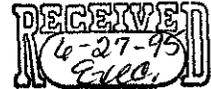


LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

FINANCE COMMITTEE
OPEN SESSION



June 23, 1995

3:10 p.m.

750 1st Street, N.E.
Board Room, 11th Floor
Washington, D.C. 20002

COMMITTEE MEMBERS PRESENT:

Maria L. Mercado, Chair
Thomas F. Smegal, Jr.

BOARD MEMBERS PRESENT:

LaVeeda Battle
Ernestine P. Watlington
Edna Fairbanks-Williams

STAFF PRESENT:

Martha Bergmark, Executive Vice President
Patricia Batie, Corporate Secretary
David L. Richardson, Treasurer & Comptroller
Victor Fortuno, General Counsel
Garry Singsen, LSC Program Officer

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P R O C E E D I N G S

1
2 CHAIRWOMAN MERCADO: Why don't we call this meeting
3 to order on June 23, 1995, of the Finance Committee, the
4 Legal Services Board. And I'd like to welcome all of you
5 here on this Friday afternoon and especially thank the staff
6 for taking the time to prepare us for this meeting. I would
7 at this time ask that the agenda be approved as submitted.

M O T I O N

8
9 MR. SMEGAL: I move the agenda as submitted. It's
10 on page 3 of the materials that are available to the public.

11 CHAIRWOMAN MERCADO: Okay. All those in favor?

12 (A chorus of ayes.)

13 CHAIRWOMAN MERCADO: Opposed?

14 (No response.)

15 CHAIRWOMAN MERCADO: Abstentions?

16 (No response.)

17 CHAIRWOMAN MERCADO: Motion carried.

18 The minutes of the May 12, '95, meeting, are there
19 any changes, deletions, or modifications in the minutes?

20 MR. SMEGAL: I have reviewed them, Madame Chair,
21 and they appear to be extremely accurate.

22 CHAIRWOMAN MERCADO: Okay. If that is the case,

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1 then I will entertain a motion to approve the minutes for May
2 12, 1995, Finance Committee meeting.

3 M O T I O N

4 MR. SMEGAL: So moved.

5 CHAIRWOMAN MERCADO: Second. We will second it
6 ourselves here by consensus. All those in favor?

7 (A chorus of ayes.)

8 CHAIRWOMAN MERCADO: Opposed?

9 (No response.)

10 CHAIRWOMAN MERCADO: The motion carries. And now
11 we have item 3 of the agenda, which is the consideration and
12 review of budget and expenses for period ending May 31, 1995,
13 and we have present our comptroller, David Richardson, to
14 present the item.

15 I do want to welcome the other two board members
16 that are here, Ms. Watlington and Ms. Fairbanks-Williams, so
17 that if any of you at any point have a particular question on
18 the expenses or on the revised budget when we get to that
19 item, please feel free to ask us or Mr. Richardson any
20 questions on that. Mr. Richardson, if you will go ahead and
21 proceed.

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PRESENTATION BY DAVID RICHARDSON

1
2 MR. RICHARDSON: Okay. Thank you. For the record,
3 my name is David Richardson. I am the treasurer of the
4 corporation. I have sent to each of the members of the
5 committee and have provided to Ms. Watlington and Ms.
6 Fairbanks-Williams a copy of the package that contains a memo
7 in regards to the spending for the eight-month period.

8 I have included a new attachment this month because
9 of questions we received last month in regards to the
10 expenses of particular offices, why they appear to be higher
11 in a percentage basis than the rest of the offices.

12 And mainly that was the budget that I'm in charge
13 of, and that was the administration, and I'll cover that when
14 I get there. But it's mainly our office pays the rent, buys
15 the supplies and so forth. So our budget is a little more
16 stable than the others because with the hiring of new folk
17 coming into the corporation, some coming in in November, some
18 coming in as late as May, their hire dates differ, the
19 budgeting differed, so the percentage spent was different in
20 each of those lines. So I'll go through those a little more
21 carefully when we get to the end.

22 On page 4, we look at a statement of the funds

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1 available. Section 1 is the appropriation. This shows our
2 \$15 million appropriation. Then the items that we've added
3 to it to come up to a budget of \$417,737,747. This does not
4 include the recision and other funds that we'll speak about
5 in the second presentation.

6 In the second area, the grant recovery is
7 interesting. I reported to you at the last meeting that
8 there would be some revisions here. We have increased the
9 estimate for the interest income for the year up to \$460,000.

10 MR. SMEGAL: From what?

11 MR. RICHARDSON: Originally, sir, we were
12 estimating 300. At the beginning of the year we had
13 increased it to 350, as I recall, in May, but interest is
14 going up. We, of course, have more money that we are drawing
15 our interest on. But the interest rates have increased, so
16 we are earning more money on the funds prior to the grantees
17 cashing their checks. When we mail the checks on the 1st,
18 the interest that we are recovering is the lag time before
19 they cash their check.

20 MR. SMEGAL: So who is paying us this interest? Is
21 this treasury interest or --

22 MR. RICHARDSON: No, sir, this is the bank.

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1 MR. SMEGAL: The bank?

2 MR. RICHARDSON: When we write a check, we mail it,
3 we put the money in the bank. If it takes two days to clear,
4 we get two days' interest. If it takes a week, we'll get the
5 seven days.

6 MR. SMEGAL: Pass book interest rates have been --
7 is that what it is?

8 MR. RICHARDSON: It's overnight repurchase
9 agreements. The way we are set up is we only purchase
10 government-backed securities, so at that point we have target
11 dates in our bank of \$65,000. Anything over \$65,000 is
12 pulled into the bank's trust department, so that if there is
13 ever a bank failure, and we have actually been involved with
14 two, our money is completely secure. We can take the
15 repurchase agreement to any other bank and redeem it.

16 Just to bring back to your attention, when we were
17 at National Bank of Washington, that was bought by Riggs. We
18 had money in that particular bank. When we were at the
19 United National Bank, that one was also closed. it was
20 bought by Signet. In both of those bank mergers, no one lost
21 any money that was covered by the FDIC because they bought
22 the accounts. The FDIC insurance did not kick in so it would

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1 not have been a problem. But the way we do our banking, even
2 if it had been, we were covered.

3 Just to recap there, we have a grant recovery of
4 158,000 that we had projected, and we actually have that in-
5 house at this point. There is one additional recovery that
6 came in yesterday that I was not aware of, so there is an
7 additional 13,000 on top of what's here. And that will be
8 reported, of course, to you next month also.

9 Interest, we've got 460 through the first eight
10 months we are projecting, and we've got 337,000 for the first
11 eight months. For the miscellaneous income there's 100,000.
12 That involves the subleasing of this building. We also get a
13 rebate from our travel account. When we buy tickets we get 1
14 percent rebate from that. We have two subleases in this
15 building, so that's a sublease income, and FOIA, copying, and
16 those type of things.

17 The rental income for 400 Virginia Avenue,
18 originally we had projected 120,000, and it has now gone to
19 240. We've had two extension of that lease. One was for one
20 month, and one was for three months. And we have actually
21 received 180 to date.

22 If we did not use any of the money allocated in the

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1 '95 budget, you see the fund balance is projected to be a
2 surplus of \$647,000. However, in the next presentation we'll
3 discuss we're talking about and we're going to ask the board
4 to move that money to M&A to help with operations this year
5 and also the 158,000. It's a basic field amount of money
6 that has been collected, and we're going to ask that that be
7 reallocated back to the basic field line so that it can be
8 used for those purposes.

9 Just a quick look at attachment B. With the budget
10 of 417,000, you see expenses of 406, so there's 11.6 million
11 remaining. And again I'll stress that is before recision.

12 When we look at page 6, the delivery of legal
13 assistance, we go down to IA, I, the basic field with the
14 revised budget being \$350,773,000. We have contracts to date
15 and expended 348,923,000, so there is \$1.849 million left.
16 That is mainly for short-term funded contracts. And, of
17 course, with the recision, much of that will be coming back
18 to the corporation, or actually going to Congress, not to the
19 corporation.

20 Native American programs and components, we have
21 9,437,000, almost 438. We have expended to date 9.339
22 million, so we have \$98,000 remaining. Special contingency

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1 fund, this is our emergency grants, 182,000 was the budget.
2 We have contracts that
3 -- we have spent to date 149,000, so there's 33,000 left.
4 And it's my understanding we've had some inquiry as to that
5 money being available to help with some of the flooding that
6 has occurred recently. So there should be some action on
7 that shortly.

8 CHAIRWOMAN MERCADO: Did we get additional funds as
9 far as the Oklahoma case?. We had requests for assistance.
10 Or would that be new funding appropriated?

11 MR. RICHARDSON: We did not. As you recall, the
12 gentleman who came here and spoke to the board said that that
13 program was able to absorb because of fund balance that they
14 had, and through the use of pro bono attorneys they did not
15 feel that they needed additional moneys to help with that
16 situation, so they did not request any.

17 MS. FAIRBANKS-WILLIAMS: By floods, which state do
18 you mean?

19 MR. RICHARDSON: There was again flooding along the
20 Mississippi. I'm not aware of any particular grantees that
21 have requested money, but there have been some who have made
22 some inquiries.

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1 MS. FAIRBANKS-WILLIAMS: Okay.

2 MR. RICHARDSON: With the Court of Veterans
3 Appeals, we have the 850,000, and we have contracts and spent
4 today 708,000, so there's 148,000 left of those grants.
5 AmeriCorps, we have a budget of 752,000, and we've spent 728,
6 so there's 23 000 left there, and all of that money, of
7 course, is dedicated to those particular programs.

8 The law school clinics and recruitment, we had a
9 budget of \$2.1 million. We have spent -- 674 of that is the
10 grants that were from last year's carry-over, and now we have
11 1.436. There is actually a law school review going on as we
12 speak downstairs, and there should be some recommendations
13 coming forward for the President for the use of that money in
14 the next few weeks.

15 Under the support and the region a training we had
16 a budget of 870,000. We have spent 845. The 25,000 was
17 remaining for a study of the regional training centers, and,
18 of course, with the recision, that money will be impacted.
19 With the national support centers, we have a \$10,932,00
20 budget, approximately, and we have spent 9.848, so there's
21 1,083 left. State support, 11,659,000. We have contracts of
22 11,227,000, so there's 432,000 left.

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1 The CALR was 655 in the budget, and we have
2 contracts for that amount. The client involvement, we had a
3 budget, of course, of 785,000. You will note that in May I
4 have zeroed that figure. With the recision, we were
5 instructed through the conference report that any money that
6 was spent on any line that was rescinded, the management and
7 administration had to absorb the cost. So what I have done
8 is allocated that money to the Office of Program Services,
9 who helped set that program up, and in the budget revisions
10 we have made we have accommodated for those changes to
11 include it there.

12 Within the management and administration, we, of
13 course, had 12.449 million for the budget. I will skip down
14 to B, the board initiatives, 188,933. That money is what is
15 remaining from the competition initiative. We have not spent
16 any money. Nothing has been allocated to this land this year
17 so far, but in speaking with Mr. Toll, there will be some
18 monitoring. There will be some follow-up visits to those
19 programs in the next few months. So it is anticipated that
20 much of this money will be used.

21 Within management and administration, we have a
22 budget of \$12.260 million. We have spent to date 6,809,000,

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1 so there's a remaining balance of \$5.45 million. This money
2 will probably be better illustrated if we will look on page
3 12, the attachment F. This will give you a capsulization of
4 where we stand for budget.

5 For instance, with the board of directors we have a
6 budget of 330,200. You will see the amount expended. There
7 is an accrual for some outstanding travel advances and so
8 forth and travel tickets. The revised requirement is
9 actually the amount of expenditures for the month through
10 this month of May for the eight-month period. So we are
11 comparing the 330,200 to the revised requirement of 130,941
12 remaining budget is 199. At this point we are 67 percent
13 through the year, and, as you see, we have only spent 39.66
14 percent of the budget.

15 CHAIRWOMAN MERCADO: Yay for the board, the
16 fiscally responsible board here.

17 MR. SMEGAL: That's all those cheap hotels we're
18 staying in now.

19 MR. RICHARDSON: Cheap hotels and bringing your
20 meetings to Washington. Within the executive office, the
21 budget was 1.171 million, the revised requirement 687,000.
22 There is a remaining balance of 483. So at this point we

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1 have expended 58.69 percent of our annual budget. Inspector
2 general, his budget was 1.81 million. The requirement so far
3 was 625,000. He has spent 57.85 of his budget. General
4 counsel is 823,000. The revised requirement is 416,800. So
5 he has spent 50.63 percent.

6 The staff attrition is 60,000. As you recall when
7 we started it was 120,000, so we've reduced it somewhat. And
8 then the recision budget, we will take that to zero in our
9 recommendation. The administration, human resources area is
10 3.5 million. We have spent 2.3.

11 The remaining budget is 1.18, 66 percent of the
12 budget. This is the one that remains the most constant
13 throughout the year because we are paying the biggest expense
14 we have in this particular budget is rent. We are paying
15 one/twelfth each month basically. So that sort of keeps us
16 on line along with the other
17 -- telephone expenses, we pay, of course, that every month,
18 and the copying and so forth. So it's more stable than some
19 of the others.

20 The comptroller's office, 500,000. We have spent
21 267,000. It is 53.37 percent of the budget. Information
22 technology, as you recall, is a very new office. It just

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1 started in February. We have a budget of 246,000. The
2 revised requirement is 83,000, and they have spent 34 percent
3 of their budget for the year.

4 In the program evaluation, 3.7 million is the
5 budget. Spent 1.869. The amount they spent is 50.26
6 percent. And the office of program services, which, as I
7 mentioned before, did absorb the client spending, the budget
8 was 921,054, spent 388, which is 42.11 percent of the budget.
9 As you see, the 55.54 percent of the total budget is when you
10 take the 12.26, divided by the total expenses, 6.809 is 55.54
11 percent of the year, and if you look at attachment E, then
12 you will see how much we are spending in each budget
13 category.

14 Compensation, temporary employee, paying benefits,
15 again, our target being 66.67 percent of the year, and as you
16 see, we are at 55. Occupancy cost, 66.88. And we should be
17 at 66.7. And that's only up a little bit, and that's because
18 we had some expenditures at the first of the year that we
19 will not have in the remaining part. Operating cost is 68
20 percent there, and that again is purchase of supplies,
21 telephones, mail costs -- I'm sorry. This is mainly just
22 supplies and contracts for audio visual and so forth.

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1 CHAIRWOMAN MERCADO: But we don't have any
2 contingency funds whatsoever, so if any of those items run
3 over before the end of the year, we haven't got a way to
4 cover them, right?

5 MR. RICHARDSON: We would have to adjust internal
6 operations, and that's one of the reasons we look at it each
7 month. I try to project -- even though you might not see it,
8 I try to project spending so that if I see a problem I could
9 go to the President and we can make adjustments up and down
10 the line

11 -- the budget through his approval. If we need a
12 reallocation, then we would come to you as chairman of the
13 committee. Any questions about the May expenses?

14 MR. RICHARDSON: Again, all these expenses reflect
15 the budget as we currently have it. It doesn't reflect the
16 recision amounts.

17 MR. RICHARDSON: That is correct.

18 MR. SMEGAL: You have a separate piece of paper.
19 Are we going to get into that? Are you going to next go to
20 that, which is with the recision?

21 MR. RICHARDSON: With the recision. Yes, sir. I
22 was actually going to hand it out after we approved the

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1 recision budget since we have not yet approved it.

2 CHAIRWOMAN MERCADO: We just accept your report as
3 far as the expenses presented to us as far as general
4 information. If there aren't any other questions on the
5 expenses for the period ending May 31, 1995, then we can go
6 ahead and move on to item number 4 of the agenda, which is
7 consider and act on proposed revisions to the corporation's
8 FY '95 consolidated operating budget, and that document
9 starts, for other members of the committee, on page 13, the
10 cover sheet, and then the particulars thereafter.

11 If you would, Mr. Richardson, walk us through or
12 highlight the key areas that we need to note, and this does
13 include the recision figures; is that correct?

14 MR. RICHARDSON: That is correct. The recision for
15 the management and administration budget was \$1.784 million.

16 MR. SMEGAL: That's from the 12.260?

17 MR. RICHARDSON: That is correct, sir. Sir, we had
18 to build a budget based on the 12.260 minus \$1.784 million.
19 To do that, of course, we spoke to the board two months ago
20 about holding their meetings here in Washington. That will
21 save us some money, not necessarily for your travel, although
22 there was some savings, but for each director traveling to

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1 the board meetings. We estimate it costs them about \$1,000
2 for each officer and members of the executive office to go.

3 So the main savings there is in travel from the
4 other offices. So we have reduced travel costs based on our
5 assumption and our discussion with you as a board to move the
6 meetings here to Washington, all of them, through this year,
7 and that is through September 30.

8 Item 2 is the hires that we have deferred. Within
9 the executive office there was an executive assistant that we
10 have now delayed the hire of. General counsel, there was a
11 position for an administrative person. That person left.
12 That person left last year. So we are not going to replace
13 them this year even though it was in this budget originally.

14 Administration is down one. We had an
15 administrative services supervisor that we have deleted from
16 this budget. Comptroller's office, we've talked about hiring
17 a budget officer, but with the tough budget restraints we
18 have taken that position out. The information technology,
19 there was a systems analyst that we have taken out of the
20 budget.

21 Program services is a net one. We originally had,
22 as I recall, four program officers budgeted there. We

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1 reduced it to two. And then we only had one administrative
2 person forecast, so we hired two, so there is a net reduction
3 of one in this particular budget.

4 In the program evaluation I also review the PEAR
5 group. In the original information that you received in May
6 we were holding the line on reducing six. There was one
7 individual who was offered a position who had not accepted
8 and has since -- is not coming. So we have increased that
9 from six to seven. And those are your program officer people
10 that will not be coming with this budget.

11 Two additional employees, we lost a senior attorney
12 in the general counsel and we lost an employee in the Office
13 of Inspector General. Both those positions will not be
14 replaced this year. And as you see there, the inspector
15 general has agreed to reduce his budget because of the loss
16 of that employee, \$24,000.

17 This budget does include one other vacancy to be
18 filled, and that's the administrative services director. And
19 that's something that the executive office is discussing and
20 taking under advisement at this time.

21 Now, since this was prepared I have learned that we
22 have lost one additional attorney in our general counsel's

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1 office. I don't know the status of that, whether they will
2 be replaced this year, deferred, or later, but just to bring
3 that to your attention also.

4 Item 3 is the reduction of their consulting. The
5 Office of General Counsel, program services had reductions,
6 and, again, the inspector general has agreed to reduce his
7 consulting budget \$40,000 also. We had some increases in
8 consulting. As we reported at the last meeting, we have the
9 \$240,000 of rental income coming in and the additional funds
10 coming in for the sublet of this building. We had to pay
11 some commissions. We classify those in our particular setup
12 as consulting fees.

13 So those commissions and consulting fees, there was
14 some computer consulting. We've had to add a little bit of
15 money in the Office of Administration for that. We have also
16 had to add some money in the Office of Information Technology
17 for some consulting needs that they had in start-up.

18 There have been some other operating costs that
19 have been adjusted, but basically we have a net decrease in
20 our budget, and the items that we see here add up to a total
21 reduction of 984,000. As you note, this does not get us into
22 1.784, and that's the amount of the recision, so what we're

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1 looking at now is how to make that difference up.

2 By forecasting the interest and the miscellaneous
3 income and including it this year for operations, we can now
4 come up to the 1.784. What this will do, though, is where in
5 prior years we relied upon some of the carry-over to help
6 support next year's operations, that money will not be
7 available. So what we're looking at is to reduce the
8 spending, not 984,000, but then include 340,000 from
9 miscellaneous income, the current year's projection for
10 interest, 460,000. That would add up to 1.784 million that
11 we need for operations this year.

12 MR. SMEGAL: So you'd move everything but the grant
13 recoveries from attachment A on page 4?

14 MR. RICHARDSON: That's correct. What we ended up
15 doing is moving that money to the basic field component,
16 because that is the basic field money that was collected. So
17 when you look at attachment A on page 18, the difference
18 between this statement and the original statement of funds
19 available, and now that Ms. Battle has joined us, there is a
20 copy of this information in front of you. There you go. We
21 are looking at page 18.

22 The items from the appropriation through the 400

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1 Virginia Avenue apportioned to law, 745,000, is the same.
2 The two items that we have added to this is the recision
3 adjustment, the \$15 million, and you see we have broken up
4 management and administration, \$1.784 million, and the grant
5 funds of 13.216 million to equal the 15 million.

6 This proposal would move, as we have talked about,
7 the interest and other funds available with the exception of
8 grant recoveries to management and administration with the
9 158,000 going to -- allocated to the grant funds. So the
10 budget when these, these two are included, would reduce our
11 budget from 417 million to 403,695,831.

12 There's a quick snapshot of that on page 19, and it
13 shows the delivery of legal assistance, the support for the
14 delivery of legal assistance, and then the corporate
15 management and administration, which will then add up to the
16 403,695,831 budget. I'll give everybody an opportunity to
17 look at that, because I do realize that --

18 MS. BATTLE: What is this 800,000 allocation of
19 other funds available? I may have missed it in --

20 MR. RICHARDSON: Okay. When we look on page 18, we
21 are projecting the interest income this year to increase the
22 460,000. We have already received through eight months

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1 337,000. The miscellaneous income of the sublet of 400
2 Virginia Avenue adds together to 340, so that 340 and 460 add
3 up to the 800,000 that we're asking be moved to the
4 management and administration line.

5 MS. BATTLE: Okay.

6 MS. FAIRBANKS-WILLIAMS: Now, you feel that
7 Virginia Avenue and everything is solid. You are not going
8 to have to worry about that two months down the line as being
9 a liability, though you said those leases have been signed?

10 MR. RICHARDSON: That's correct. And as you see,
11 we've got 240 projected. We've already received checks for
12 \$180,000.

13 MR. SMEGAL: When are we out of those leases? Is
14 it next June?

15 MR. RICHARDSON: August '95.

16 MR. SMEGAL: Oh, this August.

17 MR. RICHARDSON: That's correct.

18 MR. SMEGAL: So this is only going to be on here
19 for a couple more months?

20 MR. RICHARDSON: That's correct.

21 MR. SMEGAL: Okay.

22 MS. FAIRBANKS-WILLIAMS: So it's not new leases

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1 that are signed this August. That's what I was asking you.

2 MR. RICHARDSON: Oh, no, ma'am. No, these are
3 leases that were signed in -- one was signed in January,
4 another one was signed, I think, in March.

5 MS. FAIRBANKS-WILLIAMS: But as of August you don't
6 know what's going to come down the pike?

7 MR. RICHARDSON: As of August we're out of it. We
8 do not have any additional lease payments. Our lease expires
9 August '95.

10 MS. FAIRBANKS-WILLIAMS: Okay.

11 MR. RICHARDSON: At the board's pleasure, I'll walk
12 through the other lines if you like, but as you see, the
13 recision is sort of straightforward. There is very little
14 that we could do to change this.

15 A little background is we received the \$15 million
16 recision in the defense supplemental that was passed, and the
17 bill recently that the President vetoed carried the language
18 that showed us how to divide that \$15 million in the
19 recision, even though that was vetoed in discussions with the
20 House subcommittee we feel that this is the sense of how the
21 Congress wanted us to subtract the money, so following their
22 direction, this is the way we are implementing the recision.

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1 You might want to look -- again, it's at your
2 pleasure. I can go through it line by line or summary.

3 MS. BERGMARK: You might just take questions.

4 MR. SMEGAL: Questions, anybody?

5 MS. BATTLE: This is consistent with the policy
6 determination is made by the board, the breakout that you've
7 got here?

8 MR. RICHARDSON: Yes, it is. Let me just
9 highlight, going back to page 19. We'll look at the summary
10 here, and I'll walk you through that a little bit. With the
11 delivery of legal assistance, the original revised budget was
12 379,241,953. The recision on the basic field component on
13 the supplemental service totals 7,136,000.

14 So with the amount of money from the other funds
15 available from the funds that we've collected, the 158,084,
16 it's our recommendation be added to the basic field line.
17 When you add columns 1, 2, and 3, they will equal column 4.
18 So the recision budget for the delivery of legal assistance
19 would be 3,072,264.37. And the support for the delivery of
20 legal services, and this would include, of course, your CALR,
21 national state support, training centers.

22 We had a budget originally of 26,046,524. The

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1 recision was \$6,080,000. We have received no grant
2 recoveries at this particular line at this point. So the
3 budget that we will have at this point will be 19,966,524.

4 And with the management and administration, the
5 original budget of 12,449,270, the recision of 1,784,000,
6 adding back the other funds available, the budget for this
7 category would be 11,465,270, again, for a total budget of
8 403,695,831.

9 MR. SMEGAL: Now, Dave, on attachment B, which was
10 the consolidated operating budget worksheet summary through
11 May 31, distribution, for example, to the delivery of legal
12 assistance is \$375.6 million, already distributed through
13 May, and the recision budget is 372.2. How are we going to
14 get 3.4 million back?

15 MR. RICHARDSON: Let me give a copy of this sheet
16 to Ms. Battle. Of course, when the recision was finally
17 approved, we had already written contracts where most all the
18 money had already been allocated. Since the recision was
19 eight months into the year, we had to go back and recalculate
20 grant awards. Every grantee will be I shouldn't say
21 receiving. They'll get a reduction based on the recision.

22 So we have refigured the amount of their annual

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1 grant based on the recision. They will get new grant award
2 letters, which will include a new total. What we're going to
3 do is adjust the amount that we pay the grantees in the month
4 of November. There are some grantees that we are going to
5 have to adjust two months.

6 They are not going to get a check in November, and
7 they will get a reduced check in October. So the national
8 state support won't get an October and November check, and
9 they will get a reduction in their September check. So we
10 will have to implement the recision by reducing the last
11 months of the grant checks.

12 MR. SMEGAL: I'm sorry. I guess I had forgotten.
13 So that what we see on attachment B that's identified as
14 expenses through May is our obligations rather than our
15 actual check writing?

16 MR. RICHARDSON: That's correct. It's contracts.

17 MR. SMEGAL: All right. Thank you. That clarifies
18 it for me.

19 MR. RICHARDSON: And just a little recap again, I
20 didn't get your question, but I did see now, when we get a
21 fiscal year appropriation, we fund our grantees on a calendar
22 year basis.

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1 MR. SMEGAL: But we actually write them a check.
2 In January we write them a check for January and December.
3 In February we write the a check for February and March and
4 so on.

5 MR. RICHARDSON: Right.

6 MR. SMEGAL: So we haven't gotten the whole year,
7 even though we have a contract with them for the year, they
8 don't get the whole 12 months. They only get two months
9 initially and the one, one, one, one.

10 MR. RICHARDSON: That's correct.

11 MR. SMEGAL: Okay. All right.

12 MR. RICHARDSON: So the month of December, they
13 normally do not get a check unless they are on some type
14 of -- have a compliance problem where they're on the short-
15 term funding and we're funding them month by month.

16 MR. SMEGAL: Right. Okay. So what we're looking
17 at, this is an accrual sheet that I've been referring to on
18 page 5.

19 MR. RICHARDSON: That's correct.

20 MR. SMEGAL: Thank you.

21 MR. RICHARDSON: The sheet that I've handed out,
22 it's actually marked attachment G. I started to include it

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1 in the package, but I thought it would probably create more
2 questions than it did answer any questions you may have. But
3 this does show with the budget that we currently have the
4 recision that is before you, our proposal to allocate the
5 other funds available to the '95 budget.

6 We have a recision budget. With the expenses
7 through May you see that we have no remaining funds. When
8 you look at -- I'll just read it so you won't have to turn
9 back. But we have an amount remaining in the budget prior to
10 recision of 12,344,727, but with the \$15 million recision, of
11 course, you see it throws us into a negative balance. So we
12 will have to go back to the grantees and provide them new
13 funding schedules and reduce the amount of moneys that was
14 due them.

15 CHAIRWOMAN MERCADO: Now, this attachment G, this
16 shows, though, as being a deficit of 2,438,143; is that
17 correct?

18 MR. RICHARDSON: That's correct. But the funding
19 of the grantees will have to change on the impact of the
20 recision. Those letters and figures have been calculated.
21 Let me ask Gary. I think I'll ask Gary Singen to join me
22 just for a second.

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1 MR. SINGSEN: I believe that we'll be sending out
2 the letters pursuant to the decision that you made last week
3 at the board meeting by telephone today, assuming Martha has
4 signed them.

5 MS. BERGMARK: Those will be brought to me as soon
6 as they are ready, and I am going to start signing.

7 MR. SMEGAL: I was not on that telephone call
8 because I was in a deposition. Is there any document that
9 reflects some summary of that telephone meeting of the board
10 that I have overlooked in my package?

11 CHAIRWOMAN MERCADO: Yes.

12 MR. SINGSEN: We can provide you with the full
13 package that's going out to each grantee which contains the
14 transcript of the board meeting, the resolution adopted at
15 the board meeting, the memorandum setting forth the proposed
16 recision and the explanation for why the recision was being
17 done and why it was being done to each grantee in the way
18 that it was being done.

19 MR. SMEGAL: Gary, I don't want that if I've
20 already got it. I haven't been in my office since Tuesday.

21 MR. SINGSEN: You don't have the transcript
22 because, of course, that is after the package.

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1 MR. SMEGAL: If there is some way I could get the
2 transcript before 1 o'clock tomorrow, when I'll be leaving.

3 MR. SINGSEN: Sure. Okay.

4 MR. SMEGAL: Great. Thank you.

5 MR. RICHARDSON: Just for an additional summary,
6 you might turn to page 24 and 25. And this will show you the
7 impact of how we internally had to react. The items 1-6 that
8 I read to you in regards to the reduction in personnel, that
9 we're projecting to hire, the effects on the benefits that
10 they would normally receive, and the internal changes that
11 we've had to make will add up to the \$984,000. You see that
12 the compensation reduced from \$5.989 million to 5.269, so
13 it's a reduction of \$631,000.

14 Instead of reading all those, we can see that there
15 is a reduction in all of them with the exception of the
16 consulting, which did go up, and the occupancy cost went up
17 just slightly because of some work that we're going to do
18 here in the building, some maintenance items that were taken
19 care of. And then the other operating went up just slightly,
20 and that's mainly due to just increased costs that we're
21 experiencing in our supplies and leasing of equipment.

22 And then you can see as a quick snapshot how it

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1 affected each office for the board of directors. We have
2 reduced the budget \$56,000. The executive office we've
3 reduced 59,000; inspector general, 64,000; the general
4 counsel, 132,000. I had told you we had zeroed the staff
5 attrition.

6 It looks like a plus, but when you net it out it
7 will all come down to the \$984,000. Human resources went
8 down 75. Comptroller's office went down 75. Information
9 technology went up 22,600. That's as a result of the
10 computer consulting that was needed.

11 The program evaluation, 407,000, that's attributed
12 to the seven program officers that are non-hired and their
13 benefits, and then the office of program services, even
14 though they absorbed a \$60,000 amount from the client
15 initiative expenses, we have been able to reduce that budget
16 \$187,000.

17 MS. BATTLE: Where would the board initiatives be
18 in this scenario?

19 MR. RICHARDSON: At this point we have board
20 initiatives only in one category, and it's the 188,933. That
21 is outside of the figures I've just given you. And that's
22 money for the competition initiative. If there's any other

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1 initiatives that the board has, we have not accounted for
2 them at this point.

3 MS. BATTLE: Now, explain, what is the staff
4 attrition project?

5 MR. RICHARDSON: It's staff attrition projection.

6 MS. BATTLE: Oh, projection. That makes more
7 sense. Okay.

8 MR. RICHARDSON: Yes. When we entered the year, we
9 estimated that we would lose 2 percent of our salary,
10 basically, and we have certainly lost more than that, and
11 that's attributed to people leaving and the delay of hires.
12 As you recall when we looked at the first year we were
13 projecting our program officers to come in at staggered
14 amounts, whether it be some in November, some in December,
15 January, or February.

16 It just seemed like because of everything going on,
17 it kept being delayed. Some people came on. Some didn't.
18 Some were hired in February that weren't able to come until
19 April. So we were able to absorb the attrition and plus
20 reduce other salary costs.

21 MS. BATTLE: I see.

22 MS. FAIRBANKS-WILLIAMS: So how many evaluation

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1 people do we have right now?

2 MR. RICHARDSON: Let me look to Martha. I gave the
3 staff a figure a week ago. Do you have that?

4 MS. BERGMARK: We have 111 people total.

5 MR. RICHARDSON: There's 43?

6 MS. BERGMARK: Forty-three, something like that.

7 MR. RICHARDSON: That are in our compliance. They
8 are monitoring PEAR group, and there is an additional amount
9 of people in our program services.

10 MS. BERGMARK: Of 11 or 12, I think.

11 MR. RICHARDSON: Yes.

12 MS. BERGMARK: We'd have to check those figures for
13 you.

14 MR. RICHARDSON: I can get you staffing levels
15 after the meeting. I'd be glad to do that.

16 CHAIRWOMAN MERCADO: Does anyone have any other
17 questions on the recision budget?

18 (No response.)

19 CHAIRWOMAN MERCADO: I think you wanted to go over
20 as far as the expenditures as related to the recision budget
21 on the individual sheet that you have.

22 MR. RICHARDSON: Okay. What I've done is just in

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1 anticipation of your approving the recision budget, on the
2 back of the sheet that we were talking about, about item G, I
3 have prepared an analysis by division which again is shown as
4 a marked budget revision. This is the recision amount.

5 So when we look at the board of directors, if the
6 recision budget is approved, it will move from a 330,200
7 budget, be reduced 56,150, so there's a revised budget of
8 \$274,050.

9 Compare that to the revised requirement. Ms.
10 Battle was not here originally. When you look at the
11 expenses through May, you add the accrual, you get a revised
12 requirement. So you are looking at 274,000 minus 130,900, so
13 there's a remaining budget of 143,000.

14 This shows that 66 percent through the year the
15 board has spent 47 percent of the funds. So this budget with
16 the recision budget approved will then replace attachment 7
17 on page 12, and it just shows basically that again, the
18 executive office had spent 58 percent. Their budget would
19 increase to 61.82 percent of the year as far as amount spent
20 because of reduction of 59,000.

21 In the inspector general -- I will just go along --
22 they had spent 57.85. When you reduce their budget \$64,000

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1 it would increase the percentage of the annual budget spent
2 to 61.49 percent. General counsel is at 60 percent.
3 Administrative and human resource is 67.8. Comptroller's
4 office, 62.8. Program monitoring and evaluation is 56.44.
5 Information technology, 31 percent. Office of program
6 services, 54.56.

7 So even with the recision of 1.784 million and
8 adding back the 800,000, where originally we were looking at
9 we had spent 55 percent of the annual budget, by subtracting
10 the recision and adding that back, we are still at 60 percent
11 of the budget, so we are under budget through the first eight
12 months of the year based on our recision budget.

13 Basically, what management is asking the committee
14 to do is to recommend to the board for the approval of
15 attachments A through F to represent the recision budget for
16 fiscal year 1995.

17 MS. FAIRBANKS-WILLIAMS: And in this information
18 technology, have you got the extra money you said there that
19 you were going to have to spend?

20 MR. RICHARDSON: Yes, ma'am, we have. So far we
21 have accommodated for all the expenses through the netting of
22 the changes that we need to make.

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1 CHAIRWOMAN MERCADO: Are there any other questions
2 or comments on the revised COB for FY '95 that takes into
3 account the recisions and expenditures made up to date?

4 (No response.)

5 CHAIRWOMAN MERCADO: Hearing none, I would
6 entertain a motion at this time to approve the revised COB
7 for '95.

8 MR. SMEGAL: Reflecting the recisions.

9 CHAIRWOMAN MERCADO: Reflecting the recisions.
10 That's correct.

11 M O T I O N

12 MR. SMEGAL: So moved.

13 CHAIRWOMAN MERCADO: All those in favor?

14 (A chorus of ayes.)

15 CHAIRWOMAN MERCADO: Opposed?

16 (No response.)

17 CHAIRWOMAN MERCADO: Abstentions?

18 (No response.)

19 CHAIRWOMAN MERCADO: The motion carries. Item
20 number 5, which is to consider and act on other business. Is
21 there any other business before the Finance Committee? Mr.
22 Richardson, you might just want to highlight some of the

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1 areas that the Finance Committee needs to look at within the
2 next couple of months.

3 MR. RICHARDSON: Yes. We had already -- we
4 discussed last month about when there would be a '96 budget
5 available. And we had talked about doing it at a July
6 meeting, at least having a preliminary markup. We had gone
7 to Congress in our budget submission for our '96 budget with
8 a budget of \$12,982,000. Since that time, we have found that
9 based on current operations we have an amount set aside for
10 additional peer review and those travels, the consulting we
11 had originally budgeted 350,000, travel and transportation
12 600. This was in the '96 budget.

13 We currently have an amount of 350 in the '95
14 budget. Forgive me for going back and forth. I am trying to
15 bring these into context. And a budget of 747,000 for
16 travel. Mr. Toll is concerned that that may be pretty much
17 on target as what they need this year, but as you remember
18 they didn't start their peer reviews until January. So we
19 will have three extra months of moneys or expenses that we
20 are going to have to try to find funds for.

21 What I have done just as a preliminary guide for me
22 is I have revised the budget that went to Congress based on

1 the 13 staff that we have taken out of this budget. So I
2 have prepared a revised budget for '96 based on the current
3 staffing levels, and it appears that we are going to need
4 approximately \$12 million for operations next year.

5 So that is one of the things that we've got to look
6 at in the coming months is how we are going to be able to do
7 that. And, of course, we are looking at the operations and
8 everything as we are going along, but we don't know how much
9 we are going to be funded next year, so that is one of the
10 challenges we have before us.

11 In addition to a '96 budget, we need to hear the
12 project advisory group and other interested parties' budget
13 recommendations for '97. In our calendar, that should have
14 started in May, but with everything else going on, we've had
15 to delay it. So at a July meeting, hopefully we can start
16 having some preliminary testimony on a '97 budget proposal.

17 In addition to that we have again delayed and we
18 had originally talked about having a joint meeting with the
19 Provisions Committee going over financial regulations that we
20 need to review, and it appears that that, again, will be
21 delayed possibly until August, but we will come back to you
22 on that at a later date. But that is just sort of three of

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1 the things that we have on the table that we need to look at.

2 MS. BATTLE: Instead of provisions, you mean option
3 regs?

4 MR. RICHARDSON: Option regs. I'm sorry. Yes.

5 CHAIRWOMAN MERCADO: Chairman Battle and I haven't
6 discussed with all the pertinent parties and staff regarding
7 the financial reg, but I know that the inspector general also
8 wanted to work with us on those financial regulations, so we
9 need to get the
10 three departments sort of working together and preparing
11 those. One of them might be for, I think, an August meeting.

12 MR. RICHARDSON: And I did forget to mention that
13 there has been an audit guide published, and those comments
14 will probably be at that joint meeting also.

15 CHAIRWOMAN MERCADO: Any other questions of Mr.
16 Richardson, or any other comments?

17 (No response.)

18 CHAIRWOMAN MERCADO: Does anyone from the public
19 wish to make any comments to the Finance Committee about any
20 particular aspect?

21 (No response.)

22 CHAIRWOMAN MERCADO: Okay. Hearing no other

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1 business, I would at this time entertain a motion to adjourn
2 the meeting of the Finance Committee.

3 M O T I O N

4 MR. SMEGAL: So moved.

5 CHAIRWOMAN MERCADO: All those in favor?

6 (A chorus of ayes.)

7 CHAIRWOMAN MERCADO: Opposed?

8 (No response.)

9 CHAIRWOMAN MERCADO: Abstentions.

10 (No response.)

11 CHAIRWOMAN MERCADO: The motion carries. Thank you
12 very much. The meeting is adjourned.

13 (Whereupon, at 4:05 p.m., the meeting was
14 concluded.)

15 * * * * *

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