

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS
AUDIT AND APPROPRIATIONS COMMITTEE MEETING

RETURN TO CORPORATION
SECRETARY ARCHIVES FILE

May 18, 1992

7:08 a.m.

The Washington Suites Alexandria
801 North St. Asaph Street
The Conference Center
Alexandria, VA 22314

Board Members Present:

Howard H. Dana, Chairman
William L. Kirk, Jr.
Jo Betts Love
Basile Uddo
Jeanine E. Wolbeck

Staff Present:

John P. O'Hara, President
Emilia DiSanto, Vice President
Patricia Batie, Secretary
David Richardson, Treasurer and Comptroller
Ellen Smead, Director, Office of Field Services
Kathy deBettencourt
Kenneth Boehm

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Executive Office

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P R O C E E D I N G S

1
2 CHAIRMAN DANA: Good morning, everybody. This is
3 the 7:00 a.m. version of the Audit and Appropriations
4 Committee meeting on May 18. With me in the room is the
5 president of the Corporation, Jack O'Hara; committee and
6 Board member, Basile Uddo; Board member Jo Betts Love.
7 Committee member and Board member Jeanine Wolbeck is on her
8 way.

9 Awards are being given out to members of the staff
10 that have gotten up this early to join us. We thank you and
11 apologize, one and all, for doing this to you. I'll try to
12 make this a unique experience.

A P P R O V A L O F T H E A G E N D A

13
14 CHAIRMAN DANA: The first item on the agenda is
15 approval of the proposed agenda. Is there a motion?

M O T I O N

16
17 MR. UDDO: So moved.

18 CHAIRMAN DANA: Mr. Uddo moves and I second the
19 agenda. All those in favor say aye.

20 (A chorus of ayes.)

21 CHAIRMAN DANA: It's a vote.

A P P R O V A L O F M I N U T E S O F M A R C H 8 , 1 9 9 2

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1 CHAIRMAN DANA: The next item on the agenda is
2 approval of the minutes of March 8, 1992.

3 M O T I O N

4 MR. KIRK: So moved.

5 CHAIRMAN DANA: Second. I don't know whether it's
6 necessary to call for the vote, but all those in favor say
7 aye.

8 (A chorus of ayes.)

9 CHAIRMAN DANA: It's a vote.

10 CONSIDERATION AND REVIEW OF BUDGET AND EXPENSES FOR THE
11 SIX-MONTH PERIOD ENDING MARCH 31, 1992

12 CHAIRMAN DANA: The third item is consideration and
13 review of budget and expenses for the six-month period ending
14 March 31, 1992. That information is set forth in the Board
15 book, which is the green book at the back of the room, at
16 page, I believe, 13.

17 Mr. Richardson, this is the review of the past. Is
18 there something that you would wish to call to our attention
19 in this regard, in particular?

20 MR. RICHARDSON: For the record, my name is David
21 Richardson, Comptroller of the Corporation. There is two
22 things that I would just point out that we're in the process

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1 of working through with the special emergency funds. In
2 April, there was an award of approximately \$25,000 to
3 grantees to help supplement emergency situations.

4 The U.S. Court of Veterans Appeals, you notice that
5 we've only spent \$48.00. There is additional money that will
6 be in April for that. Of course, the solicitation has gone
7 forth on that. I understand that Mr. Boehm will be reporting
8 to you later on that.

9 The law school grant money, you see that there is
10 no money spent in that particular line. The monies for the
11 law school will be awarded in August for the next school
12 year. Basically, I just wanted to mention some of the things
13 that will occur in the future. The National Resource and
14 Training Center, there is proposals being worked on those.
15 But, as you see, there's no money that has been spent on that
16 particular line as now.

17 In regards to management and administration, 50
18 percent of the year has been completed. We've spent a little
19 over 46 percent of the funds.

20 CHAIRMAN DANA: That's on page 19 analysis?

21 MR. RICHARDSON: That's correct, sir. Unless you
22 have specific questions or if there's anything that you see

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1 you'd like a response from --

2 CHAIRMAN DANA: I would observe, and I think I'm
3 correct, that on page 16 the special contingency funds that
4 are available to management to deal with fiscal crises
5 within its offices are still unencumbered and unspent.

6 MR. RICHARDSON: As of the March 31st reporting,
7 yes. You did receive a letter earlier this week for a
8 \$50,000 transfer that will occur in April. That money will
9 go into the General Counsel's office.

10 CHAIRMAN DANA: I see. On page 17, it appears that
11 we have received grant recoveries and interest income and
12 miscellaneous income of \$240,909 which is available to the
13 Corporation in this or a future fiscal year.

14 MR. RICHARDSON: That's correct, sir.

15 CHAIRMAN DANA: The committee should be sensitive
16 to that when we come to the issue of finding half a million
17 dollars for special meritorious and innovative grants.

18 Thank you. Are there any questions for the
19 comptroller on this matter?

20 (No response.)

21 CHAIRMAN DANA: The record should reflect that Ms.
22 Wolbeck has joined us.

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1 CONSIDERATION AND REVIEW OF SIX-MONTH PROJECTIONS FOR THE
2 PERIOD APRIL 1, 1992 TO SEPTEMBER 30, 1992

3 CHAIRMAN DANA: The fourth item on the agenda is
4 consideration and review of six-month projections for the
5 period April 1, 1992, to September 30. That information has
6 been summarized in the memo that I do not believe is in the
7 Board book.

8 MR. RICHARDSON: No, sir, it is not.

9 CHAIRMAN DANA: The committee members should have
10 it. It's the May 15, 1992, memo. Pursuant to the guidelines
11 that we operate on, there are two kinds of adjustments in our
12 budget.

13 One is an adjustment within a particular office in
14 the management's parlance; for instance, a transfer between
15 personnel and travel in the executive office line. That kind
16 of a transfer is done administratively, and we receive a
17 report. Part of this memo is that report; is that correct?

18 MR. RICHARDSON: That is correct, sir.

19 CHAIRMAN DANA: In some cases, there are transfers
20 from one office to another office. That normally requires
21 our recommendation and Board action. Is that correct?

22 MR. RICHARDSON: That is correct, sir.

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1 CHAIRMAN DANA: Does this memo propose some of
2 those?

3 MR. RICHARDSON: Yes, sir. There is three offices
4 involved: the Executive Office, the General Counsel and the
5 Office of Field Services. With the reorganization that is
6 continuing in the Corporation, there was two employees that
7 were originally transferred in January from the Office of
8 Policy Development into the Executive Office.

9 Since that time, they have been reassigned to the
10 Office of Field Services. So there is \$25,000 in salary and
11 \$5,000 in benefits that was transferred from the Executive
12 Office into the Office of Field Services.

13 CHAIRMAN DANA: That is a proposal.

14 MR. RICHARDSON: That is a proposal. The other
15 transfer, again between the Executive Office, with the
16 savings that occurred through the reorganization, there is an
17 additional \$50,000 that is proposed also to be transferred
18 between the compensation line and the associated benefits to
19 the General Counsel's Office to help fund the litigation
20 line.

21 CHAIRMAN DANA: That is not the \$50,000 to which
22 you previously referred?

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1 MR. RICHARDSON: No, sir. It's a separate \$50,000.

2 CHAIRMAN DANA: And then there are three internal
3 adjustments: one in the Office of General Counsel, one in
4 MAC, and one in the Office of Field Services, or several in
5 each of those, to which you refer in this memo.

6 MR. RICHARDSON: That's correct, sir.

7 CHAIRMAN DANA: Are there questions of the
8 committee relating to the transfers of the \$30,000 from the
9 Executive Office to OFS and the \$50,000 from the Executive
10 Office to OGC?

11 (No response.)

12 CHAIRMAN DANA: Hearing none, it would be in order
13 to make a motion, I think, to the Board, am I correct, a
14 recommendation to the Board that the \$30,000 and the \$50,000
15 transfer be approved and the budget be so amended?

16 M O T I O N

17 MR. UDDO: So moved.

18 CHAIRMAN DANA: Is there a second?

19 MS. WOLBECK: Second.

20 CHAIRMAN DANA: Any further discussion?

21 (No response.)

22 CHAIRMAN DANA: All those in favor say aye.

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1 (A chorus of ayes.)

2 CHAIRMAN DANA: Opposed?

3 (No response.)

4 CHAIRMAN DANA: It's a vote.

5 We've also received a memo from the inspector
6 general comparable to the memo we have received from the
7 comptroller, dated May 5, 1992, which is attached to the
8 comptroller's memo, which describes a series of internal
9 adjustments within his office. That does not require a
10 committee or Board action, but it's noted for the record, and
11 we thank you.

12 The balance of this memo are attachments, David,
13 and would you take us through these attachments?

14 MR. RICHARDSON: Yes, sir. I'll refer to our
15 projection of fiscal year 1992 expenses, March 1992. There's
16 four pages of this. On the first of the four pages, we're
17 reviewing the revised budget. I'll read across the top for
18 review, because there is a couple of different lines that
19 I've included because of the additional modifications and the
20 special contingency proposal.

21 The proposed COB modification is column 7. Column
22 8 is the modified budget. The only reason I put modified

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1 there instead of proposed is there was two different elements
2 of it, one being the COB modifications and then the other
3 being the special contingency transfer.

4 Then, what you have is column 6 and 7 adding
5 together to equal column 8, being the modified budget, 9
6 being the expenses through March which will again track back
7 to the original document that's in the Board book. We have
8 the remaining funds which is 8 minus 9 equals the 10,
9 remaining funds, and then the budget plan for the remaining
10 year with the projected carryover.

11 Now, I've also given you another analysis this
12 morning to show where the projected carryover, where those
13 funds come from. You'll see a sheet passed out that was
14 labeled "4/1/92 Available Funds." For instance, within the
15 basic field category, we have a total budget this year of
16 \$299,532,995.

17 When you add 9 and 10, that's the total amount that
18 will be awarded from the basic field category with a
19 projected carryover of \$123,211. That is made up of the
20 basic field 1990 remaining funds of \$30,979, the basic field
21 fiscal year 1991 carryover of \$31,266, and the 1992
22 contingency in the basic field which is \$60,966. Those funds

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1 are still available, \$123,211.

2 Again, this is something else that should be kept
3 in mind when you're looking at the meritorious and innovative
4 grants. This pool of money can be used for that purpose.

5 CHAIRMAN DANA: That last part is summarized in the
6 handout that you just referred to?

7 MR. RICHARDSON: Yes, sir. Within the Native
8 American category, there is a total budget this year of
9 \$7,922,815. We're projecting all of that money to be spent.
10 I will draw your attention to one item that again is on this
11 sheet.

12 We've recently had a training, a forum, for the
13 Native Americans, and there is projected to be another one
14 sometime this summer with DNA, which I understand had a
15 representative here yesterday. So we are reserving that
16 \$42,000 for the expenditure of those two events.

17 Within the migrant category, and this is the one
18 that we've had the four states for a number of years without
19 funding, the total budget, \$11,760,822, the amount that's
20 remaining of those funds, the \$216,863, is made up of 1990
21 carryover of \$120,226, 1991 carryover of \$175,435.

22 Then, this year there's two listings within the

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1 1992 migrant line on the supplemental sheet, \$305,376, and
2 then the migrant funding proposals for \$299,174. This would
3 encompass the four states that have not had migrant
4 components before. The difference here is \$6,202, which is
5 the amount for Kentucky. No one has come forward requesting
6 those funds at this time.

7 Then we have a migrant proposal that we've been
8 working or the Office of Field Services has been working on.
9 They've requested approximately \$85,000. So the balance
10 there, \$216,863, is again available for your meritorious and
11 innovative grants.

12 Your program development funds, those are funds
13 that have been set aside for a number of years for your
14 timekeeping. I've listed those as available. They have been
15 earmarked by the Board, but I've included those since we, at
16 this point, are not moving forward with the timekeeping.
17 We've got a proposal on the board, and it's something that I
18 know that Mr. Uddo is very concerned about and would like to
19 move forward. But I just highlight that to make sure that
20 you're aware of that.

21 I'll turn to page 2. The other funds there, we see
22 no reason -- for instance, the law school -- that we award

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1 all of those funds. The supplemental field, all of those
2 monies are designated to the entities. The U.S. Court of
3 Veterans Appeal, of course that's a two-year project. All of
4 that money is shown as being designated because there is a
5 situation, if we don't spend it or if it's not awarded to
6 different grantees through the solicitation progress, that
7 money would have to be returned to the courts. So the money
8 is designated as far as budgetary purposes.

9 Page 2 of the four, the regional training centers,
10 all of that money is designated to the training centers. The
11 national resource and training center, again we're working on
12 proposals with that. I have no reason at this point to
13 believe that we will not spend all of the money on that
14 particular project.

15 Within the national support line, the total budget
16 being \$8,119,001, I feel that all of that money will be spent
17 with the exception of the \$114,602. Again, on the
18 supplemental sheet, we have a breakdown of what makes up that
19 money. It's 1991 carryover of \$40,001, 1992 reserve there of
20 \$109,601. We have a training proposal from Drake University,
21 and we've set aside a reserve of \$35,000 for that event,
22 leaving a balance of \$114,602.

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1 Within the state support categories, the budget,
2 \$9,286,175, again we have a small amount that's left there.
3 The state support for 1991, we have a remaining reserve of
4 \$23,175,000. Then, the 1992 amount is \$48,847 for the total
5 state support line of \$72,022.

6 With the program development money, this would make
7 available \$826,698. That can be allocated as the Board
8 wishes. Again, that does include the \$300,000 to the program
9 development.

10 We have, as the memo indicated before, looked at
11 the budget plan in review for management and administration.
12 We have moved money to accommodate each of the budgetary
13 needs. Recognizing that there is one area that we've not
14 made a transfer for at this point, that would be the Board
15 expenses.

16 In St. Louis, we had our annual conference in
17 December, with the schedule change changing it to Minneapolis
18 in September. The two events, they do get quite costly. So
19 it appears that we will have to find some money for that.
20 We've not transferred money, like I said, at this point.

21 If everything remains status quo along the lines
22 everybody has planned, we're going to spend about 99.8

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1 percent of our money. We would have enough money in the
2 other M&A lines to cover the Board expenditures.

3 CHAIRMAN DANA: That assumes you find
4 \$50,000, you use \$50,000 currently of special contingency
5 funds.

6 MR. RICHARDSON: That is correct, sir. Bringing
7 that into line, I was going to mention that this does show
8 the internal budgetary adjustments and it does show the
9 transfer from the special contingency fund. This does also
10 show the reallocations so that you'll have a full picture of
11 everything.

12 Within the Executive Office, we'll note that the
13 budget was \$1,039,000; subtracting the \$80,000, it's reduced
14 to \$559,000. The General Counsel's office, their budget was
15 \$1,061,000. Their budget would be increased to \$1,161,000.
16 The field service's budget is \$1,155,000; with an increase it
17 would be \$1,185,000.

18 This does show, as we talked about the \$50,000, our
19 transfer for the contingency. The Board initiatives, we're
20 showing completely spent. Of course, there are still
21 proposals being worked on with that particular proposal. The
22 meritorious grant proposal, there is still the \$10,000

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1 hanging, the grantee that we're working with. This is a
2 result of the Hugo a few years ago. We're still working with
3 that grantee to get that money into their hands.

4 We've also projected for this purpose the grant
5 recoveries through the end of the year and also the interest
6 income. So we're looking, for instance in the total of other
7 funds available, in excess of \$400,000.

8 CHAIRMAN DANA: Focusing on the Board of Director's
9 line, this indicates in line 6 that we have \$310,000 in our
10 budget. We have spent \$203,000 to date. It's anticipated
11 that we will spend, with all of these others, especially with
12 the conference occurring in September as opposed to December
13 -- we've got two conferences in this budget.

14 MR. RICHARDSON: Yes, sir.

15 CHAIRMAN DANA: Annual conference. We will have a
16 deficit. We will spend \$197,000 of the \$106,000 we have
17 leaving a \$91,000 deficit in that line.

18 MR. RICHARDSON: That's correct, sir.

19 CHAIRMAN DANA: Are there any questions of the
20 committee concerning the proposal for the balance of the
21 year?

22 (No response.)

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1 CHAIRMAN DANA: I'm correct, am I not, that the
2 projected carryover of \$1,309,571 is before the innovative
3 grant allocation?

4 MR. RICHARDSON: That is correct, sir.

5 CHAIRMAN DANA: And it is before any expenditure of
6 heretofore uncommitted funds for an emergency. So, I'm
7 talking about the riots and Hugo and those kinds of funds.

8 MR. RICHARDSON: No, sir. On page 1 of the 4, the
9 special emergency line, which is Roman numeral 1(A)(4), I
10 have shown all of those monies being spent.

11 CHAIRMAN DANA: You have?

12 MR. RICHARDSON: Yes, sir.

13 CHAIRMAN DANA: And the basis for that?

14 MR. RICHARDSON: Actually, because they are
15 earmarked for those particular emergencies. I am aware that
16 we have some in house now. We had one a few weeks ago for
17 \$300,000. We've got another one for \$100,000. I just wanted
18 to show that those monies were being spent for that intended
19 purpose.

20 The Office of Field Services, along with the
21 President, is reviewing those proposals. I have no reason at
22 this point to believe that they will not be spent for those

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1 purposes.

2 CHAIRMAN DANA: Mr. President, would you like to
3 address that?

4 MR. O'HARA: Thank you, Mr. Chairman. David, these
5 figures that we have at this time -- and, Ellen, if you want
6 to respond to this -- this does not include the estimated
7 costs which were incurred by some of our programs and the
8 recent incidences in Los Angeles and other places; is that
9 correct?

10 MS. SMEAD: That's correct.

11 MR. O'HARA: We do not have those figures. We do
12 know there was damage. We do know that there is a need out
13 there, but we don't have any handle yet on the amount of
14 money we're going to be looking at.

15 MS. SMEAD: No. At this point, we've awarded
16 \$121,000 on Friday to one place to replace furniture and
17 equipment and to assist with relocation costs. We had
18 another proposal come in on Friday for approximately \$25,000
19 for projected surge in demand. We're expecting another one
20 from another place for a surge in demand. Two other places
21 have indicated they'll be submitting something; we just don't
22 know when and what the amount will be yet.

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1 MR. O'HARA: Would it be a fair estimate to say
2 that by the Board meeting in June we will have complete
3 figures and should be able to inform the Board on all of the
4 costs that we expect to incur?

5 MS. SMEAD: We'll expect more complete figures by
6 that point.

7 MR. O'HARA: Thank you, Mr. Chairman.

8 MR. RICHARDSON: Let me clarify. Because I felt in
9 speaking with the Office of Field Services that all of that
10 money would be spent, it is subtracted out of the \$1.3
11 million that you've got there. So it is being shown in the
12 budget plan to be spent in the next six months.

13 CHAIRMAN DANA: But none of it has been committed
14 to date of the \$288,000. I mean as of April 1 we had
15 \$288,000 in the special emergency funds line.

16 MR. RICHARDSON: \$488,000.

17 CHAIRMAN DANA: I'm sorry, \$488,000.

18 MR. RICHARDSON: In April, there was a \$25,000
19 award and then Friday there was another \$120,000. You're
20 right. Those are all the monies that have been put out to
21 date, but this projection contemplates all that money being
22 spent for these emergency situations.

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1 CHAIRMAN DANA: I think we are probably have
2 developed some expertise and experience in dealing with
3 crises based upon the recent past. It's my hope that
4 we -- at the time that many of us came on the Board, about
5 two, or it seems like 10, years ago, we just had a crisis, as
6 I recall. Then we spent the next six months sort of reliving
7 it. Every Board meeting people would come in.

8 We would have made any inspector general proud of
9 the care, if not downright super caution, that we used in
10 parceling out those funds. Well, I think that's probably
11 healthy. My hope is that we get the money out quickly.
12 While we should be careful, these emergency funds are for an
13 emergency not really to extend the pain out there. It sounds
14 to me as though you are moving quickly on these requests.

15 MS. SMEAD: Mr. Chairman, what we do as a routine
16 now is as soon as we know about a disaster, we attempt to
17 contact the programs immediately to make sure that they are
18 aware the funds are available, and try to work with them in
19 determining what their need is in terms of both equipment,
20 replacement of equipment, and if there's going to be a surge
21 in demand. So we're trying to stay right on top of it as
22 things happen.

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1 CHAIRMAN DANA: Terrific.

2 Mr. President?

3 MR. O'HARA: Thank you, Mr. Chairman. The only
4 comment I had was that Ellen -- and Ellen responded to
5 it -- was that they were on the phone even before the
6 incident in Los Angeles stopped. We are a very proactive
7 Corporation in this sense.

8 CHAIRMAN DANA: Thank you. The record should
9 reflect that in addition to the Corporation, the public is
10 represented by Harrison McIver and has been since 6:45 or so.
11 We thank you for coming today. I understood from Harrison at
12 the time that there was delight in the field that the
13 Corporation made those calls and made that known. It was
14 appreciated at the time. It's exactly the right approach.
15 We thank you.

16 MS. SMEAD: Thank you.

17 CHAIRMAN DANA: Any other questions or observations
18 concerning this matter?

19 (No response.)

20 CONSIDERATION AND REVIEW OF BUILDING CONTRIBUTIONS FOR
21 FURNITURE AND EQUIPMENT; AND
22 CONSIDERATION AND REVIEW OF BUILD-OUT COSTS

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1 CHAIRMAN DANA: The next item on the agenda is
2 consideration and review of building contributions for
3 furniture and equipment, appearing on page 23, I think, in
4 your book. Mr. Richardson, can you tell us what this memo is
5 about?

6 MR. RICHARDSON: At the March Board meeting, we
7 detailed the construction cost allowance that we had and the
8 amount of money that we had projected to spend to date. That
9 included the build-out, the cost of the interior designer and
10 a few other of those particular costs. It showed that we had
11 \$613,397 available for the Corporation to use in their move
12 to our new headquarters at 750 First Street, N.E., here in
13 Washington.

14 Since that time, we have looked into moving our
15 telephone switch, securing new telephone numbers. We had to
16 wire the building. The construction did not include wiring
17 for the phone and data so we've had to do that. It did not
18 include security of the building, so we have contracted with
19 Glenn Industries Communications for security.

20 Office Movers, which is one of many companies here
21 in town who moves offices, was selected through a bidding
22 process. As a matter of fact, all of these was selected

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1 through a bidding process except AT&T because many of the
2 vendors did not want to move the AT&T equipment and certify
3 it. And AT&T, if we would have got someone to move it, would
4 have had to come in and certify it. There would have been a
5 double cost. So we went ahead with them for the moving it.

6 We have contracted with Cannon, Xerox, OCE, the
7 people that we have copiers with, to move the copiers, and
8 then we have our central files office. That is also being
9 moved. The total of these extraneous moving contracts and
10 the wiring, security, and so forth, is \$144,600.

11 That leaves us a balance of \$468,797 available for
12 the Corporation. The Board set aside \$300,000, of course,
13 for our additional equipment and furniture moving to the new
14 building. After surveying the offices -- and we are putting
15 in a board room facility, sound equipment; hopefully
16 telephone conferencing will be available -- but it appears to
17 do all of that we really need about \$40,000 additional
18 dollars to get that job completed.

19 CHAIRMAN DANA: So now we'd be up to \$340,000?

20 MR. RICHARDSON: Yes, sir.

21 CHAIRMAN DANA: And we have \$468,000 to spend?

22 MR. RICHARDSON: Yes, sir. I've tried to relay all

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1 the issues that we have outstanding and the things that we
2 have looked at. For instance, we have looked at the press
3 operations that we have. The press that we presently have is
4 15 years old.

5 It was moved from 15th Street into the building
6 we're at. It is a one-sided press. Any job that we do we
7 have to print it on one side. We have to wait 24 hours for
8 it to dry. We have to turn it over, print it again. Before
9 we can even fold it, we've got to wait another 24 hours. We
10 have looked at new equipment. There is a new press operation
11 that is double-sided that we've priced. It's about \$85,000.

12 We also have a Xerox 9900 high speed copier that
13 produces many of the works that you have in front of you now.
14 That machine is seven years old. We are experiencing
15 breakdowns with it. We have priced a new machine to replace
16 that. That would be the Docutech. That's \$170,000.

17 Last month in San Antonio, I gave to each of the
18 Board members a copy of the Inside Legal Services. With our
19 present configuration of equipment, it would take over two
20 days to produce that document. With the Docutech, we
21 produced it in under an hour. That's how far technology has
22 come.

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1 CHAIRMAN DANA: Is this something we've purchased
2 or are thinking about purchasing, borrowed it?

3 MR. RICHARDSON: No, sir. What we did to show the
4 speed and to review the equipment is we went to a facility.
5 We did not go to Xerox. We went to one of their people who
6 had it in place. We used their equipment. We tested it in a
7 setting, in an office setting, so that we would see how it
8 performed. But no, sir, it has not been purchased.

9 The other situation we have is the connectivity of
10 our computers. We've talked about this from time to time.
11 We went out for a solicitation to a proposal. In this
12 particular area, we've reviewed upwards to eight different
13 proposals. They range from \$50,000 to approximately \$90,000.

14 That's without one of the key components which was
15 a concentrator. When we did the wiring, the company that did
16 the wiring for the new building bid on the concentrator.
17 They were the low bidder at that point. The equipment would
18 cost about \$14,500.

19 With the local area network, the programming, and
20 the training, and everything that's involved, we're going to
21 need approximately \$50,000 there. So to get a local area
22 network where we can begin to share electronically instead of

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1 through paper medium, and hopefully cut out some duplication,
2 we would need \$65,000 to continue that project.

3 CHAIRMAN DANA: Question. I guess it's slowly
4 dawning on me that all this money, we're running out of it.

5 MR. RICHARDSON: Yes, sir. What I was attempting
6 to do was to bring to your attention the needs that we've
7 identified in the Corporation. With the move to the new
8 building, there are some things that we should do or that we
9 could do, providing that we had the money to fund those.

10 When I mentioned the press operation, the press
11 operation that we currently have, we would need a crane to
12 get that into the new building. With a 15-year-old press
13 that's one-sided, I personally would not recommend that it be
14 moved.

15 CHAIRMAN DANA: Have we explored the possibility of
16 leasing equipment and/or taking our major work out and
17 brokering it on an as-needed basis?

18 MR. RICHARDSON: We have done that. We've looked
19 at a couple of different things; for instance, brokering the
20 complete operation. One of the vendors that we talked to
21 said, "Oh, yes, we would handle it if you'll buy the
22 equipment." Another one says, "In looking at it, your

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1 operation is not big enough for us to come into. Plus, we
2 wouldn't want to handle your mail and moving the furniture,"
3 which this office does also.

4 As far as the lease to purchase, we could do that
5 with the GSA schedule. For instance, the Docutech is on
6 that. That's something that could be done under a five-year
7 leasing program. Also, the press, we could go with I think
8 it's a four-year lease to purchase on that.

9 CHAIRMAN DANA: Members of the committee and other
10 members of the Board, if you want to ask a question, just
11 jump right in.

12 From the first two sentences on the top of the
13 page, I infer that we have not as yet leased our current
14 space.

15 MR. RICHARDSON: That is correct, sir.

16 CHAIRMAN DANA: Therefore, we will be paying rent
17 with respect to our current space until we do.

18 MR. RICHARDSON: That is correct, sir.

19 CHAIRMAN DANA: When and if we do rent our current
20 space -- that's the bad news. The good news is we aren't
21 paying rent in the current location.

22 MR. RICHARDSON: That's correct, sir.

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1 CHAIRMAN DANA: And won't for the first year for
2 the new location.

3 MR. RICHARDSON: Yes, sir.

4 CHAIRMAN DANA: Assuming a funding of those lease
5 payments, that might generate a fund of cash, at least, that
6 might be used for basically corporate purposes?

7 MR. RICHARDSON: Yes, sir.

8 CHAIRMAN DANA: But we would have to lease 400
9 Virginia Avenue first in order to start generating any cash
10 on that budget line?

11 MR. RICHARDSON: Yes, sir.

12 CHAIRMAN DANA: That should provide added
13 incentive, if any is needed. I take it you are not making a
14 proposal, since there is no money here.

15 MR. RICHARDSON: That is correct. All I'm doing is
16 bringing this to the Board's attention. There is some money
17 available if we would want to tap it. That would be the
18 \$240,000 in grant recoveries and interest. But again, with
19 the prospects of the rent at 400 Virginia Avenue, you may not
20 want to touch that at this point.

21 CHAIRMAN DANA: The subject of having twice as much
22 office space as we need is a subject that has worried me for

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1 some time. So at least this member of the committee is not
2 going to propose that we spend a nickel more until we have
3 that leased.

4 But others can make such a motion if they are
5 comfortable being in the minority on that issue. You're not
6 making a proposal at this time, just calling it to our
7 attention.

8 We've dealt with items 5 and 6; correct?

9 CONSIDERATION OF FUNDING FOR INNOVATIVE
10 AND MERITORIOUS GRANTS

11 CHAIRMAN DANA: We are now at consideration of
12 funding for innovative and meritorious grants. The Board has
13 been made aware and the committee has received a copy of a
14 grant proposal that has been approved by the Board both in
15 its scope and in its amount, I believe, although I'm not sure
16 about that, that latter part.

17 But it was envisioned -- and the record should
18 reflect that the head of the Office of Field Services is
19 Ellen Smead. She has joined David at the table.

20 Our understanding is that the committee has
21 proposed, and I think the Board has approved, a funding level
22 of \$500,000 for this item. Am I correct or did we defer the

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1 amount until this committee could make a recommendation?

2 MS. SMEAD: My recollection, Mr. Chairman, is that
3 you deferred consideration. At the last Board meeting you
4 instructed or the staff was instructed to proceed with
5 preparing the solicitation, but that your committee would
6 review the exact funding at this time.

7 CHAIRMAN DANA: And, David, you have distributed a
8 sheet which has been referred to before, but it's dated
9 4/1/92, available funds, one piece of paper?

10 MR. RICHARDSON: That's correct, sir.

11 CHAIRMAN DANA: Maybe you should focus on this.
12 This indicates that we have \$826,698 available from basic
13 field, Native American, migrant, national support, state
14 support, and program development funds, \$300,000 for
15 timekeeping. We also have \$240,909 in grant recoveries,
16 interest income and miscellaneous income.

17 What is the committee's pleasure about leaving the
18 \$300,000 alone? It's the timekeeping money.

19 MR. UDDO: You mean leaving it alone to remain for
20 timekeeping purposes? That would be my preference.

21 CHAIRMAN DANA: If we left that alone, we could
22 take the \$500,000 from these various lines and still have

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1 \$26,698 to grow on. So it might be appropriate to consider a
2 motion as follows: that the \$500,000 available for
3 meritorious and innovative grant awards be set aside from the
4 basic field line of \$123,211; the balance of the funds
5 available from the migrant line or \$216,863; all the money
6 from the national support line of \$114,602; all of the money
7 from state support line of \$72,022. That is \$526,698.

8 I guess what I would -- I don't know the math, but
9 I think I would leave that in the basic field line. So, if
10 my math is correct, the proposal for discussion is to take
11 \$96,513 from basic field, \$216,863 from migrant, \$114,602
12 from national support, and \$72,022 from state support for a
13 total of \$500,000.

14 MR. UDDO: Howard, I missed why the smaller figure
15 from basic field?

16 CHAIRMAN DANA: Well, because we don't need it. We
17 only need \$500,000. So that's the difference.

18 MR. RICHARDSON: Mr. Dana, if I may?

19 CHAIRMAN DANA: Yes.

20 MR. RICHARDSON: It's been suggested that maybe we
21 want to leave the \$26,000 in the migrant money just in case
22 those programs have some start-up costs that we need to fund.

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1 CHAIRMAN DANA: Great. That's a good suggestion,
2 especially since that is the -- well, most of those funds are
3 1990 and 1991 funds.

4 MR. RICHARDSON: If I can help.

5 CHAIRMAN DANA: Thank you, you can.

6 MR. RICHARDSON: The balance in the migrant line,
7 the amount to be transferred is \$190,165.

8 M O T I O N

9 CHAIRMAN DANA: So the motion proposal would be
10 \$123,211 from the basic field line, which wipes out the
11 carryover for 1990, 1991, and 1992; \$190,165 from the migrant
12 lines which is most but not all of the 1990 and 1991 lines;
13 \$114,602 which is everything that's left of the national
14 support lines for 1991 and 1992; and all of the \$72,022 from
15 the state support line, for a total of \$500,000.

16 CHAIRMAN DANA: That's a motion. Is there a
17 second?

18 MS. WOLBECK: Second.

19 CHAIRMAN DANA: Is there any discussion?

20 (No response.)

21 CHAIRMAN DANA: To the extent that we are required
22 to do any reprogramming notification, we should do that. I

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1 don't know if the amount is large enough to require that.
2 But if this passes, we ought to think about that.

3 The record should reflect that the NLADA Project
4 Advisory Group and every right-thinking person in America is
5 opposed to what we're doing because there is a feeling out
6 there that these funds are sacrosanct in the various lines.
7 That is a standard position, and I thought I would say that
8 so that Harrison didn't have to.

9 Is there any comments from the public?

10 (No response.)

11 CHAIRMAN DANA: A brief recess.

12 (A brief recess was taken.)

13 CHAIRMAN DANA: Back on the record. I've conferred
14 with the President, and we have a proposed amendment to the
15 motion that is pending.

16 A M E N D E D M O T I O N

17 CHAIRMAN DANA: David, I want to make a motion to
18 amend our motion to leave \$25,000 in national support and
19 state support and get the \$50,000 from either interest income
20 or grant recoveries. Do you care which?

21 MR. RICHARDSON: No, sir, I don't. Interest income
22 would be fine.

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1 CHAIRMAN DANA: So the proposal, then, members of
2 the committee, in order to give management flexibility in the
3 national and state support lines would be to leave \$25,000 in
4 each of those lines and to take the \$50,000 from interest
5 income.

6 MR. UDDO: That's fine.

7 CHAIRMAN DANA: Is that acceptable to the mover and
8 to the seconder? Are there any further additions,
9 corrections, changes?

10 (No response.)

11 CHAIRMAN DANA: Hearing none, all those in favor
12 say aye.

13 (A chorus of ayes.)

14 CHAIRMAN DANA: Opposed?

15 (No response.)

16 CHAIRMAN DANA: It's a vote.

17 MR. UDDO: Mr. Chairman?

18 CHAIRMAN DANA: Yes.

19 MR. UDDO: Ellen, before you leave, I want to ask a
20 question that goes back to something that we talked about
21 before in this memorandum that was attached to another
22 memorandum. It refers to the emergency assistance. Do the

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1 grantees generally carry insurance for some of these things?
2 I notice this first one talks about replacing a roof at the
3 Carolina regional and equipment that was damaged by a flood
4 in Vermont. Are those things that are usually insured
5 against?

6 MS. SMEAD: In both of those cases, there was no
7 insurance. We routinely say that we'll only cover things
8 that are not covered by insurance. In South Carolina, the
9 damage was related to the Hugo storm three years ago, but it
10 wasn't detected until six months ago. As such, it wasn't
11 covered by FEMA or their insurance company. So that's where
12 that came from.

13 MR. UDDO: Do we require grantees to have a certain
14 amount of insurance, because I can see us becoming an
15 insurance company if we cover uninsured losses without
16 litigation.

17 MS. SMEAD: I'm not sure on that. No. We don't
18 require them to carry insurance.

19 MR. UDDO: Are we concerned that we may become an
20 insurance company? If there's no requirement to ensure
21 against these kinds of losses, and we're going to pay for
22 uninsured losses, that you can save some money by not

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1 insuring and get the recovery from the Corporation.

2 MS. SMEAD: I don't think --

3 MR. UDDO: I'm concerned about it.

4 MS. SMEAD: Well, I would be too, sir, if there was
5 much more in the line. But I think that the extent of the
6 damage is such that they'd need more insurance.

7 MR. UDDO: I know, but I think we've already set
8 the precedent that if emergencies occur, we find ways to get
9 money in the line to deal with it. I don't know where we put
10 it. I guess maybe it's not even Audit and Appropriations,
11 but somewhere I think we've got to consider whether we're
12 creating a situation where we might not be putting a premium
13 on not insuring or underinsuring because the Corporation is
14 going to be the backup for paying uninsured losses. I don't
15 think we want to get into that position.

16 Harrison, do you know anything at all about --

17 MR. McIVER: No.

18 MR. UDDO: I mean, I'm sure most grantees have some
19 insurance, but again, as a way to sort of cut down on
20 premiums, this could be an attractive alternative that we
21 ought to be careful about.

22 MR. McIVER: I would assume that the grantee must

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1 own the building. I don't know. Is it an act of God
2 provision or something like that?

3 MS. SMEAD: As far as I know, most of our places do
4 have insurance. What we're covering is where the insurance
5 doesn't adequately cover. In fact, in the most recent one
6 that we sent out, we were trying to help the program get set
7 up as quickly as possible. They haven't yet known what their
8 total insurance recovery is going to be.

9 We've advised them that once they do know that,
10 what the insurance recovery is, if it covers some of the same
11 things that we've agreed to cover, then we've asked them to
12 reimburse the amount so that we can put it back in the
13 emergency fund for other programs.

14 MR. UDDO: If they're going to recover some
15 insurance?

16 MS. SMEAD: Right.

17 MR. UDDO: Does the refunding application require
18 reporting about whether or not there is insurance and what
19 kind of insurance there is?

20 MS. SMEAD: We have in prior years, and there is a
21 general category of insurance, but that would cover all types
22 of insurance, not just property insurance. We can ask for it

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1 if we --

2 MR. UDDO: Well, I think it's a good idea to have
3 the emergency assistance program that we have, but I'd be
4 concerned if that became a substitute for being adequately
5 insured. So I'm not sure what the answer to it is. Maybe we
6 just need to have it on the refunding application so that
7 there's some sort of a review to see that grantees are buying
8 a reasonable amount of insurance to cover these kinds of
9 things.

10 What committee would be the appropriate committee?
11 Is that Ops and Regs or something?

12 CHAIRMAN DANA: It could be this. I don't know
13 what the likelihood would be. I mean, it's true that if we
14 had an unlimited amount of money here and would pay for any
15 physical damage, that we, in effect, would be a self-insurer
16 for our programs. But I would be surprised if any program
17 thought that the \$477,000 was enough to --

18 MR. UDDO: Well, it's enough for a program to think
19 that. I mean, if they all thought that, maybe not.

20 CHAIRMAN DANA: That's true.

21 MR. UDDO: But any individual program could say I'm
22 not going to have more than \$477,000 worth of damage. So if

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1 I'm the first one to make a claim on it, I'm going to be in
2 good shape. It may never be a problem, but it strikes me
3 that we ought to be concerned about that because I don't see
4 any point to our taking the place of insurance.

5 I assume this Vermont thing, for example, is they
6 weren't covered for flood because Montpelier, Vermont,
7 doesn't get a lot of floods. That was an unusual occurrence.
8 That's the sort of thing that I think we should be available
9 for. But, you know, NOLAC in New Orleans might have to do
10 that differently. I mean, there's such things as hurricanes
11 in New Orleans and there's been flooding in all areas of New
12 Orleans at one time or another.

13 So, I'm just suggesting that the staff give some
14 thought to monitoring insurance coverage to make sure that
15 that's something that programs are concerned about and don't
16 abdicate to us on. Thank you, Mr. Chairman.

17 CHAIRMAN DANA: I think it's an excellent idea. I
18 think that it's -- I would ask the staff to think about this
19 issue and maybe come back to us at our next meeting with some
20 recommendations for insuring that this perfectly proper and
21 worthwhile concept of coming to the aid of our programs in an
22 emergency doesn't become a substitute for insurance. Thank

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1 you.

2 CONSIDERATION OF PROPOSED POLICY AND RESOLUTION
3 ON THE INVESTMENT OF CORPORATION FUNDS

4 CHAIRMAN DANA: The next item on the agenda is
5 consideration of proposed policy and resolution on the
6 investment of Corporation funds, a draft policy. This, you
7 will recall, was one of the recommendations from our outside
8 independent CPA. I think this is the next meeting of this
9 committee following those recommendations.

10 The proposal appears at page 27 in your book. On
11 page 27, there is a proposed policy. On page 28, there is a
12 proposed resolution. Essentially, the policy and resolution
13 authorizes and directs the comptroller to invest our funds in
14 the highest-yielding government-backed securities.

15 I have a couple of questions on that. Does this
16 mean that if you fail in that effort, you can be surcharged
17 for coming up with a less -- you miss the highest yield. Are
18 you setting yourself up for a really tough standard?

19 MR. RICHARDSON: It's quite possible. It's
20 according to how you interpret it there. Let me go a little
21 further. In our dealing with the two banks that we're
22 presently dealing with, I have charged them to find the

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1 highest-yielding government-backed security for overnight
2 investment.

3 That's what we're talking about. We're not taking
4 money out of the Treasury and putting it into a Ginny Mae or
5 T-bill or anything to draw interest. It's only when we write
6 checks -- the day that I write a check, I put the money in
7 the bank and then I mail it, the checks. So the interest
8 we're earning is only on the float.

9 When we say highest yielding, there should be one
10 other little caveat here; that is the flexibility and
11 liquidity of the funds. That does have to be a
12 consideration, plus the preservation of the principal. What
13 we're trying to do at all times is just to make sure that if
14 I put a million dollars in, the next day I'm not pulling out
15 \$999.99. We're pulling out the full amount plus the interest
16 of the overnight.

17 The T-bills is what we're using right now. It's
18 only paying like 3-1/4 percent. There is possibility for a
19 Ginny Mae or a Fannie Mae, but those are sold on the market.
20 They pay a higher rate, but there's a possibility that you
21 could lose principal on that also. So we've not gone that
22 route.

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1 CHAIRMAN DANA: That was going to be my question.
2 That relates to the government-backed. I assume you mean
3 U.S. Government?

4 MR. RICHARDSON: Yes, sir.

5 CHAIRMAN DANA: And it is true that some
6 "government-backed" entities permit some loss of principal?

7 MR. RICHARDSON: That's correct, and we will
8 definitely not go into that route.

9 CHAIRMAN DANA: Now, what high-yielding
10 government-backed securities fall into the category of where
11 you might lose principal?

12 MR. RICHARDSON: Well, the two that come to mind
13 are your Ginny Mae and Freddie Mac, Freddie Mae.

14 CHAIRMAN DANA: And how is it that you lose
15 principal there?

16 MR. RICHARDSON: Because they are bought and sold
17 on the market as the interest rate goes up. If they've sold
18 it at three percent and the next day the market goes up
19 slightly, then you sell that to purchase the higher paying
20 interest. To do that, then, basically, you're going to have
21 to pay the interest to get up to that point.

22 CHAIRMAN DANA: So, what you're suggesting is that

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1 with respect to some long-term entities, their value is a
2 function of the interest rate that the instrument pays. So
3 the principal value fluctuates inversely with the interest
4 rate?

5 MR. RICHARDSON: That's correct, sir, actually
6 because of discounting.

7 CHAIRMAN DANA: So, to tell you candidly, it seems
8 to me that this is not sufficiently clear so as to
9 protect -- I mean, based upon this, you could invest in a
10 30-year bond that might be paying the highest yield. It
11 would be government-backed and we could gain or lose funds,
12 and you would be following the investment policy of this
13 Board. Is that a good policy?

14 MR. RICHARDSON: No, sir. It should have a
15 preservation of capital attached to it.

16 CHAIRMAN DANA: Unless there is some emergency,
17 could we have this reworked?

18 MR. RICHARDSON: Yes, sir. It's no problem.

19 CHAIRMAN DANA: No objection from the Board?

20 MR. UDDO: None.

21 CONSIDERATION OF STATUS REPORT ON FUNDING OF THE
22 MICRONESIAN LEGAL SERVICES CORPORATION

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1 CHAIRMAN DANA: Item 9, consideration of the status
2 report of the funding of the Micronesian Legal Services
3 program. There have been no handouts, I don't think.

4 MS. SMEAD: At the last meeting, the staff was
5 directed to work with Mr. Clint Bamberger on assessing the
6 reliability of the Census data done by the Republic of
7 Micronesia and by the Marshall Islands. We've been working
8 with Mr. Bamberger. He has sent the data to Hopkins
9 University for assessment. We expect to have that assessment
10 back by the end of this month. So we can give you a better
11 report at the next meeting.

12 Of interest, though, the Republic of Marshall
13 Islands, their legislature recently passed a resolution
14 requesting that the funding for legal services be transferred
15 to the Republic of Marshall Islands from the Legal Services
16 of Micronesia. The State Department brought that to our
17 attention, and the State Department is working on their
18 position on it.

19 That ends that report.

20 CHAIRMAN DANA: Thank you. Any questions
21 concerning that report?

22 (No response.)

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1 CHAIRMAN DANA: If the request were granted, a
2 situation which I doubt, we would be a granting agency to a
3 country?

4 MS. SMEAD: That's my understanding.

5 CHAIRMAN DANA: I understand.

6 REPORT ON MANAGEMENT'S PLAN TO INCORPORATE 1990 CENSUS DATA
7 INTO PROGRAM AREA POVERTY POPULATION STATISTICS FOR USE BY
8 CONGRESS AND THE CORPORATION IN MAKING 1993 GRANTS

9 CHAIRMAN DANA: Item 10 on the agenda, report on
10 management's plan to incorporate 1990 Census data into the
11 program area poverty population statistics for use by
12 Congress and the Corporation in making next year's grants.

13 Mr. Richardson?

14 MR. RICHARDSON: Well, I'll start. We check a
15 couple of times a week with the Census Bureau. The handout
16 that we've given to you this morning is the Census data by
17 state that was available through noon on Thursday. There is
18 approximately 27 states that are now available. They are
19 releasing the states four to five a week.

20 The Census Bureau, through their news releases,
21 they believe that the total Census data will be available
22 sometime around June 18. At that point, approximately five

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1 to six weeks later, we'll be able to extract or purchase what
2 we would term as CD Rom where we could extract the
3 information that we need for providing Census data for the
4 funding of our grants.

5 Hopefully, all this information could be available
6 by not later than August 1st.

7 CHAIRMAN DANA: Ellen?

8 MS. SMEAD: There will be a few programs. We may
9 have to wait until later in the year for the data. There's
10 five areas: one area in the City of Los Angeles, three
11 places in Massachusetts, and one place in Ohio where the
12 county is served by many different grantees.

13 We may have to get the information by zip code as
14 opposed just by county, which is what the county information
15 has projected to be available for us by August 1st. The
16 latter, by zip code, would be later in the year. But in the
17 interim, we have formed a staff committee with people from my
18 office, Office of Field Services, from Dave Richardson's
19 office, and from the Office of Monitoring, Audit and
20 Compliance to assess various ways to deal with the new Census
21 data.

22 For example, from the data that we've already

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1 received, there's a range of increases and decreases ranging
2 from an increase of 75 percent in one state to a decrease of
3 24 percent in another state. So we're looking at various
4 options on how to deal with these increases and decreases.

5 CHAIRMAN DANA: It was my understanding, frankly,
6 that the information -- in the handout that you've provided
7 today where state information has been released, state total
8 poverty populations, is the information with respect to those
9 states available by zip code at this time?

10 MS. SMEAD: Not at this time.

11 CHAIRMAN DANA: Who is the gentleman that you
12 introduced me to, David, that seemed to be on top of this
13 issue?

14 MR. RICHARDSON: His name was Eric Hagerstrom.
15 He's been working with the committee. Kathy deBettencourt is
16 here for the committee today.

17 MS. deBETTENCOURT: For the states that are
18 available, they are available on a mag tape, a large tape
19 file. That tape includes for each state Census figures on
20 everything, not just poverty population but for each
21 household, you know, whether they have phones, plumbings.

22 We have to wait until it has been released to a

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1 commercial broker who will extract for us the information we
2 need to purchase the entire, you know, Census tape for the
3 entire country. Including poverty and nonpoverty population
4 would be very expensive. So the lag is that we are only
5 purchasing selected extracted information from the huge tape
6 file.

7 CHAIRMAN DANA: So is it true that with respect to
8 the states that have been released, that there is, in fact,
9 information for those states down to the Census tract?

10 MS. deBETTENCOURT: Right.

11 CHAIRMAN DANA: It is only with respect to the
12 states that haven't been -- my understanding is that this
13 information is being available at about four states a week?

14 MS. deBETTENCOURT: Yes. Now it's up to five
15 states. So they will all be out by June 18th. In about
16 three weeks, after June 18th, we will be able to go to an
17 authorized information broker who will extract for us the
18 poverty population down to Census tract level.

19 If we purchased state by state now, it would cost a
20 great deal of money. If we wait, you know, five weeks from
21 today, it will cost us a tenth of the amount.

22 CHAIRMAN DANA: All right. It is important, it

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1 seems to me, that this information be released quickly. So
2 my understanding is that in five weeks we're going to be able
3 to go to someone and that someone is going to tell us what we
4 need to know in order to come up with these statistics for
5 each of our grantees?

6 MS. deBETTENCOURT: With the exception of the very
7 few that are --

8 CHAIRMAN DANA: The three states of Ohio,
9 California and Massachusetts where we go beneath county data;
10 right?

11 MS. deBETTENCOURT: Right.

12 CHAIRMAN DANA: Bud?

13 MR. KIRK: I just wonder why it's important and
14 what are we going to do with it when we get it? If somebody
15 would explain that to me. I'm real concerned about how
16 quickly the money actually gets to the programs that -- they
17 just didn't come up with this need in 1990. It's been
18 building up over the last 10 years. How are we going to go
19 about getting to them as quickly as possible?

20 CHAIRMAN DANA: Once we have the data, with respect
21 to the poverty population and the breakdown of our various
22 programs, and we compare it with the current allocation of

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1 funds, we have a gap that you have described as 75 percent in
2 one case and 23 in another. Some are increases, and some are
3 decreases.

4 Historically, the appropriations committees of
5 Congress have told us, quite specifically to the penny, how
6 we are to go about narrowing the gap between where each
7 program is and where it should be in the ideal world. One
8 alternative would be to go immediately, take this statistic
9 that we have, and immediately go from where we are today to
10 where the Census data says we should have been in the summer
11 of 1990 when this data was recovered or was obtained.

12 Historically, it has taken a long time for us to
13 go -- for instance, in 1980, when we first started to do
14 this, we have been moving towards 1980 very slowly throughout
15 the 1980s. I would venture to guess that we will move
16 slowly, or maybe not so slowly, depending on how much money
17 Congress appropriates, towards the ideal in the next two or
18 three years.

19 In the first instance, we have to have the data but
20 it is historically a decision that Congress makes in its
21 appropriation language.

22 Bud?

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1 MR. KIRK: Are we going to take a position on this?
2 Should the Corporation say, "Wait a minute, Congress? We
3 have programs that not only are 40 percent underfunded now,
4 they've been that way for years. Wait, there going to be
5 even that much more underfunded, so we're going to encourage
6 you to do it quicker?"

7 CHAIRMAN DANA: We can. That's something that the
8 Board can take a position on it. It would not be
9 inappropriate to do so. But we can't even begin to do it
10 until we have the data. In the early 80s, it took an extra
11 year. They didn't really start making those adjustments
12 until 1983. I think I'm correct; maybe not. They did it on
13 time.

14 MR. KIRK: Should that originate in this committee?

15 CHAIRMAN DANA: I would think so.

16 MR. KIRK: I would urge you to consider that.

17 CHAIRMAN DANA: Observation, Kathy?

18 MS. deBETTENCOURT: No. The only thing I was going
19 to say was as soon as we get at least a full set of statewide
20 data, that we, the staff, will show the impact with various
21 options and what the impact on programs would be.

22 CHAIRMAN DANA: This matter was brought to our

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1 attention by the Project Advisory Group that is very
2 concerned about it. I understand the Project Advisory Group
3 is working with you or you're communicating together on this
4 subject -- Andy Steinberg?

5 MR. RICHARDSON: Yes. I've been in contact with
6 Andy. It's been a few weeks now, but as information is
7 available, we will get it to him so that we'll be running
8 matching figures and coordinating everything together.

9 CHAIRMAN DANA: It would be helpful at the next
10 meeting which will be in -- to have a comprehensive report as
11 to where we are and what the missing programs are, the data
12 for which we don't have. Obviously, states like the great
13 State of Maine, where the information is already available
14 and there's only one program in the state, that's easy. But
15 not everybody was so far-sighted when they set these programs
16 up.

17 Any other questions on this issue?

18 (No response.)

19 CHAIRMAN DANA: Thank you, Bud. We will do that.
20 It's 8:30. We have 27 minutes.

21 CONSIDERATION OF PROPOSED GUIDELINES FOR THE
22 CORPORATION'S ANNUAL AUDIT

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1 CHAIRMAN DANA: The next item on the agenda is
2 consideration of proposed guidelines for the Corporation's
3 annual audit. There's nothing in your Board book about this,
4 but a brief explanation is necessary here.

5 The inspector general wrote me a letter on March
6 27, 1992, proposing some guidelines for the handling of the
7 Corporation's audit. The guidelines essentially envision
8 that the IG become the principal agent, really, of this Board
9 and, in fact, of this committee to select and communicate
10 with our outside independent auditor.

11 I wrote him back on May 11th -- maybe I conferred
12 with him -- and I conferred with management and then wrote
13 him on May 11th, indicating that I personally had some
14 concern and misgivings.

15 I asked both the President and the IG to ask their
16 respective general counsels to give us their opinion as to
17 where the appropriate lines are and how or where to draw the
18 lines between the functions of the IG and management, both
19 with respect to the annual audit and with respect to audits
20 generally that are conducted both by the Corporation and the
21 field.

22 I'm happy to say that I've received a -- much of

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1 this occurred last week. That's my fault for taking so long
2 to get on top of this or begin to. I've received a report
3 that the committee has from the counsel to the inspector
4 general, an excellent report.

5 I understand that a report from our own general
6 counsel on this area is in process. I've seen a rough draft
7 of that. I have also seen a draft of a proposed resolution
8 that the Board might wish to consider, which describes the
9 program operating responsibilities of the Corporation.

10 I don't think that we are -- all this is coming
11 fairly fast and furiously in the last week. I don't think
12 that we are in a position to act today. My hope is that we
13 can get a definitive legal opinion from the general counsel,
14 we can reason together, communicate, and deal with this issue
15 at our next meeting, which is in Des Moines.

16 I do think that this is one of those issues that is
17 obviously going to be decided by the Board, but while it is a
18 turf battle at the corporate level, it's probably also a bit
19 of a turf battle at the Board committee level in that it's IG
20 oversight.

21 We could only let Ms. Wolbeck make the decision
22 since she's the only overlapping member between our two

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1 committees. I think that if there are questions of the IG,
2 who is here -- Bud, would you like to come and join us at the
3 table?

4 MR. KIRK: No, sir. I just haven't seen a copy of
5 that draft resolution.

6 CHAIRMAN DANA: Well, I have it right here. It's
7 my only copy, and it's not ready for dissemination. It
8 accompanied a draft resolution from the general counsel, but
9 neither have been released. They are in draft form. You're
10 welcome to see them, but it's not being released.

11 MR. KIRK: Thank you.

12 CHAIRMAN DANA: Questions?

13 (No response.)

14 CONSIDERATION OF REPORT ON THE LEASING OF THE
15 CORPORATION'S CURRENT HEADQUARTERS OFFICE SPACE

16 CHAIRMAN DANA: If there are no questions in this
17 area, the last item on our agenda is a consideration of
18 report on the leasing of the Corporation's current
19 headquarters office space.

20 MR. BOEHM: Good morning. For the record, I'm Ken
21 Boehm, assistant to the President and counsel to the Board.
22 We have with us at the table Mr. Penn White with Charles E.

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1 Smith brokers. They've been marketing our space at 400
2 Virginia Avenue.

3 We have had some developments just in the past week
4 that Penn will be reporting on as well as take any questions
5 you may have.

6 CHAIRMAN DANA: Great, welcome.

7 MR. WHITE: Sure. Just to bring you up to date, it
8 looks like we now have the space, about 25 percent of it,
9 leased to the Government Services Administration. We expect
10 to be signing the lease this Friday. We're meeting with
11 administrators of the GSA Wednesday to kind of cross the Ts
12 and dot the Is and hopefully have the space leased on Friday.

13 They anticipate moving in just as soon as Legal
14 Services moves out, giving a few days for cleaning and
15 shampoo carpet, paint, and so on and so forth. The rest of
16 the space will probably be -- it's hard to say right now but
17 it looks like given the activity that we have on the
18 space -- by the way, this activity is generated through the
19 GSA.

20 We've had a number of private firms and companies
21 come through the space, but because of the space and its
22 position in the marketplace, it looks like 100 percent of it

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1 is probably going to end up going to the GSA, which is what
2 we want to do.

3 Right now, our best predictions, I think we would
4 probably hazard a guess that within 60 to 90 days we
5 anticipate the remainder of the space to be leased up and
6 move in to occur shortly thereafter. To give you a quick
7 update on the financials, this first 25 percent of the space,
8 it looks like the Legal Services Corporation will realize a
9 profit, albeit a small one.

10 Just to give you a for instance, right now with
11 your escalations and so on and so forth, you're paying about
12 \$26.00 per square foot. The GSA is going to be renting it
13 out, it looks like -- again, I'll know more by Friday -- but
14 probably around \$34.00 to \$35.00 a foot. That's on a useable
15 per square foot basis.

16 Your leasing space on a rentable square foot. If
17 you were to bring it down to a common denominator, if you
18 will, their \$34.00 of \$34.50 will realize something like
19 about \$32.00 a foot.

20 CHAIRMAN DANA: For how many years?

21 MR. WHITE: This is going to be about five years,
22 five-year term with a five-year option. Obviously, the Legal

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1 Services exposure extends for another three or
2 three-and-a-half years. This really isn't -- I say sublease.
3 It's kind of misnomer. It's really going to be an assumption
4 of the lease.

5 What GSA wants to do -- GSA typically does not like
6 to participate in subleases. They want to do prime lease.
7 This is going to benefit us because we're not going to be
8 responsible for the various operating expense pass-throughs
9 in that building, which I think this year they anticipate
10 doubling. That's going to be on the landlord's nickel.

11 We're looking for completely getting out of the
12 lease, absolving ourselves of all obligations. From what I
13 understand, that's going to be the best scenario for us.

14 CHAIRMAN DANA: Where is the 25 percent?

15 MR. WHITE: Second floor.

16 CHAIRMAN DANA: Frankly, this is about just exactly
17 the conversation I had with someone about six months ago on
18 this subject. It's just going to happen next week and it's
19 almost there. I can taste it. Why has it taken six months
20 to come up with an almost lease of the quarter of the space
21 if this is so leasable space?

22 MR. WHITE: Well, number one, the activity

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1 increases on space typically throughout Washington but
2 especially in this submarket. Activity increases on the
3 space the closer the tenant moves out of the space. I can
4 tell you when the tenant does move out of the space, we're
5 going to be getting a feeding frenzy of sorts.

6 We've been busy positioning ourselves for that.
7 We've worked very, very closely with the GSA on a daily
8 basis. We've been down there alerting them what's going on
9 in the space. This particular agency, which is HUD, H-U-D,
10 they'd like the space today. They wish you were out earlier.
11 Other groups we've had in there, the same situation.

12 It is practically impossible to have you move out
13 one day and have another group move in the very next day. I
14 mean, for all intents and purposes, that's just not
15 practical. What we want to do, though, is to minimize the
16 gap between your relocation and somebody else moving in.

17 We've been reporting to Mr. Boehm and Mr.
18 Richardson on a weekly, if not daily, basis either in writing
19 or verbally on the activity that we have experienced on the
20 space. I don't know whether you have copies of the reports
21 or not, but I'd certainly be glad to give you whatever you
22 need.

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1 CHAIRMAN DANA: So your answer to my question is
2 that the market really focuses on the space the closer to its
3 availability?

4 MR. WHITE: Yes.

5 CHAIRMAN DANA: And you believe that we will have
6 leased the space in the next 60 to 90 days?

7 MR. WHITE: I think right now, based on our
8 activity, that's my prediction. We can do it sooner. Well,
9 I'm going to try to do it sooner. There's a chance it could
10 be -- I don't have total control over the GSA or what not.
11 Working with them, as you know, can be sometimes cumbersome,
12 but we are being as patient as we can without risking ruining
13 any relationships that we've worked on over the course of the
14 last four or five months.

15 CHAIRMAN DANA: Ruin all the relationships you
16 want.

17 MR. WHITE: It's your relationship as well as ours.
18 It will benefit you.

19 CHAIRMAN DANA: Any other questions?

20 (No response.)

21 CHAIRMAN DANA: Members of the public?

22 (No response.)

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1 CHAIRMAN DANA: Thank you. We're looking forward
2 to the successful reports.

3 MR. WHITE: Sure.

4 CHAIRMAN DANA: Speaking of successful reports, do
5 you have a view as to how the new space is coming together?

6 MR. WHITE: Yes. The new space, and if you haven't
7 had a chance to go over there and take a look at it, you may
8 want to. It's looking superb. It's going to be ready for
9 move in June 1.

10 We've been communicating with the landlord over
11 there as well to make sure all the punch-list items are done
12 correctly and everything is done the way we all agreed to. I
13 think you're going to be pleasantly surprised, very pleased,
14 about where you're moving to.

15 CHAIRMAN DANA: Great. Thank you both.

16 Is there anything further?

17 M O T I O N

18 MR. UDDO: I move we adjourn.

19 MS. WOLBECK: Second.

20 CHAIRMAN DANA: All those in favor say aye.

21 (A chorus of ayes.)

22 CHAIRMAN DANA: It's a vote. Thank you. Thank you

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