

OFFICE OF LEGAL AFFAIRS

**MEMORANDUM**

**TO:** The LSC Board of Directors

**THRU:** Victor M. Fortuno, Vice President & General Counsel

**FROM:** Rebecca Weir, Assistant General Counsel

**DATE:** November 14, 2011

**SUBJ.:** Summary of FOTF Members' Reactions to Public Comments on the Fiscal Oversight Task Force Report

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In July 2010, the LSC Board of Directors created an independent Fiscal Oversight Task Force (FOTF) to review LSC's fiscal oversight operations and make recommendations for improvement. In 2011, the FOTF met more than 15 times over the course of six months to study LSC's oversight structure and develop a report of findings and recommendations. In August 2011, the Fiscal Oversight Task Force presented its report to the Board. By notational vote on August 20, the Board directed Management to publish the Report in the Federal Register for the purpose of soliciting public comments. The Report was published for a thirty-day period and yielded 9 comments, all of which were considered by the Board at its October 18 meeting. The Board then sought reactions to the comments from the FOTF members and their consulting firm, Baker Tilly. Three members of the FOTF and Baker Tilly submitted responses, which are summarized below for your convenience.

The common thread among the three Task Force members' reactions was that the comments, while insightful, did not change their opinions or cause them to revisit their recommendations. In addition, they felt that most of the criticisms need not be resolved prior to adoption of the recommendations and would be better addressed during the implementation phase. One Task Force member, however, thought it might be valuable to add a recommendation with respect to whistleblower/compliance officer matters.

Two Task Force members acknowledged that the Report did not include staff and grantee perspectives, but they felt that those perspectives could be considered during implementation.

Two Task Force members had reactions to the public commenters' concerns about consolidating the Office of Information Management (OIM) with LSC's other grants-management offices, the Office of Compliance and Enforcement and the Office of Program Performance. These members were not persuaded that a consolidation would necessarily threaten OIM's independence. Instead, they viewed the issue as one of proper management.

Regardless of how the organizational chart will be structured, OIM's independence will ultimately depend upon the installation of a strong leader in the newly-consolidated unit, who is committed to collecting accurate, objective statistical data and generating useful analyses.

All three Task Force members had reactions to criticisms that the Report did not go far enough in evaluating the Office of Inspector General's (OIG) role in fiscal oversight of grantees. The members felt that the Task Force spent a lot of time studying the OIG's operations and determining how to best use its expertise. They agreed with the public commenters that the OIG's role is critically important to fiscal oversight and that the interaction and coordination between Management and the OIG needs to be enhanced, but they felt that a prescriptive approach could be disruptive. They favored a more collaborative approach that would encourage Management and the OIG to continue their relationship-building efforts. And, given the limited scope of the Task Force's review, which focused primarily on enhancing *Management's* oversight obligations, the members felt that the OIG-related recommendations were appropriate.

The FOTF members also had reactions to some public commenters' opposition to the proposed consolidation of OCE and OPP. The members were not persuaded that a consolidation would dilute the focus or importance of the various grants-management functions (*i.e.*, program quality, regulatory compliance, fiscal oversight, and statistical analysis); how those functions will ultimately be discharged is a question of management and implementation. Indeed, the recommendation to reorganize assumed that further analysis would be undertaken and that additional input from key personnel and stakeholders would be obtained. It was based on the belief that a single, streamlined grant-making and grants management function could better accomplish the Corporation's performance and compliance objectives than multiple reviews conducted in isolation of each other. As with any large, multifaceted audit or review effort, proper advance planning and on-site supervision and coordination will be critical. The Task Force members were confident that Management would be cognizant of the burdens and disruptions grantees have faced during previous attempts to conduct joint program visits and would exercise great care in implementing a truly integrated review process.

One Task Force member "was troubled" by the union president's implication that information has been or is currently being withheld from or misrepresented to the Board and that the OIG has previously refused or is currently refusing to pursue allegations of fraud, waste, and abuse. During its fact-finding discussions, the Task Force recognized the importance of having an independent chief compliance officer who could regularly report to the Board on matters like the ones raised by the union president. To the extent that this finding was not included in the Report, the Task Force member thought that it may be valuable to add a recommendation on that topic.

Finally, the Task Force's consultant disagreed with John Meyer's comment that the IPAs do not have expertise in regulatory compliance matters. She also pointed out that IPA audits are not designed to combat fraud and other defalcations. The consultant was interested learning the OIG's perspective on this issue, and suggested that LSC conduct a more detailed analysis of the current state of grants management activities as part of its reorganization efforts.