arrived.

7 MR. LARSEN: Thank you very much, and I
8 appreciate the opportunity to speak to the Board today.

9 Like a lot of nonprofit organizations, people
10 are asked to join a board. And in many instances, it's
11 simply to have a name on the board lists for
12 fundraising purposes, that sort of thing.

13 When I first joined Nevada Legal Services, I
14 think a great number of the board members considered it
15 that sort of duty. There wasn't a particularly engaged
16 board. There wasn't a lot of board training in advance
17 of people serving on the board. We weren't given
18 manuals or anything like that. And as a result, there
19 was a huge level of deference to the executive
20 director.

21 Because of that, there wasn't a lot of
22 knowledge on behalf of the board as to exactly what our

1 fiscal status was, our compliance status, and the board
2 met so irregularly, on a quarterly basis, that frankly,
3 there wasn't a lot of knowledge as to exactly what
4 shape we were in financially and compliance-wise.

5 MS. JENNINGS: So when you had been on the
6 board for a little bit, when did you start to realize
7 there might be a little bit of trouble?

8 MR. LARSEN: Well, we had a couple of very
9 outstanding board members, and a couple of them noticed
10 things in our infrequent board meetings such as
11 unauthorized purchases of technology equipment that was
12 of a magnitude that really raised eyebrows. And so we
13 started looking into that.

14 Concurrent with that activation, I guess, of
15 the board by those very outstanding members, we were
16 also made aware, by a visit from LSC of both the fiscal
17 and program oversight, that we had some real compliance
18 issues. And a lot of those issues were resulting
19 directly from the board not being particularly engaged.

20 For example, we weren't questioning the
21 executive director on a lot of things. We weren't
22 requiring the director to make presentations to us of

1 our compliance status. And so a lot of the information
2 that I heard at this initial meeting with the LSC was
3 news to us.

4 We immediately formed a compliance committee,
5 and probably took the cream of the crop of the board,
6 put it on this committee, and in the process realized
7 that maybe the situation was even worse than we had
8 imagined.

9 We determined that we did not have a lot of
10 confidence in our executive director. We determined
11 that we had a fiscal staff that was probably
12 unqualified, untrained, for the responsibilities they
13 were given, and a result that affected the financial
14 information we were given regarding the board.

15 So one of our tasks as the compliance
16 committee is to put together an aggressive fiscal
17 committee. We started doing that by bringing an
18 accountant on board who is an outside advisor to the
19 fiscal committee. Later we found an amazing young
20 attorney who is also a licensed CPA who probably ended
21 up doing about 30 hours a week volunteer time to bring
22 this organization into shape.

1 At this point we have two others who have
2 financial accounting backgrounds. One is a licensed
3 CPA as well. And so our fiscal committee is very
4 aggressive, to the point where we did -- let me back
5 up.

6 We also replaced our executive director, asked
7 him to depart. We replaced with Anna Johnson, who's
8 sitting beside me. And Anna initially was an interim
9 director, but she's done such an outstanding job that
10 we begged her to stay and begged her to take the job on
11 a permanent basis, and she's done that.

12 She has been very aggressive in presenting our
13 fiscal status to us, warts and all, including
14 anticipating cuts in funding from various sources. And
15 we put together a tiered approach -- if funding is cut
16 to X level, then this is our reaction. If it's cut to
17 two times X, this is our reaction. And so we're in
18 very good shape, regardless of the cuts in funding that
19 might come.

20 MS. JENNINGS: Paul, would you mind talking a
21 little bit about -- you said you've created these
22 aggressive committees, both fiscally and

1 compliance-wise. But what happened to the other board
2 members?

3 MR. LARSEN: One of the problems of having a
4 large board is getting a quorum together where you can
5 actually take action. We realized, as I was chairing
6 this compliance committee, that I couldn't get a lot of
7 board action because a lot of our board members were
8 simply members in name only.

9 They never called in. They never showed up at
10 meetings. After a two-year period, I realized, one
11 board member, I'd never heard her voice on a phone and
12 I'd never seen her face in person. So I took the list
13 of board members and I simply thanked them for their
14 service and asked them to resign.

15 So we got down to a core group of folks who
16 were engaged, who were willing to roll up their sleeves
17 and do some work. And that's what we were required to
18 do, at least for a two-year period.

19 We were given a set of milestones that we
20 needed to reach, and our funding was contingent on
21 reaching those milestones on a monthly basis. And
22 without heavy engagement by our board, we wouldn't have

1 been able to do that.

2 And so at this point we still have a very
3 small board. AnnaMarie has joined me and been very,
4 very careful about trying to recruit new board members
5 simply as a name, simply as someone who wants to
6 passively have their name listed on a board for
7 fundraising purposes.

8 We want folks who are going to attend the
9 fiscal committee meetings, who are going to read the
10 financial reports. We have board members now that will
11 go through the financial reports and actually required
12 our fiscal manager to report all variances of 10
13 percent.

14 And so when you're reporting a variance of 10
15 percent on a \$6 purchase, that's a level of
16 micro-management that a lot of people don't like. And
17 so we've backed off a little bit. We've raised the
18 materiality threshold on some of those.

19 But we do have, in most instances, more than
20 three sets of eyes reviewing every financial report,
21 quizzing our fiscal manager about it as well as our
22 executive director. So we've got a very strong level

1 of engagement from all of our board members now. I
2 don't think we have any passive members at this point.

3 MS. JENNINGS: And AnnaMarie -- thank you,
4 Paul -- what was it like stepping into the interim and
5 then full-time role?

6 MS. JOHNSON: Well, the first thought was,
7 what the hell am I getting myself into? And there was
8 so much to do at the beginning. Paul says we had a
9 number of milestones. It was actually 85 special grant
10 conditions that we had to meet and report on every
11 month to the Legal Services Corporation.

12 And it was so much to do in such a very quick
13 time that you really didn't have a chance to do
14 anything but focus on that, making sure that the
15 program was meeting those milestones, and getting in
16 place everything we needed to have in place.

17 They offered me the permanent position, I
18 think, six months after taking the item, and I said
19 yes. Sometimes I want to shoot myself for having said
20 yes. But I said yes because we were on our way, and I
21 wanted to finish it. I wanted to get the program to
22 the state that it is now.

1 There was a lot of problem with the staff in
2 the beginning, not because the staff were resistant to
3 what was going on; it was they felt so betrayed by the
4 previous executive director and the previous board.

5 There was such a morale problem, and dealing
6 with making sure we were meeting everything with the
7 Legal Services Corporation as well as trying to keep
8 the staff -- I had really great staff -- keeping them
9 on board, making sure that they worked with us through
10 this process.

11 It's difficult now, and yes, we're all
12 hurting, but we can do this. We can be better. And it
13 was a bit of an overwhelming job at that time. And I
14 think it took us a total of three years before we
15 finally made it through everything and could take a
16 breath, and then actually look at the future and say,
17 wow. Now we're ready to plan. We can grow. And we
18 have done that over the last three years.

19 MS. JENNINGS: And can you describe a little
20 bit about the interactions between you and the board of
21 directors and maybe how it's evolved over those three
22 and a half years?

1 MS. JOHNSON: Well, at the beginning, my
2 interaction with the board was practically daily. If I
3 wasn't in Paul's office, he was in my office or we were
4 on the phone. There was a lot of work to do between me
5 and the board.

6 We did a lot of training together. We met,
7 the board of directors met, for a time, at the
8 beginning, weekly. They moved to monthly, and we've
9 been meeting monthly since then. And that's what the
10 board has liked.

11 I've asked them a couple of times, "Do you
12 want to cut back on the number of meetings?" And they
13 said no. They like the ability to keep up with what
14 the program is doing, and it's much easier to do so on
15 a monthly basis. It means our meetings are not all
16 that long. Some of our monthly meetings are only a
17 half hour, and we get through everything we need to.

18 My interaction with the board has tended
19 toward, I'm going to give them all the information I
20 have and I'm going to let them tell me that it's too
21 much, they don't need this. But that seemed the better
22 way to go.

1 There are things over the years that have
2 cropped up that I'm very glad I told them about because
3 it ended up having some problems. And when those
4 problems ballooned, they weren't caught by surprise.
5 They knew exactly what was going on and what they needed
6 to do to respond.

7 Paul finally has said, I've done my duty and
8 I'm going to step back as president of the board last
9 April. And Bill Curran is our current president. And
10 he and I, we meet in person once a month, but we are on
11 the telephone constantly over a number of things.

12 And our fiscal committee meets every single
13 month. The board then meets the week following. We
14 have ad hoc committees as we need them that meet.

15 MS. JENNINGS: So Paul, as a result of
16 everything that you've been through, what are your
17 expectations now for the program and the board of
18 directors?

19 MR. LARSEN: Well, my expectations for the
20 program are very optimistic. Initially it was
21 survival. Now we've been able to identify alternative
22 sources of funds and offer programs that are not

1 strictly and exclusively LSC-funded, so that's been a
2 nice growth for us.

3 I don't think we would have been able to do
4 that without the infrastructure that we've established
5 through the real rigid compliance program we put in
6 place.

7 The managing partner of my law firm once told
8 me, as he asked me to take over a practice group, he
9 said, "I'm going to judge your success not by how well
10 you do but how well you train your successor." And
11 I've used that as my guideline to identify the board,
12 to have folks that would be engaged, and aggressive
13 about being engaged.

14 I think the chairman of our fiscal committee
15 completely exemplifies that. He is so knowledgeable
16 about the finances of the program that he can call
17 things from memory that exceed the fiscal manager in
18 some instances.

19 Our new chairman is beyond qualified. He's
20 former chairman of the state gaming commission, runs an
21 office for a nationwide law firm, and is very much
22 engaged. One of the things I liked about him prior to

1 recruiting him for the board is he was a volunteer
2 attorney working with Anna for Nevada Legal Services.
3 And so he has ownership as a participant and not just
4 as a board member. And so that's the level of
5 engagement we're trying to recruit.

6 So we've done it very slowly, trying to
7 identify board members who had that level of commitment
8 as opposed to simply trying to get a big name to sit on
9 the board who wouldn't be engaged at that level.

10 MS. JENNINGS: Great. Thank you so much for
11 your service and your hard work and dedication to
12 bringing it on. Just one last question. How long were
13 you on the board before you realized that this had
14 happened?

15 MR. LARSEN: I don't recall specifically, but
16 maybe a year.

17 MS. JENNINGS: Oh, okay. So a little bit.

18 So now we're going to do our timing here, and
19 to leave room for questions, we're going to turn it
20 over to Atlanta Legal Aid Society. Although they
21 haven't had the crisis to deal with that Nevada Legal
22 Services has, they have also faced a number of fiscal

1 issues and how to deal with it. And because of the
2 strength of their board, they maybe didn't have to go
3 into crisis mode because of that.

4 So with that, I'll start with Mike and ask him
5 to tell us about his tenure with the board of Atlanta
6 Legal Services and how board engagement has evolved
7 over the years. Thank you, Mike.

8 MR. NATIONS: I have been on the board of
9 Atlanta Legal Aid about 12 years, I think. And
10 fortunately, we've always had a very engaged and active
11 board. But when the financial crisis hit in 2008, we
12 all realized that our IOLTA funding took a massive hit
13 and other state grants and other things either went
14 away or in some cases were still there but at a lower
15 level.

16 So we all realized -- we had a meeting, and I
17 remember we were thinking, well, if we can just get
18 through this year, it'll be better next year. And then
19 we had another meeting a year later and said, well,
20 maybe one more year.

21 Fortunately, Atlanta Legal Aid has an
22 endowment that is currently about \$3.6 million. It

1 started with a cy-pres award from a federal judge in
2 1996 of a million dollars, money left over from a
3 plaintiffs' class action case. And through, I think,
4 good stewardship and additional contributions, that's
5 grown steadily over the years.

6 When I first came on the board, we gave Steve,
7 the executive director, the authority to withdraw 4
8 percent of the endowment per year without further
9 authorization, but he never did. He didn't need it.
10 And it just stayed in there and grew.

11 And we realized that we had a choice of
12 either -- either the rainy day was here and we were
13 going to start using that money or Steve was going to
14 have to start thinking about laying off people and
15 closing offices.

16 And we had a lot of spirited discussions. We
17 had some board members that weren't that comfortable
18 with making major withdrawals of endowment money. But
19 the majority felt strongly that that's why people
20 contribute and that's what the purpose is.

21 And really, through excellent leadership by
22 Steve, we managed to keep the core program intact and

1 have even started some new initiatives. Did have to
2 have some attrition; didn't fill some spaces when
3 people left. Converted a few people from full-time to
4 part-time or from part-time to contract work.

5 But for the most part, we're able to keep
6 going forward. And without the endowment, we'd be in a
7 very different place today.

8 MS. JENNINGS: How would you characterize the
9 fiscal literacy of your board?

10 MR. NATIONS: I would say very high. We have
11 a CPA on our board who is very active. And another
12 thing that might be worth mentioning is we have an
13 executive committee. We have an advisory committee,
14 which is something we use to just bring people in to
15 introduce them to the program.

16 We've started having a two-year term, and if
17 somebody's not interested and they don't come to any
18 meetings, we thank them for their service and don't
19 renew them.

20 But we have been very successful in drawing
21 people in to the advisory committee. They get
22 interested. We have a sort of open-door policy on our

1 committees -- whether you're a board member or an
2 advisory committee member, anybody is welcome to come
3 to the budget committee, the audit committee,
4 priorities and eligibility committee, whatever it is.

5 And so we've been able to recruit people, put
6 them on the board. We have a board of 33 people, with
7 a number of client-eligible representatives. And we do
8 have the one CPA. And we have a 12-person executive
9 committee that meets monthly. The board meets four or
10 five times a year.

11 And really, the executive committee meeting
12 with Steve every month is very much attuned to what's
13 going on. Steve welcomes the oversight. He's always
14 been forthcoming. We get full financial statements
15 before each meeting. I can't remember the last time
16 there was any surprise of any kind because everybody is
17 plugged into what's happening.

18 MS. JENNINGS: And how long have you served on
19 the board?

20 MR. NATIONS: I think this is 12 years. I was
21 president in 2007, and I had gone through the
22 secretary, treasurer, vice president. It must be about

1 12 years now.

2 MS. JENNINGS: And Steve, from your vantage
3 point, how has board oversight evolved over the years
4 as you've led Atlanta Legal Services?

5 MR. GOTTLIEB: Well, as I've learned, I think
6 I've begun to understand more and more why it's
7 important. And let me say this. I think the purpose
8 of this meeting is probably more to talk about how the
9 board can provide oversight over a program to make sure
10 that there aren't problems.

11 So let me flip it on you a little bit. Let me
12 tell you why I think it's important for a board to be
13 involved from my perspective. And let me tell you a
14 couple of things.

15 First of all, it's a shared responsibility.
16 As Mike mentioned, we really had some very difficult
17 decisions to make in the last few years, in some ways
18 more difficult than when we really had the cuts in 1983
19 and in 1996, because we didn't know how long this was
20 going to last.

21 So the question became, how do we address
22 this? How much do we cut? How much do we use the

1 endowment? And what do we do? Where's the balance?
2 And frankly, having the board involved in that is
3 something that's helpful to me because I don't want to
4 be the only one making that decision because it's a
5 very tough decision.

6 My view, by the way, was that we could try to
7 figure out a way, as Mike said, to balance off keeping
8 protecting the core of the program, but at the same
9 time using the endowment in a modest kind of way. And
10 that's what the board was involved in on a daily basis
11 to talk to me about.

12 The second reason I think it's really
13 important to have a board involved in oversight, and
14 not just because of checking on me or anybody else, is
15 because you get better ideas. Mike has good ideas.
16 Other people on the board have good ideas. I'm not the
17 only one who has good ideas.

18 So you've got some other people who may make
19 suggestions to you which really are important. I'm not
20 vain enough to think I'm the only one who's got the
21 truth.

22 The other thing is, if the board's involved,

1 they're going to know that they need to help us raise
2 money. Otherwise, how are they going to know if we've
3 got these financial troubles? How are they going to
4 know how drastic the situation is if they're not
5 involved?

6 The next reason for me is that, ironically,
7 and this may surprise you, I find it easiest to get
8 board members interested in the financial parts of the
9 program than anything else because you get a lot of
10 these people -- and I don't know how many of you in the
11 room are in this category -- but there are a lot of
12 numbers people out there. And they really want to get
13 their hands on the numbers.

14 And so they want to go to the budget
15 committee. They want to go to the audit committee.
16 They want to see how you're using the endowment. And
17 there are a lot of people who love to do that, and so I
18 get more involvement by people on those committees than
19 almost any other committee because it's within their
20 sweet spot. They know. Run a law firm.

21 The other thing is, ironically, when you're
22 involved in things like the budget committee -- this is

1 something that Mike has said on a number of occasions;
2 a number of board members have, too -- you actually
3 find out a lot about the way the program operates by
4 looking at the finances.

5 We have a lot of special projects. So when I
6 go down the list of all of the money that we get, it's
7 not just the Legal Services Corporation, which is for
8 legal aid work.

9 It's for AIDS and cancer, work for AIDS and
10 cancer, or our medical-legal collaborative, or our work
11 that supports seniors, or our work that does any one of
12 a number of special projects. And when people start
13 seeing the complexity of our funding sources, they
14 understand the complexity of the program.

15 Another thing that I find very helpful from my
16 perspective is when board members are involved in our
17 finances, particularly with the audit, they are
18 astounded at how complicated the Atlanta Legal Aid
19 Society is.

20 They just can't believe that we would have so
21 many different kinds of things to deal with in terms of
22 our funders -- not the Legal Services Corporation, of

1 course; no, of course --

2 (Laughter.)

3 MR. GOTTLIEB: -- but in terms of the
4 restrictions we have. As you all know, our auditors
5 check on not only financial limitations, but on
6 programmatic limitations. So there are a lot of
7 complicated things that we do that they are incredibly
8 surprised about.

9 I've had people who have talked about
10 how -- they're in private practice and they say, "I
11 don't know. We don't have to put up with this kind of
12 stuff. You do." And so the idea is that they see how
13 complicated it is, and they also see how careful we
14 are.

15 They look at our audits and they see that we
16 don't misspend money, that we're very careful about the
17 way we do business. And it adds an element of
18 credibility and prestige to the program.

19 And the finding thing is, sometimes I get a
20 real perspective from board members who are involved in
21 our finances. I don't want to ever make mistakes, and
22 of course I don't. No.

1 (Laughter.)

2 MR. GOTTLIEB: But to have somebody like Mike
3 say to me, "You know, everybody in the private practice
4 has trouble with timekeeping," it's like, come on,
5 Steve. You've got to know what's going on, and you've
6 got to be realistic. And it gives me a perspective.

7 And I'll give you one last example because
8 I've gone on for a while, is Mike, a number of years
9 ago, looked at our audits, and he looked at the part of
10 the audit which said, how much of your money is spent
11 on program versus how much of your money is spent on
12 fundraising and management?

13 And he looked at it and he said, "You spend 10
14 percent of your money on program management and 90
15 percent of your money on the program itself, on
16 services. That's astounding." And I didn't know it
17 was astounding. I just kind of expected, that's the
18 way we do business.

19 But Mike thought it was astounding. And now,
20 whenever we talk to funders, we always talk about the
21 fact that how amazing it is that we spend 90 percent of
22 our money on program and only 10 percent on management.

1 And that comes from having an outsider having a
2 different perspective.

3 So what I guess I wanted to do was to just let
4 you know that the involvement of board members in
5 finances is not just so that they can make sure we
6 don't misspend money. There's a lot of other good
7 reasons why it really helps the program.

8 MS. JENNINGS: I just have a followup question
9 and then I'll open it to the committee, is that
10 unfortunately, what happened to Nevada Legal Services,
11 although in the minority -- small, small, small
12 minority of LSC-funded programs -- but not unusual in
13 the nonprofit world and sometimes in the for-profit
14 world, what advice would you and Mike have for
15 executive directors and other board members or
16 potential board members for improving their oversight?

17 MR. GOTTLIEB: Mike, you want to start?

18 MR. NATIONS: Well, one thing I would say is
19 Steve Gottlieb would be an excellent model. Steve
20 really has welcomed oversight, involvement,
21 questioning. I've never seen him get angry because
22 somebody questioned his judgment. He really typically

1 will stop and think about it, and sometimes will say,
2 "I hadn't thought of that."

3 In another organization unrelated to legal aid
4 currently, I've talked to people. We have an executive
5 director-type person who does a good job, but he
6 doesn't want to share some problems with the board
7 because he thinks he can fix it and then it
8 won't -- and that just doesn't work.

9 And so I guess my advice would be, from the
10 very beginning, you've just got to hammer in that we're
11 in this together. It's not an adversarial
12 relationship.

13 MS. JENNINGS: Steve?

14 MR. GOTTLIEB: Yes. I think that's right.
15 And that's why I think my whole theme was, don't just
16 think about it from the perspective of what the board
17 is doing to make sure that somebody who's the executive
18 director isn't doing right because in fact, it is a
19 joint responsibility.

20 It's something where if you can approach it
21 openly, then you can do better. I didn't say it very
22 well, but that's the bottom line.

1 MS. JENNINGS: AnnaMarie and Paul, anything to
2 add?

3 MS. JOHNSON: I think that one of the
4 important things is that the board should be
5 questioning the executive director. I've got friends
6 who serve on other types of nonprofit boards and
7 friends who are executive directors of other types of
8 nonprofits that think that if a board is questioning
9 you, that's bad, and that the board is somehow in the
10 wrong.

11 And that is exactly the opposite. The board
12 should be asking me questions, and they do at every
13 meeting. It's not adversarial. They want to know the
14 details. They want to know, Anna, why did you drop
15 this grant? Why didn't you apply for it this year?
16 And I give them the explanation. And I think that it
17 works the best that way.

18 MS. JENNINGS: Paul?

19 MR. LARSEN: I just want to echo something
20 that Mike said. That is, if you have an executive
21 director who's trying to solve problems on their own,
22 it may not be because of dishonesty or incompetence.

1 It's simply they're wanting to solve something.

2 And I think that's what happened with Nevada
3 Legal Services. It just snowballed beyond the ability
4 of that executive director to control. And because the
5 board was passive, it got out of hand.

6 So I think it's appropriate for an executive
7 director to be as candid as possible and for a board to
8 be unafraid to ask questions. I think it aids both the
9 operation of the organization from the executive
10 director's standpoint and the oversight from the
11 board's standpoint.

12 MS. JENNINGS: Great. Thank you.

13 Questions?

14 CO-CHAIR VALENCIA-WEBER: From hearing all of
15 you talk, it's quite clear that in considering
16 prospective board members as well as actually asking
17 individuals, you have to make clear that a board member
18 is going to be a working board member as opposed to
19 whatever prestige or other social points there are from
20 having your name on the letterhead.

21 I'd like to know, Paul, you mentioned training
22 specifically. What do you do for training your

1 incoming board members, your new board members, first
2 to learn their job and hopefully integrate into the
3 board?

4 MR. LARSEN: That's a really good question.
5 Thank you. We had a formal training session -- I
6 forget the name of the gentleman we brought in to do
7 it --

8 MS. JOHNSON: John Arango. John Arango from
9 New Mexico.

10 MR. LARSEN: -- who trained our board. We
11 recorded that training session and have provided that
12 training session to all new board members in addition
13 to a compliance book.

14 And beyond that, anybody that we're
15 approaching -- and we're not accepting people coming to
16 us at this point; we're going out and recruiting folks.

17 And the folks we recruit, we specifically walk them
18 through the recent past and say, we're asking you to be
19 a board member, but we don't want you to be passive.

20 We want you to be engaged, and we want you to
21 be at these fiscal committee meetings, these compliance
22 meetings, the employee relations meetings, and be

1 engaged and be familiar enough that they can ask
2 questions of the executive director without reference
3 to the materials in front of them, that they have
4 sufficient knowledge, that they actually know what
5 they're talking about.

6 MR. NATIONS: We started a number of years ago
7 a formal training program that we decided to do every
8 other year because we don't really have that much
9 turnover. We may have four or five or six new board
10 members, and an equal number rotate off.

11 So we do the formal training twice a year, and
12 we informally have the immediate past president take
13 the responsibility of putting that together, usually
14 lasting about two hours, with some refreshments
15 afterwards to encourage people to come.

16 And a couple times we've had some of the staff
17 members come, staff attorneys. Every chance we get, we
18 try to get the board members to get to know personally
19 the staff, and have found that that's -- interestingly,
20 as an aside, the Legal Services Corporation Inspector
21 General was in Atlanta some time back, the office,
22 doing an anti-fraud program, and was very impressed

1 that Steve had started an informal mentor/match program
2 of lining up a board member with a staff attorney to
3 have lunch two or three times a year, get to know them
4 on a personal basis.

5 That's a great thing. It's been an excellent
6 thing for many reasons -- you make good friends, for
7 one thing. But I hadn't thought about the anti-fraud
8 element of that.

9 It's another avenue of communication if a
10 staff member saw something going on that was suspicious
11 and they actually know and have lunch frequently with a
12 board member, and they don't want to tell the
13 executive director because hypothetically, the
14 executive director is involved.

15 And they were so impressed with that. And I
16 honestly had never thought about that aspect of it.

17 MS. JENNINGS: John, did you have a question?

18 MR. LEVI: A question, and first, two
19 observations.

20 You probably know this, but this Board itself
21 is sitting on what is a complicated not-for-profit
22 board, and we have had to do a lot of training for

1 ourselves. I would say that the boards that you sit on
2 are -- that's a complicated not-for-profit.

3 And not-for-profit governance is, of course,
4 for anybody who's been involved in community
5 not-for-profits that then don't have restrictions to
6 deal with and standards, professional standards and
7 quality priorities and dropping in monies and having to
8 raise monies, just a simple not-for-profit has
9 governance issues.

10 So a question for you is, do you have
11 difficulty finding enough people to serve on the board
12 that can fill the spots of need, so like fundraising
13 needs and those kind? Because you have the development
14 needs. So that's a question.

15 And a second is, do you share among the
16 grantees, or do we motivate sharing, these kinds of
17 experiences in some kind of a toolkit? Maybe it's not
18 practical because maybe each one of these is so
19 different.

20 But I'm not so sure that putting together the
21 learning here in a group of you in a shared training
22 toolkit that they can pop on a website or something and

1 look at as a refresher or something, as an orientation
2 for a new board member, might be helpful.

3 I don't know. I just throw that out. And I
4 ask the question of you in the general LSC --

5 MS. JENNINGS: Right. I'll follow up, if
6 that's okay.

7 MR. LEVI: Yes.

8 MR. LARSEN: If I could address your second
9 question first, I think that would be an excellent
10 idea. If we had the ability to take existing board
11 members or new board members and expose them to folks
12 with a background similar to the folks to my left here,
13 I think that would be fantastic.

14 Not only would they be able to share best
15 practices, but innovative ideas about like the mentor
16 idea to create informal channels of communication.
17 Because it's possible that your executive director is
18 implicated in whatever problem might be there.

19 And if you have to go through formal chains of
20 command, that's not going to get communicated to the
21 board. So yes, I think your point on the second
22 question is very well made.

1 MS. JENNINGS: Mike? Anything?

2 MR. NATIONS: I know, Steve, the Management
3 Information Exchange, that's really oriented not toward
4 board members but directors of legal services. I think
5 something like that, if it could be produced, could
6 certainly be helpful to say to someone, "Pop this in
7 your DVD and watch this and it'll give you an
8 overview."

9 MR. GOTTLIEB: Yes. Let me address the first
10 point. I think you asked a question which is probably
11 beyond the scope of this group because I think you
12 attract board members -- and Mike, you can tell me if
13 I'm wrong -- not because they come in because they want
14 to do financial oversight. That's not the thing that
15 gets them involved with legal services.

16 Maybe there are people who like that, only
17 that, and that's their job. But basically, you attract
18 people to be board members because they want to support
19 an organization they have faith in. And the way they
20 then provide the help for you is by providing that
21 financial stability.

22 But you need to walk the walk about the work

1 before you attract the board members. So it's not
2 like -- when you ask that question, it really relates
3 to more than just the financial -- although I do think
4 that we do get credibility because of the way we do our
5 work, and the fact that we only spend 10 percent of our
6 money on fundraising and management is an indication of
7 the quality of the program.

8 So maybe people are attracted. But it's more
9 the work, I think, that does it.

10 MS. JOHNSON: We have a number of attorneys
11 that are attracted to be members of our board, and
12 we're very picky. We are very lucky at this point that
13 we can be picky. We've built the program up now that
14 there are attorneys out in the community that want to
15 be on our board, and we choose those that we think are
16 going to be the right fit.

17 The area that we have problems with are the
18 client board member positions. And I think a lot of
19 that is due to conditions in Nevada. We have a highly
20 itinerant poverty population, moving in, moving out
21 every single month.

22 And I have one client board position from the

1 northwest portion of the state that's been open for
2 three years, and I've had five people that I've had
3 come on the board, and before they get to their first
4 meeting say, "I got a job. I'm moving to California,"
5 or wherever. We just have difficulties keeping our
6 client positions filled.

7 MS. JENNINGS: And to John's point, we will be
8 working on better training, board trainings, but
9 working in tandem with the programs on that.

10 And, by the way, I would like to thank Janet
11 LaBella, who came up with the idea for this panel and
12 is a big proponent, as we all are, of our LRI site. So
13 some of the lessons learned here can be put on there.

14 I'm sorry, Mike.

15 MR. NATIONS: I just want to make one point.
16 It is hard to find good people. And one thing I think
17 we've done a pretty good job of, and I would say a
18 better job in the last five years, is looking for
19 people.

20 Our nominating committee is chaired by Matt
21 Calvert of Hunton & Williams, who does an excellent
22 job. I sent Matt in the last few months a couple of

1 clippings of young lawyers I read about somewhere that
2 look like they may be somebody we want to talk to.

3 And again, we have this advisory committee
4 where we can let them test it out for a while and see
5 if they like it, and then move them up through the
6 ranks. But you have to keep looking. You do have to
7 work at it. You can't just sit back and wait.

8 MR. LEVI: I was going to say, just following
9 up, though, because our programs are independent
10 501(c)(3)s, they may not think necessarily, and we
11 maybe have to help them, about their relationship to
12 their other related colleagues in the field.

13 So to the extent that you can help one another
14 be better internally, it helps everybody. Because when
15 one has a problem and it becomes a matter of publicity,
16 it becomes a problem, potentially, for all.

17 So to the extent we can figure out ways to
18 help one another, even board to board, and I think
19 that's really a hard -- I have some sympathy for
20 not-for-profit boards on that front because there isn't
21 a way for them easily to reach out to one another
22 unless somebody's facilitating that.

1 And I think we have an opportunity,
2 particularly now with the ease of technology, to maybe
3 move in and fill that gap in a thoughtful way. But
4 Sharon had --

5 MS. BROWNE: What we're hearing is the need
6 for an effective communication between boards, the
7 executive director, and, I think, the program staff
8 itself. It has to be overall effectiveness and not
9 just the board or the executive director or the staff.
10 It's a combination.

11 And I know that LSC has performance criteria
12 that has been put into place and that Lynn has actually
13 used, I believe, in going out to the field. And I'm
14 curious, when I looked at this performance area 4,
15 which is dealing with the effectiveness of the
16 governance, leadership, and administration of LSC's
17 grantees, is how much information would a board, a
18 grantee board, have in looking at these performance
19 criteria? Do they use these performance criteria in
20 developing their training and their expertise in
21 dealing with their programs?

22 And then also, with the executive directors,

1 how do you use these performance criteria in making
2 sure that you have the fiscal governance that you need
3 in moving your programs forward in the most effective
4 and high-quality manner that is possible?

5 MR. LARSEN: I can tell you the way we're
6 structured right now is a direct reflection of those
7 performance criteria. The compliance programs we have,
8 the fiscal committee programs we have, everything is
9 put in place to meet those performance criteria as part
10 of the milestones we talked about before.

11 So we find them extraordinarily useful, and we
12 stress them to new board members, that these are the
13 guidelines that we adhere to, not only because they're
14 part of our grant from LSC, but they provide an
15 excellent infrastructure for the program as a whole and
16 for governance as a whole.

17 MS. JOHNSON: And the training that John
18 Arango put together for our board -- it actually was an
19 entire day training; it was almost eight
20 hours -- followed those criteria. He went through them
21 step by step and put in a great deal of detail.

22 And at one point he had started drafting a

1 book for LSC boards of directors about just basically
2 what their financial and fiscal duties were through the
3 performance criteria. I don't know where he is on
4 that. He sent me the first chapter a while ago, and I
5 haven't seen a chapter since. I don't know if it went
6 by the wayside. But he was actually thinking of doing
7 that.

8 I and my management staff use the performance
9 criteria each year when we sit down. We do strategic
10 planning, not just for the program fiscally, but we do
11 strategic planning for the program on our program
12 operations.

13 And we do that every year. We start with the
14 management staff, and then we bring in the whole staff.

15 And at our January statewide staff meeting, we'll
16 spend the afternoon coming up with our strategic plan
17 for the afternoon -- or for the year, I'm sorry. And
18 we will use the performance guidelines.

19 Every once in a while I have to use the
20 performance guidelines as the stick. But it's a handy
21 tool to have once in a while.

22 MS. JENNINGS: This side?

1 MR. GOTTLIEB: I think we may be in a slightly
2 different situation in the sense that we're not
3 starting from scratch and having to say what standards
4 should we use. We've developed them over quite a few
5 years.

6 The performance criteria, I think, are an
7 articulation of things that we have developed over the
8 years that we do. I don't think it's like we've got to
9 look to them on a daily basis. It's like strategic
10 plans. They articulate what you've developed because
11 of good practice over the years.

12 So I don't think we use them nearly as much as
13 a program that had to start all over again would, to be
14 perfectly honest with you.

15 MS. JENNINGS: Jim, the last question.

16 PRESIDENT SANDMAN: I'd like to ask the panel
17 members how LSC's board composition requirements affect
18 your ability to recruit --

19 MR. LEVI: I was trying to get to that.

20 PRESIDENT SANDMAN: -- recruit board members
21 with the range of skills that you want represented on a
22 well-run nonprofit board. As you know, by law a board

1 of an LSC-funded program is required to be made up of
2 60 percent lawyers. Five-sixths of those lawyers have
3 to be appointed by a local bar association. And
4 one-third of the board members need to be clients.

5 That leaves 7 percent of your board seats that
6 you can fill with people who are not lawyers or
7 clients. It strikes me as a very pre-Sarbanes-Oxley
8 type of board composition requirement, and I don't know
9 that anyone today, trying to design good board
10 composition rules for a well-run nonprofit, would come
11 up with that model.

12 How do you deal with these requirements, and
13 how do you attract people who have the full range of
14 skills for your board?

15 MR. GOTTLIEB: That's a very good question.
16 My guess is that every legal services program has
17 problems making sure that they can attract good quality
18 client board members. I just think it's a hard thing
19 to do. It's not just hard for your program; it's hard
20 for every program. So having that requirement being an
21 absolute requirement makes things difficult.

22 The second thing that makes things difficult

1 is not having the flexibility to attract people who
2 aren't lawyers or who are clients, as you point out.
3 We have a 32-, 33-member board, and we can get one
4 person who isn't a lawyer or a client. That's kind of
5 nuts, as you suggest. It doesn't make a lot of sense.

6 That's why we have an advisory board. We
7 created an advisory board so that we could have a
8 broader base of people than we could have, given the
9 LSC restrictions. And so I don't know whether it's
10 worth an incredible fight to try to change that, but it
11 certainly is an impediment. It certainly is an
12 impediment.

13 MR. LEVI: Well, look at this board. And what
14 we did to try to overcome that was -- I don't know if
15 Bob Henley's still here with us in the room. But we
16 added Bob to the Finance Committee. We added two folks
17 who had public accounting backgrounds, an inspector
18 general, two additional members, to some of our Board
19 committees.

20 I think that advisory board, that is one way
21 to work around it. Do people feel fully integrated
22 into the board when they're in that position?

1 MR. GOTTLIEB: Probably not. The idea that
2 you are an advisory board member and not a full board
3 member, despite how much we say you can do everything
4 except vote, it doesn't have the same approach.

5 By the way, one of the other things we do is
6 we have people who are on committees who are not on the
7 board or on the advisory board in order to get some
8 special expertise from people who don't want to be
9 involved in the board at all but just want to help us
10 with how we run our endowment.

11 So we go outside of the structure for
12 fundraising. We go outside of the structure for other
13 kinds of things. Because it is constraining. It
14 really is constraining.

15 MR. LEVI: But that versatility that you've
16 learned to work with, is that knowledge widely
17 understood by your colleagues who are executive
18 directors?

19 MR. GOTTLIEB: I don't know. Lynn could
20 probably tell me better. I don't know.

21 MS. JENNINGS: Like any good legal answer, it
22 all depends.

1 MS. JOHNSON: Actually, we -- or I, and I know
2 my board members -- as well are aware of that, and we
3 do know of programs that have been very successful at
4 that in Nevada as well as from outside Nevada.

5 At this point, our board is quite small. It's
6 12 members. Our bylaws allow us to go up to a total of
7 15 members. And at a board at that size, we're not
8 going to get anyone beyond the 60 percent/ 30 percent
9 range. It's the 30 percent client membership that we
10 have the most difficulty with.

11 It's a great idea, something like an advisory
12 board or having someone else coming in from the outside
13 that has skills that we are looking for for committee
14 memberships. We deliberately didn't do that up until
15 this point because we have been rather small.

16 And we are only just getting to the point that
17 we are doing fundraising. We're going out in the
18 community and asking the community to do donations.
19 Our newest thing last year was our golf tournament
20 fundraiser, which was a huge success -- maybe not
21 monetarily, but in the community, as far as getting out
22 our name in the community and that we are a nonprofit

1 who has need of funding.

2 It'll be better this year and each year as we
3 go along. But that's all new to us, and we're only now
4 beginning to talk about these sorts of issues.

5 MR. LARSEN: I'd like to echo what Mr.
6 Gottlieb said. Having an ex officio board member with
7 expertise is one thing. But having someone who has
8 that expertise and can vote is something completely
9 different.

10 The metaphor that springs to mind is a back
11 yard mechanic. Whoever is under the hood actually
12 turning the wrench has a little more intimate knowledge
13 about what the problem is, and the guy leaning back
14 against the car -- have you tried this? Have you tried
15 that? Have you tried that? -- that's not quite helpful
16 a lot of the time. So having someone with a little
17 more ownership tends to be a lot better, from my
18 perspective.

19 MS. JENNINGS: And that is our panel. I'd
20 like to thank them -- oh, sorry.

21 CO-CHAIR VALENCIA-WEBER: Well, we do want to
22 thank the panel for the wide-ranging discussion because

1 it's these "how do you operate day to day" details that
2 ultimately make the difference in the grantees'
3 success. And we don't always get to hear that. And
4 that doesn't show up when you turn in your reports.
5 We're looking at numbers and written reports. So
6 please accept our appreciation for --

7 MR. LEVI: This was a terrific panel.

8 CO-CHAIR VALENCIA-WEBER: Yes.

9 MR. LEVI: And as Steve Gottlieb can tell you,
10 once you make a terrific first impression here, we have
11 you back again and again and again.

12 (Laughter.)

13 MR. LEVI: So we look forward to seeing you
14 again soon.

15 (Applause)

16 CO-CHAIR VALENCIA-WEBER: John, do you want to
17 try to squeeze a few more minutes so that we make sure
18 we get out of here on time? Okay. So I'm putting off
19 the -- is Father Pius still on the line?

20 FATHER PIUS: I'm still here.

21 MR. LEVI: No, no. You can complete your
22 agenda. You just have public comment and other

1 business.

2 CO-CHAIR VALENCIA-WEBER: Okay. Father Pius?

3 MR. LEVI: Is there public comment?

4 FATHER PIUS: Still here.

5 CO-CHAIR VALENCIA-WEBER: I know. But just a
6 minute. I'm checking.

7 MR. LEVI: Oh, okay. He's on.

8 CO-CHAIR VALENCIA-WEBER: Okay. I'm going to
9 skip over the evaluations and go directly to public
10 comment. Does that make sense to you, too?

11 FATHER PIUS: Yes. We don't have 15 more
12 minutes? I thought this went until 4:15.

13 CO-CHAIR VALENCIA-WEBER: We will now move to
14 item number 6, public comment. Do we have anyone who
15 wants to make a public comment?

16 (No response.)

17 CO-CHAIR VALENCIA-WEBER: Not hearing or
18 seeing any signs that someone wants to make public
19 comment, we'll move now to consider and act on any
20 other business that a Committee member may wish to
21 raise.

22 (No response.)

1 CO-CHAIR VALENCIA-WEBER: Seeing no
2 indication, then I'll consider a motion to adjourn.

3 M O T I O N

4 MR. MADDOX: So move.

5 MS. BROWNE: I'll second.

6 CO-CHAIR VALENCIA-WEBER: Victor makes a
7 motion and it's been seconded. Same duo.

8 With that, I declare the meeting concluded and
9 closed. Thank you.

10 (Whereupon, at 4:02 p.m., the Committee was
11 adjourned.)

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