

LEGAL SERVICES CORPORATION
BOARD OF DIRECTORS

MEETING OF THE
BOARD OF DIRECTORS

OPEN SESSION

Monday, October 1, 2012

4:44 p.m.

Hilton Durham Hotel
3800 Hillsborough Road
Durham, North Carolina 27705

BOARD MEMBERS PRESENT:

John G. Levi, Chairman
Martha L. Minow, Vice Chair
Sharon L. Browne (by telephone)
Robert J. Grey Jr.
Charles N.W. Keckler
Harry J.F. Korrell, III
Victor B. Maddox
Laurie Mikva
Father Pius Pietrzyk, O.P.
Julie A. Reiskin
Gloria Valencia-Weber
James J. Sandman, LSC President (ex officio)

STAFF AND PUBLIC PRESENT:

Rebecca Fertig, Special Assistant to the President
Lynn Jennings, Vice President for Grants Management
Victor M. Fortuno, Vice President for Legal Affairs,
General Counsel, and Corporate Secretary
David L. Richardson, Comptroller and Treasurer, Office
of Financial and Administrative Services
Jeffrey E. Schanz, Inspector General
Laurie Tarantowicz, Assistant Inspector General and
Legal Counsel, Office of the Inspector General
Matthew Glover, Associate Counsel, Office of the
Inspector General
David Maddox, Assistant Inspector General for
Management and Evaluation, Office of the
Inspector General
Carol Bergman, Director, Office of Government Relations
and Public Affairs
Carl Rauscher, Director of Media Relations, Office of
Government Relations and Public Affairs
Marcos Navarro, Office of Government Relations and
Public Affairs
Janet LaBella, Director, Office of Program Performance
Frank B. Strickland, Non-Director Member, Institutional
Advancement Committee
Allan J. Tanenbaum, Non-Director Member, Finance
Committee (General Counsel, Equicorp Partners)

George Hausen, Executive Director, Legal Aid of
North Carolina, Inc.
Eric Mittelstadt, Deputy Director, Utah Legal Services
Pat Muller, Information Technology Manager, South
Carolina Legal Services
Sean Driscoll, Legal Aid of North Carolina, Inc.
Celia Pistolis, Legal Aid of North Carolina, Inc.

Chuck Greenfield, National Legal Aid and Defender
Association (NLADA)
Don Saunders, National Legal Aid and Defenders
Association (NLADA)
Terry Brooks, American Bar Association
Dennis Stone, Charlotte School of Law

C O N T E N T S

| OPEN SESSION | PAGE |
|---|------|
| 1. Pledge of Allegiance | 5 |
| 2. Approval of agenda | 5 |
| 3. Approval of minutes of the Committee's meeting of August 31, 2012 | 6 |
| 4. Chairman's Report | 6 |
| 5. Members' Reports | 8 |
| 6. President's Report | 10 |
| 7. Inspector General's Report | 23 |
| 8. Consider and act on the report of the Promotion and Provision for the Delivery of Legal Services Committee | 33 |
| 9. Consider and act on the report of the Finance Committee | 33 |
| 10. Consider and act on the report of the Audit Committee | 37 |
| 11. Consider and act on the report of the Operations and Regulations Committee | -- |
| 12. Consider and act on the report of the Governance and Performance Review Committee | -- |
| 13. Consider and act on the report of the Institutional Advancement Committee | -- |

C O N T E N T S

| OPEN SESSION | PAGE |
|--|------|
| 14. Consider and act on the draft Strategic Plan | -- |
| 15. Public comment | -- |
| 16. Consider and act on other business | -- |
| 17. Consider and act on whether to authorize an executive session of the Board to address items listed below, under Closed Session | -- |
| CLOSED SESSION | |
| 18. Approval of minutes of the Board's closed session meeting of July 27, 2012 | -- |
| 19. Approval of minutes of the Board's closed session telephonic meeting of August 31, 2012 | -- |
| 20. Briefing by Management | -- |
| 21. Briefing by the Inspector General | -- |
| 22. Consider and act on General Counsel's report on potential and pending litigation involving LSC | -- |
| 23. Consider and act on motion to adjourn meeting | -- |

Motions: Pages 5, 5, 36, 42

1 PROCEEDINGS

2 (4:44 p.m.)

3 CHAIRMAN LEVI: I'm going to call the board
4 meeting to order that has been duly noticed in the
5 Federal Register -- I guess about, what, ten days ago?
6 Something like that -- and ask that we all rise and
7 have Frank Strickland, who's here with us, our former
8 chair, and whose board is the reason that we say the
9 Pledge of Allegiance, why don't you lead us.

10 (Pledge of Allegiance.)

11 CHAIRMAN LEVI: Can I have a motion to approve
12 the agenda?

13 MOTION

14 MS. REISKIN: So moved.

15 CHAIRMAN LEVI: Second?

16 FATHER PIUS: Second.

17 CHAIRMAN LEVI: All in favor?

18 (A chorus of ayes.)

19 CHAIRMAN LEVI: And the minutes for the
20 meeting of August 31 were included in your packet.

21 MOTION

22 MS. REISKIN: So moved.

1 CHAIRMAN LEVI: Second?

2 MS. MIKVA: Second.

3 CHAIRMAN LEVI: All in favor?

4 (A chorus of ayes.)

5 CHAIRMAN LEVI: The Chairman's report, because
6 you've been having to hear my voice too much the last
7 couple of days, will be very brief.

8 Just to say that in addition to rolling out
9 the Pro Bono Task Force report tomorrow in D.C. and
10 then in Boston, on October 15th we will be doing it in
11 Chicago; and that the DLA Piper firm has once again
12 stepped up to say that, as it relates to
13 implementation, it wants to be intimately involved and
14 supportive and do whatever needs to happen. And I have
15 to say that is a terrific contribution, once again, by
16 their firm.

17 FATHER PIUS: I'm sorry. I'm going to just
18 back up for a second. I was tying my shoe.

19 One thing: I was not on the phone call for
20 the -- the agenda for the last meeting. I was actually
21 not on that phone call. So if you could strike me off
22 the list of the people who were there.

1 CHAIRMAN LEVI: So that's the minutes.

2 FATHER PIUS: Yes. That's the minutes.

3 CHAIRMAN LEVI: And they're so amended.

4 FATHER PIUS: Thank you.

5 CHAIRMAN LEVI: Yes? Okay.

6 In a few weeks, we will be setting the place
7 and the time of the January meeting. I am advised that
8 it is a week or something before the Super Bowl, and I
9 didn't know that when we scheduled it. But it is
10 January 25.

11 So we will be spending a lot of time in the
12 fall, the remainder of the fall, working on getting the
13 implementation of the Pro Bono Task Force moving,
14 getting that committee going, and then probably also
15 figuring out some West Coast aspect of this so they
16 don't feel like we don't value their input as well.

17 In any event, that's my report, and --

18 MS. REISKIN: Where is the meeting?

19 CHAIRMAN LEVI: I'm sorry?

20 MS. REISKIN: In January, where is the
21 meeting?

22 CHAIRMAN LEVI: The January board meeting is

1 in New Orleans, as has been previously -- and our topic
2 there, in addition to having a justice panel, will be
3 disaster relief. And I think that's probably as good
4 an area in the country to go for that topic as we
5 could, unfortunately for them, think of. So that's
6 what's happening there.

7 Members' reports?

8 MS. REISKIN: Oh, yes. I just wanted to
9 recommend a book that was recommended to me by a
10 foundation. And it's called, "Leap of Reason:
11 Managing to Outcomes in a Time of Scarcity." And it's
12 free if you download it online.

13 And it's a really, really good book, and it
14 really helps explain outcomes in a nonprofit capacity
15 that I think would be really helpful. It doesn't say,
16 you have to do this; it's not preachy. It
17 doesn't -- but it's a really good read. It's a really
18 fast read. And I'm recommending it to anyone who's on
19 any nonprofit board, as we obviously are.

20 So I just would like to say that. And also,
21 I'll be presenting at the NLADA conference, kind of to
22 the client population, on client-related issues from

1 this Board. I was obviously going to share with Jim
2 what I wanted to say. But I'm happy to share it with
3 any of you, and if there's anyone that wants to give me
4 anything that you think should be said, let me know.

5 CHAIRMAN LEVI: Thank you.

6 Yes, Gloria?

7 PROFESSOR VALENCIA-WEBER: Julie, can you send
8 an email with that citation?

9 MS. REISKIN: Absolutely.

10 PROFESSOR VALENCIA-WEBER: Thank you.

11 FATHER PIUS: Just while I've been in the
12 States, I was able to visit both the Cleveland office
13 and the Toledo office in my time in Ohio. Very good
14 presentations with them. Very long; almost a good
15 chunk of the afternoon with Cleveland. And I'm always
16 impressed with Ms. Cotter and what they're doing there
17 in the Cleveland office. They really have a remarkable
18 program.

19 Something I missed last time -- I was able to
20 meet with a congressmen, including Pat Tiberi. I had a
21 very good meeting with Pat Tiberi, a Republican
22 freshman in Ohio, who is very receptive to what we do

1 and who is very willing to talk more with us and to be
2 helpful. And so I had a very nice conversation with
3 him, just really informative about letting him know
4 what I do and the legal services.

5 CHAIRMAN LEVI: I should -- how many of you
6 are going to be with us tomorrow?

7 FATHER PIUS: In D.C.?

8 CHAIRMAN LEVI: In D.C.?

9 (Show of hands.)

10 CHAIRMAN LEVI: Good. And what about in
11 Boston?

12 (Show of hands.)

13 CHAIRMAN LEVI: Any other?

14 (No response.)

15 CHAIRMAN LEVI: Mr. Sandman?

16 PRESIDENT SANDMAN: Thank you. I'd like to
17 report briefly on each of eight items shown on the
18 screen. I won't read the agenda to you, but because
19 we're pressed for time, will move immediately to each
20 of the items one by one, starting with our Technology
21 Initiative Grants.

22 We announced last week that we're making 43

1 grants for the year 2013 totally \$3.4 million. The
2 grants were awarded across 26 states. These numbers
3 are comparable to the numbers we've awarded in recent
4 years; our funding for TIG grants is basically flat
5 from one year to the next. In 2011, we had 37 grants,
6 were at \$3.6 million in 25 states. In 2010, we had 45
7 grants totaling \$3.3 million in 26 states.

8 I just want to highlight three grants to give
9 examples of the breadth of things that we're funding
10 through TIG. First was a grant to Idaho Legal Services
11 for the development of a web-based virtual law office
12 to help serve rural clients more effectively.

13 The second relates to pro bono, an award to
14 Legal Aid Services of Northeastern Minnesota to create
15 settlement checklists and client interview guides
16 optimized for mobile use by pro bono lawyers, so that
17 wherever they are, they have ready access to
18 information to check against when they're working with
19 a client, perhaps in an area that isn't their primary
20 area of practice.

21 And finally, we made several grants to help
22 programs use data to improve their effectiveness and

1 efficiency. That was something that we specifically
2 solicited proposals on this year. We got a number of
3 applications in that area, and were glad to be able to
4 fund a number of grants on that subject.

5 Next, at each meeting I report on what we're
6 doing to implement the recommendations of the Fiscal
7 Oversight Task Force. Since the Board's last meeting,
8 the single most important thing we've done is to hire a
9 vice president for grants management.

10 And I'd like to welcome officially, on the
11 record, Lynn Jennings, who is sitting in the audience.

12 Lynn joined us two weeks ago today. She's come back
13 every Monday since.

14 (Laughter.)

15 PRESIDENT SANDMAN: Welcome aboard, Lynn.

16 Lynn has been spending her time meeting with
17 people and learning about the operations of LSC,
18 meeting in particular with people in the Office of
19 Compliance and Enforcement, the Office of Program
20 Performance, and the Office of Information Management.
21 She's off to a great start.

22 Lynn will henceforth be primarily responsible

1 for implementing the recommendations of the task force,
2 working with Becky Fertig.

3 We are continuing to work on drafting
4 documentation to implement the task force's
5 recommendations with regard to the roles of Management
6 and the Office of the Inspector General, and how they
7 relate to one another.

8 We also have a consultant who has been working
9 with the Office of Compliance and Enforcement over the
10 last couple of months on their fiscal review process
11 and on their risk assessment and management processes.

12 The consultant is developing a new set of
13 guidelines to identify those programs that should be on
14 the priority list for visits or other follow-up
15 activity, based on how they stack up against a list of
16 assessment risk factors, and to come up with a way of
17 quantifying our assessment of risk under each factor to
18 see which programs rise to the top for attention. And
19 our goal is to have the benefit of her work product
20 and, ideally, to implement her recommendations by the
21 end of the year.

22 Next I'll give a brief update on the Public

1 Welfare Foundation grant. We issued a request for
2 proposals for consulting assistance over the summer,
3 and received six proposals back, including some very
4 strong ones. We're in the process of reviewing those
5 applications and will be narrowing the finalists to
6 about three.

7 We will be inviting the finalists in for
8 interviews if they're near Washington, or doing
9 interviews by Skype if they're not. And our goal is to
10 choose a consultant by the end of October.

11 The consultant will be working not only with
12 staff at LSC, but with a small working group of about
13 seven people from outside LSC that we're assembling,
14 including some people from the field and from others in
15 the grant-making community.

16 As I reported at a previous meeting, we're
17 looking to hire a new chief information officer. This
18 is a new position at LSC. With the help of Traci
19 Higgins, our director of human resources, we got the
20 word out to the right places, I think, and we got 94
21 applications for the position.

22 Traci does a terrific job of being proactive

1 in advertising positions in the right places to get the
2 quality of applicants that we're looking for. She and
3 Richard Sloane have been driving this process. They've
4 conducted eight telephone screening interviews and have
5 invited five candidates in for followup in-person
6 interviews.

7 From everything I've seen of their credentials
8 and from what I've heard from Richard and Tracy, we
9 have some excellent candidates. And we're looking to
10 complete the search by the end of October.

11 I would desire the qualities we're looking
12 for, the principal qualities we're looking for, as
13 three -- first, vision; second, management capability;
14 and third, technical knowledge. They're all important,
15 but I'd rank them in that order.

16 Our existing staff has great technical
17 knowledge. I think sometimes organizations make a
18 mistake in putting that at the top of their list of
19 priorities for technology people. They end up with a
20 techie who can talk to other techies but isn't
21 well-integrated into the enterprise.

22 If we can find someone who has not only that,

1 but vision and management skills as well, I think we'll
2 have a first-rate technology operation that will be
3 well-integrated with the work of LSC.

4 I wanted to report on new census figures since
5 the Board last met. The Census Bureau updated poverty
6 population information for the year 2011 on September
7 12th. And what their data showed surprised demographic
8 experts.

9 It showed that the poverty rates and size of
10 the poverty population in 2011 was not significantly
11 different from 2010. People had been predicting the
12 opposite, continued growth in the size of the poverty
13 population.

14 We have revised our previous estimates --

15 MS. REISKIN: Excuse me. They thought there
16 would be more people in poverty?

17 PRESIDENT SANDMAN: Yes. They thought that
18 both the percentage and the absolute numbers would
19 continue to rise, as they have over the past few years.

20 And that did not happen in 2011.

21 As you know, we have made projections for
22 coming years based on the best available Census Bureau

1 information. We've updated our projections based on
2 the most recent information released on September 12th.

3 We included that new information in the submission we
4 made to the Office of Management and Budget in support
5 of our proposed budget request for fiscal 2014.

6 This graph on the screen shows the difference
7 between the numbers we had projected previously and
8 what we're now projecting based on the most recent
9 information. As you can see, we're now projecting that
10 from 2011 through 2014, the numbers are basically flat,
11 going from, it looks like, 60,949,000 people up to
12 61,572,000 in 2014. And the shaded area on the bars on
13 the right of the chart shows the difference between
14 what we had projected previously and what we're
15 projecting now.

16 As you know, our budget request for 2014 had
17 assumed that there'd be a 2.3 percent increase in the
18 size of the poverty population between 2012 and 2014.
19 We're no longer projecting that.

20 But I think one fact remains unchanged, and
21 that is that there has been a very significant increase
22 in the size of the population eligible for LSC-funded

1 services between 2007 and the present. That number was
2 down at 50,800,000 in 2007, and is now up to 61
3 million.

4 That's a very big percentage increase, and
5 that was one of the factors that the Finance Committee
6 and the Board considered, how the level of service that
7 we're providing currently compares to the level of
8 service provided in 2007, the last full year before the
9 recession began.

10 I reported to the Finance Committee yesterday
11 on our new lease for the Corporation's premises at 3333
12 K Street N.W. in Washington. We signed a new lease for
13 another ten years on Friday of last week; that will
14 take the lease from June 1, 2013 through May 31 2023.

15 The lease provides for no increase, none, in
16 our current base rent over the ten-year extended term.

17 What this means is that we will have had the same base
18 rent, the same basic rate per square foot, from 2003
19 through 2023, 20 years at the same rental rate. That
20 rate is \$38 a square foot.

21 In addition, we benefit from the way in which
22 our landlord measures the space that we occupancy.

1 There are different ways that the commercial real
2 estate market measures tenant space. The differences
3 have to do with how you allocate space for technology
4 closets, lobbies, elevator space.

5 And they have chosen to use a method of
6 measurement that is actually significantly more
7 tenant-friendly than the method that is most commonly
8 in use in Washington, D.C. today. That has the effect
9 of resulting in LSC's paying rent on 13.2 percent fewer
10 square feet than we would be paying rent on were the
11 space measured by the market standard in D.C.

12 If you translate that benefit into dollars per
13 square foot, it's the equivalent of paying about \$33 a
14 square foot instead of \$38 a square foot for the space
15 that we occupy. That's a very favorable rent in the
16 Washington market.

17 There are two terms of the new lease, two
18 economic terms, that are different from the current
19 lease. One is an increase in the monthly rate we pay
20 for in-building parking spaces. The current market
21 rate for those spaces is \$215 per space per month; we
22 have been paying that for about 17 spaces, but have

1 been paying only \$100 a month for another 50 spaces in
2 the building.

3 Effective the commencement date of the new
4 lease, we'll be paying the market rate of \$215 a month
5 for those spaces, for all of them. But we've locked in
6 that rate for ten years. There will be no increase in
7 that rate, regardless of what else goes on in the
8 market.

9 The second economic change is that LSC will be
10 responsible for our pro rata share of increases in
11 building operating expenses in future years compared to
12 a base year of 2012. Building operating expenses
13 include things like utilities, security expenses, real
14 estate taxes.

15 We have not been paying any of those, or any
16 portion of those, for the first ten years of the lease.

17 But our landlord has determined that because of the
18 pressure that they're under because of increases in
19 those rates since we first moved into the building in
20 2003, that they need a little bit of help. So we will
21 paying roughly 70 percent the increase in those
22 expenses in future years over the actual expenses in

1 2012.

2 The combined effect of these two new economic
3 terms is about \$101,000 a year. That's about a 5.9
4 percent increase in our total occupancy costs from the
5 prior lease. But I think this is a remarkably good
6 deal. It reflects uncommon stability in our occupancy
7 expenses over two decades.

8 We this year are going to be asking our
9 grantees to provide a little more information on the
10 funding they get from non-LSC sources. As you may
11 recall, when the Finance Committee was considering what
12 the Corporation's budget request should be for fiscal
13 year 2014, some questions came up about our information
14 on other sources of funding.

15 Sharon Browne, in particular, asked a very
16 good question about a category called "Other Revenue,"
17 which totaled \$63 million. That's a big number to be
18 in a category called "Other." And Sharon asked me if I
19 could break that down. I did the best I could, but I
20 wasn't satisfied with the answer I was able to give
21 her.

22 So we're trying to get more detail on the

1 various sources of funding that our grantees have.
2 This is important because if one grantee or group of
3 grantees knows about sources of funding that others
4 don't, we'd like to make that information available so
5 that all grantees might have access to a wider
6 category -- wider group -- of funders.

7 We're also working to try to align the way in
8 which we report this information, with the reporting
9 done by the American Bar Association. Meredith
10 McBurney, who appeared before the Board in Ann Arbor in
11 July, presented some of her numbers on funding for
12 legal services programs, not limited to LSC-funded
13 programs, across the United States.

14 And she uses some different buckets from the
15 ones that we use. So we're trying to promote some
16 consistency with the information that the ABA collects.

17 And finally, one piece of excellent news from
18 Friday. On Friday, the Office of the Inspector General
19 informed us that they are closing out their audit of
20 Technology Initiative Grants. We provided information
21 to demonstrate what Management has done to implement
22 the recommendations that the Office of the Inspector

1 General made, and got a letter back on Friday
2 indicating that all recommendations are closed, and the
3 audit is now complete.

4 I'd like to compliment the team that worked to
5 get that done: the TIG team, led by Glenn Rawdon,
6 Janet LaBella; significant work done in the Office of
7 Compliance and Enforcement under Lora Rath; Traci
8 Higgins did wonderful work with our union; and I'd like
9 to thank the Office of the Inspector General for
10 working so cooperatively with us to get that concluded.

11 I'd be happy to answer questions.

12 CHAIRMAN LEVI: Thank you, Jim. And thank you
13 for not only that report but for the wonderful work
14 you've been doing since you joined our Board. It
15 certainly has made our life a lot easier, and we look
16 forward to many more years together.

17 In any event, Mr. Inspector General?

18 MR. SCHANZ: Thank you, Mr. Chairman. As
19 usual, I don't have a PowerPoint, but I do have a very
20 lengthy agenda. So I'm not sure which is better.

21 I do want to mention, though, even though I'm
22 not particularly computer-proficient, we heard from an

1 earlier panel today the use of SharePoint. I want to
2 be able to report to you that the OIG has SharePoint.

3 We are moving towards total integration of all
4 our work -- audit investigation, evaluation,
5 management. And at some point in the immediate future,
6 I will have a dashboard on my computer where I can
7 drill down to any project that the IG is involved in.

8 I'm very excited about that. I don't have to
9 walk down the hall to find people. I'll have it
10 instantaneously at my fingertips. So we are moving
11 with that, and that was all part of our carryover
12 spending-down plan.

13 We have an intranet, and we call it OIG
14 Connect because we're connecting every element of the
15 OIG, so I can be able to have access to information;
16 audit can communicate with investigations on an
17 instantaneous and contemporaneous manner. So I'm
18 pretty excited about that.

19 Based on yesterday's discussion on the Audit
20 Committee charter, I do want to remind the Board that
21 in the CIGIE community, I'm on the audit committee.
22 CIGIE is the Council of IGs for Integrity and

1 Efficiency, and I and my fellow IGs are assigned
2 committees. And I'm on the audit committee.

3 We just had a meeting last week. And what
4 we're working on is cross-cutting government issues.
5 Even though we're non-federal, there are a lot of
6 parallels between what the federal community does and
7 what LSC does.

8 Some of the examples of recent IG
9 cross-cutting issues have been Recovery Act funds,
10 improper payments. Now, I'm not mandated to do those,
11 but those are very good ideas for me to take a look at
12 when we're discussing it in an IG community.

13 Other than that, I do want to refer you to the
14 OIG web page. We post everything, completely
15 transparent. So most of our work is up on that,
16 including fraud alerts and other things like that.

17 So just to refresh, as you have so much free
18 time, you can just take a look and see what we're
19 doing. And I intend to be able to do that also from
20 the SharePoint and the OIG Connect. And it's not easy
21 to turn a battleship, but we're getting there.

22 I do want to tell you that as of the end of

1 September, we have closed the semiannual reporting
2 period. So anything that occurred, including the
3 closing of the TIG report, will be included in this
4 year's -- or this period's semiannual report that the
5 Board transmits to Congress. So we're already
6 calculating data on that, and we should be very timely
7 when we have that.

8 And that's out report card for the Hill and
9 for Dean Minow when she does my performance evaluation.

10 So we take that very seriously, and it's accurate.
11 It's referenced. It's cross-indexed. It's everything,
12 to make sure that our report to Congress is as accurate
13 and as complete as possible. And I'm very pleased that
14 we'll have some information in there that will be of
15 interest to the Board and to the Hill.

16 One of the other things that we're doing is
17 we're trying to hire. We lost a couple people, so we
18 were down two auditors over the summer. We have hired
19 one individual with GAO experience. So I'm pleased
20 with that.

21 She started one week, and the next week she
22 was doing a grant audit. So there wasn't a whole lot

1 of learning curve time there. GAO generally takes a
2 look at just about everything in government, including
3 many, many grant programs. So we're staffing up that
4 way.

5 We also spent, I thought, very productive time
6 meeting with the consultants that Jim has hired for the
7 GAO recommendations over risk assessments. And we,
8 myself and my staff, have some experience in that area,
9 so we spent whatever time they wanted with us. And
10 then the implementation of the Fiscal Oversight Task
11 Force recommendations as it relates to internal
12 controls over grants competition.

13 So we met with the consultants. I'm available
14 to them at any point in time, so it wasn't just one and
15 done; as they progress, I offered myself and my staff
16 to be able to impart some of the knowledge that they
17 were asking that we may have.

18 We are also -- in the realm of IT and
19 technology, we have installed -- right now we're going
20 through the training -- of automated working papers.
21 The package, it's an off-the-shelf package. I was
22 familiar with it at the Department of Justice. And we

1 have purchased it for LSC OIG audit division. So we
2 will be able to track, pretty much on a daily basis,
3 the progress that's being made on any of our audits.

4 The person I mentioned to you at the last
5 board meeting, John Seeba, the former inspector general
6 of the Federal Trade Commission, is considered one of
7 the leading experts in the implementation of TeamMate
8 government-wide. So I'm very pleased to put him in
9 charge of what we'll be doing.

10 We'll invite Jim down, if he wants to go
11 through a training on how documentation is on literally
12 every single working paper which documents the evidence
13 that we gather during our audits. Not investigations,
14 but our audits.

15 I think that's all I have. I will tell you
16 that -- and I wish the Dean was here -- in an
17 ever-persistent effort on my behalf to improve my
18 qualifications and my expertise, I will be attending an
19 Association of IGs meeting next week.

20 It's an organization, voluntary organization,
21 and I pay for it; the Corporation doesn't pay for it.
22 And it's an amalgamation of state, local, and federal

1 inspectors general. And to me, it's eye-opening to
2 realize the IG concept has been cascaded down to the
3 state and local levels, including -- I'll use New York
4 and Florida as examples -- pretty much every agency
5 they have has their own independent inspector general.

6 So I will report back on that. But it's been
7 very fruitful. I've been to one in five years, so I'll
8 be to two in five years. And it's very fruitful, and
9 it gives me an opportunity to hobnob and learn from
10 people at a different level, not necessarily the
11 federal level but at the state and local level.

12 The audit community has something very similar
13 to that, the National Integrated Audit Forum, where
14 they get together once a year. It's sponsored by GAO.

15 And when I was primarily an auditor, I went to that
16 oftentimes. It's a nationwide event -- not a
17 conference, not a GSA conference, but it's a nationwide
18 training event for state and local and federal
19 auditors, and state auditor generals.

20 So this Association of IGs is akin to that;
21 just more focused on IG work.

22 So that councils my report, Mr. Chairman,

1 unless you have any comments or questions.

2 CHAIRMAN LEVI: Thank you, Jeff.

3 Any questions for the Inspector General? Yes,
4 Julie?

5 MS. REISKIN: Yes. I just want to thank you
6 for sending us the reports and stuff as you go because
7 I know probably none of us have time or aren't going to
8 remember to go check the website on a regular basis.
9 So I appreciate getting those when they happen so I
10 know what's going on.

11 MR. SCHANZ: Well, thank you. We'll continue
12 to do that.

13 CHAIRMAN LEVI: Charles?

14 MR. KECKLER: Jeff, thanks for the report.
15 This is a little beyond the traditional scope of the
16 Inspector General, but wondered if you had any insight
17 or thought about it.

18 I heard from one of the panelists earlier.
19 They were talking about updating their computer system
20 and doing a security audit of it, which obviously we do
21 have because there's lots of confidential information
22 at the grantees.

1 And I wondered, whose function is it to either
2 help with that or see that that's done or assist with
3 that, the computer security issue that our grantees --

4 MR. SCHANZ: In the federal sector, and in my
5 prior life, that's called a FISMA audit, Federal
6 Information Systems Management Audit. And it includes
7 such things as penetration testing to see how you can
8 drill down, or if there's any leaks in the security of
9 that particular system.

10 That is on our work plan to do. Jim is aware
11 of this. I intend to do it. We do not have qualified
12 staff persons to do it. At DOJ, we had a whole office
13 that was responsible for that.

14 I'm not at DOJ, and I'm very happy here at
15 LSC. And so we are going to have to contract for that.

16 And once again -- I mentioned John Seeba earlier -- he
17 has that skill set to be able to monitor, not to do the
18 work, but -- and in D.C., as you may imagine, there's a
19 whole cottage industry that has built up over the FISMA
20 requirements.

21 And that's a federal requirement, but I think
22 it's also a best practice for LSC. So I intend to do

1 that as time and resources allow.

2 MR. KECKLER: Thank you very much. And that's
3 something that's very helpful to know that that's
4 expanding out and helping our grantees in that way.

5 MR. SCHANZ: And using that as a segue,
6 Charles, I would always welcome any input from the
7 Board as to projects or planning things that we should
8 be focusing on.

9 PRESIDENT SANDMAN: Charles, at the corporate
10 level, Management does that regularly. We hire
11 contractors to do security testing, and in particular,
12 to do penetration testing. My recollection is that
13 Jeff Morningstar made a presentation on this at the
14 Richmond board meeting last year.

15 CHAIRMAN LEVI: Any other questions for the
16 Inspector General?

17 (No response.)

18 CHAIRMAN LEVI: Thank you very much, Jeff.

19 MR. SCHANZ: Okay. Thank you.

20 CHAIRMAN LEVI: Oh, you want one more --

21 PRESIDENT SANDMAN: The report on the TIG
22 audit closure, I'm remembering now that there were two

1 thank yous I forgot. I'd like to acknowledge and thank
2 Mark Freedman in the Office of Legal Affairs, and I'd
3 like to thank the leadership of our union for their
4 professionalism and their cooperation in helping us get
5 that closed.

6 MR. SCHANZ: And if I may echo your comments,
7 that to me is one of the better jobs that an IG could
8 do because it made the Corporation more efficient and
9 effective, which is the other hat that I wear. And
10 with Jim's support and willingness to abide by the
11 recommendations, we were able to come to come to
12 closure and improve the program significantly.

13 CHAIRMAN LEVI: Well, thank you. And it's
14 certainly a different presentation than one we had,
15 what was it, over a year ago on this subject.

16 The Promotions Committee.

17 MS. MIKVA: The Committee met, but did nothing
18 that requires action by the Board.

19 CHAIRMAN LEVI: Finance Committee? Mr. Grey,
20 does the Finance Committee have any report for the
21 Board?

22 MR. GREY: I think so.

1 (Laughter.)

2 CHAIRMAN LEVI: We'll give you a minute.

3 MR. GREY: Where is my Treasurer of the
4 association?

5 CHAIRMAN LEVI: He's coming right here.

6 MR. GREY: Then I shall be prepared.

7 CHAIRMAN LEVI: I believe you have a
8 resolution to present.

9 MR. GREY: That's exactly right. He's got it.

10 Mr. Chairman, the Finance Committee met and
11 heard reports regarding 2012, 2013, and 2014 budgets
12 and continuing resolutions.

13 And in furtherance of our own need to continue
14 to approve budgets in the cycle in which we're in, the
15 Finance Committee recommends to the Board the approval
16 of the continuing resolution budget request that the
17 Treasurer offered. And I'll ask him to explain the
18 details of it.

19 MR. RICHARDSON: On page 48 of the board book
20 is the resolution. It provides information as to the
21 amount of the continuing resolution, appropriation that
22 we received as a result of that. It contains

1 information in regards to the Court of Veterans'
2 Appeals. It also contains projected carryover for
3 2012.

4 The budget total is \$362,889,022. There is a
5 breakout of the information provided in the packet, as
6 to how much is for delivery of legal assistance, how
7 much for the Herbert S. Garten Loan Repayment
8 Assistance Program, MGO, and the Inspector General.
9 That is on page 50 of the board book. And we ask that
10 you -- the Committee is recommending that resolution
11 for you to adopt.

12 CHAIRMAN LEVI: So your Committee is
13 presenting the resolution. Is there a question?

14 FATHER PIUS: Just as a clarification,
15 obviously the continuing resolution is only for six
16 months.

17 CHAIRMAN LEVI: Right.

18 FATHER PIUS: But this budget is annualized.
19 So it assumes those numbers continue for the whole
20 year. But again, we have no guarantee that that is in
21 fact going to happen.

22 CHAIRMAN LEVI: So we'll have to make --

1 FATHER PIUS: Review it, obviously, when the
2 situation ends.

3 M O T I O N

4 MR. GREY: It is the advice of the Finance
5 Committee that the Board approve the budget. So we
6 submit it with a motion.

7 CHAIRMAN LEVI: And does it need a second? I
8 guess it does.

9 MS. REISKIN: Second.

10 CHAIRMAN LEVI: Maybe it doesn't. I don't
11 think it does. I think it just gets a vote.

12 All in favor?

13 (A chorus of ayes.)

14 CHAIRMAN LEVI: Opposed?

15 (No response.)

16 CHAIRMAN LEVI: Now, the Audit Committee, I
17 assume you have a report. And is it a long report, or
18 what are we thinking?

19 MR. MADDOX: I don't think it's necessarily
20 that long. I mean --

21 CHAIRMAN LEVI: Let's start, and if we get to
22 5:30, we'll stop. We might stop mid --

1 MR. MADDOX: Well, the Audit Committee met
2 yesterday, and we received a report from the Inspector
3 General. But our principal work was dedicated toward
4 completing the revision of the Audit Committee charter,
5 which had begun, as Harry reminded us yesterday, two
6 years ago in October.

7 And it began in part because I had concerns
8 that there were duties and responsibilities in the
9 charter that we couldn't effectively or realistically
10 undertake. One of those, for instance, was Section 13
11 under Duties in the old charter, which said that we
12 should review all regulatory and internal control
13 matters that may have a material effect on the
14 Corporation's financial statements.

15 That seemed like an expansive charge, and one
16 that we couldn't realistically undertake. And so we
17 were effectively honoring it in the breach. Harry
18 identified other areas of concern, as did Gloria, and
19 that was the Committee at the time this process
20 started.

21 With Paul Snyder and David Hoffman's addition
22 to the Committee, we brought in their considerable

1 judgment and expertise, and in the process sort of
2 moved along. We had a two-and-a-half-hour meeting by
3 telephone in June, where we discussed changes.

4 Subsequently, we had further discussions, I
5 think generated because of concerns by the Inspector
6 General and his staff. And much of our meeting
7 yesterday was dedicated toward working through those.
8 I think we had a productive meeting yesterday, and we
9 were able to work through, I think, most of those
10 concerns.

11 So we have -- the Committee unanimously voted
12 to recommend a new charter or a revised charter, which
13 I think is available to all of the board members in its
14 final form. I'll just point out a couple of the
15 highlights which I think the Board might want to be
16 aware of.

17 Under Section VII(1), Authority, we say that
18 the Committee shall, unless otherwise directed by the
19 Board, annually review and discuss with the Inspector
20 General the selection and retention of the external
21 auditor by the IG, and shall provide the Board with its
22 assessment of the qualifications and independence of

1 the external auditor selected and retained by the IG.

2 That language replaces the language in the
3 existing charter, which is Section VII(1), which says
4 that the Committee, unless otherwise directed, shall
5 oversee the selection and retention of the external
6 auditor by the Inspector General of the Corporation.

7 A lot of the time we spent working through
8 alternative language and coming up with a new draft was
9 an effort to find common ground with the IG on this
10 specific question. And I think the IG's office
11 expressed legitimate concerns for the use of the word
12 "oversee."

13 Part of that concern had to do with the nature
14 of the Committee, as all committees of the Board, as
15 advisory committees, some changes in the recent
16 amendments to the D.C. Nonprofit Corporation Act, and
17 the like.

18 Ultimately, I think we agreed with the IG.
19 We've removed the word "oversee" from the charter in
20 any respect insofar as the Committee relates to the
21 IG's office. So that is a substantive change.

22 I think that the nature of the work of the

1 Committee, though, in connection with the outside
2 auditor and the IG's office is, in my view, I think,
3 spelled out more appropriately in the existing
4 language.

5 In Section (2) of that same section, we
6 added -- that provides that the Committee should have
7 unrestricted access to the Corporation's books and
8 records, facilities, personnel, and external auditor.
9 We added, again at the request of the Inspector
10 General, the words, "except with regard to confidential
11 information in the possession of the IG that it is
12 prohibited by law from sharing with the Board."

13 And that was a concern for, I think,
14 principally the notion that the IG's office has
15 investigatory reports that are perhaps draft; they're
16 not finalized, and they are confidential, at least, if
17 not explicitly, then certainly as part of the operation
18 of the IG's office under the IG Act. So that's an an
19 additional limitation.

20 We reorganized the charter so that it, I
21 think, more clearly and appropriately lays out the
22 duties in Section VIII. We put them into three

1 substantive categories -- A. Audits and Audit-Related
2 Matters, B. Financial Reporting, and C. Risk
3 Management. And I think that that's an easier
4 organizational structure to follow.

5 The concern I had originally with Section
6 (13), which related to reviewing all regulatory matters
7 and the like, has found its way into Section VII.B.(2),
8 which says that the Committee will review all issues
9 identified and brought to the Committee's attention by
10 Management, the OIG, the GAO, or the external auditor
11 that may have a material effect on the Corporation's
12 financial statements.

13 So it more narrowly focuses the Committee's
14 duty to look at issues that are brought to its
15 attention by any source, whether it's internally or by
16 the GAO, rather than putting the duty on the Committee
17 to have command of the entire Federal Register. And I
18 think that's an appropriate change.

19 We added a section as well under Risk
20 Management, (2), which would ensure that the
21 Committee's review of the OIG's function occurs in a
22 manner that does not compromise the OIG's independence

1 or the confidentiality of its investigation. I think
2 everybody agrees that's an appropriate change.

3 And finally, we added in the last subparagraph
4 of Section IX, Overall Limitations, the statement that
5 the Committee is an advisory committee, as defined by
6 the D.C. Nonprofit Corporation Act, and nothing
7 contained in the charter shall be construed as
8 authorizing the Committee to exercise the powers of the
9 Board of Directors.

10 M O T I O N

11 MR. MADDOX: So those are the recommendations
12 that the Committee unanimously agreed should be
13 submitted to the Board. And I believe that we have a
14 resolution at page 166 of the board book that, if
15 adopted, would substitute the new charter for the
16 charter originally adopted in 2008.

17 CHAIRMAN LEVI: Any comments? Questions about
18 it?

19 (No response.)

20 CHAIRMAN LEVI: All in favor?

21 (A chorus of ayes.)

22 CHAIRMAN LEVI: Opposed?

1 (No response.)

2 CHAIRMAN LEVI: You've got a new charter. So
3 now you're free to work on the pro bono --

4 MR. MADDOX: Now we can move on to substantive
5 work.

6 CHAIRMAN LEVI: That's right. And is that --

7 MR. MADDOX: Let me just say, I just want to
8 thank Jeff Schanz and his staff for their work and
9 their patience. I think the process revealed a certain
10 underlying tension in some respects between the OIG's
11 office and the Committee.

12 I think we worked through them appropriately,
13 perhaps not always on the schedule that the Committee
14 Chair should have insisted on and made to happen. But
15 we did get it all done, and I appreciated everyone's
16 work.

17 CHAIRMAN LEVI: Thank you. Harry?

18 MR. KORRELL: One second on that. I do
19 think -- and I apologize, Vic, if you said this and I
20 didn't pick it up -- but we're going to be working with
21 staff to develop a calendar to go along the side of our
22 charter so that we can have something to work meeting

1 by meeting and take up these issues.

2 So it's not just going to be a charter in the
3 back of the book, but something we can actually use to
4 guide our work rather than just taking it as it comes.

5 I think that'll be helpful.

6 MR. MADDUX: Correct. That's our report.

7 CHAIRMAN LEVI: Okay. With that --

8 MR. SCHANZ: Before we move on, if you don't
9 mind, speaking of the charter and the financial
10 statement audit, the entrance conference is scheduled
11 for October 4th.

12 CHAIRMAN LEVI: And thank you for notifying us
13 as you did, those who are on the Board who would be
14 interested in that. So we appreciate that.

15 At this point, we will adjourn the public
16 meeting of the open session of the Board, to pick it up
17 tomorrow morning at 8:00 a.m. where it just stopped.

18 (Whereupon, at 5:34 p.m., the open board
19 session was adjourned, to reconvene the following day,
20 Tuesday, October 2, 2012, at 8:00 a.m.)

21 • * * * *

22 •